

**NOTICE OF MEETING  
AND  
MANAGEMENT INFORMATION CIRCULAR**

**ANNUAL AND SPECIAL MEETING  
OF SHAREHOLDERS**

**OF  
LI-METAL CORP.**

March 14, 2025, at 11:00 a.m. (Eastern Time)

77 King Street West, TD North Tower, Suite 700  
Toronto, ON, M5K 1G8



## LI-METAL CORP.

### NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

**NOTICE IS HEREBY GIVEN** that the annual and special meeting (the “**Meeting**”) of the holders (the “**Shareholders**”) of common shares (“**Common Shares**”) of Li-Metal Corp. (the “**Corporation**”) will be held at the offices of CP LLP located at 77 King Street West, TD North Tower, Suite 700, Toronto, ON M5K 1G8 at 11:00 a.m. (Eastern time) on March 14, 2025 for the following purposes:

1. to receive and consider the audited annual financial statements of the Corporation for the year ended March 31, 2024, together with the notes thereto and the report of the independent auditor thereon;
2. to set the number of directors of the Corporation at four and to elect the directors of the Corporation to serve from the close of the Meeting until the close of the next annual meeting of shareholders of the Corporation or their successors are elected or appointed, all as the case may be, unless his or her office is earlier vacated in accordance with the by-laws of the Corporation or the provisions of the *Business Corporations Act* (Ontario);
3. to re-appoint MNP LLP, Chartered Accountants, as auditors of the Corporation, to hold office until the next annual meeting of the shareholders of the Corporation and to authorize the directors of the Corporation to fix the auditor’s remuneration;
4. to consider and, if deemed advisable, to pass, with or without variation, an ordinary resolution, the full text of which is set forth in the accompanying Circular (defined below), approving the change of business of the Corporation from a lithium anode development and production company to an investment company;
5. to consider and, if deemed advisable, to pass, with or without variation, a special resolution, the full text of which is set forth in the accompanying Circular (defined below), authorizing the change of name of Li-Metal to “Auctus Capital” (the “**Name Change**”), or such other name as the Board may determine is appropriate, such Name Change to be implemented at the sole discretion of the Board; and
6. to transact any other business as may properly be brought before the Meeting or any adjournment(s) or postponement thereof.

The details of all matters proposed to be put before the Shareholders at the Meeting are set forth in the information circular of the Corporation (“**Circular**”) accompanying this Notice of Annual and Special Meeting.

The record date for determination of the Shareholders entitled to receive notice of and to vote at the Meeting is February 5, 2025 (the “**Record Date**”). No person who becomes a shareholder of the Corporation after the Record Date will be entitled to vote or act at the Meeting or any adjournment thereof. If you wish to be represented by proxy at the Meeting or any adjournment thereof, you must deposit a completed, dated and signed form of proxy with the Corporation’s transfer agent, TSX Trust Company, by mail at 301 – 100 Adelaide St W Toronto, ON M5H 4H1 or by voting online at [www.voteproxyonline.com](http://www.voteproxyonline.com) prior to 11:00 a.m. (Eastern time) on March 12, 2025 or, if the Meeting is adjourned or postponed, not less than 48 hours (other than a Saturday, Sunday or holiday) prior to the start of the adjourned or postponed meeting. Notwithstanding the foregoing, the chair of the Meeting has the discretion to accept proxies received after such deadline.

**If you are a non-registered holder of Common Shares and have received these materials from your broker or another intermediary, please complete and return the voting instruction form or other authorization form provided to you by your broker or intermediary in accordance with the instructions provided. Failure to do so may result in your Common Shares not being eligible to be voted at the Meeting.**

The form of proxy confers discretionary authority with respect to: (i) amendments or variations to the matters of business to be considered at the Meeting; and (ii) other matters that may properly come before the Meeting. As of the date hereof, management of the Corporation knows of no amendments, variations or other matters to come before the Meeting other than the matters set forth in this Notice of Annual and Special Meeting. Shareholders who are planning on returning the accompanying form of proxy are encouraged to review the Circular carefully before submitting the proxy form.

**DATED** this February 10, 2025.

**BY ORDER OF THE BOARD OF DIRECTORS OF LI-METAL CORP.**

(Signed) “*Keshav Kochhar*”

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Name: Keshav Kochhar  
Title: Chief Executive Officer

LI-METAL CORP.

MANAGEMENT INFORMATION CIRCULAR  
FEBRUARY 10, 2025

**INFORMATION REGARDING CONDUCT OF MEETING**

**Solicitation of Proxies**

This management information circular (“Circular”) is furnished in connection with the solicitation by the management of Li-Metal Corp. (“Li-Metal” or the “Corporation”) of proxies to be used at the annual and special meeting (the “Meeting”) of holders of common shares (“Shareholders”) of the Corporation to be held on March 14, 2025 at 11:00 a.m. (Eastern time) at the offices of CP LLP located at 77 King Street West, TD North Tower, Suite 700, Toronto, ON M5K 1G8 and at any postponement(s) or adjournment(s) thereof for the purposes set forth in the accompanying notice of meeting (“Notice of Meeting”). References in this Circular to the “Meeting” include references to any postponement(s) or adjournment(s) thereof. It is expected that the solicitation will be primarily by mail but proxies may also be solicited through other means by employees, consultants and agents of the Corporation. The cost of solicitation by management will be borne by the Corporation.

These securityholder materials are being sent to both registered and non-registered owners of the securities. If you are a non-registered owner, and the Corporation or its agent has sent these materials directly to you, your name and address and information about your holdings of securities, have been obtained in accordance with applicable securities regulatory requirements from the intermediary holding on your behalf.

The board of directors of the Corporation (the “**Board of Directors**”) has by resolution fixed the close of business on February 5, 2025 as the record date for the meeting (the “**Record Date**”) being the date for the determination of the registered holders of common shares of the Corporation (the “**Common Shares**”) entitled to notice of and to vote at the Meeting and any adjournment(s) or postponement(s) thereof. The Board of Directors has by resolution fixed 11:00 a.m. (Eastern time) on March 12, 2025, or 48 hours (excluding Saturdays, Sundays and holidays) before any adjournment(s) or postponement(s) of the Meeting, as the time by which proxies to be used or acted upon at the Meeting or any adjournment(s) or postponement(s) thereof shall be deposited with the Corporation’s transfer agent. The time limit for deposit of proxies may be waived or extended by the chair of the Meeting at his or her discretion without notice.

The Corporation shall make a list of all persons who are registered holders of Common Shares on the Record Date and the number of Common Shares registered in the name of each person on that date. Each Shareholder is entitled to one vote on each matter to be acted on at the Meeting for each Common Share registered in his name as it appears on the list.

Voting at the Meeting will only be available for registered Shareholders and duly appointed proxyholders.

Unless otherwise stated, the information contained in this Circular is as of February 10, 2025. All dollar amount references, unless otherwise indicated, are expressed in Canadian dollars.

**ONLY REGISTERED SHAREHOLDERS AND/OR THEIR APPOINTEES MAY ATTEND THE MEETING IN PERSON. IN ADDITION, WE ENCOURAGE ALL SHAREHOLDERS TO VOTE THEIR SHARES BY COMPLETING AND RETURNING THE ENCLOSED FORM OF PROXY, AS DESCRIBED BELOW.**

If you have any questions or require further information with regard to voting your Common Shares, please contact TSX Trust Company toll-free in North America at 1-866-600-5869 or by email at [tsxtis@tmx.com](mailto:tsxtis@tmx.com).

Electronic copies of the Meeting materials may be obtained under Li-Metal’s profile at <https://www.sedarplus.ca>.

## **Appointment and Revocation of Proxies**

The persons named in the enclosed form of proxy are officers and/or directors of the Corporation. **A Shareholder desiring to appoint some other person or company to represent him or her at the Meeting may do so** by inserting such person's name in the blank space provided in that form of proxy or by completing another proper form of proxy and, in either case, depositing the completed proxy at the office of the transfer agent of the Corporation indicated on the enclosed envelope not later than the times set out above.

In addition to revocation in any other manner permitted by law, a Shareholder may revoke a proxy given pursuant to this solicitation by depositing an instrument in writing (including another proxy bearing a later date) executed by the Shareholder or by an attorney authorized in writing at Li-Metal's corporate headquarters located at 77 King Street West, TD North Tower, Suite 700, Toronto, Ontario M5K 1G8 at any time up to and including the last business day preceding the day of the Meeting.

## **Voting of Proxies**

Common Shares represented by properly executed proxies in favour of persons designated in the printed portion of the enclosed form of proxy **will be voted for each of the matters to be voted on by Shareholders as described in this Circular or withheld from voting or voted against if so indicated on the form of proxy and in accordance with the instructions of the Shareholder. In the absence of such election, the proxy will confer discretionary authority to be voted in favour of each matter set out in the form of proxy for which no choice has been specified.** The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the Notice of Meeting or other matters that may properly come before the Meeting. At the time of printing this Circular, management of the Corporation knows of no such amendments, variations or other matters to come before the Meeting. However, if any other matters that are not now known to management should properly come before the Meeting, the proxy will be voted on such matters in accordance with the best judgement of the named proxies.

## **Non-Registered Holders**

Only registered Shareholders or the persons they appoint as their proxies are permitted to vote at the Meeting. However, in many cases, shares beneficially owned by a holder who is not a registered Shareholder (a "**Non-Registered Holder**") are registered either: (i) in the name of an intermediary with whom the Non-Registered Holder deals in respect of the Common Shares such as, among others, banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered RRSPs, RRIFs, RESPs and similar plans (an "**Intermediary**"); or (ii) in the name of a clearing agency (such as The Canadian Depository for Securities Limited of which the Intermediary is a participant). In accordance with the requirements of National Instrument 54-101 of the Canadian Securities Administrators, the Corporation will distribute copies of the Notice of Meeting, form of proxy and this Circular to the clearing agencies and Intermediaries for onward distribution to Non-Registered Holders.

Intermediaries are then required to forward the materials to the appropriate Non-Registered Holders. Non-Registered Holders will be given, in substitution for the proxy otherwise contained in proxy-related materials, a request for voting instructions (the "**Voting Instructions Form**") which, when properly completed and signed by the Non-Registered Holder and returned to the Intermediary, will constitute voting instructions which the Intermediary must follow.

The purpose of this procedure is to permit Non-Registered Holders to direct the voting of the Common Shares they beneficially own. Should a Non-Registered Holder who receives the voting instructions form wish to vote at the Meeting in person (or have another person attend and vote on behalf of the Non-Registered Holder), the Non-Registered Holder should so indicate in the place provided for that purpose in the Voting Instructions Form. In any event, Non-Registered Holders should carefully follow the instructions of their Intermediary set out in the Voting Instructions Form.

## **Voting Securities and Principal Holder Thereof**

The authorized capital of the Corporation consists of an unlimited number of Common Shares and an unlimited number of preferred shares. As of the Record Date, the Corporation had 164,496,224 Common Shares issued and outstanding and no preferred shares issued and outstanding.

To the knowledge of the directors and officers of the Corporation, as at the Record Date, no person or company beneficially owns, directly or indirectly, or exercises control or direction over securities carrying more than 10% of the voting rights attached to the Common Shares.

### **Interest of Persons in Matters to be Acted Upon**

No director or executive officer of the Corporation, nor any person who had held such a position since the beginning of the last completed financial year end of the Corporation, no nominee for election as a director of the Corporation nor any respective associates or affiliates of the foregoing persons has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise in any matter to be acted upon at this Meeting other than the election of directors or the appointment of auditors.

## **MATTERS TO BE CONSIDERED**

### **Financial Statements**

The financial statements for the year ended March 31, 2024, together with the auditor's report thereon, will be presented to Shareholders for review at the Meeting and were mailed to applicable Shareholders with the Notice of Meeting and this Circular. No vote by the Shareholders is required with respect to this matter.

### **Election of Directors**

Under the constating documents of the Corporation, the Corporation is to have a minimum of one director and a maximum of ten directors, the number of which may be fixed from time to time by a resolution of the board. The Corporation currently has four directors, being Tim Johnston, Brad Morris, David Delaney, and John Walsh.

The Shareholders are asked to set the number of directors at four and approve the election of the following nominees to the board: Tim Johnston, John Walsh, Brad Morris, and David Delaney (collectively, the "**Nominees**") to hold office until the next annual general meeting of Shareholders or until their successors are elected or appointed, unless such office is earlier vacated in accordance with the provisions of the *Business Corporations Act* (Ontario). Shareholders can vote for all of the proposed directors set forth herein, vote for some of them and withhold for others, or withhold for all of them. Management does not contemplate that the Nominees will be unable to serve as directors, however, if before the Meeting, any Nominee becomes unable to serve as a director for any reason, the persons named in the accompanying proxy reserve the right to vote for another nominee in their discretion.

The following sets forth the name of each of the persons proposed to be nominated for election as a director of the Corporation and each such Nominee's principal occupation, business or employment, the period of time during which each has been a director of the Corporation, as applicable, the number of Common Shares of the Corporation beneficially owned by each, directly or indirectly, or over which each exercised control or direction, as at the date hereof.

**Unless authority to do so is withheld, the persons named in the accompanying proxy intend to vote for the election of all of the Nominees.** If prior to the Meeting any of such Nominees is unable to or unwilling to serve, the persons named in the accompanying form of proxy will vote for another nominee or nominees in their discretion if additional nominations are made at the Meeting. Each nominee elected will hold office until their successor is elected at the next annual meeting of the Corporation, or any postponement(s) or adjournment(s) thereof, or until his successor is elected or appointed.

*The Nominees*

| Name and Municipality of Residence                      | Principal Occupation  | Director Since | Number of Common Shares Beneficially Owned or Over which Control is Exercised <sup>(2)</sup> |
|---|---|----------------|--|
| Tim Johnston, Director<br>Toronto, Ontario              | Co-founder and Executive Chairman of Li-Metal, Co-founder and Director of Lacero Solutions, Co-founder and CEO of Roll and Charge   | October, 2021  | 14,841,020   |
| John Walsh, Director <sup>(1)</sup><br>Toronto, Ontario | General Counsel & Chief Compliance Officer of Timbercreek Investment Management Services and SVP Legal and Compliance of Timbercreek Capital. Prior thereto, Managing Director and General Counsel at OPTrust | October, 2023  | Nil  |
| Brad Morris, Director <sup>(1)</sup>                    | General Counsel and Head of Corporate Development at a venture capital firm   | December, 2024 | Nil  |
| David Delaney, Director <sup>(1)</sup>                  | President and Portfolio Manager of Concord Delta Inc.   | December, 2024 | 342,100 <sup>(3)</sup>   |

Notes:

- (1) Member of the Audit Committee.
- (2) Information as to shares beneficially owned, directly or indirectly, not being within the knowledge of the Corporation, has been furnished by the respective proposed directors individually.
- (3) These shares are held as follows: 162,100 through Concord Investment Partners Ltd., an entity controlled by Mr. Delaney and 180,000 through Concord IP2 Ltd., an entity controlled by Mr. Delaney.



## **Board Nominees**

### *Tim Johnston*

Mr. Johnston is a founder and Director of Li-Metal. With more than 15 years experience, Mr. Johnston is a highly experienced entrepreneur and business leader having invented technologies and founded businesses to address the challenges associated with extracting and processing energy transition metals into valuable products for the energy industry from primary and secondary sources.

Mr. Johnston's multidisciplinary experience includes serving as Founder, Executive Director, CEO and Senior Consultant across many businesses in the new energy economy. As a chartered professional engineer and CFA charter holder, he is an expert in capital project management and transactional analysis. He has provided strategic consulting services for a wide range of companies with the new energy economy. He has co-authored seven technical publications, with a focus on project execution and brings a unique techno-economic perspective when creating value.

### *John Walsh*

John Walsh has over 25 years experience as a private markets investor and a legal and governance advisor to large institutions.

Mr. Walsh is the General Counsel & Chief Compliance Officer of Timbercreek Investment Management Services and SVP Legal and Compliance of Timbercreek Capital, and is responsible for all corporate and investment-related compliance obligations, as well as overseeing Timbercreek's corporate legal activities, including fund formation and launches, ongoing capital markets activities, and general corporate operations.

Mr. Walsh was most recently the Managing Director, General Counsel, at OPTrust where he led the strategic planning for a cutting-edge pension innovation lab, and created and led transaction-based legal, governance, ERM, compliance and privacy teams for the Trust. Prior to his senior management role Mr. Walsh spent a decade helping create and lead the Private Markets Group (private equity and infrastructure) at OPTrust. Prior to OPTrust, Mr. Walsh practiced M&A law for 10 years at both Osler, Hoskin & Harcourt LLP, and Davies Ward & Beck (as it then was).

Mr. Walsh currently serves as a Director with several international infrastructure investment organizations in addition to serving as a Governor at North York General Hospital.

Mr. Walsh obtained his B.A. History from Roberts Wesleyan College, his M.A. Political Science from Carleton University, and his LL.B. from Osgoode Hall Law School.

### *Brad Morris*

Mr. Morris is a corporate lawyer specializing in corporate finance, M&A, and securities law. He advises growth companies, entrepreneurs, and executives with corporate strategy, capital formation & structure, seed and follow-on financings, M&A, and corporate development. Mr. Morris holds a Bachelor of Arts degree from Western University and a Juris Doctor (JD) from Queen's University. He is a member of the Ontario Bar. Since 2018, Mr. Morris has served as General Counsel and Head of Corporate Development at a venture capital firm. In this role, he has helped deploy over \$500 million in direct investments and supported portfolio companies through several high-profile M&A transactions and exits. Mr. Morris will be a Director of Li-Metal, providing input on strategy, corporate development, and oversight of the management team.

### *David Delaney*

Mr. Delaney is an investment professional with expertise in portfolio management, capital allocation, and investment analysis. Since 2017, he has been the President and Portfolio Manager of Concord Delta Inc., an investment and advisory firm focused on listed equities, private investment, and advisory services in various sectors. Previously, he served as a Managing Director at Firm Capital, a national real estate investor. Prior

thereto, Mr. Delaney was employed by Freed Developments in increasingly senior positions, managing high-rise residential developments through acquisition, rezoning, sales, and completion. Since 2018, Mr. Delaney has served on the board of Parkit Enterprises, a real estate investment company, acting as Executive Chairman from 2018-2019. Since 2024, Mr. Delaney has served on the board of Rocky Mountain Liquor. Mr. Delaney has been a CFA Charterholder since 2016 and holds a Master's of Architecture degree from the University of Toronto. Mr. Delaney will provide input on acquisitions and market dynamics.

See "Corporate Governance Policies – Board of Directors" for additional biographical information for the current directors of the Corporation.

### **Cease Trade Orders or Bankruptcies**

Other than as described below, no proposed director of the Corporation is, or within ten years prior to the date hereof has been, (a) a director, chief executive officer or chief financial officer of any company (including the Corporation) that, (i) was subject to a cease trade order, an order similar to a cease trade order or an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer; or (ii) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer; (b) no proposed director of the Corporation (i) is, or within ten years prior to the date hereof has been, a director or executive officer of any company (including the Corporation) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (ii) has, within ten years prior to the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director; and (c) no proposed director has been subject to (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable shareholder in deciding whether to vote for a proposed director.

Tim Johnston was a director at Bolt Metals Corp. (formerly known as Pacific Rim Cobalt Corp.), a reporting issuer listed on the Canadian Securities Exchange (the "CSE"), when on May 1, 2019, the British Columbia Securities Commission issued a temporary management cease trade order against the Chief Executive Officer and the Chief Financial Officer of the company due to the failure to file annual audited financial statements and management's discussion and analysis. The cease trade order was lifted on July 2, 2019, following the filing of the required continuous disclosure documents.

Tim Johnston and John Walsh were directors of Li-Metal, when on July 30, 2024 the Ontario Securities Commission issued a temporary management cease trade order against the Chief Executive Officer and the Chief Financial Officer of the Company due to the failure to file annual audited financial statements and management's discussion and analysis. The cease trade order was lifted on August 6, 2024, following the filing of the required continuous disclosure documents.

### **Appointment of Auditors**

Unless authority to do so is withheld, the persons named in the accompanying proxy intend to vote for the appointment of MNP LLP of Toronto, Ontario as auditors of the Corporation until the close of the next annual meeting of shareholders of the Corporation and to authorize the directors to fix their remuneration. MNP LLP have been the auditors for Li-Metal since May 24, 2024, when Grant Thornton resigned as the auditors of the Corporation.

In accordance with Section 4.11 of National Instrument 51-102, “*Continuous Disclosure Obligations*” (“**NI-51-102**”), attached to this Circular as Schedule “B” is the notice of change of auditor advising that the Corporation appointed MNP LLP as the auditors of the Corporation on May 24, 2024 for the balance of the ensuing year to fill the vacancy caused by the resignation of Grant Thornton LLP on May 24, 2024. This notice of change of auditor states that there have been no reservations in the former auditor's reports on any of Li-Metal’s financial statements nor have there been any reportable events as defined pursuant to NI 51-102. The recommendation to appoint MNP LLP, to fill the vacancy in the position of auditor was approved by the audit committee of the Corporation and the Board of Directors.

A copy of the entire reporting package regarding this auditor resignation and appointment as required under NI 51-102, consisting of the Corporation’s notice of change of auditors, MNP LLP’s letter confirming its agreement with the information contained in the Corporation’s notice and Grant Thornton LLP’s letter of resignation, each as filed on SEDAR, is attached as Schedule “B” to this Circular.

**Management of the Corporation and the Board of Directors unanimously recommend that Shareholders vote in favour for the appointment of MNP LLP and the authorization of the Board of Directors to fix their remuneration. Unless you give other instructions, the persons named in the enclosed form of proxy intend to vote FOR the appointment of MNP LLP and the authorization of the Board of Directors to fix their remuneration.**

### **Change of Business**

Following a thorough evaluation of the Corporation’s existing resources and a review of its strategic options, the Board of Directors of the Corporation have approved the redeployment of the Corporation’s assets from that of an anode business technology company focused on the development of innovative lithium metal and anode technologies for next generation batteries to that of an investment company (the “**Proposed Change of Business**”).

The Proposed Change of Business is more fully described in the draft Listing Statement dated January 31, 2025 (the “**Listing Statement**”) attached as Schedule “C” to this Circular. In brief, the Board of Directors believes that its network of business contacts and its depth of investment experience will enable the Corporation to identify and capitalize on investment opportunities that will bring greater value to the Corporation’s shareholders than its current operations. Specifically, the Corporation intends to focus on investing in private and public companies with strong intellectual property, exceptional management and high growth potential that may be strategically positioned in the global market. A copy of the Corporation’s proposed Investment Policy is attached as Schedule “A” to the Listing Statement.

The Proposed Change of Business has been conditionally approved by the CSE, subject to various customary conditions, including receiving Shareholder approval.

At the Meeting, Shareholders will be asked to pass an ordinary resolution to redeploy the Corporation’s assets and resources so as to change the Corporation’s business from a lithium anode development and production company to an investment company (the “**Change of Business Resolution**”). The text of the Change of Business Resolution will be as follows:

“BE IT RESOLVED THAT:

1. Li-Metal Corp. be and is hereby authorized and directed to proceed with the proposed change of business from a “lithium anode development and production company” to an “investment company” as more particularly described in the draft Listing Statement of the Corporation dated January 31, 2025 (the “**Proposed COB**”);
2. the Corporation be and is hereby authorized to prepare and file a Form 2A Listing Statement with the Canadian Securities Exchange in order to change its business from a “lithium anode development and production company” to an “investment company”;

3. the Corporation be and is hereby authorized to prepare and file any application for orders, consents and approvals and any other documents reasonably considered necessary under applicable laws in connection with the Proposed COB and the previous actions of the directors of the Corporation in approving, preparing and filing any such documents are hereby ratified and approved;
4. notwithstanding that this resolution has been duly passed by the shareholders of the Corporation, the board of directors of the company (the “**Board**”) may revoke this resolution at any time and determine not to proceed with the Proposed COB as contemplated hereby if such revocation is considered desirable by the Board without further approval of the shareholders of the Corporation; and
5. any director or officer of the Corporation is hereby authorized and directed, acting for, in the name of and on behalf of the Corporation, to execute or cause to be executed, under the seal of the Corporation or otherwise and to deliver or to cause to be delivered, all such other deeds, documents, instruments and assurances and to do or cause to be done all such other acts as in the opinion of such director or officer of the Corporation may be necessary or desirable to carry out the terms of the foregoing.”

In order to be effective, the Change of Business Resolution must be passed by a majority of the votes of Shareholders voting on it at the Meeting in person or by proxy.

**Unless otherwise instructed, the persons named in the enclosed proxy or voting instruction form intend to vote such proxy or voting instruction form in favour of the approval of the Change of Business Resolution.** The directors of the Corporation recommend that shareholders vote in favour of the approval of the Change of Business Resolution.

#### **Proposed Name Change**

As the Corporation is seeking shareholder approval for a change in business from a lithium anode development and production company to an investment company, management believes that a name change will be appropriate to reflect the proposed change of business. Management is recommending that the name of Li-Metal be changed from “Li-Metal Corp.” to “Auctus Capital.” or such other name as may be selected by the Board (the “**Name Change**”).

At the Meeting, Shareholders will be asked to consider and, if thought fit, to pass, with or without amendment, the following special resolution (the “**Name Change Resolution**”):

“BE IT RESOLVED, AS A SPECIAL RESOLUTION THAT:

1. the Articles of the Corporation be amended to change the name of Li-Metal from “Li-Metal Corp.” to “Auctus Capital” or such other name as may be selected by the Board;
2. any one officer or director of Li-Metal, alone, be and he or she is hereby, authorized and empowered, acting for, in the name of and on behalf of Li-Metal, to do all things and execute all instruments determined necessary or desirable to give effect to this special resolution including, without limitation, to execute (under the corporate seal of Li-Metal or otherwise) and deliver articles of amendment of Li-Metal, the execution of any such instrument or the doing of any such other act or thing being conclusive evidence of such determination; and
3. the directors of Li-Metal, in their sole and complete discretion, may act upon this resolution to effect the name change, or if deemed appropriate and without any further approval from the shareholders of Li-Metal, may choose not to act upon this resolution notwithstanding shareholder approval of the name change and are authorized to revoke this resolution in their sole discretion at any time prior to the endorsement of a certificate of amendment of articles in respect of the name change.”

In order to be effective, the foregoing resolution must be passed by at least 66 (2/3)% of the votes of Shareholders voting on it at the Meeting in person or by proxy.

**Unless otherwise instructed, the persons named in the enclosed proxy or voting instruction form intend to vote such proxy or voting instruction form in favour of the approval of the Name Change Resolution.** The directors of the Corporation recommend that Shareholders vote in favour of the approval of the Name Change Resolution.

## **EXECUTIVE COMPENSATION DISCLOSURE**

### *Oversight and Description of Director and Named Executive Officer Compensation*

#### *Named Executive Officers:*

For the financial year ended March 31, 2024, the objectives of Li-Metal's compensation strategy was to ensure that compensation for its Named Executive Officers (as defined below) is sufficiently attractive to recruit, retain and motivate high performing individuals to assist the Corporation in achieving its goals, that include, but are not limited to, successfully completing a going public transaction and growing the business of the Corporation.

The process for determining executive compensation is relatively informal, in view of the size and early stage of the Corporation and its operations. Executive officers are involved in the process and make recommendations to the Board of Directors and the compensation committee, which considers for approval the discretionary components (e.g. cash bonuses) of the annual compensation of senior management. Except as otherwise described below, the Corporation does not maintain specific performance goals or use benchmarks in determining the compensation of executive officers. The Board of Directors and the compensation committee may at its discretion award either a cash bonus or stock options for high achievement or for accomplishments that the Board of Directors deem as worthy of recognition.

Compensation for the Named Executive Officers is composed primarily of three components: base fees, performance bonuses and stock-based compensation. In establishing the levels of base fees, performance bonuses and the award of stock options, Li-Metal takes into consideration a variety of factors, including the financial and operating performance of the Corporation, and each Named Executive Officer's individual performance and contribution towards meeting corporate objectives, responsibilities and length of service.

#### *Salary*

Amounts paid to executive officers as base salary, including merit salary increases, are determined in accordance with an individual's performance and salaries in the marketplace for comparable positions. However, certain Named Executive Officers provide their services in similar capacities to other companies, including reporting issuers, in addition to Li-Metal. There is no mandatory framework that determines which of these factors may be more or less important and the emphasis placed on any of these factors may vary among the executive officers. The determination of base salaries relies principally on negotiations between the respective Named Executive Officer and the Corporation and is therefore heavily discretionary.

#### *Bonus*

Li-Metal's cash bonus awards are designed to reward an executive for the direct contribution that he has made to the Corporation. Named Executive Officers are entitled to receive discretionary bonuses from time to time as determined or approved by the Board of Directors or the Chief Executive Officer, as applicable. The Corporation does not currently prescribe a set of formal objective measures to determine discretionary bonus entitlements. Rather the Corporation uses informal goals which may include an assessment of an individual's current and expected future performance, level of responsibilities and the importance of his position and contribution to the Corporation. Precise goals or milestones are not pre-set by the Board of Directors.

#### *Incentive Award Grants*

Stock options and other Incentive Awards (as defined below under the heading "Summary of Incentive Plan") are granted pursuant to the Corporation's omnibus equity incentive plan (the "**Incentive Plan**") and in

accordance with the rules of the CSE. The Incentive Plan is administered by the Board of Directors, which has authority to amend the Incentive Plan and the terms of the outstanding options, subject to applicable regulatory and shareholder approvals and provided that no amendment may materially impair the rights of existing option holders in respect of options outstanding prior to the amendment.

*Directors*

Compensation of directors in the financial year ended March 31, 2024 was determined on a case-by-case basis with reference to the role that each director provides to the Corporation; however, no compensation to directors was paid during this period. The following information details compensation paid in the recently completed financial year. Directors may receive cash bonuses from time to time, which the Corporation awards to directors for serving in their capacity as a member of the Board of Directors. In addition, directors are entitled to participate in the Incentive Plan, which is designed to give each option holder an interest in preserving and maximizing shareholder value in the longer term. Individual grants are determined by an assessment of an individual’s current and expected future performance, level of responsibilities and the importance of his position and contribution to the Corporation.

*Table of Compensation Excluding Compensation Securities*

The following table sets forth the compensation paid or awarded to the directors and the following executive officers of the Corporation for the two most recently completed financial years: (i) the Chief Executive Officer; (ii) the Chief Financial Officer; and (iii) the three most highly compensated individuals whose total compensation will be more than C\$150,000 (each, a “NEO”).

| Name and Position  | Year | Salary, Consulting Fee, Retainer or Commission (\$) | Bonus (\$) | Committee or Meeting Fees (\$) | Value of Perquisites (\$) | Value of All Other Compensation (\$) | Total Compensation (\$) |
|--|------|---|------------|--------------------------------|---------------------------|--------------------------------------|-------------------------|
| Keshav Kochhar<br>CEO <sup>(1)</sup>                           | 2024 | 246,600   | 61,440     | -                              | -                         | -                                    | 308,040                 |
|  | 2023 | 191,250   | -          | -                              | -                         | -                                    | 191,250                 |
| Srini Godavarthy<br>(Former CEO) <sup>(2)</sup>                | 2024 | 754,184   | -          | -                              | -                         | -                                    | 754,184                 |
|  | 2023 | -   | -          | -                              | -                         | -                                    | -                       |
| Maciej Jastrzebski<br>(Former CEO, current CTO) <sup>(3)</sup> | 2024 | 306,765   | -          | -                              | -                         | -                                    | 306,765                 |
|  | 2023 | 225,000   | 153,600    | -                              | -                         | -                                    | 378,600                 |
| Richard Halka<br>CFO <sup>(4)</sup>                            | 2024 | 113,700   | -          | -                              | -                         | -                                    | 113,700                 |
|  | 2023 | -   | -          | -                              | -                         | -                                    | -                       |
| Carlos Pinglo<br>(Former CFO) <sup>(5)</sup>                   | 2024 | 51,130  | -          | -                              | -                         | -                                    | 51,130                  |
|  | 2023 | 150,000   | 75,600     | -                              | -                         | -                                    | 225,600                 |

| Name and Position                                   | Year | Salary, Consulting Fee, Retainer or Commission (\$) | Bonus (\$) | Committee or Meeting Fees (\$) | Value of Perquisites (\$) | Value of All Other Compensation (\$) | Total Compensation (\$) |
|---|------|---|------------|--------------------------------|---------------------------|--------------------------------------|-------------------------|
| Kunal Phalpher<br>(Former President) <sup>(6)</sup> | 2024 | 133,451   | -          | -                              | -                         | -                                    | 133,451                 |
|   | 2023 | 166,150   | 84,480     | -                              | -                         | -                                    | 250,630                 |
| Anthony Tse<br>(Former Director) <sup>(7)</sup>     | 2024 | 37,500  | -          | 8,920                          | -                         | -                                    | 46,420                  |
|   | 2023 | 37,500  | -          | 8,000                          | -                         | -                                    | 45,500                  |
| Colin Farrell<br>(Former Director) <sup>(8)</sup>   | 2024 | 37,500  | -          | 43,000                         | -                         | -                                    | 80,500                  |
|   | 2023 | 37,500  | -          | 43,000                         | -                         | -                                    | 80,500                  |
| John Walsh<br>Director <sup>(9)</sup>               | 2024 | 16,410  | -          | 2,190                          | -                         | -                                    | 18,600                  |
|   | 2023 | -   | -          | -                              | -                         | -                                    | -                       |
| Timothy Johnston<br>Chairman of the Board           | 2024 | 37,500  | -          | -                              | -                         | -                                    | 37,500                  |
|   | 2023 | 37,500  | -          | -                              | -                         | -                                    | 37,500                  |
| Ernie Ortiz<br>(Former Director) <sup>(10)</sup>    | 2024 | 21,934  | -          | 2,182                          | -                         | -                                    | 24,116                  |
|   | 2023 | 37,500  | -          | 8,000                          | -                         | -                                    | 45,500                  |
| Mark Wellings<br>(Former Chairman) <sup>(11)</sup>  | 2024 | 21,094  | -          | 7,031                          | -                         | -                                    | 28,125                  |
|   | 2023 | 37,500  | -          | 12,500                         | -                         | -                                    | 50,000                  |

(1) Mr. Kochhar was appointed as Interim CEO effective July 8, 2024 and CEO effective August 26, 2024.

(2) Mr. Godavarthy held the role of CEO from May 15, 2023 until July 8, 2024.

(3) Mr. Jastrzebski held the role of CEO until May 15, 2023 when he was appointed as the CTO.

(4) Mr. Halka was appointed as CFO effective August 1, 2023.

(5) Mr. Pinglo was CFO until August 1, 2023.

(6) Mr. Phalpher was President until August 10, 2023.

(7) Mr. Tse was a Director until December 2, 2024.

(8) Mr. Farrell was a Director until December 2, 2024.

(9) Mr. Walsh commenced as a Director on October 23, 2023.

(10) Mr. Ortiz was a Director until October 23, 2023.

(11) Mr. Wellings Chairman until October 23, 2023

### Stock Options and Other Compensation Securities

The following table provides information regarding the compensation securities granted or issued to each NEO and director of the Corporation during the year ended March 31, 2024.

#### Compensation Securities

| Name and Position   | Type of Compensation Security | Number of Compensation Securities, Number of Underlying Securities, and Percentage of Class | Date of Issue or Grant | Issue, Conversion or Exercise Price (\$) | Closing Price of Security or Underlying Security on Date of Grant (\$) | Closing price of security or underlying security at year end (\$) | Expiry Date    |
|---|-------------------------------|---|------------------------|--|--|---|----------------|
| Srini Godavarthy (Former Chief Executive Officer and Director) <sup>(1)</sup>                                     | None                          | Nil   | N/A                    | N/A                                      | N/A  | N/A   | N/A            |
| Maciej Jastrzebski (Former Chief Executive Officer and Director, current Chief Technology Officer) <sup>(2)</sup> | RSU                           | 882,353   | April 17, 2023         | N/A                                      | N/A  | N/A   | April 17, 2027 |
| Richard Halka (Chief Financial Officer) <sup>(3)</sup>  | None                          | Nil   | N/A                    | N/A                                      | N/A  | N/A   | N/A            |
| Carlos Pinglo (Former Chief Financial Officer) <sup>(4)</sup>   | None                          | Nil   | N/A                    | N/A                                      | N/A  | N/A   | N/A            |
| Keshav Kochhar (Chief Executive Officer) <sup>(5)</sup>   | RSU                           | 352,941   | April 17, 2023         | N/A                                      | N/A  | N/A   | April 17, 2027 |
| Kunal Phalpher (Former President) <sup>(6)</sup>  | None                          | Nil   | N/A                    | N/A                                      | N/A  | N/A   | N/A            |
| Mark Wellings   | None                          | Nil   | N/A                    | N/A                                      | N/A  | N/A   | N/A            |



| Name and Position   | Type of Compensation Security | Number of Compensation Securities, Number of Underlying Securities, and Percentage of Class | Date of Issue or Grant | Issue, Conversion or Exercise Price (\$) | Closing Price of Security or Underlying Security on Date of Grant (\$) | Closing price of security or underlying security at year end (\$) | Expiry Date |
|---|-------------------------------|---|------------------------|--|--|---|-------------|
| (Former Chairman) <sup>(7)</sup>  |                               |   |                        |  |  |   |             |
| Timothy Johnston<br>(Former Director and current Chairman of the Board) | None                          | Nil   | N/A                    | N/A                                      | N/A  | N/A   | N/A         |
| Anthony Tse<br>(Former Chairman of the Board) <sup>(8)</sup>            | None                          | Nil   | N/A                    | N/A                                      | N/A  | N/A   | N/A         |
| Ernie Ortiz<br>(Former Director) <sup>(9)</sup>                         | None                          | Nil   | N/A                    | N/A                                      | N/A  | N/A   | N/A         |
| John Walsh<br>(Director) <sup>(10)</sup>                                | None                          | Nil   | N/A                    | N/A                                      | N/A  | N/A   | N/A         |
| Colin Farrell<br>(Former Director) <sup>(11)</sup>                      | None                          | Nil   | N/A                    | N/A                                      | N/A  | N/A   | N/A         |

Note:

- (1) Mr. Godavarthy commenced as CEO effective May 15,2023 and resigned effective July 8, 2024.
- (2) Mr. Jastrzebski CEO until May 15,2023, CTO effective May 15, 2023.
- (3) Mr. Halka commenced as CFO effective August 1, 2023.
- (4) Mr. Pinglo CFO until August 1, 2023.
- (5) Mr. Kochhar was appointed as Interim CEO effective July 8, 2024 and CEO effective August 26, 2024
- (6) Mr. Phalpher President until August 10, 2023.
- (7) Mr. Wellings Chairman until October 23, 2023
- (8) Mr. Tse Chairman commenced October 23, 2023 and resigned effective December 2, 2024.

(9) Mr. Ortiz was a director until October 23, 2023.

(10) Mr. Walsh commenced as a Director on October 23, 2023.

(11) Mr. Farrel was a Director until December 2, 2024.

### **Compensation Securities Exercised**

No compensation securities of the Corporation were exercised by any NEO or director of the Corporation during the year ended March 31, 2024.

### **Summary of Incentive Plan**

On October 11, 2022, the Shareholders approved a new Incentive Plan of the Corporation, the principal terms of which are described below. The Incentive Plan allows the Corporation to grant equity-based incentive awards (together, the “**Incentive Awards**”) in the form of incentive stock options, restricted share units (“**RSUs**”), performance share units (“**PSUs**”), deferred share units (“**DSUs**”) and stock appreciation rights (“**SARs**”). The following is a summary of the Incentive Plan, which is qualified in its entirety by the full text of the Incentive Plan which is available under the profile for Li-Metal on SEDAR+ found at [www.sedarplus.ca](http://www.sedarplus.ca).

The purpose of the Incentive Plan is to, among other things: (i) provide the Corporation with an equity-related mechanism to attract, retain and motivate qualified directors, officers, employees and consultants of the Corporation, including its subsidiaries, (ii) reward directors, officers, employees and consultants that have been granted awards under the Incentive Plan for their contributions toward the long-term goals and success of the Corporation, and (iii) enable and encourage such directors, officers, employees and consultants to acquire Common Shares as long-term investments in the Corporation.

Participation is limited to employees, consultants and directors providing services to the Corporation.

The number of Common Shares, the exercise price per Incentive Award, the vesting period and other terms and conditions of Incentive Awards granted pursuant to the Incentive Plan, from time to time, are determined by the board of directors of the Corporation at the time of the grant, subject to the defined parameters of the Incentive Plan and compliance with applicable laws, including the policies of the CSE. In accordance with the rules of the CSE, the Incentive Award Plan must be re-approved by the Shareholders by October 11, 2025.

Subject to regulatory approvals, the maximum number of Common Shares which may be reserved and set aside for issue under the Incentive Plan pursuant to the exercise of options to purchase Common Shares is equal to an unallocated pool of 10% of the issued and outstanding Common Shares.

The Incentive Plan is administered by the board of directors of the Corporation, which has the authority thereunder to delegate its administration and operation to a committee of directors appointed from time to time by the board of directors. The number of Common Shares which can be issued under the Incentive Plan in any one-year period: (a) to any one director or officer shall not exceed 5% of the issued and outstanding Common Shares; (b) to any one consultant shall not exceed 2% of the issued and outstanding Common Shares; and (c) to all participants, in the aggregate, as compensation for providing Investor Relations Activities (as defined in CSE Policy 1 – *Interpretation and General Provisions*) shall not exceed 1% of the issued and outstanding Common Shares.

If the Common Shares are listed on the CSE, the exercise price of any Incentive Award cannot be less than the greater of the closing market prices of the underlying securities on (a) the trading day prior to the date of grant of the stock options; and (b) the date of grant of the stock options.

The exercise period cannot exceed 10 years. Options will terminate on either the date of expiration specified or on such earlier date as set out in the Incentive Plan, including:

- in the case of termination of continuous service of the grantee for any reason other than for cause, 30 days after the termination;
- in the case of termination for cause, immediately upon notification of such termination to the grantee;
- in the case of death of the grantee, one year after the death of the grantee;
- in the case of retirement of the grantee, three years after the retirement of the grantee; and
- in the case of voluntary resignation, the unvested options will terminate immediately upon the resignation, and the vested options shall terminate 30 days after the resignation.

Aside from 10% of the existing Common Shares reserved for issuance on a rolling basis upon the exercise of stock options, the Incentive Plan is a hybrid plan that, subject to the adjustment provisions provided for therein (including a subdivision or consolidation of Common Shares), provides that the aggregate maximum number of DSUs, RSUs, SARs and PSUs that may be reserved for issuance under the Incentive Plan, at any time, shall not exceed 15,495,383. Notwithstanding the foregoing, to the extent any awards under the Incentive Plan are terminated or cancelled for any reason prior to exercise in full, the Common Shares subject to such awards (or any portion(s) thereof) shall be added back to the number of Common Shares reserved for issuance under the Incentive Plan.

### **Employment, Consulting and Management Agreements**

Other than as disclosed below, the Corporation does not have any contracts, agreements, plans or arrangements that provide for payments to a NEO at, following or in connection with any termination (whether voluntary, involuntary or constructive), resignation, retirement, a change in control of the Corporation or a change in an NEO's responsibilities.

#### *Keshav Kochhar*

Termination without cause: nine months base salary (CAD \$27,083 per month) plus any lost bonus. Just cause is defined in the agreement to include, but is not limited to the following: dishonesty or fraud; theft; breach of fiduciary duties; negligence; being guilty of bribery or attempted bribery; or failure to perform his duties in a competent and diligent manner.

Change of Control: twelve months base fees and bonus from past 12 months. All options vest. "Change of Control" is defined in the agreement as: (1) the acquisition by any person or group of persons of: (A) shares or rights to acquire shares of Li-Metal such that after the completion of such acquisition such person would be entitled to exercise 25% or more of the votes entitled to be cast at a meeting of the shareholders of Li-Metal (or of the material subsidiary); (B) shares or rights of any material subsidiary of Li-Metal such that after the completion of such acquisition such person would be entitled to exercise 25% or more of the votes entitled to be cast at a meeting of the shareholders of the material subsidiary; or (C) more than 25% of the material assets of Li-Metal (or of a material subsidiary); or (2) as a result of or in connection with: (A) a contested election of directors; or (B) a consolidation, merger, amalgamation, arrangement or other reorganization or acquisitions involving Li-Metal or any of its affiliates and another corporation or other entity, the nominees named in the most recent management information circular of Li-Metal for election to Li-Metal's board of directors do not constitute a majority of Li-Metal's board of directors. Upon the completion of a Change of Business (as defined in the policies of the CSE, including the Proposed Change of Business), all RSUs not yet vested but granted to Mr. Kochhar will vest immediately.

### **Securities Authorized for Issuance Under Equity Compensation Plans**

The table below sets out the outstanding options and RSUs under the Incentive Plan, being the Corporation's only compensation plan under which Common Shares are authorized for issuance, as of March 31, 2024.

|  | <b>Number of securities to be issued upon exercise</b> | <b>Weighted-average exercise price of</b> | <b>Number of securities remaining available</b> |
|--|--|---|---|
|--|--|---|---|

|  | of outstanding options, warrants and rights | outstanding options, warrants and rights | under equity compensation plans (excluding securities reflected in column (a)) as of March 31, 2024 |
|--|---|--|---|
| Plan Category  | (a)   | (b)                                      | (c)   |
| Equity compensation plans approved by security holders (Stock Options) | 12,893,529                                  | \$0.31                                   | 3,039,353   |
| Equity compensation plans approved by security holders (RSU's)         | 1,432,664                                   | N/A                                      | 14,062,719  |
| Equity compensation plans not approved by security holders             | Nil   | Nil                                      | Nil   |
| <b>TOTAL</b>   | 14,326,193                                  | \$0.31                                   | 17,102,072  |

#### **Pension, Defined Benefit or Actuarial Plan**

The Corporation does not currently have a pension, defined benefit or actuarial plan under which benefits are determined primarily by final compensation (or average final compensation) and years of services.

#### **Indebtedness of Directors and Executive Officers**

As at the date of this Circular and during the financial year ended March 31, 2024, no director or executive officer or employee of the Corporation, former director or executive officer or employee or the Corporation or Nominee (and each of their associates and/or affiliates) was indebted, including under any securities purchase or other program, to (i) the Corporation or its subsidiaries, or (ii) any other entity which is, or was at any time during the financial year ended March 31, 2024, the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation or its subsidiaries.

#### **Directors' and Officers' Insurance and Indemnification**

The Corporation maintains insurance for the benefit of its directors and officers against liability in their respective capacities as directors and officers. The Corporation has purchased in respect of directors and officers an aggregate of CAD \$10,000,000 in coverage. The approximate amount of premiums paid by the Corporation in the financial year ended March 31, 2024 in respect of such insurance was CAD \$93,000.

#### **Interest of Informed Persons in Material Transactions**

No informed person (as such term is defined under applicable securities laws) of the Corporation or Nominee (and each of their associates or affiliates) has had any direct or indirect material interest in any transaction involving the Corporation since April 1, 2024 or in any proposed transaction which has materially affected or would materially affect the Corporation or its subsidiaries.

#### **CORPORATE GOVERNANCE POLICIES**

The Corporation and the Board of Directors recognize the importance of corporate governance to the effective management of the Corporation and to the protection of its stakeholders, particularly Shareholders. The Corporation's approach to significant issues of corporate governance is designed with a view to ensuring that the business and affairs of the Corporation are effectively managed so as to enhance shareholder value. The Board of Directors fulfills its mandate directly and through its committees at regularly scheduled meetings

or as required. The directors are kept informed of the Corporation's operations at regular meetings and through reports and discussions with management on matters within their particular areas of expertise.

The Corporation believes that its corporate governance practices are in compliance with applicable Canadian requirements. The Corporation has considered the applicable requirements and believes that its approach is appropriate and works effectively for the Corporation and its shareholders.

### **Board of Directors**

Pursuant to National Instrument 58-101, a director is independent if the director has no direct or indirect relationship with the issuer that could, in the view of the issuer's board of directors, be reasonably expected to interfere with the exercise of a member's independent judgment. Certain directors are deemed to have a material relationship with the issuer by virtue of their position or relationship with the Corporation. The Board of Directors is currently comprised of four members and each of Mr. Walsh, Mr. Morris and Mr. Delaney have been determined to be independent of the Corporation. Mr. Johnston is the cofounder and Board Chairman of the Corporation and is therefore not considered independent. In assessing whether a director is independent for these purposes, the circumstances of each director have been examined in relation to a number of factors.

### **Other Public Corporation Directorships**

| <b>Name</b>   | <b>Directorships and or Officer Positions with Other Reporting Issuers</b>                   |
|---------------|--|
| John Walsh    | Timbercreek Financial Corp. TSX: TF, Corporate Secretary                                     |
| Tim Johnston  | None   |
| Brad Morris   | None   |
| David Delaney | Director at Parkit Enterprises (TSXV: PKT) and Director at Rocky Mountain Liquor (TSXV: RUM) |

### **Orientation and Continuing Education**

The Board of Directors will be responsible for ensuring that new directors are provided with an orientation and education program, which will include written information about the duties and obligations of directors, the business and operations of the Corporation, documents from recent Board meetings, and opportunities for meetings and discussion with senior management and other directors. Directors are expected to attend all meetings of the Board of Directors and are also expected to prepare thoroughly in advance of each meeting in order to actively participate in the deliberations and decisions.

The Board of Directors recognizes the importance of ongoing director education and the need for each director to take personal responsibility for this process. The Board of Directors notes that it has benefited from the experience and knowledge of individual members of the Board of Directors in respect of the evolving governance regime and principles. The Board of Directors ensures that all directors are apprised of changes in the Corporation's operations and business.

### **Ethical Business Conduct**

The Board of Directors is apprised of the activities of the Corporation and ensures that it conducts such activities in an ethical manner. The Board of Directors had not adopted a written code of business conduct and ethics, however, the Board of Directors encourages and promotes an overall culture of ethical business conduct by promoting compliance with applicable laws, rules and regulations; providing guidance to consultants, officers and directors to help them recognize and deal with ethical issues; promoting a culture of open communication, honesty and accountability; and ensuring awareness of disciplinary actions for

violations of ethical business conduct. In particular, the Board of Directors ensure that directors exercise independent judgement in considering transactions and certain activities of the Corporation by holding in camera sessions of independent directors, when applicable, and by having each director declare his or her interest in a particular transaction and abstaining from voting on such matters, where applicable.

### **Nomination of Directors**

The Board of Directors is largely responsible for identifying new candidates for nomination to the Board of Directors. The process by which candidates are identified is through recommendations presented to the Board of Directors, which establishes and discusses qualifications based on corporate law and regulatory requirements as well as education and experience related to the business of the Corporation.

### **Compensation**

The Board of Directors, along with the compensation committee, is responsible for determining the compensation of the directors and Chief Executive Officer of the Corporation. The process for determining executive compensation is relatively informal, in view of the size and early stage of the Corporation and its operations. The Corporation does not maintain specific performance goals or use benchmarks in determining the compensation of executive officers. The Board of Directors may at its discretion award either a cash bonus or stock options for high achievement or for accomplishments that the Board of Directors deem as worthy of recognition.

### **Compensation Committee**

The Corporation also has a compensation committee of the Board of Directors that reviews and discusses proposals received by the Chief Executive Officer of the Corporation regarding the compensation of management and the directors.

### **Board Assessments**

The Board of Directors and its individual directors are assessed on an informal basis continually as to their effectiveness and contribution. The Chairman of the Board of Directors encourages discussion amongst the Board of Directors as to evaluation of the effectiveness of the Board of Directors as a whole and of each individual director. All directors are free to make suggestions for improvement of the practice of the Board of Directors at any time and are encouraged to do so.

### **Audit Committee**

The purposes of the Audit Committee are to assist the Board of Directors' oversight of: the integrity of the Corporation's financial statements; the Corporation's compliance with legal and regulatory requirements; the qualifications and independence of the Corporation's independent auditors; and the performance of the independent auditors and the Corporation's internal audit function.

National Instrument 52-110 – *Audit Committees* of the Canadian Securities Administrators (the “**Instrument**”) governs the composition and function of audit committees of every listed company, including the Corporation. The Instrument requires the Corporation to have a written audit committee Charter and to make the disclosure required by Form 52-110F2, which includes disclosure of the text of the audit committee charter in the management information circular of the Corporation wherein management solicits proxies from the security holders of the Corporation for the purpose of electing directors to the Board.

Please see Schedule “A” of this Circular for the Audit Committee Charter.

### **Composition of the Audit Committee**

The Corporation's audit committee is currently comprised of three directors: Messrs. Walsh, Delaney and Morris. Each member of the audit committee is financially literate and independent, as such term is defined in the Instrument.

### **Relevant Education and Experience**

#### **John Walsh- Independent Director**

Director John Walsh is a lawyer and has over 25 years experience as a private markets investor and a legal and governance advisor to large institutions.

Mr. Walsh is the General Counsel & Chief Compliance Officer of Timbercreek Investment Management Services and SVP Legal and Compliance of Timbercreek Capital, and is responsible for all corporate and investment-related compliance obligations, as well as overseeing Timbercreek's corporate legal activities, including fund formation and launches, ongoing capital markets activities, and general corporate operations.

In addition, Mr. Walsh was the Managing Director, General Counsel, at OPTrust where he led the strategic planning for a cutting-edge pension innovation lab, and created and led transaction-based legal, governance, ERM, compliance and privacy teams for the Trust. Prior to his senior management role Mr. Walsh spent a decade helping create and lead the Private Markets Group (private equity and infrastructure) at OPTrust.

#### **David Delaney - Independent Director**

Mr. Delaney is a CFA Charterholder and a Portfolio Manager regulated by the Ontario Securities Commission. Analysis of financial statements is a regular part of his ongoing responsibilities as a portfolio manager. Mr. Delaney is an investment professional with expertise in portfolio management, capital allocation, and investment analysis. Since 2017, he has been the President and Portfolio Manager of Concord Delta Inc., an investment and advisory firm focused on listed equities, private investment, and advisory services in various sectors. Previously, he served as a Managing Director at Firm Capital, a national real estate investor. Prior thereto, Mr. Delaney was employed by Freed Developments in increasingly senior positions, managing high-rise residential developments through acquisition, rezoning, sales, and completion. Since 2018, Mr. Delaney has served on the board of Parkit Enterprises, a real estate investment company, acting as Executive Chairman from 2018-2019. Since 2024, Mr. Delaney has served on the board of Rocky Mountain Liquor. Mr. Delaney has been a CFA Charterholder since 2016 and holds a Master's of Architecture degree from the University of Toronto.

#### **Brad Morris – Independent Director**

Mr. Morris brings a strong background in corporate finance, M&A, and securities law, with deep experience in financial oversight, risk management, and corporate governance. Throughout his career, he has worked closely with executives, boards, and investors to structure and execute complex financial transactions, ensuring compliance with regulatory requirements and industry best practices. As General Counsel and Head of Corporate Development at a leading venture capital firm, he has played a key role in deploying significant capital, managing investment risk, and guiding portfolio companies through financings, acquisitions, and strategic exits. His expertise in financial structuring and due diligence, combined with his legal and governance experience, equips him to provide valuable oversight and strategic guidance as a member of the audit committee.

### **Audit Committee Oversight**

At no time since the commencement of the Corporation's most recently completed financial year has there been a recommendation of the audit committee to nominate or compensate an external auditor which was not adopted by the Board of Directors.

### **Reliance on Certain Exemptions**

At no time since the commencement of the Corporation’s most recently completed financial year has the Corporation relied on either (a) an exemption in section 2.4 of the Instrument; or (b) an exemption from the Instrument, in whole or in part, granted under Part 8 (*Exemptions*) of the Instrument. As the Corporation is listed on the CSE, it is relying on the exemption provided in section 6.1 of the Instrument with respect to Part 3 (Composition of the Audit Committee) and Part 5 (Reporting Obligations).

**Pre-Approval Policies and Procedures**

The audit committee of the Corporation has not adopted specific policies and procedures for the engagement of non-audit services.

**External Auditor Service Fees**

MNP LLP are the external auditors of the Corporation. The aggregate fees billed and estimated to be billed by the external auditors for the last fiscal year is set out in the table below. “Audit Fees” includes fees for audit services including the audit services completed for the Corporation and its subsidiaries. “Audit Related Fees” includes fees for assurance and related services by the Corporation’s external auditor that are reasonably related to the performance of the audit or review of the Corporation’s financial statements and not reported under Audit Fees including the review of interim filings and travel related expenses for the annual audit. “Tax Fees” includes fees for professional services rendered by the external auditor for tax compliance, tax advice, and tax planning. “All Other Fees” includes all fees billed by the external auditors for services not covered in the other three categories.

| <b>Year</b> | <b>Audit Fees</b> | <b>Audit Related Fees</b> | <b>Tax Fees</b> | <b>All Other Fees</b> |
|-------------|-------------------|---------------------------|-----------------|-----------------------|
| 2024        | \$95,000          | \$35,000                  | Nil             | \$3,850               |
| 2023        | \$80,000          | \$15,500                  | Nil             | \$5,985               |

**Additional Information**

Additional information relating to the Corporation may be found under the profile of the Corporation on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca). Additional financial information is provided in the Corporation’s audited financial statements and related management’s discussion and analysis for the year ended March 31, 2024, which can be found under the profile of the Corporation on SEDAR+. Shareholders may also request these documents from the Corporation by email at [info@li-metal.com](mailto:info@li-metal.com) or by telephone at 437-238-2534.

**Board of Directors Approval**

The contents of this Circular and the sending thereof to the Shareholders of the Corporation have been approved by the Board of Directors.

**BY ORDER OF THE BOARD OF DIRECTORS**

(signed) “*Keshav Kochhar*”  
 Keshav Kochhar  
 Chief Executive Officer

Toronto, Ontario  
 February 10, 2025



## **SCHEDULE “A”**

### **Audit Committee Charter**

#### **LI-METAL CORP.**

#### **(The “Company”)**

### **CHARTER OF THE AUDIT COMMITTEE**

#### **1. Purpose**

The Audit Committee (the “Audit Committee”) is a committee of directors appointed by the Board of Directors of the Company (the “Board”). The Audit Committee’s mandate is to provide assistance to the Board in fulfilling its financial reporting and control responsibility to the shareholders and the investment community. The Committee is, however, independent of the Board and the Company and in carrying out their role shall have the ability to determine its own agenda and any additional activities that the Audit Committee shall carry out.

#### **2. Composition**

The Committee will be comprised of at least three directors of the Company, all of whom, subject to any exemptions set out in Multilateral Instrument 52-110 *Audit Committees* (“MI 52-110”) will be independent and financially literate. In addition, at least one member of the Audit Committee shall have accounting or related financial expertise as such qualifications are interpreted by the Board. An “independent” director is a director who has no direct or indirect material relationship with the Company. A “material relationship” is a relationship which could, in the view of the Board of Directors, be reasonably expected to interfere with the exercise of the director’s independent judgement or a relationship deemed to be a material relationship pursuant to Sections 1.4 and 1.5 of MI 52-110, as set out in Appendix “A” hereto. A “financially literate” director is a director who has the ability to read and understand a set of financial instruments that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the financial statements of the Company.

#### **3. Responsibilities**

Responsibilities of the Audit Committee generally include, but are not limited to, the undertaking of the following tasks:

- Selecting and determining the compensation of the external auditors, subject to approval of the shareholders of the Company, to be nominated for the purpose of preparing or issuing an auditor’s report or performing other audit, review or attest services for the Company. In making such determination and recommendation to the shareholders, the Audit Committee will:
  - confirm the independence of the auditors and report to the Board its conclusions on the independence of the auditors and the basis for these conclusions;
  - meet with the auditors and financial management to review the scope of the proposed audit for the current year, and the audit procedures to be used; and
  - obtain from the external auditors confirmation that they are participants in good standing in the Canadian Public Accountability Board oversight program and, if applicable, in compliance with the provisions of the Sarbanes-Oxley Act of 2002 (U.S.) and other legal or regulatory requirements with respect to the audit of the financial statements of the Company.

- Overseeing the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Company, including the resolution of disagreements between management and the external auditor regarding financial reporting. In overseeing such work, the Audit Committee will:
  - review with the external auditors any audit problems or difficulties and management's response;
  - at least annually obtain and review a report prepared by the external auditors describing (i) the auditors' internal quality-control procedures; and (ii) any material issues raised by the most recent internal quality-control review, or peer review, of the auditors, and reviewing any steps taken to deal with such issues;
  - serve as an independent and objective party to monitor the Company's financial reporting process and internal control system and overseeing management's reporting on internal control;
  - provide open lines of communication among the external auditors, financial and senior management, and the Board for financial reporting and control matters;
  - make inquires of management and the external auditors to identify significant business, political, financial and control risks and exposures and assess the steps management has taken to minimize such risks to the Company;
  - establish procedures to ensure that the Audit Committee meets with the external auditors on a regular basis in the absence of management;
  - ensure that the external auditors prepare and deliver annually a detailed report covering (i) critical accounting policies and practices to be used; (ii) material alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the external auditors; (iii) other material written communications between the external auditors and management such as any management letter or schedule of unadjusted differences; and (iv) such other aspects as may be required by the Audit Committee or legal or regulatory requirements;
- consider any reports or communications (and management's responses thereto) submitted to the Audit Committee by the external auditors, including reports and communications related to:
  - deficiencies noted following the audit of the design and operation of internal controls;
  - consideration of fraud in the audit of the financial statement;
  - detection of illegal acts;
  - the external auditors responsibility under generally accepted auditing standards;
  - significant accounting policies;
  - management judgements and accounting estimates;
  - adjustments arising from the audit;

- the responsibility of the external auditors for other information in documents containing audited financial statements;
  - disagreements with management;
  - consultation by management with other accountants;
  - major issues discussed with management prior to retention of the external auditors;
  - difficulties encountered with management in performing the audit;
  - the external auditors judgements about the quality of the entity's accounting principles; and
  - any reviews of unaudited interim financial information conducted by the external auditors;
  - review the form of opinion the external auditors propose to render to the Audit Committee, the Board and shareholders; and
  - discuss significant changes to the Company's auditing and accounting principles, policies, controls, procedures and practices proposed or contemplated by the external auditors or management, and the financial impact thereof.
- Pre-approving all non-audit services to be provided to the Company or its subsidiaries by the Company's external auditor, subject to any exemptions set out in MI 52-110. Notwithstanding the pre-approval process, the Audit Committee will ensure that the external auditors are prohibited from providing the following non-audit services and will determine which other non-audit services the external auditors are prohibited from providing:
    - bookkeeping or other services related to the accounting records or financial statements of the Company;
    - financial information systems design and implementation;
    - appraisal or valuation services, fairness opinions, or contribution-in-kind reports;
    - actuarial services;
    - internal audit outsourcing services;
    - management functions or human resources;
    - broker, dealer, investment adviser or investment banking services;
    - legal services and expert services unrelated to the audit; and
    - any other service that the Audit Committee determines to be impermissible.
  - Ensuring that the external auditors submit annually to the Company and the Audit Committee a formal written statement of the fees billed for each of the following categories of services rendered by the external auditors: (i) the audit of the Company's annual financial statements for the most recent fiscal year and, if applicable, the reviews of the financial statements included in the Company's Quarterly Reports for that fiscal year; and (ii) all other services rendered by the external auditors for the most recent fiscal year, in the aggregate and by each service.

- Reviewing the Company's financial statements, Management's Discussion and Analysis and annual and interim earnings press releases before the Company publicly discloses the information. In connection with such review, the Audit Committee will ensure that:
  - management has reviewed the financial statements with the Audit Committee, including significant judgments affecting the financial statements;
  - the members of the Audit Committee have discussed among themselves, without management or the external auditors present, the information disclosed to the Audit Committee; and
  - the Audit Committee has received the assurance of both financial management and the external auditors that the Company's financial statements are fairly presented in conformity with Canadian GAAP in all material respects.
- Ensuring that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements, other than the public disclosure referred to above, and periodically assessing the adequacy of those procedures.
- Reviewing, evaluating and monitoring any risk management program implemented by the Company, including any revenue protection program. This function should include:
  - risk assessment;
  - quantification of exposure;
  - risk mitigation measures; and
  - risk reporting.
- Reviewing the adequacy of the resources of the finance and accounting group, along with its development and succession plans.
- Establishing procedures for:
  - the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and
  - the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.
- Reviewing and approving the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the Company.
- Annually reviewing and revising this Charter as necessary with the approval of the Board and the text relating to this Charter which is required to appear in the Annual Information Form of the Company, as more specifically set out in Form 52-110FI *Audit Committee Information Required in an AIF*.
- Reviewing and assessing the adequacy of the Code of Business Conduct and Ethics governing the officers, directors and employees of the Company and the Code of Ethics governing Financial Reporting Officers at least annually or otherwise, as it deems appropriate, and propose recommended changes to the Board.
- Reporting its activities to the Board on a regular basis and making such recommendations with respect to the above and other matters as the Audit Committee may deem necessary or appropriate.

- Reviewing and discussing with management, and approving all related party transactions.

#### 4. Authority

The Audit Committee has the authority to:

- Engage independent counsel and other advisors as the Audit Committee determines necessary to carry out its duties;
- Set and pay the compensation for any advisors employed by the Audit Committee, in accordance with applicable corporate statutes; and
- Communicate directly with the external auditors.

#### 5. Administrative Procedures

- The Audit Committee will meet regularly and whenever necessary to perform the duties described above in a timely manner, but not less than four times a year. Meetings may be held at any time deemed appropriate by the Audit Committee and by means of conference call or similar communications equipment by means of which all persons participating in the meeting can hear each other.
- A quorum for the transaction of business at any meeting of the Committee shall be a majority of the number of members of the Committee or such greater number as the Committee shall by resolution determine.
- Meetings of the shall be held from time to time as the Committee or the Chairman shall determine upon 48 hours notice to each of its members. The notice period may be waived by a quorum of the Committee.
- At the discretion of the Audit Committee, meetings may be held with representatives of the external auditors and appropriate members of management.
- The external auditors will have direct access to the Audit Committee at their own initiative.
- The Chairman of the Audit Committee will report periodically to the Board.

## Appendix "A"

### Multilateral Instrument 52-110 *Audit Committees* ("MI 52-110")

#### Meaning of Independence (section 1.4 of MI 52-110):

1. An audit committee member is independent if he or she has no direct or indirect material relationship with the issuer.
2. For the purposes of subsection (1), a "material relationship" is a relationship which could, in the view of the issuer's board of directors, be reasonably expected to interfere with the exercise of a member's independent judgment.
3. Despite subsection (2), the following individuals are considered to have a material relationship with an issuer:
  - (a) an individual who is, or has been within the last three years, an employee or executive officer of the issuer;
  - (b) an individual whose immediate family member is, or has been within the last three years, an executive officer of the issuer;
  - (c) an individual who:
    - (i) is a partner of a firm that is the issuer's internal or external auditor,
    - (ii) is an employee of that firm, or
    - (iii) was within the last three years a partner or employee of that firm and personally worked on the issuer's audit within that time;
  - (d) an individual whose spouse, minor child or stepchild, or child or stepchild who shares a home with the individual:
    - (i) is a partner of a firm that is the issuer's internal or external auditor,
    - (ii) is an employee of that firm and participates in its audit, assurance or tax compliance (but not tax planning) practice, or
    - (iii) was within the last three years a partner or employee of that firm and personally worked on the issuer's audit within that time;
  - (e) an individual who, or whose immediate family member, is or has been within the last three years, an executive officer of an entity if any of the issuer's current executive officers serves or served at that same time on the entity's compensation committee; and
  - (f) an individual who received, or whose immediate family member who is employed as an executive officer of the issuer received, more than \$75,000 in direct compensation from the issuer during any 12 month period within the last three years.
4. Despite subsection (3), an individual will not be considered to have a material relationship with the issuer solely because
  - (a) he or she had a relationship identified in subsection (3) if that relationship ended before March 30, 2004; or

- (b) he or she had a relationship identified in subsection (3) by virtue of subsection (8) if that relationship ended before June 30, 2005.
- 5. For the purposes of clauses (3)(c) and (3)(d), a partner does not include a fixed income partner whose interest in the firm that is the internal or external auditor is limited to the receipt of fixed amounts of compensation (including deferred compensation) for prior service with that firm if the compensation is not contingent in any way on continued service.
- 6. For the purposes of clause (3)(f), direct compensation does not include:
  - (a) remuneration for acting as a member of the board of directors or of any board committee of the issuer, and
  - (b) the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the issuer if the compensation is not contingent in any way on continued service.
- 7. Despite subsection (3), an individual will not be considered to have a material relationship with the issuer solely because the individual or his or her immediate family member
  - (a) has previously acted as an interim chief executive officer of the issuer, or
  - (b) acts, or has previously acted, as a chair or vice-chair of the board of directors or of any board committee of the issuer on a part-time basis.
- 8. For the purpose of section 1.4, an issuer includes a subsidiary entity of the issuer and a parent of the issuer.

**Additional Independence Requirements for Audit Committee Members (section 1.5 of MI 52-110):**

- 1. Despite any determination made under section 1.4 of MI 52-110, an individual who
  - (a) accepts, directly or indirectly, any consulting, advisory or other compensatory fee from the issuer or any subsidiary entity of the issuer, other than as remuneration for acting in his or her capacity as a member of the board of directors or any board committee, or as a part-time chair or vice-chair of the board or any board committee; or
  - (b) is an affiliated entity of the issuer or any of its subsidiary entities, is considered to have a material relationship with the issuer.
- 2. For the purposes of subsection (1), the indirect acceptance by an individual of any consulting, advisory or other compensatory fee includes acceptance of a fee by
  - (a) an individual's spouse, minor child or stepchild, or a child or stepchild who shares the individual's home; or
  - (b) an entity in which such individual is a partner, member, an officer such as a managing director occupying a comparable position or executive officer, or occupies a similar position (except limited partners, non-managing members and those occupying similar positions who, in each case, have no active role in providing services to the entity) and which provides accounting, consulting, legal, investment banking or financial advisory services to the issuer or any subsidiary entity of the issuer.
- 3. For the purposes of subsection (1), compensatory fees do not include the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the issuer if the compensation is not contingent in any way on continued service.

**Schedule “B”**

**Change of Auditor Reporting Package**

**LI-METAL CORP.  
NOTICE OF CHANGE OF AUDITORS**

TO:

MNP LLP  
Grant Thornton LLP  
British Columbia Securities Commission  
Alberta Securities Commission  
Saskatchewan Securities Commission  
Manitoba Securities Commission  
Ontario Securities Commission  
New Brunswick Securities Commission  
Nova Scotia Securities Commission  
Prince Edward Island Securities Commission  
Newfoundland and Labrador Securities Commission

**TAKE NOTICE THAT:**

Grant Thornton LLP, the former auditors of Li-Metal Corp. (the “Company”) tendered their resignation effective May 23, 2024 and the directors of the Company on May 24, 2024 have appointed MNP LLP successor auditors in their place;

The former auditors of the Company resigned at their own initiative;

The resignation of Grant Thornton LLP and appointment of MNP LLP in their place has been approved by the board of directors of the Company;

There have been no reservations or modified opinions contained in the former auditors’ reports on any of the financial statements of the Company; and

There are no reportable events as defined in 7(e) of Part 4.11 of National Instrument 51-102- Continuous Disclosure Requirements.

DATED at Toronto, Ontario this 24th day of May, 2024.

**LI-METAL CORP.**

Per: (signed) “*Richard Halka*”

---

Name: Richard Halka

Title: Chief Financial Officer



**Schedule “C”**

**Listing Statement dated January 31, 2025**

*[ATTACHED]*

**LI-METAL CORP.**

77 King Street West, TD North Tower, Suite 700, Toronto, Ontario M5K 1G8

**CSE Form 2A**

**Listing Statement**

**Date: January 31, 2025**

**(except as otherwise stated)**

*This Listing Statement is intended to provide full, true and plain disclosure about the Company. It is not, and is not to be construed as, a prospectus. It has not been reviewed by a securities regulatory authority and no securities are being sold or qualified for distribution by the filing of this Listing Statement. There are risks involved with an investment in Li-Metal Corp. as described herein.*

## LISTING STATEMENT

### LI-METAL CORP.

**No securities are being offered pursuant to this Listing Statement.**

No securities are being offered pursuant to this Listing Statement. As such, no proceeds will be raised, and all expenses incurred in connection with the preparation and filing of this Listing Statement will be paid by the Company from its general corporate funds.

**An investment in the securities of the Company is subject to a number of risks. Investors should carefully consider the risk factors described under the heading “*Risk Factors*” before purchasing any securities of the Company.**

**No underwriters or selling agents have been involved in the preparation of this Listing Statement or performed any review or independent due diligence of its contents.**

No person has been authorized to provide any information or to make any representation not contained in this Listing Statement and, if provided or made, such information or representation should not be relied upon. The information contained in this Listing Statement is accurate only as of the date of this Listing Statement.

**This Listing Statement does not constitute an offer to sell or the solicitation of an offer to buy any securities.**

Unless otherwise noted, all currency amounts in this Listing Statement are stated in Canadian dollars.

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## 1. ABOUT THIS LISTING STATEMENT

Unless otherwise noted or the context otherwise indicates, “Company”, “we”, “us” and “our” refer to Li-Metal Corp. or, if the context requires, its wholly owned subsidiary, Li-Metal US Inc. Certain terms and phrases used in this Listing Statement are defined in the “Glossary”.

Prospective purchasers should rely only on the information contained in this Listing Statement. We have not authorized any other person to provide prospective purchasers with additional or different information. If anyone provides prospective purchasers with additional or different or inconsistent information, including information or statements in media articles about the Company, prospective purchasers should not rely on it. The Company is not making an offer to sell or seeking offers to buy shares or other securities of the Company. The information appearing in this Listing Statement is accurate only as of the date of this Listing Statement, regardless of its time of delivery. The Company’s business, financial conditions, results of operations and prospects may have changed since the date of this Listing Statement.

## 2. THIRD PARTY INFORMATION

This Listing Statement includes market, industry and economic data which was obtained from various publicly available sources and other sources believed by the Company to be true. Although the Company believes it to be reliable, the Company has not independently verified any of the data from third party sources referred to in this Listing Statement, or analyzed or verified the underlying reports relied upon or referred to by such sources, or ascertained the underlying scientific, economic, scientific and other assumptions relied upon by such sources. The Company believes that its market, industry, and economic data are accurate and that its estimates and assumptions are reasonable, but there can be no assurance as to the accuracy or completeness thereof. The accuracy and completeness of the market, industry, scientific and economic data used throughout this Listing Statement are not guaranteed and the Company does not make any representation as to the accuracy of such information.

## 3. CURRENCY

In this Listing Statement, unless otherwise indicated, all dollar amounts are expressed in Canadian dollars and references to \$ are to Canadian dollars.

## 4. CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Certain statements and information contained in this Listing Statement constitute forward-looking statements or forward-looking information (collectively, “**forward-looking statements**”) within the meaning of applicable securities laws. All statements other than statements of historical fact are forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words or phrases such as “may”, “is expected to”, “anticipates”, “estimates”, “intends”, “plans”, “projection”, “could”, “vision”, “goals”, “objective”, “outlook” or similar words suggesting future outcomes or language suggesting an outlook.

All estimates, projections and other forward-looking statements have been prepared by the Company on assumptions that management considers reasonable, but these estimates, projections, and statements involve a high degree of risk and may not prove accurate. No representation is made as to the accuracy of such estimates, statements, or projections or their attainability, and nothing in this Listing Statement shall be relied upon as a promise or representation as to the Company’s future performance. The Company and its existing and proposed activities are subject to various

risks and uncertainties, including, but not limited to, those described in the section titled “Risk Factors” in this Listing Statement.

In particular, this Listing Statement contains forward-looking statements with respect to:

- plans to proceed with the Change of Business (as defined below) and the proposed investment objectives, operations and policies of the Company resulting from the Change of Business (including considerations concerning the nature and timing of investments and payment of dividends);
- plans to proceed with the continued listing of the common shares of the Company (the “**Common Shares**”) on the CSE; and
- intentions to maintain and preserve the Company’s corporate governance structure and the CSE’s acceptance of the Company’s application to complete the continued listing of the Common Shares.

Such forward-looking statements or information are based on a number of assumptions which may prove to be incorrect. In addition to any other assumptions identified in this Listing Statement, assumptions have been made regarding, among other things:

- the ability of the Company to obtain the necessary shareholder and CSE approvals;
- the ability of the Company to meet any requirements, including the listing requirements, of the CSE in connection with the Change of Business and the transactions related thereto;
- the accuracy of the cost estimates relating to the execution of the Company’s business plan;
- the available funds of the Company and the anticipated use of such funds;
- investments which may be made by the Company;
- the availability of financing opportunities;
- the legal and regulatory risks inherent in the different industries and the risks associated with economic conditions, dependence on management and currency risk; and
- other risks described in this Listing Statement and described from time to time in documents filed by the Company with Canadian securities regulatory authorities.

No representations are made as to the accuracy of such statements and estimates, as well as the exercise of a substantial degree of judgment by management as to the scope and presentation of such information. Actual results achieved during projection periods may differ substantially from those projected. The forward-looking statements speak only as of the date hereof, and the Company undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events unless otherwise required by law.

Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. **Accordingly, readers should not place undue reliance on forward-looking statements. The Company does not undertake to update or revise any forward-looking statements that are included herein, except in accordance with applicable**



**securities laws.** See the risks, uncertainties and assumptions set out under the heading “*Risk Factors*” for more information.

An investment in the Company’s securities should be considered highly speculative. There is no guarantee that an investment in the Company will earn any positive return in the short or long term. An investment in the Company is appropriate only for investors who have the capacity to absorb a loss of some or all of their investment.

All of the forward-looking statements contained in this Listing Statement are expressly qualified by the foregoing cautionary statements. Investors should read this entire Listing Statement and consult their own professional advisors to assess the income tax, legal, risk factors and other aspects of their investment.

## **5. GLOSSARY**

The following is a glossary of certain terms used in this Listing Statement. Terms and abbreviations used in the Financial Statements may be defined separately and the terms defined below may not be used therein.

“**Audit Committee**” means the Audit Committee of the Company in accordance with NI 52-110.

“**Auditors**” means MNP LLP.

“**CEO**” means Chief Executive Officer.

“**CFO**” means Chief Financial Officer.

“**CTO**” means Chief Technical Officer.

“**Common Shares**” means the common shares without par value in the capital of the Company.

“**Company**” or “**Li-Metal**” means Li-Metal Corp., a company incorporated under the OBCA.

“**Company Financial Statements**” means the Company’s audited annual financial statements and the related notes thereto for the years ended March 31, 2024, March 31, 2023, and the fifteen months ended March 31, 2022 and the Company’s unaudited condensed interim financial statements for the three and six months ended September 30, 2024.

“**CSE**” means the Canadian Securities Exchange.

“**CSE Policies**” means the policies of the CSE, as amended from time to time.

“**Equity Incentive Plan**” means the equity incentive plan of the Company approved by the Shareholders on October 11, 2022 and adopted by the Board on August 26, 2022.

“**Intellectual Property**” means all patents, patent applications, registered and unregistered trademarks, trademark applications, tradenames, copyrights, trade secrets, domain names, mask works, information and proprietary rights and processes, and any similar or other intellectual property rights.

“**Listing**” means the proposed continued listing of the Common Shares on the CSE for trading.

“**Listing Date**” means the date of Listing.

“**Listing Statement**” means this non-offering Listing Statement dated January 31, 2025.

“**MD&A**” means Management’s Discussion and Analysis.

“**NEO**” means “Named Executive Officer” and has the meaning ascribed thereto in Form 51-102F6 – *Statement of Executive Compensation*.

“**NI 52-110**” means National Instrument 52-110 – *Audit Committees*, of the Canadian Securities Administrators, as amended from time to time.

“**NI 58-101**” means National Instrument 58-101 – *Disclosure of Corporate Governance Practices*, of the Canadian Securities Administrators, as amended from time to time.

“**NP 58-201**” means National Policy 58-201 – *Corporate Governance Guidelines*, of the Canadian Securities Administrators, as amended from time to time.

“**OBCA**” means the *Business Corporations Act* (Ontario).

“**SEDAR+**” means the System for Electronic Document Analysis and Retrieval.

“**Shareholders**” means the holders of the Common Shares.

“**Stock Options**” means stock options to acquire Common Shares.

“**Tax Act**” means the *Income Tax Act* (Canada), as it may be amended from time to time.

“**Transfer Agent**” means TSX Trust Company, transfer agent to the Company.

## **6. LISTING STATEMENT SUMMARY**

*The following is a summary of the key information regarding the Company and should be read together with the more detailed information and financial data and statements contained elsewhere in this Listing Statement.*

### **6.1 The Company**

2555663 Ontario Limited (“**Li-Metal**” or the “**Company**”) was incorporated under the OBCA on January 17, 2017. Li-Metal was a company that leveraged its innovative lithium metal and anode technologies to provide low-cost and environmentally-friendly solutions for next generation lithium batteries. On October 25, 2021, the Company completed a reverse takeover transaction (“**RTO**”) pursuant to which 2555663 Ontario Limited, acquired Eurotin Inc. (“**Eutotin**”) under the terms of an amalgamation agreement previously entered into between the Company, Eurotin and 2848302 Ontario Inc., a wholly owned subsidiary of Eurotin (“**Subco**”).

The RTO was completed by way of a three-cornered amalgamation under the laws of the Province of Ontario. Pursuant to the RTO, Subco amalgamated with Li-Metal, with Li-Metal surviving as a wholly owned subsidiary of Eurotin, known as Li-Metal North America Inc. In addition, Eurotin underwent a 124.72 to 1 share consolidation and changed its name to “Li-Metal Corp.”. Immediately following the closing of the RTO, the resulting issuer and Li-Metal North America

Inc. amalgamated by way of a short-form amalgamation under the laws of the Province of Ontario, with the resulting issuer surviving the amalgamation.

The resulting issuer now holds all of Li-Metal’s assets, conducts the business of Li-Metal under the Li-Metal name and has its shares listed on the CSE under the symbol “LIM”. The Company changed its year end from December 31 to March 31 after the RTO. The Company operates from remote locations in Canada and also through its wholly owned subsidiary, Li-Metal US Inc. incorporated in Albany NY, USA.

### ***Description of the Business***

Since incorporation Li-Metal’s principal activity has been the production of innovative lithium metal and anode technologies to provide a low-cost, technically superior and environmentally friendly solution for next generation batteries.

On August 2, 2024, Li-Metal announced that it had completed the sale of certain assets (the “**Assets**”) constituting its lithium metal production business to Arcadium Lithium plc (“**Arcadium**”) pursuant to a definitive Asset Purchase Agreement dated August 2, 2024. Li-Metal sold the assets for aggregate consideration paid by Arcadium of US \$11,000,000. The Assets include all of Li-Metal’s lithium metal production technology, including all related patents, proprietary know-how and physical assets utilized in lithium metal production. The sale of the Assets was conducted in part to allow Li-Metal to focus on its lithium metal anode business.

On December 2, 2024, the Company announced its intention to proceed with the Change of Business. It is now proposing to complete the Change of Business as it has determined that Shareholder value has better potential to be maximized as a result of the Change of Business.. As discussed under Section 8.1 – *Description of the Business*, the Company has taken additional steps in furtherance of its proposed Change of Business, including:

- retaining new directors of the Company, Brad Morris and David Delaney, each with a track record of acquiring and divesting in arm’s length enterprises;
- filing a notice of meeting and record date for a special meeting of Shareholders to be held on [●] to approve, among other things, the Change of Business; and
- making an application with the CSE to requalify the Common Shares for listing upon completion of the Change of Business.

All documentation and press releases, relating to the above can be found on the Company’s issuer profile on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

### ***Management, Directors & Officers***

The directors and officers of the Company are as follows:

| <b>Name</b>      | <b>Position(s)</b>              |
|------------------|---------------------------------|
| Timothy Johnston | Director, Chairman of the Board |
| Brad Morris      | Director                        |
| David Delaney    | Director                        |
| John Walsh       | Director                        |
| Keshav Kochhar   | CEO                             |

| Name          | Position(s) |
|---------------|-------------|
| Richard Halka | CFO         |

See “*Directors and Executive Officers*” for more information on each individual mentioned above.

## 6.2 Summary of Financial Information

The following selected financial information has been derived from and is qualified in its entirety by the Company Financial Statements and notes thereto. The selected financial information should be read in conjunction with the MD&A relating thereto included in Schedule C to this Listing Statement. All financial statements of the Company have been prepared in accordance with IFRS. The following table summarizes key financial information of the Company:

|   | From the period from<br>March 31, 2022 to March<br>31, 2023<br>(audited)<br>\$ | From the period from<br>March 31, 2022 to March<br>31, 2024<br>(audited)<br>\$ | For the six month<br>period ended<br>September 30,<br>2024 (unaudited)<br>\$ |
|---|--|--|--|
| Total revenues                                    | 0  | 311,803  | 61,790   |
| Income (Loss) for<br>the Period                   | (12,740,823)   | (13,496,353)   | 8,297,431  |
| Total Assets                                      | 16,932,072   | 7,612,731  | 16,303,219   |
| Total Liabilities                                 | 2,574,037  | 1,427,762  | 823,291  |
| Shareholder’s<br>Equity                           | 14,358,035   | 6,184,969  | 15,479,928   |
| Income (Loss) per<br>share (basic and<br>diluted) | (0.08)   | (0.09)   | 0.06 – basic<br>0.05 – diluted   |

See Section 11 – “*Selected Financial Information*” for more information.

## 6.3 Use of Proceeds

This is a non-offering Listing Statement. The Company is not raising any funds in conjunction with this Listing Statement, and accordingly there are no distributions of securities or resulting offering proceeds.

## 6.4 Estimated Funds Available

As of December 31, 2024, the Company had an estimated working capital of \$14,177,899 (unaudited). These funds available to the Company are related to proceeds from prior financings conducted by the Company and the sale of the Assets.

The availability of funds and the Company’s ability to raise and generate revenue over the next 12 month period may vary significantly and will depend on a number of factors including those set out in “Risk Factors”.

Use of Available Funds

The intended uses of the estimated available funds are as follows:

| <b>Source of Available Funds</b>  | <b>Estimated Funds</b>      |
|---|-----------------------------|
| Working Capital of the Company as at December 31, 2024 (unaudited)                        | \$14,177,899 <sup>(1)</sup> |
| Remaining funds to be received from Arcadium from the sale of the metal production assets | \$431,670 <sup>(2)</sup>    |
| Total Funds Available   | \$14,669,569                |
| <b>Principal Purposes for the Available Funds</b>   | <b>Estimated Funds</b>      |
| Business Change Cost  | \$125,000                   |
| Personnel Cost (Including Directors' Fees)  | \$860,489                   |
| Legal Fees  | \$595,035                   |
| Anode IP Maintenance  | \$122,544                   |
| Accounting & Audit Fees   | \$187,680                   |
| Occupancy Costs   | \$91,632                    |
| Insurance   | \$134,997                   |
| Miscellaneous general and administrative costs  | \$94,371                    |
| Professional Fees   | \$519,800                   |
| Trailing AP   | \$94,669                    |
| Anode Business Winddown   | \$50,000                    |
| Investments <sup>(3)</sup>  | [TBD]                       |
| Unallocated Capital   | \$11,793,352                |
| Total:  | \$14,669,569                |

Notes:

<sup>(1)</sup> An exchange rate of 1 USD = 1.4389 CAD (being the exchange rate as at December 31, 2024 per the Bank of Canada) was used to convert Li-Metal's USD \$9,667,817.74 cash balance.

<sup>(2)</sup> An exchange rate of 1 USD = 1.4389 CAD (being the exchange rate as at December 31, 2024 per the Bank of Canada) was used to convert Li-Metal's USD \$300,000 to CAD for the funds to be received from Arcadium for the sale.

<sup>(3)</sup> The Company will make investments identified by the management and board of the company as per the Company's investment objectives and strategy.

The actual amount that the Company spends in connection with each intended use of funds may vary significantly from the amounts specified above and will depend on a number of factors including those listed under the heading "*Risk Factors*". See "*Use of Proceeds*" for further details.

While the Company intends to spend its current capital as disclosed under the heading "Use of Proceeds – Use of Available Funds" herein, there may be circumstances where, for sound business reasons, a re- allocation of the funds may be necessary or advisable.

## **6.5 The Listing**

[The CSE has conditionally accepted the Listing. The Listing will be subject to the Company fulfilling all of the listing requirements of the CSE. There is no guarantee that the CSE will provide final approval for the continued listing of the Common Shares.]

## **6.6 Business Objectives and Milestones**

Based on the estimated funds that the Company believes will be available to it over the next 12 months, the Company's objectives are:

- Change business status of the Company from an anode development and production company to an investment company
- Explore and commit to investment opportunities which align with the Company's investment policy and have potential to generate significant returns for the shareholders

As of the date of this Listing Statement, the Company has not identified any additional investments. Consequently, (i) the number and dollar value of potential future investments remain uncertain, and (ii) there is no assurance that the Company will successfully identify additional investments within the next 12 months. Should an investment opportunity arise and be deemed favorable, the Company intends to utilize available funds or seek additional funding to pursue it. In order to meet the Company's key objectives, the Company's management & board will source and identify investment opportunities to present to the Investment Committee. Management intends to devote a significant amount of time over the next year to identify investments for review by the Investment Committee.

The actual amount that the Company spends in connection with each intended use of funds may vary significantly from the amounts specified in section 6.4, and will depend on a number of factors including those listed under the heading "Risk Factors."

While the Company intends to spend its current capital as disclosed under the heading "Use of Proceeds – Use of Available Funds" above, there may be circumstances where, for sound business reasons, a re- allocation of the funds may be necessary or advisable.

## **6.7 Risk Factors Related to an Investment**

An investment in the Company is speculative and involves a high degree of risk. Accordingly, prospective investors should carefully consider and evaluate all risks and uncertainties involved in an investment in the Company. The risks, uncertainties and other factors, many of which are beyond

the control of the Company, that could influence actual results include, but are not limited to: reliance on the performance of underlying assets; reliance on key employees; potential lack of investment diversification; trading price of the shares relative to net asset value; future dilution, use of leverage, investments in private issuers; illiquid assets; deterioration of general economic, political and market conditions; foreign security risk; foreign exchange risks; competition and technology risks; credit risk; tax risks; and regulatory changes. See the section entitled “Risk Factors” for details of these and other risks relating to the Company’s business. **An investment in the securities of the Company is suitable for only those investors who are willing to risk a loss of their entire investment and who can afford to lose their entire investment. Prospective investors should consult their own professional advisors to assess the income tax, legal and other aspects of an investment in the Company.**

## **7. CORPORATE STRUCTURE**

### **7.1 Corporate Name and Head and Registered Office**

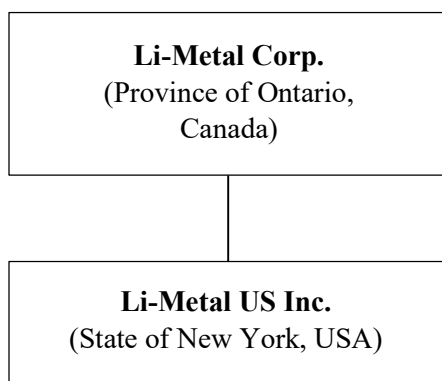
The corporate name of the Company is “Li-Metal Corp.”. The Company’s registered and records office is located at 77 King Street West, TD North Tower, Toronto, Ontario M5K 1G8.

### **7.2 Incorporation**

Pursuant to Articles of Incorporation under the OBCA, Eurotin Inc. was incorporated on July 31, 2008. Pursuant to Articles of Amalgamation dated December 28, 2018, Eurotin Inc. amalgamated with Stannico Resources Inc. Eurotin Inc. filed Articles of Arrangement on January 3, 2019 pursuant to an arrangement agreement dated October 19, 2018 between Elementos Limited and Eurotin. On October 25, 2021 Eurotin filed Articles of Amendment to change its name to Li-Metal Corp. and to complete a share consolidation on the basis of one post-consolidation common share for every 124.721683 pre-consolidation common shares. Li-Metal Corp. (formerly Eurotin Inc.) amalgamated with Li-Metal North America Inc. on October 25, 2021. Pursuant to Articles of Amendment dated January 31, 2022, Li-Metal Corp. underwent a four to one share split on the basis that every then issued and outstanding common share became four issued and outstanding common shares.

### **7.3 Intercorporate Relationships**

The Company has one wholly-owned subsidiary, Li-Metal US Inc. (“**Li-Metal US**”). Li-Metal US was incorporated on March 31, 2021 pursuant to the laws of the State of New York. Its head and registered and records office is located at 77 King Street West, TD North Tower, Suite 700, Toronto, Ontario, M5K 1G8. The corporate structure of the Company is as follows:



## **8. DESCRIPTION OF THE BUSINESS**

In connection with the proposed Change of Business, the Company has adopted the following investment policy to govern its investment activities and strategy.

### **8.1 Description of Business**

The Company was previously engaged in lithium anode production and the lithium metal anode business. With the proposed Change of Business, the Company intends to become primarily an investment company that carries on business with the objective of enhancing shareholder value. The Company will seek to accomplish this objective by making use of the experience, expertise and opportunity flow of its management and board of directors (the “**Board**”) to opportunistically make investments in situations that the Company believes will provide superior returns. Such investments may include the acquisition of equity, debt or other securities of publicly traded or private companies or other entities. The Company intends to continue to maintain its lithium anode production associated assets and IP it has developed over the last few years.

The Company’s objective is to leverage management’s extensive expertise in deal sourcing and capital structuring to identify promising businesses with outstanding projects, innovative technologies, or both, aiming to maximize returns for its shareholders.

Investments will be acquired and held for short-term gains, income generation, or long-term capital appreciation, dependent upon the specific investment. The paramount goal of the Company will be to generate maximum returns from its investments.

The Company will operate as an investment company rather than as an investment fund. This entails active management of the Company’s investments and direct involvement with each entity in which it holds an interest (each an “Investee Company”). The Company plans to accomplish this by engaging in one or more of the following actions:

1. Holding a significant equity interest in the Investee Company;
2. Securing representation on the Investee Company’s board of directors or obtaining observer status for board meetings and matters;
3. Appointing an advisor to the Investee Company’s advisory board;
4. Imposing restrictions on the Investee Company’s management or holding approval/veto rights over key management decisions; and
5. Retaining rights to restrict the transfer of shares by other shareholders or to control the issuance of new shares.

The Company expects to establish the Investment Committee consisting of Mr. Brad Morris to oversee the identification, review and implementation of investments. The Company may also engage one or more investment managers or third-party consultants to assist in identifying, executing, and monitoring investments. Prior to making investments, the Company will generally conduct due diligence it deems appropriate, based on the specific facts and circumstances of each investment. This process may involve evaluating critical business, financial, tax, accounting, environmental, and legal considerations. Depending on the nature of the investment, the Company may engage external consultants, legal advisors, accountants, investment banks, or other third parties as part of the due diligence process.



The Company plans to reinvest the profits derived from its investments to further grow and develop its investment portfolio. The declaration and payment of dividends to shareholders will become a priority once the Company achieves consistent or steady cash flow from its investments.

### *Investment Objectives*

The principal investment objectives of the Company may include the following:

- to maximize returns on each investment of the Company;
- to minimize the risk associated with each form of investment;
- to invest in high-growth companies and technologies; and
- to invest in companies where the Company can provide capital markets expertise and leadership.

### *Investment Strategy*

The Company's investment strategy shall adhere to the following guidelines:

- The Company may invest in securities of both public and private companies or other entities that are expected to yield superior investment returns, with particular emphasis on small-cap companies seeking growth or expansion. The Company intends to actively manage its investments and engage directly with each entity in which it holds an interest.
- The Company's investment portfolio may consist of one or many direct or indirect investments to diversify risk and maximize portfolio returns.
- The Company will maintain flexibility with respect to the form of investment and may employ a range of investment instruments, including equity, bridge loans, secured loans, unsecured loans, convertible debentures, warrants, options, royalties, net profit interests, and other hybrid instruments.
- The Company is not restricted to any particular industry. Although it will primarily focus on North American and European entities, it may also invest in properties owned by companies in the resource sector located outside of these regions. The Company has no restrictions on the size or market capitalization of potential investments, subject to the guidelines herein.
- The Company does not have a specific policy regarding investment diversification. Each investment will be evaluated on its individual merits and its potential to generate above-market returns for the Company. In addition, it is possible that the Company will only make one acquisition or merger.
- In appropriate circumstances, the Company may seek a more active role in certain investments or investee companies, where its involvement is expected to significantly enhance the success of the investment. This may include seeking board seats, initiating proxy contests, or otherwise influencing governance to increase shareholder value, or actively participating in the management or oversight of investee companies.
- The Company may also invest in special situations, such as corporate restructurings, mergers, spin-offs, friendly or hostile takeovers, bankruptcies, or leveraged buyouts. These situations may involve investments in public companies, where there is an opportunity to influence the strategic direction, whether through acquiring control or using shares of the Company as currency. These situations may also involve lending funds.
- Depending on market conditions and applicable laws, the Company may seek to sell any or all of its investments when it determines that those investments no longer offer the potential for appropriate returns or when superior opportunities become available. This

- may include disposing of investments in specific industry sectors or in general, without prior notice to shareholders.
- Depending on the nature of the investment, the Company will consider the appropriate exit strategy. For any investments in publicly traded companies, the Company's exit strategy will involve selling the investment on the open market. For any investments in privately held companies, the Company's exit strategy may involve liquidating the investment in connection with an Initial Public Offering. The general timeframe the Company will consider for holding investments would be three to five years.
  - Subject to applicable laws and regulatory requirements, the Company may also from time to time seek to utilize its capital to repurchase shares of the Company.
  - The Company may use borrowed funds for investments or working capital requirements or make investments jointly with third parties.
  - Depending on market conditions and investment opportunities, the Company may be fully invested, partially invested, or entirely uninvested, holding cash or cash equivalents while seeking suitable investment opportunities. Funds not immediately invested may be placed into high-quality money market instruments.
  - All investments shall be made in compliance with applicable laws in relevant jurisdictions and shall be made in accordance with the rules and policies of any applicable regulatory authorities.

### *Implementation*

The Company's management team and Board of Directors will work together to identify investment opportunities that align with the Company's strategy and objective of enhancing shareholder value. Leveraging their extensive business and investment expertise, as well as their professional networks, these individuals are well-positioned to identify and evaluate potential investments. Proposed investments will be submitted to the Investment Committee of the Board for evaluation. The Investment Committee will assess whether the investment aligns with the Company's strategy, conducting initial due diligence and advancing proposals for further review, possibly involving external consultants.

All investments must be approved by the Board. The Investment Committee is responsible for selecting investments for submission to the Board and monitoring the Company's investment portfolio. One member of the Investment Committee may be designated and authorized to manage day-to-day investment decisions under the Board's direction.

Negotiation of terms is a key factor in determining the value of any opportunity. The representatives involved in negotiations will be determined on a case-by-case basis, depending on the circumstances.

### *Investment Evaluation Process*

In selecting securities or acquisitions for the investment portfolio, the Investment Committee will consider the following factors:

- consistency with the Company's Investment Policy;
- inherent value of the assets;
- proven management, clear objectives, and strong technical, commercial, and professional support;
- future capital requirements to realize the business's full potential and the ability to raise necessary capital;

- expected rate of return and associated risks; and
- financial performance, including the consistency of positive cash flow.

### *Composition of Investment Portfolio*

The investment portfolio may consist of one or many direct or indirect investments to diversify risk and maximize portfolio returns. The nature and timing of investments will depend on available capital and identified opportunities. The Company aims to build a diversified portfolio, with its composition evolving based on market performance and risk assessments.

### *Conflicts of Interest*

The Company recognizes the management and directors of the Company may be involved in other activities which may on occasion cause a conflict of interest with his or her duties to the Company. These include serving as directors, officers, promoters, advisors or agents of other public and private companies, including of companies in which the Company may invest, or being shareholders or having an involvement or financial interest in one or more existing or prospective investee companies of the Company. The management and directors of the Company may also engage from time to time in transactions with the Company where any one or more of such persons is acting in his or her capacity as financial or other advisor, broker, intermediary, principal or counterparty.

The Company is also subject to the “non-arm’s length” and “related party transaction” policies of the applicable securities regulators, which mandates disinterested shareholder approval for certain transactions.

The management and directors of the Company are aware of the existence of laws governing the accountability of directors and officers for corporate opportunities and requiring disclosure of conflicts of interest, and the Company will rely upon such laws in respect of any conflict of interest. Further, to the extent that management or directors of the Company engage in any transactions with the Company, such transactions will be carried out on customary and arm’s length commercial terms and reported to shareholders transparently.

### *Monitoring and Reporting*

The Company’s Chief Financial Officer will oversee the monitoring and reporting of the performance of the Company’s investments. Quarterly financial and progress reports will be obtained from each corporate entity, forming the basis for a quarterly review by the Investment Committee. Significant deviations from expectations will be investigated and reported to the Board.

For public company investments, the Company will typically have access to relevant financial information. For private investments, the Company will seek contractual rights to timely access books and records necessary to monitor and protect its investments.

At the end of each fiscal year, a comprehensive report on the performance of the Company’s investments will be prepared by the Chief Financial Officer and presented to the Board.

### *Amendment*

This investment policy may be amended from time to time with the prior approval of the Board.

## 8.2 Three-year history

For the past three years, Li-Metal's principal activity had been the production of innovative lithium metal and anode technologies to provide a low-cost, technically superior and environmentally friendly solution for next generation batteries. Specifically, Li-Metal had been engaged in developing three key technologies:

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

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

- **Li-Metal Production Process ("LMPP")** – This patented process uses molten-salt electrolysis to convert lithium carbonate to a lithium metal product which can potentially be sold either to the existing lithium metal market or be used as the input for Li-Metal's anode production process. The principal advantage of the LMPP is that it allows lithium carbonate, the most widely available lithium salt, to be used directly in the process, while eliminating the significant chlorine gas generation associated with conventional lithium metal production processes. Li-Metal's process allows the costly step of converting lithium carbonate to lithium chloride to be eliminated. In May 2023, Li-Metal was granted a patent for production of refined lithium metal and the company likely became the first company in the world to successfully produce lithium metal directly from lithium carbonate at its pilot plant in Markham, Ontario. On August 2, 2024 Li-Metal entered into a definitive agreement with Arcadium plc to sell its assets related to Li-Metal's lithium metal production process.
- **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 Reprocessing ("LMRP")** – To enhance the sustainability of lithium metal anodes and to overcome the need to incinerate scrap lithium metal, Li-Metal developed its reprocessing and casting technology. The technology reprocesses the scrap lithium into ingots that may be used for anode production. The Company planned to 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 Li-Metal was working on 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.

On August 2, 2024, Li-Metal announced that it had completed the sale of certain assets (the "Assets") constituting its lithium metal production business to Arcadium Lithium plc ("Arcadium") pursuant to a definitive Asset Purchase Agreement dated August 2, 2024. Li-Metal

sold the Assets for aggregate consideration paid by Arcadium of US\$11,000,000. The Assets include all of Li-Metal's lithium metal production technology, including all related patents, proprietary know-how and physical assets utilized in lithium metal production. The sale of the Assets was conducted in part to allow Li-Metal to focus on its lithium metal anode business. The asset sale included all assets associated with Li-Metal's LMPP and LMRP technology.

In conjunction with the change in business purpose and the slowdown of the development of next-generation battery market the Anode business has been placed in care and maintenance. This includes the preservation of physical assets and intellectual property related to the anode business. The Company will not partake in any activities with the lithium metal anode business and will not make additional intellectual property (IP) filings. The Company will continue to maintain its current IP and will actively seek a purchaser for its anode technology and related assets.

On December 2, 2024, the Company announced its intention to proceed with the Change of Business, as it has determined that Shareholder value has better potential to be maximized as a result, and is now proposing to complete the Change of Business. The Company has taken additional steps in furtherance of its proposed Change of Business, including:

- retaining new directors of the Company, Brad Morris, and David Delaney, each with a track record of acquiring and divesting in arm's length enterprises;
- filing a notice of meeting and record date for a special meeting of Shareholders to be held on [March 7, 2025] to approve, among other things, the Change of Business; and
- making an application with the CSE to requalify the Common Shares for listing upon completion of the Change of Business.

### **8.3 Competitive Conditions**

Investment holding companies such as the Company operate in highly competitive markets, with competition based on a variety of factors, including investment performance, business reputation, and financial strength. The Company competes with other large holding companies, as well as companies that provide investment products, such as mutual fund companies, investment management firms, banks, insurance companies and other financial institutions. Some of these competitors have greater capital and other resources. We also may hold investments in the securities of businesses that face intense competitive pressures within the markets in which they operate.

### **8.4 Foreign Operations**

As of the date of this Listing Statement, neither the Company nor its subsidiary has any foreign operations.

### **8.5 Lending Operations**

The Company does not currently engage in, nor upon completion of the Change of Business does it intend to engage in, any lending operations.

### **8.6 Bankruptcy, Receivership or Similar Procedures**

The Company or any of its former subsidiaries have not been the subject of any bankruptcy (including voluntary bankruptcy), receivership (including voluntary receivership) or any similar proceeding within the last three recently completed financial years or the current financial year.

## 8.7 Social or Environmental Policies

The Company has not implemented any social or environmental policies that are fundamental to the Company's operations nor does it intend to do so upon completion of the Change of Business.

## 8.8 Asset-backed Securities Outstanding

The Company does not currently have, nor upon completion of the Change of Business does it intend to have, any outstanding asset-backed securities.

## 9. USE OF PROCEEDS

### 9.1 Use of Available Funds

The Company is not raising any funds in conjunction with this Listing Statement, and accordingly there are no distributions of securities or resulting offering proceeds.

### 9.2 Estimated Funds Available

As of December 31, 2024, the Company had an estimated working capital of \$14,177,899 (unaudited). These funds available to the Company are related to proceeds from prior financings conducted by the Company, and as a result of the sale of the Assets.

The availability of funds and the Company's ability to raise and generate revenue over the next 12-month period may vary significantly and will depend on a number of factors including those set out in "Risk Factors".

#### Use of Available Funds

The intended uses of the estimated available funds are as follows:

| Source of Available Funds   | Estimated Funds             |
|---|-----------------------------|
| Working Capital of the Company as at December 31, 2024 (unaudited)                        | \$14,177,899 <sup>(1)</sup> |
| Remaining funds to be received from Arcadium from the sale of the metal production assets | \$431,670 <sup>(2)</sup>    |
| Total Funds Available   | \$14,669,569                |
| Principal Purposes for the Available Funds  | Estimated Funds             |
| Business Change Cost  | \$125,000                   |
| Personnel Cost (Including Directors' Fees)  | \$860,489                   |
| Legal Fees  | \$595,035                   |
| Anode IP Maintenance  | \$122,544                   |

|  |              |
|--|--------------|
| Accounting & Audit Fees                        | \$187,680    |
| Occupancy Costs                                | \$91,632     |
| Insurance                                      | \$134,997    |
| Miscellaneous general and administrative costs | \$94,371     |
| Professional Fees                              | \$519,800    |
| Trailing AP                                    | \$94,669     |
| Anode Business Winddown                        | \$50,000     |
| Investments <sup>(3)</sup>                     | [TBD]        |
| Unallocated Capital                            | \$11,793,352 |
| Total:   | \$14,669,569 |

Notes:

<sup>(1)</sup> An exchange rate of 1 USD = 1.4389 CAD (being the exchange rate as at December 31, 2024 per the Bank of Canada) was used to convert Li-Metal's USD \$9,667,817.74 cash balance.

<sup>(2)</sup> An exchange rate of 1 USD = 1.4389 CAD (being the exchange rate as at December 31, 2024 per the Bank of Canada) was used to convert Li-Metal's USD \$300,000 to CAD for the funds to be received from Arcadium for the sale.

<sup>(3)</sup> The Company will make an investment or several investments identified by the Company's management and board as per the Company's investment objectives and strategy.

While the Company intends to spend its current capital as disclosed hereunder, there may be circumstances where, for sound business reasons, a re-allocation of the funds may be necessary or advisable. In addition, although the Company believes that these estimates are reasonable, the costs listed above are estimates only, and actual costs may be higher than anticipated.

### 9.3 Business Objectives and Milestones

Based on the estimated funds that the Company believes will be available to it over the next 12 months, the Company seeks to achieve the business objectives set out below:

| Business Objective  | Estimated Cost |
|---|----------------|
| Estimated general and administrative costs for the next 12 months                                   | \$2,751,217    |
| Available for investments in accordance with the Investment Policy                                  | [\$TBD]        |
| Meeting expenses and cost of affecting the Change of Business (including legal fees of the Company) | \$125,000      |

| <b>Business Objective</b>   | <b>Estimated Cost</b> |
|-----------------------------|-----------------------|
| Unallocated working capital | \$11,793,352          |

It is currently anticipated that the Company’s unallocated working capital will be used for such purposes determined by management from time to time including for general corporate purposes.

Notwithstanding the foregoing, there may be circumstances where, for sound business reasons, a reallocation of funds may be necessary for the Company to achieve its objectives. The Company may require additional funds in order to fulfill all of its expenditure requirements to meet its business objectives and may either issue additional securities or incur debt. There can be no assurance that additional funding required by the Company will be available, if required. However, it is currently anticipated that the Company’s working capital available to fund ongoing operations will be sufficient to meet its planned objectives for, at least, the next 12 months.

## **10. DIVIDENDS OR DISTRIBUTIONS**

The Company has not paid dividends since its incorporation. While there are no restrictions in the Company’s articles of incorporation, bylaws, or pursuant to any agreement or understanding which could prevent the Company from paying dividends or distributions in respect of the Common Shares, the Company anticipates using all available cash resources to fund working capital and grow its business.

As such, the Company has no plans to pay dividends in the foreseeable future. Any decisions to pay dividends in cash or otherwise in the future will be made by the Board on the basis of the Company’s earnings, financial requirements and other conditions existing at the time a determination is made.

## **11. SELECTED FINANCIAL INFORMATION**

The following summary of financial data should be read together with the Company’s annual audited financial statements and the accompanying MD&A for the fiscal years ended March 31, 2024 and 2023 and the fifteen months ended March 31, 2022 and the Company’s interim financial statements and the accompanying MD&A for the three and six months ended September 30, 2024 each of which are available on the Company’s issuer profile on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

The Company Financial Statements are prepared in accordance with International Financial Reporting Standards (“IFRS”). The following table sets out selected financial information for the Company for the three and six months ended September 30, 2024 and the three most recently completed financial years ended March 31, 2024, March 31, 2023 and March 31, 2022.

| <b>Financial Information</b> | <b>Period</b>                              |                                  |                                  |  |
|------------------------------|--|----------------------------------|----------------------------------|--|
|                              | <b>Six months ended September 30, 2024</b> | <b>Year ended March 31, 2024</b> | <b>Year ended March 31, 2023</b> | <b>Fifteen months ended March 31, 2022</b> |
| Total Revenues               | \$61,790                                   | \$311,803                        | Nil                              | Nil  |



| Financial Information                                   | Period                               |                           |                           |                                     |
|---|--------------------------------------|---------------------------|---------------------------|-------------------------------------|
|   | Six months ended September 30, 2024  | Year ended March 31, 2024 | Year ended March 31, 2023 | Fifteen months ended March 31, 2022 |
| Income (loss) from Continuing Operations                | \$8,097,349                          | (13,487,614)              | \$(12,556,761)            | \$(18,734,825)                      |
| Net Income or loss (total)                              | \$8,297,431                          | \$(13,496,353)            | \$(12,740,823)            | \$(18,734,825)                      |
| Net Income or loss (basic and diluted losses per share) | Basic \$0.06<br>Fully diluted \$0.05 | \$(0.09)                  | \$(0.08)                  | \$(0.21)                            |
| Total Assets  | \$16,303,219                         | \$7,612,731               | \$16,932,072              | \$27,703,322                        |
| Total Long-Term Financial Liabilities                   | \$141,979                            | \$548,754                 | \$865,499                 | \$920,527                           |
| Cash Dividends  | 0                                    | 0                         | 0                         | 0                                   |

## 12. MANAGEMENT'S DISCUSSION AND ANALYSIS

The following sets of MD&A should be read in conjunction with the Company Financial Statements, respectively, the disclosure contained in this Listing Statement and the related notes thereto attached as Schedules as noted below. This discussion is current as at the date of this Listing Statement. The financial information contained in the MD&As were prepared in accordance with IFRS. All amounts in the MD&As are expressed in Canadian dollars unless otherwise identified.

The MD&A for the year ended March 31, 2024, March 31, 2023 and the fifteen months ended March 31, 2022 is attached as Schedule C to this Listing Statement.

The MD&A for the for the three and six months ended September 30, 2024 for the Company is attached as Schedule C to this Listing Statement.

Certain information included in the MD&As referenced above are forward-looking in nature and based upon assumptions and anticipated results that are subject to various uncertainties. Should one or more of these uncertainties materialize or should the underlying assumptions prove incorrect, actual results may vary significantly from those expected. See "Forward-Looking Statements" for further details.

## 13. CONSOLIDATED CAPITALIZATION

The following table summarizes the Company's consolidated capitalization since incorporation:

| Designation of Security | Number of Securities Authorized | Outstanding as at September 30, 2024 | Outstanding as at the date of this Listing Statement |
|-------------------------|---------------------------------|--------------------------------------|--|
| Common Shares           | Unlimited                       | 164,496,224                          | 164,496,224  |

| Designation of Security | Number of Securities Authorized | Outstanding as at September 30, 2024 | Outstanding as at the date of this Listing Statement |
|-------------------------|---------------------------------|--------------------------------------|--|
| Warrants                | 23,582,250                      | 23,582,250                           | 23,582,250   |
| Stock Options           | 16,449,622                      | 12,856,863                           | 4,921,768  |
| Restricted Share Units  | 15,495,383                      | 1,235,294                            | 11,235,294   |

#### 14. PRIOR SALES

The following table summarizes the distribution of securities of the Company in the 12 months prior to the date of this Listing Statement.

| Date of Issuance | Type of Security       | Number of Securities     | Issue Price per Security |
|------------------|------------------------|--------------------------|--------------------------|
| April 17, 2024   | Common Shares          | 2,896                    | \$0.14                   |
| April 26, 2024   | Warrants               | 2,582,250 <sup>(1)</sup> | \$0.63                   |
| April 26, 2024   | Common Shares          | 5,164,500 <sup>(1)</sup> | \$0.20                   |
| December 2, 2024 | Restricted Share Units | 5,000,000 <sup>(2)</sup> | Nil                      |
| December 2, 2024 | Restricted Share Units | 2,000,000 <sup>(2)</sup> | Nil                      |
| December 2, 2024 | Restricted Share Units | 1,000,000 <sup>(2)</sup> | Nil                      |
| December 2, 2024 | Restricted Share Units | 1,000,000 <sup>(2)</sup> | Nil                      |
| December 2, 2024 | Restricted Share Units | 1,000,000 <sup>(2)</sup> | Nil                      |

Notes:

<sup>(1)</sup> The 2,582,250 warrants and 5,164,500 common shares were issued under a private placement financing for units (each, a “Unit”) at an issuance price of \$0.20 per Unit for total gross proceeds of CAD \$1,032,900. Each Unit consisted of one common share in the capital of the Issuer (a “Common Share”) and one half of one Common Share purchase warrant (each whole warrant, a “Warrant”). Each Warrant has an exercise price of \$0.63 and expires on April 26, 2027.

<sup>(2)</sup> The RSUs are subject to usual vesting in accordance with the Company’s Equity Incentive Plan with immediate vesting on a change in control.

#### 15. DIRECTORS AND EXECUTIVE OFFICERS

##### 15.1 Name, Occupation and Security Holdings

The following table sets out the name, province and country of residence, position or offices held with the Company, date appointed, number and percentage of voting securities of the Company

that each of the directors and executive officers beneficially owns, directly or indirectly, or exercises control over, as at the date of this Listing Statement:

| <b>Name, Current Position, Province and Country of Residence</b> | <b>Position Held Since</b> | <b>Number of Common Shares Beneficially Owned or Controlled</b> | <b>Percentage of Common Shares Beneficially Owned or Controlled</b> |
|--|----------------------------|---|---|
| Keshav Kochhar<br>Chief Executive Officer<br>Ontario, Canada     | August 26, 2024            | 410,060   | 0.25%   |
| Richard Halka<br>Chief Financial Officer<br>Ontario, Canada      | August 1, 2023             | 0   | 0%  |
| Colin Farrell <sup>(1)</sup><br>Former Director<br>Hong Kong     | January 26, 2022           | 1,219,868   | 0.74%   |
| Timothy Johnston<br>Chairman, Director<br>Ontario, Canada        | October 25, 2021           | 14,841,020  | 9.02%   |
| Anthony Tse <sup>(2)</sup><br>Former Director<br>Hong Kong       | October 25, 2021           | 3,181,832   | 1.93%   |
| John Walsh<br>Director<br>Ontario, Canada                        | October 23, 2023           | 96,213 <sup>(3)</sup>   | 0.06%   |
| Brad Morris<br>Director<br>Ontario, Canada                       | December 2,<br>2024        | 0   | 0   |
| David Delaney<br>Director<br>Ontario, Canada                     | December 2,<br>2024        | 342,100 <sup>(4)</sup>  | 0.21%   |

<sup>(1)</sup> Resigned as director effective December 2, 2024.

<sup>(2)</sup> Resigned as director effective December 2, 2024.

<sup>(3)</sup> These shares are held through 2799685 Ontario Inc. a company wholly owned by Mr. Walsh.

<sup>(4)</sup> These shares are held as follows: 162,100 through Concord Investment Partners Ltd., an entity controlled by Mr. Delaney and 180,000 through Concord IP2 Ltd., an entity controlled by Mr. Delaney.

## **15.2 Directors and Officers of the Company**

Below is a brief description of each director and member of management of the Company including their names, ages, positions, and responsibilities with the Company, relevant educational background, principal occupations or employment during the five years preceding the date of this Listing Statement and experience in the Company's industry. Each of the Company's directors and officers has entered into a formal agreement as independent contractors with the Company.

*Timothy Johnston (age 39) – Chairman of the Board of Directors*

Mr. Johnston is a founder and Director of Li-Metal. Mr. Johnston is a highly experienced entrepreneur and business leader having invented technologies and founded businesses to address

the challenges associated with extracting and processing energy transition metals into valuable products for the energy industry.

Mr. Johnston's multidisciplinary experience includes serving as Founder, Executive Director, CEO and Senior Consultant across many businesses in the new energy economy, including co-founder of Li-Cycle, where he led the development of more than 5 operations across three countries in 5 years. As a chartered professional engineer and CFA charter holder, he is an expert in capital project management and transactional analysis, having raised more than \$1B in capital to date. He has provided strategic consulting services for a wide range of companies across the lithium-ion battery value chain, including many corporations that hold leadership positions today. He has evaluated hundreds of projects around the world. He has co-authored seven technical publications with a focus on project execution and brings a unique techno-economic perspective when creating value. He will devote approximately 15-20% of his time to Li-Metal and will act as an independent contractor.

*Keshav Kochhar (age 31) – CEO*

Mr. Kochhar is a dynamic and results-driven executive with leadership experience in the battery and automotive industries. He successfully spearheaded the sale of the lithium metal production technology to Arcadium Lithium plc, a milestone transaction completed on August 2, 2024. Currently, he is responsible for defining the Company's strategic direction, overseeing financial forecasting, identifying and evaluating growth opportunities, and steering the organization toward sustained, long-term success. Prior to his current role, Mr. Kochhar served as the Company's COO, where he was instrumental in commissioning cutting-edge lithium metal and anodes pilot production facilities in Markham, Ontario, and Rochester, New York. He successfully delivered these projects within the planned budget while managing the overall forecast of the Company, leveraging government funding to subsidize costs. 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 automotive airbags. He steered the company to continued increases in profitability and created a global footprint for Lacero Solutions. With over 10 years of experience in various chemical industries, Mr. Kochhar has led and contributed to projects totaling approximately \$60 million. His career began with hands-on roles in engineering and process optimization, equipping him with a strong foundation in operational excellence. Mr. Kochhar holds a Bachelor of Applied Science in Chemical Engineering from the University of British Columbia.

*Richard Halka (age 65) – CFO*

Mr. Halka is an experienced international financial executive. He has personally led public offerings, restructuring of debt and acquisitions/divestitures in Canada, the U.S. and European markets for a combined value in excess of \$2 billion. He is a former KPMG Management Consulting and Corporate Finance Partner and has been CFO for three U.S. public companies and three Canadian public companies.

*Brad Morris (age 33) – Director*

Mr. Morris is a Corporate Lawyer specializing in corporate finance, M&A, and securities law. He advises growth companies, entrepreneurs, and executives with corporate strategy, capital formation & structure, seed and follow-on financings, M&A, and corporate development. Mr. Morris holds a Bachelor of Arts degree from Western University and a Juris Doctor (JD) from Queen's University. He is a member of the Ontario Bar. Since 2018, Mr. Morris has served as General Counsel and Head of Corporate Development at a venture capital firm. In this role, he has helped deploy over

\$500 million in direct investments and supported portfolio companies through several high-profile M&A transactions and public exits. Mr. Morris will be a Director of Li-Metal, providing input on strategy, corporate development, and oversight of the management team. He will devote approximately 10% - 15% of his time to Li-Metal and will act as an independent contractor. Mr. Morris has not entered into a non-competition or non-disclosure agreement with Li-Metal.

*David Delaney (age 40) – Director*

Mr. Delaney is an investment professional with expertise in portfolio management, capital allocation, and investment analysis. Since 2017, he has been the President and Portfolio Manager of Concord Delta Inc., an investment and advisory firm focused on listed equities, private investment, and advisory services in various sectors. Previously, he served as a Managing Director at Firm Capital, a national real estate investor. Prior thereto, Mr. Delaney was employed by Freed Developments in increasingly senior positions, managing high-rise residential developments through acquisition, rezoning, sales, and completion. Since 2018, Mr. Delaney has served on the board of Parkit Enterprises, a real estate investment company, acting as Executive Chairman from 2018-2019. Since 2024, Mr. Delaney has served on the board of Rocky Mountain Liquor. Mr. Delaney has been a CFA Charterholder since 2016 and holds a Master's of Architecture degree from the University of Toronto. Mr. Delaney will be a Director of Li-Metal, and will be responsible for providing input on strategy, acquisitions, market dynamics, and general oversight of the management team. He will also serve on the audit committee. He will devote approximately 10%-15% of his time to Li-Metal. Mr. Delaney will be an independent contractor of Li-Metal. He has not entered into a non-competition or non-disclosure agreement with Li-Metal.

*John Walsh (age 56) – Director*

John Walsh has over 25 years experience as a private markets investor and a legal and governance advisor to large institutions. Mr. Walsh is the General Counsel & Chief Compliance Officer of Timbercreek Investment Management Services (“TIMSI”), and General Counsel and Compliance of Timbercreek Capital, and is responsible for all corporate and investment-related compliance obligations, as well as overseeing Timbercreek's corporate legal activities, including fund formation and launches, ongoing capital markets activities, and general corporate operations. Mr. Walsh was most recently the Managing Director, General Counsel, at OPTrust where he led the strategic planning for a cutting-edge pension innovation lab, and created and led transaction-based legal, governance, ERM, compliance and privacy teams for the Trust. Prior to his senior management role Mr. Walsh spent a decade helping create and lead the Private Markets Group (private equity and infrastructure) at OPTrust. Prior to OPTrust, Mr. Walsh practiced M&A law for 10 years at both Osler, Hoskin & Harcourt LLP, and Davies Ward & Beck (as it then was). Mr. Walsh currently serves as a Director with several international infrastructure investment organizations in addition to serving as a Governor at North York General Hospital. Mr. Walsh obtained his B.A. History from Roberts Wesleyan College, his M.A. Political Science from Carleton University, and his LL.B. from Osgoode Hall Law School. He will devote approximately 10% - 15% of his time to Li-Metal and will act as an independent contractor. Mr. Walsh has not entered into a non-competition or non-disclosure agreement with Li-Metal.

**Term of Office of Directors**

The term of office of the directors expires annually at the time of the Company's annual general meeting of shareholders. The term of office of the executive officers expires at the discretion of the Board.

### **15.3 Aggregate Ownership of Common Shares**

As at the date of this Listing Statement, the directors and officers of the Company as a group beneficially own, directly or indirectly, an aggregate of 20,091,093 Common Shares, representing 12.21% of the issued and outstanding Common Shares.

### **15.4 Conflicts of Interest**

The directors of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interests which they may have in any project or opportunity of the Company. If a conflict of interest arises, any director in a conflict will disclose his interest and abstain from voting on such matter at a meeting of the Board.

To the best of the Company's knowledge, the Company is not aware of any existing or potential material conflicts of interest between the Company and any of its directors or officers as of the date hereof. However, certain of the Company's directors and officers are, or may become, directors or officers of other companies with businesses which may conflict with its business. Accordingly, conflicts of interest may arise which could influence these individuals in evaluating possible acquisitions or in generally acting on the Company's behalf. See also "Risk Factors" for more information.

Pursuant to the OBCA, directors and officers of the Company are required to act honestly and in good faith with a view to the best interests of the Company. Generally, as a matter of practice, directors who have disclosed a material interest in any contract or transaction that the Board will consider will not take part in any board discussion respecting that contract or transaction. If on occasion such directors do participate in the discussions, they will refrain from voting on any matters relating to matters in which they have disclosed a material interest. In appropriate cases, the Company will establish a special committee of independent directors to review a matter in which directors or officers may have a conflict. Furthermore, directors are obligated to disclose all conflicts on interest in any contract or transaction involving the Company.

### **15.5 Cease Trade Orders**

Other than as described below, to the Company's knowledge, none of the Company's directors or executive officers and none of the proposed directors or executive officers of the Company, is, as at the date of this Listing Statement, or was within 10 years before the date hereof, a director, CEO or CFO of any person or company that:

- was subject to (a) a cease trade order; (b) an order similar to a cease trade order; or (c) an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days (an "order") that was issued while the director or executive officer was acting in the capacity of a director, the CEO or the CFO thereof; or
- was subject to an order that was issued after the director or executive officer ceased to be a director, the CEO or the CFO thereof and which resulted from an event that occurred while that person was acting in such capacity.

Tim Johnston was a director at Bolt Metals Corp. (formerly known as Pacific Rim Cobalt Corp.), a reporting issuer listed on the CSE, when on May 1, 2019, the British Columbia Securities Commission issued a temporary management cease trade order against the Chief Executive Officer and the Chief Financial Officer of the company due to the failure to file annual audited financial

statements and management's discussion and analysis. The cease trade order was lifted on July 2, 2019, following the filing of the required continuous disclosure documents.

Keshav Kochhar was the Interim CEO of the Company and Richard Halka was the CFO of the Company, and Tim Johnston and John Walsh were directors of the Company when on July 30, 2024 the Ontario Securities Commission issued a temporary management cease trade order against the Interim CEO and the CFO of the Company due to the Company's failure to file annual audited financial statements and management's discussion and analysis. The cease trade order was lifted on August 6, 2024, following the filing of the required continuous disclosure documents.

## **15.6 Bankruptcies**

To the Company's knowledge, none of the Company's directors or executive officers and any shareholder holding a sufficient number of its securities to affect materially the control of the Company:

- is, as at the date of this Listing Statement, or has been within the 10 years before the date hereof, a director or executive officer of any person or company, including the Company, that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- has, within the 10 years before the date of this Listing Statement, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

## **15.7 Penalties or Sanctions**

To the Company's knowledge, none of the Company's directors or executive officers and any shareholder holding a sufficient number of its securities to affect materially the control of the Company has been subject to:

- (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or
- (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

## **16. EXECUTIVE COMPENSATION**

### **16.1 Equity Incentive Plan**

The Shareholders approved the Equity Incentive Plan on October 11, 2022 and the Board adopted it on August 26, 2022. The purposes of the Equity Incentive Plan are to, among other things: (a) enable Li-Metal and any of its affiliates to attract and retain the types of employees, consultants and directors who will contribute to the Company's long term success; (b) provide incentives that

align the interests of employees, consultants and directors with those of the security holders of the Company; and (c) promote the success of the Company's business.

The eligible award recipients under the Equity Incentive Plan are employees, consultants and directors of Li-Metal and its affiliates and such other individuals designated by the Board (the "**Participants**").

The Equity Incentive Plan is administered by the Board, or a committee if established for this purpose by the Board (the "**Plan Committee**"), which will have full and final authority with respect to the granting of all equity-based incentive awards (together, the "**Incentive Awards**") in the form of incentive Stock Options, restricted share units ("**RSUs**"), performance share units ("**PSUs**"), deferred share units ("**DSUs**"), and stock appreciation rights ("**SARs**").

Stock Options granted under the Equity Incentive Plan may, but need not, vest and become exercisable in periodic installments that may, but need not, be equal. The Stock Options may be subject to such other terms and conditions on the time or times when they are exercised (which may be based on performance or other criteria) as the Board or Plan Committee deems appropriate. The vesting provisions of individual Stock Options may vary. No Stock Option may be exercised for a fraction of a Common Share. The Board or Plan Committee may, but shall not be required to, provide for an acceleration of vesting and exercisability in the terms of any award agreement upon the occurrence of a specified event. Notwithstanding any other provisions of the Equity Incentive Plan, the vesting provisions of a Stock Option must be sufficient to meet any applicable hold period required by the CSE. The exercise price of each Stock Option shall be fixed by the Board or Plan Committee on its date of grant ("**Grant Date**") and will not be less than the fair market value of the Common Shares as of the Grant Date, subject to all applicable regulatory requirements.

Under the Equity Incentive Plan, the Board may grant PSUs to Participants, in all cases in such amounts and subject to such vesting and other terms and conditions as the Board determines in its discretion subject to the Equity Incentive Plan and applicable laws. The conditions applicable to PSUs can include, conditions as to performance, milestones that must be achieved in order for the corresponding PSUs to vest, other internal or external conditions that must be satisfied in order for the PSUs to vest, or as to the length of time during which a Participant must be employed by, or otherwise provide services to, the Company in order for vesting to occur.

Under the Equity Incentive Plan, the Board may grant RSUs to Participants, in all cases in such amounts and subject to such vesting and other terms and conditions as the Board shall determine in its discretion, subject to the Equity Incentive Plan and applicable laws. The conditions applicable to RSUs shall relate to the length of time during which a Participant must be employed by, or otherwise provide services to, the Company in order for vesting to occur.

Under the Plan, the Board may grant SARs to Participants, in all cases in such amounts and subject to such vesting and other terms and conditions as the Board shall determine in its discretion, subject to the Plan and applicable laws. The conditions applicable to SARs shall relate to the length of time during which a Participant must be employed by, or otherwise provide services to, the Company in order for vesting to occur, the timing and conditions for payment, and the reference price against which the appreciation in value of Common Shares shall be measured in determining the value payable to the applicable Participant when the conditions for vesting or settlement have been satisfied, provided that such reference price shall not be less than the fair market value of the Common Shares.



In accordance with the rules of the CSE, the Incentive Award Plan must be re-approved by the Shareholders by October 11, 2025.

Subject to regulatory approvals, the maximum number of Common Shares which may be reserved and set aside for issue under the Equity Incentive Plan pursuant to the exercise of Stock Options to purchase Common Shares is equal to an unallocated pool of 10% of the issued and outstanding Common Shares.

If the Common Shares are listed on the CSE, the exercise price of any Incentive Award cannot be less than the greater of the closing market prices of the underlying securities on (a) the trading day prior to the date of grant of the Stock Options; and (b) the date of grant of the Stock Options.

The exercise period cannot exceed 10 years. Stock Options will terminate on either the date of expiration specified or on such earlier date as set out in the Equity Incentive Plan, including:

- in the case of termination of continuous service of the grantee for any reason other than for cause, 30 days after the termination;
- in the case of termination for cause, immediately upon notification of such termination to the grantee;
- in the case of death of the grantee, one year after the death of the grantee;
- in the case of retirement of the grantee, three years after the retirement of the grantee; and
- in the case of voluntary resignation, the unvested options will terminate immediately upon the resignation, and the vested options shall terminate 30 days after the resignation.

Aside from 10% of the existing Common Shares reserved for issuance on a rolling basis upon the exercise of Stock Options, the Equity Incentive Plan is a hybrid plan that, subject to the adjustment provisions provided for therein (including a subdivision or consolidation of Common Shares), provides that the aggregate maximum number of DSUs, RSUs, SARs and PSUs that may be reserved for issuance under the Equity Incentive Plan, at any time, shall not exceed 15,495,383. Notwithstanding the foregoing, to the extent any awards under the Equity Incentive Plan are terminated or cancelled for any reason prior to exercise in full, the Common Shares subject to such awards (or any portion(s) thereof) shall be added back to the number of Common Shares reserved for issuance under the Equity Incentive Plan.

## 16.2 Incentive Awards Granted

The tables below summarizes information about the Incentive Awards that are outstanding as at the date of this Listing Statement:

| Optionee(s)                                      | No. of Optionees | Options Outstanding | Exercise Price (\$)   | Expiry Date of Options  | No. of Restricted Share Unit Holders | No. of Restricted Share Units Outstanding |
|--|------------------|---------------------|---|---|--------------------------------------|---|
| Executive Officers and Former Executive Officers | 2                | 2,821,754           | Exercise prices range from \$0.0796 per option to \$1.43 per option | Options have expiry dates ranging from October 15, 2025 to March 21, 2027 | 2                                    | 6,235,294 <sup>(1)</sup>                  |

| Optionee(s)   | No. of Optionees | Options Outstanding | Exercise Price (\$)   | Expiry Date of Options   | No. of Restricted Share Unit Holders | No. of Restricted Share Units Outstanding |
|---|------------------|---------------------|---|--|--------------------------------------|---|
| Directors (who are not otherwise Executive Officers) and Former Directors | 1                | 1,524,296           | Exercise prices range from \$0.0796 per option to \$0.3089 per option | Options have expiry dates ranging from October 15, 2025 to October 1, 2026 | 4                                    | 5,000,000 <sup>(2)</sup>                  |
| Other Current and Former Employees  | 1                | 80,000              | \$0.3089  | October 1, 2026  | Nil                                  | Nil                                       |
| Consultants   | 2                | 495,718             | \$0.1826  | December 17, 2025  | Nil                                  | Nil                                       |
| Total:  | 8                | 4,921,768           |   |  |                                      | 11,235,294                                |

Notes:

(1) 5,352,941 RSUs were granted to Keshav Kochhar and 882,353 RSUs were granted to Maciej Jastrzebski.

(2) 2,000,000 RSUs were granted to Tim Johnston, 1,000,000 to John Walsh, 1,000,000 to Brad Morris, and 1,000,000 to David Delaney.

### 16.3 Director and Named Executive Officer Compensation

The compensation paid to each director and officer by the Company for each of the two most recently completed financial years is set out below.

| Name and Position  | Year | Salary, Consulting Fee, Retainer or Commission (\$) | Bonus (\$) | Committee or Meeting Fees (\$) | Value of Perquisites (\$) | Value of All Other Compensation (\$) | Total Compensation (\$) |
|--|------|---|------------|--------------------------------|---------------------------|--------------------------------------|-------------------------|
| Keshav Kochhar<br>CEO <sup>(1)</sup>                           | 2024 | 246,600   | 61,440     | -                              | -                         | -                                    | 308,040                 |
|  | 2023 | 191,250   | -          | -                              | -                         | -                                    | 191,250                 |
| Srini Godavarthy<br>(Former CEO) <sup>(2)</sup>                | 2024 | 754,184   | -          | -                              | -                         | -                                    | 754,184                 |
|  | 2023 | -   | -          | -                              | -                         | -                                    | -                       |
| Maciej Jastrzebski<br>(Former CEO, current CTO) <sup>(3)</sup> | 2024 | 306,765   | -          | -                              | -                         | -                                    | 306,765                 |
|  | 2023 | 225,000   | 153,600    | -                              | -                         | -                                    | 378,600                 |
| Richard Halka<br>CFO <sup>(4)</sup>                            | 2024 | 113,700   | -          | -                              | -                         | -                                    | 113,700                 |
|  | 2023 | -   | -          | -                              | -                         | -                                    | -                       |

| Name and Position                                   | Year | Salary, Consulting Fee, Retainer or Commission (\$) | Bonus (\$) | Committee or Meeting Fees (\$) | Value of Perquisites (\$) | Value of All Other Compensation (\$) | Total Compensation (\$) |
|---|------|---|------------|--------------------------------|---------------------------|--------------------------------------|-------------------------|
| Carlos Pinglo<br>(Former CFO) <sup>(5)</sup>        | 2024 | 51,130  | -          | -                              | -                         | -                                    | 51,130                  |
|   | 2023 | 150,000   | 75,600     | -                              | -                         | -                                    | 225,600                 |
| Kunal Phalpher<br>(Former President) <sup>(6)</sup> | 2024 | 133,451   | -          | -                              | -                         | -                                    | 133,451                 |
|   | 2023 | 166,150   | 84,480     | -                              | -                         | -                                    | 250,630                 |
| Anthony Tse<br>(Former Director) <sup>(7)</sup>     | 2024 | 37,500  | -          | 8,920                          | -                         | -                                    | 46,420                  |
|   | 2023 | 37,500  | -          | 8,000                          | -                         | -                                    | 45,500                  |
| Colin Farrell<br>(Former Director) <sup>(8)</sup>   | 2024 | 37,500  | -          | 43,000                         | -                         | -                                    | 80,500                  |
|   | 2023 | 37,500  | -          | 43,000                         | -                         | -                                    | 80,500                  |
| John Walsh<br>Director                              | 2024 | 16,410  | -          | 2,190                          | -                         | -                                    | 18,600                  |
|   | 2023 | -   | -          | -                              | -                         | -                                    | -                       |
| Timothy Johnston<br>Chairman of the<br>Board        | 2024 | 37,500  | -          | -                              | -                         | -                                    | 37,500                  |
|   | 2023 | 37,500  | -          | -                              | -                         | -                                    | 37,500                  |
| Ernie Ortiz   | 2024 | 21,934  | -          | 2,182                          | -                         | -                                    | 24,116                  |
|   | 2023 | 37,500  | -          | 8,000                          | -                         | -                                    | 45,500                  |
| Mark Wellings                                       | 2024 | 21,094  | -          | 7,031                          | -                         | -                                    | 28,125                  |
|   | 2023 | 37,500  | -          | 12,500                         | -                         | -                                    | 50,000                  |

<sup>(1)</sup> Mr. Kochhar was appointed as Interim CEO effective July 8, 2024 and CEO effective August 26, 2024.

<sup>(2)</sup> Mr. Godavarthy held the role of CEO from May 15, 2023 until July 8, 2024.

<sup>(3)</sup> Mr. Jastrzebski held the role of CEO until May 15, 2023 when he was appointed as the CTO.

<sup>(4)</sup> Mr. Halka was appointed as CFO effective August 1, 2023.

<sup>(5)</sup> Mr. Pinglo was CFO until August 1, 2023.

<sup>(6)</sup> Mr. Phalpher was President until August 10, 2023.

<sup>(7)</sup> Mr. Tse was a Director until December 2, 2024.

<sup>(8)</sup> Mr. Farrell was a Director until December 2, 2024.

## 16.4 Compensation Discussion and Analysis

The process for determining executive compensation is relatively informal, in view of the size and early stage of the Company and its operations. Executive officers are involved in the process and make recommendations to the Board of Directors and the compensation committee, which considers for approval the discretionary components (e.g. cash bonuses) of the annual compensation of senior management. Except as otherwise described below, the Company does not maintain specific performance goals or use benchmarks in determining the compensation of executive officers. The Board of Directors and the compensation committee may at its discretion

award either a cash bonus or stock options for high achievement or for accomplishments that the Board of Directors deem as worthy of recognition.

Compensation for the Named Executive Officers is composed primarily of three components: base fees, performance bonuses and stock-based compensation. In establishing the levels of base fees, performance bonuses and the award of stock options, Li-Metal takes into consideration a variety of factors, including the financial and operating performance of the Company, and each Named Executive Officer's individual performance and contribution towards meeting corporate objectives, responsibilities and length of service.

#### *Salary*

Amounts paid to executive officers as base salary, including merit salary increases, are determined in accordance with an individual's performance and salaries in the marketplace for comparable positions. However, certain Named Executive Officers provide their services in similar capacities to other companies, including reporting issuers, in addition to Li-Metal. There is no mandatory framework that determines which of these factors may be more or less important and the emphasis placed on any of these factors may vary among the executive officers. The determination of base salaries relies principally on negotiations between the respective Named Executive Officer and the Company and is therefore heavily discretionary.

#### *Bonus*

Li-Metal's cash bonus awards are designed to reward an executive for the direct contribution that he or she has made to the Company. Named Executive Officers are entitled to receive discretionary bonuses from time to time as determined or approved by the Board of Directors or the Chief Executive Officer, as applicable. The Company does not currently prescribe a set of formal objective measures to determine discretionary bonus entitlements. Rather the Company uses informal goals which may include an assessment of an individual's current and expected future performance, level of responsibilities and the importance of his or her position and contribution to the Company. Precise goals or milestones are not pre-set by the Board of Directors.

#### *Incentive Award Grants*

Stock options and other Incentive Awards are granted pursuant to the Equity Incentive Plan and in accordance with the rules of the CSE. The Equity Incentive Plan is administered by the Board of Directors, which has authority to amend the Equity Incentive Plan and the terms of the outstanding options, subject to applicable regulatory and shareholder approvals and provided that no amendment may materially impair the rights of existing option holders in respect of options outstanding prior to the amendment.

#### *Directors*

Compensation of directors in the financial year ended March 31, 2024 was determined on a case-by-case basis with reference to the role that each director provides to the Company. For the compensation paid to the directors in the financial year ended March 31, 2024, please see the table under "*Section 15.3 – Director and Named Executive Officer Compensation*". Directors may receive cash bonuses from time to time, which the Company awards to directors for serving in their capacity as a member of the Board of Directors. In addition, directors are entitled to participate in the Equity Incentive Plan, which is designed to give each option holder an interest in preserving and maximizing shareholder value in the longer term. Individual grants are determined by an

assessment of an individual's current and expected future performance, level of responsibilities and the importance of his position and contribution to the Company. The Company has no change of control provisions with any of the current directors.

## **16.5 Employment, Consulting and Management Agreements**

Each of the Company's directors and officers has entered into a formal agreement outlining their role and responsibilities with the Company. Each director has entered into a standard form director's services agreement as contractor and each officer entered into an executive agreement outlining the independent contractor relationship with the Company.

## **16.6 Pension Plan Benefits**

The Company does not have any pension, defined benefit, defined contribution or deferred compensation plans in place.

## **17. INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS**

### **17.1 Aggregate Indebtedness**

No directors, executive officers or promoters of the Company, or associates of such directors, executive officers or promoters, are or were indebted to the Company as at the date of this Listing Statement.

### **17.2 Indebtedness of Directors and Executive Officers under Securities Purchase and Other Programs**

No directors, executive officers, promoters or employees and no former directors, executive officers, promoters or employees of the Company are or were indebted to the Company in connection with a purchase of securities or any other indebtedness as at the date of this Listing Statement.

## **18. AUDIT COMMITTEE**

### **18.1 Audit Committee**

Under NI 52-110 a reporting issuer is required to provide disclosure annually with respect to its audit committee, including the text of its audit committee charter, information regarding composition of the audit committee, and information regarding fees paid to its external auditor. The Company provides the following disclosure with respect to its audit committee (the "Audit Committee"):

### **18.2 The Audit Committee Charter**

The Board has adopted an Audit Committee charter that sets out the roles and responsibilities of the Audit Committee. A copy of the charter is attached hereto as Schedule D.

### **18.3 Composition of the Audit Committee**

As at the date of this Listing Statement, the following individuals are members of the Audit Committee:

| <b>Member</b>                | <b>Independence<sup>(1)</sup></b> | <b>Financial Literacy<sup>(2)</sup></b> |
|------------------------------|-----------------------------------|---|
| John Walsh                   | Yes                               | Yes                                     |
| David Delaney <sup>(3)</sup> | Yes                               | Yes                                     |
| Brad Morris                  | Yes                               | Yes                                     |

Notes:

<sup>(1)</sup> A member of an audit committee is independent if the member has no direct or indirect material relationship with the Company, which could, in the view of the Board, reasonably interfere with the exercise of a member's independent judgment.

<sup>(2)</sup> An individual is financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.

<sup>(3)</sup> Chair of the Audit Committee.

The purposes of the Audit Committee are to assist the Board of Directors' oversight of the integrity of the Company's financial statements; the Company's compliance with legal and regulatory requirements; the qualifications and independence of the Company's independent auditors; and the performance of the independent auditors and the Company's internal audit function.

NI 52-110 governs the composition and function of audit committees of every listed company, including the Company. The Instrument requires the Company to have a written audit committee Charter and to make the disclosure required by Form 52-110F2, which includes disclosure of the text of the audit committee charter in the management information circular of the Company wherein management solicits proxies from the security holders of the Company for the purpose of electing directors to the Board.

***Relevant Education and Experience***

For the purposes of NI 52-110, an individual is financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the issuer's financial statements.

Each member of the Company's present Audit Committee has adequate education and experience that is relevant to their performance as an Audit Committee member and, in particular, the requisite education and experience that have provided the member with:

- (a) an understanding of the accounting principles used by the Company to prepare its financial statements;

- (b) the ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and provisions;
- (c) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company’s financial statements or experience actively supervising individuals engaged in such activities; and
- (d) an understanding of internal controls and procedures for financial reporting.

For details regarding the education, experience and financial literacy of the members of the Audit Committee, see “*Directors and Executive Officers – Biographies*”, above.

**Audit Committee Oversight**

At no time since the commencement of the Company’s most recently completed financial year has there been a recommendation of the audit committee to nominate or compensate an external auditor which was not adopted by the Board of Directors.

***Reliance on Certain Exemptions***

At no time since the commencement of the Company’s most recently completed financial year has the Company relied on either (a) an exemption in section 2.4 of NI 52-110; or (b) an exemption from NI 52-110, in whole or in part, granted under Part 8 (*Exemptions*) of NI 52-110. As the Company is listed on the CSE, it is relying on the exemption provided in section 6.1 of NI 52-110 with respect to Part 3 (Composition of the Audit Committee) and Part 5 (Reporting Obligations).

***Pre-Approval Policies and Procedures***

The audit committee of the Company has not adopted specific policies and procedures for the engagement of non-audit services.

***External Auditor Service Fees***

MNP LLP are the external auditors of the Company. The aggregate fees billed and estimated to be billed by the external auditors for the last two fiscal years is set out in the table below. “Audit Fees” includes fees for audit services including the audit services completed for the Company and its subsidiaries. “Audit Related Fees” includes fees for assurance and related services by the Company’s external auditor that are reasonably related to the performance of the audit or review of the Company’s financial statements and not reported under Audit Fees including the review of interim filings and travel related expenses for the annual audit. “Tax Fees” includes fees for professional services rendered by the external auditor for tax compliance, tax advice, and tax planning. “All Other Fees” includes all fees billed by the external auditors for services not covered in the other three categories.

| <b>Year</b> | <b>Audit Fees</b> | <b>Audit Related Fees</b> | <b>Tax Fees</b> | <b>All Other Fees</b> |
|-------------|-------------------|---------------------------|-----------------|-----------------------|
| <b>2024</b> | \$95,000          | \$35,000                  | Nil             | \$3,850               |

|             |          |          |     |         |
|-------------|----------|----------|-----|---------|
| <b>2023</b> | \$80,000 | \$15,500 | Nil | \$5,985 |
|-------------|----------|----------|-----|---------|

## 19. CORPORATE GOVERNANCE

The Company and the Board of Directors recognize the importance of corporate governance to the effective management of the Company and to the protection of its stakeholders, particularly Shareholders. The Company's approach to significant issues of corporate governance is designed with a view to ensuring that the business and affairs of the Company are effectively managed so as to enhance shareholder value. The Board of Directors fulfills its mandate directly and through its committees at regularly scheduled meetings or as required. The directors are kept informed of the Company's operations at regular meetings and through reports and discussions with management on matters within their particular areas of expertise.

The Company believes that its corporate governance practices are in compliance with applicable Canadian requirements. The Company has considered the applicable requirements and believes that its approach is appropriate and works effectively for the Company and its shareholders.

### *Board of Directors*

Pursuant to National Instrument 58-101, a director is independent if the director has no direct or indirect relationship with the issuer that could, in the view of the issuer's board of directors, be reasonably expected to interfere with the exercise of a member's independent judgment. Certain directors are deemed to have a material relationship with the issuer by virtue of their position or relationship with the Company. The Board of Directors is currently comprised of four members and each of Mr. Walsh, Mr. Morris, and Mr. Delaney have been determined to be independent of the Company. Mr. Johnston is the cofounder and Board Chairman of the Company and is not considered independent. In assessing whether a director is independent for these purposes, the circumstances of each director have been examined in relation to a number of factors.

### *Other Public Corporation Directorships*

Certain of the Company's directors are also currently directors of other reporting issuers as follows:

| <b>Name</b>    | <b>Directorships and or Officer Positions with Other Reporting Issuers</b>                   |
|----------------|--|
| Keshav Kochhar | Nil  |
| John Walsh     | Corporate Secretary at Timbercreek Financial Corp. (TSX: TF)                                 |
| Tim Johnston   | Nil  |
| Brad Morris    | Nil  |
| David Delaney  | Director at Parkit Enterprises (TSXV: PKT) and Director at Rocky Mountain Liquor (TSXV: RUM) |

### *Orientation and Continuing Education*

The Board of Directors will be responsible for ensuring that new directors are provided with an orientation and education program, which will include written information about the duties and



obligations of directors, the business and operations of the Company, documents from recent Board meetings, and opportunities for meetings and discussion with senior management and other directors. Directors are expected to attend all meetings of the Board of Directors and are also expected to prepare thoroughly in advance of each meeting in order to actively participate in the deliberations and decisions.

The Board of Directors recognizes the importance of ongoing director education and the need for each director to take personal responsibility for this process. The Board of Directors notes that it has benefited from the experience and knowledge of individual members of the Board of Directors in respect of the evolving governance regime and principles. The Board of Directors ensures that all directors are apprised of changes in the Company's operations and business.

### ***Ethical Business Conduct***

The Board of Directors is apprised of the activities of the Corporation and ensures that it conducts such activities in an ethical manner. The Board of Directors had not adopted a written code of business conduct and ethics, however, the Board of Directors encourages and promotes an overall culture of ethical business conduct by promoting compliance with applicable laws, rules and regulations; providing guidance to consultants, officers and directors to help them recognize and deal with ethical issues; promoting a culture of open communication, honesty and accountability; and ensuring awareness of disciplinary actions for violations of ethical business conduct. In particular, the Board of Directors ensure that directors exercise independent judgement in considering transactions and certain activities of the Company by holding in camera sessions of independent directors, when applicable, and by having each director declare his or her interest in a particular transaction and abstaining from voting on such matters, where applicable.

### ***Nomination of Directors***

The Board of Directors is largely responsible for identifying new candidates for nomination to the Board of Directors. The process by which candidates are identified is through recommendations presented to the Board of Directors, which establishes and discusses qualifications based on corporate law and regulatory requirements as well as education and experience related to the business of the Company.

### ***Compensation***

The Board has not created or appointed a compensation committee given the Company's current size and stage of development. All tasks related to developing and monitoring the Company's approach to the compensation of the Company's NEOs and directors are performed by the members of the Board. The compensation of the NEOs, directors and the Company's employees or consultants, if any, is reviewed, recommended and approved by the Board without reference to any specific formula or criteria. The Board conducts reviews with regard to directors' and officers' compensation at least once a year. For information regarding the steps taken to determine compensation for the directors and the executive officers, see "Executive Compensation" herein.

### ***Board Assessments***

The Board of Directors and its individual directors are assessed on an informal basis continually as to their effectiveness and contribution. The Chairman of the Board of Directors encourages discussion amongst the Board of Directors as to evaluation of the effectiveness of the Board of

Directors as a whole and of each individual director. All directors are free to make suggestions for improvement of the practice of the Board of Directors at any time and are encouraged to do so.

## **20. RISK FACTORS**

Set out in this section below are certain material risk factors relating to the investment proposed business proposed to be carried on by of the Company upon completion of the Change of Business. As the Company proceeds to develop and carry out its business plans, it will be necessary to continually monitor, re-evaluate, and manage such risks.

Investors should carefully consider, among other things, the risk factors set forth below. While this Listing Statement has described the risks and uncertainties that management of the Company believe to be material to the Company's business, it is possible that other risks and uncertainties affecting the Company's business will arise or become material in the future. These risk factors are not a definitive list of all risk factors associated with an investment in the Company or in connection with Company's operations.

If the Company is unable to address these and other potential risks and uncertainties, its business, financial condition or results of operations could be materially and adversely affected. In this event, the value of its securities could decline and an investor could lose all or part of their investment.

The following is a description of the principal risk factors that may affect the Company.

### **20.1 Risks Related to the Company and its Business**

#### ***Risk Factors Related to an Investment Company***

##### *Reliance on the Performance of Underlying Assets*

Investment corporations do not have operations, activities, or other active business other than the acquisition, retention and management of assets. They are simply a vehicle for owning assets, and are in the business of providing financial capital and management. As an investment company, the Company's ability to meet its financial obligations will generally depend upon the dividends and profits received on investments, as well as the Company's ability to raise additional capital. There is no guarantee that the Company's investment or investments will be sold at a profit or sold at all. In addition, changes in the operating performance, profitability, financial position and creditworthiness of the businesses in which the Company invests could adversely affect the Company's financial condition, profitability or cash flows.

##### *Key Employees*

The Company will be substantially dependent on the services of a limited number of individuals, and in particular, the major investment and capital allocation decisions they provide, some of which have not been hired as of the date hereof. If for any reason the Company is not able to obtain the service of key employees or the services of the Company's key employees are to become unavailable, there could be a material adverse effect on the Company's operations.

The Company will be dependent on its ability to retain the services of existing key personnel and to attract and retain additional qualified and competent personnel in the future. The Company's inability to recruit and retain qualified and competent managers could impair the ability of the Company to perform its management and administrative duties on behalf of the Shareholders.

### *Potential Lack of Investment Diversification*

The Company will not have any specific limits on the holdings in securities of issuers, or in any one industry or size of issuer. Additionally, the Company intends to primarily focus on corporations located in Canada, although investments may extend to the United States and globally. Accordingly, the securities in which the Company invests may not be diversified across many sectors and will be concentrated in specific regions or countries, such as Canada. The Company may also have a significant portion of investments in the securities of a single issuer.

A relatively high concentration of assets or a decision to focus on one merger or acquisition could result in a portfolio that may be more vulnerable to fluctuations in value resulting from adverse conditions that may affect the economy, a particular industry, or a segment of issuers than would otherwise be the case if the Company were required to maintain wide diversification. Consequently, significant declines in the fair value of the Company's larger investments will produce a material decline in the Company's reported earnings.

### *Trading Price of the Shares Relative to Net Asset Value*

The Company cannot predict whether the Common Shares will trade at a discount from, a premium to, or at the Company's net asset value. As a result, the return experienced by a Shareholder will likely differ from the underlying performance of the Company.

The market price of the Common Shares at any given point may not accurately reflect the Company's long-term value. The market price of the Common Shares will be determined by, among other things, the relative demand and supply of the Common Shares in the market, the Company's investment performance and investor perception of the Company's overall attractiveness as an investment as compared with other investment alternatives. The market price of the Common Shares will likely be affected by other factors outside of management's control, including but not limited to, global macroeconomic developments, and market perceptions and expectations regarding the attractiveness of various economies, industries or corporations in which the Company invests.

### *Future Dilution*

Where, in the opinion of the Board of Directors and management, additional capital is necessary or desirable to carry on the investment activities of the Company, the Company may create and issue additional securities at a price and otherwise on terms and conditions determined by the Board of Directors. Depending on the price at which such additional securities of the Company are offered for sale, the issuance of such additional securities could result in a dilution to existing Shareholders. In creating and issuing additional securities of the Company, the Board of Directors will comply with the requirements of applicable securities law and the CSE and will act in accordance with its fiduciary duties as directors of the Company.

### *Use of Leverage*

The Company may borrow additional capital to invest in securities comprising the portfolio for the purpose of enhancing the potential returns of the Company. The risk to Shareholders may increase if securities purchased with borrowed money decline in value. While the use of leverage can increase the rate of return, it can also increase the magnitude of loss in unprofitable positions beyond the loss which would have occurred if there had been no borrowings. The interest expense and other costs incurred in connection with such borrowing may not be recovered by appreciation

in the securities purchased or carried. Leveraging will thus tend to magnify the losses or gains from investment activities.

If at any time an amount owed is called by a lender, the Company may be required to liquidate securities in the portfolio to comply with the restriction or to repay the indebtedness. Such sales may occur at a time when the market for the securities in the portfolio is depressed, affecting the value of the portfolio and the return to the Company.

In addition, the Company may not be able to renew loan facilities on acceptable terms. There can be no assurance that the borrowing strategy employed by the Company will enhance returns, and it may, in fact, reduce returns.

### ***Risk Factors Relating to Portfolio Investments***

#### *Investment in Private Issuers*

The Company may, from time to time, invest in the securities of a private issuer. Issuers whose securities are not publicly traded are not subject to the disclosure and other investor protection requirements that would be applicable if their securities were publicly traded. The Company must, therefore, rely on its management team to obtain the information necessary to make an informed investment decision. The valuations ascribed to such private securities within the Company's portfolio will be measured at fair value in accordance with IFRS, and the resulting values may differ from values that would have otherwise been used had a ready market existed for the investment. The valuation process for these private securities is not based on publicly available prices and is, to a degree, subjective in nature. These valuations will be reflected in the net asset value of the equity securities of the Company.

#### *Illiquid Assets*

The Company may invest, from time to time, in securities that are thinly traded or have no market at all, including investments in private issuers. It is possible that the Company may not be able to sell portions of such positions without facing substantially adverse prices, or may be required to sell such securities before their intended investment horizon, which could negatively impact the performance of investments and the Company's financial condition, profitability and cash flows.

#### *Deterioration of General Economics, Political and Market Conditions*

The success of the Company's activities will be subject to normal economic cycles affecting the economy in general or the industries in which the investee corporations operate. To the extent that the economy deteriorates for an extended period of time, one or more of the Company's investments could be materially harmed. In addition, the Company's investments may be affected by changes in political and market conditions, such as interest rates, availability of credit, inflation rates, changes in laws, and national and international circumstances. Unexpected changes in these factors could negatively impair the Company's financial condition, profitability and cash flows.

#### *Foreign Security Risk*

The Company's investment portfolio may include issuers, domestic or otherwise, with multinational organizations and who have significant foreign business and foreign currency risk. The value of these securities may be influenced by foreign government policies, lack of information

about foreign corporations, political or social instability and the possible levy of foreign withholding tax.

#### *Foreign Exchange Risks*

The Company's reporting currency is the Canadian dollar. A portion of the Company's investments may include securities denominated in foreign currency. Accordingly, the net asset value of the Company's portfolio will fluctuate depending on the rate of exchange between the Canadian dollar and such foreign currencies. The Company may, from time to time, experience gains and losses resulting from the fluctuations of foreign currencies, which could impact the Company's financial condition, profitability or cash flows.

#### *Competition and Technology Risks*

The Company intends to hold investments in the securities of businesses that face intense competitive pressures within the markets in which they operate. Many factors, including market and technological changes, may erode the competitive advantages of the businesses in which the Company invests. Accordingly, the Company's future operating results will depend, to a degree, on whether or not those businesses are successful in protecting or enhancing their competitive positioning.

#### *Credit Risk*

Credit risk is the risk of a financial loss occurring as a result of default of a counterparty on its obligations to the Company. The Company may be subject to credit risk on its financial assets, including loans receivable and corporate debt investments, such as bonds.

#### *Tax Risks*

There can be no assurances that the tax laws applicable to the Company under the Tax Act or under foreign tax regimes will not be changed in a manner which could adversely affect the Company's operating results or profitability.

#### *Regulatory Changes*

Certain industries, such as financial services, health care, and telecommunications, remain heavily regulated and may be more susceptible to an acceleration in regulatory initiatives in Canada and abroad. Investments in these sectors may be substantially affected by changes in government policy, and the Company cannot predict whether or not such changes will have a material adverse impact on the Company's investments or Company profitability.

## **21. PROMOTERS**

To the knowledge of the management of the Company, no person or company is, or has been within the two years immediately preceding the date of this Listing Statement, a "promoter" of the Company or a subsidiary of the Company other than Mr. Brad Morris as he took the initiative in reorganizing the business of the Company. Mr. Morris does not beneficially own, directly or indirectly, any Common Shares of the Company or of its subsidiary, Li-Metal US. Mr. Morris

received 1,000,000 RSUs on December 2, 2024 in connection with his role as a director of the Company.

### **21.1 Cease Trade Orders**

To the knowledge of the Company, no promoter of the Company has, within 10 years prior to the date of this Listing Statement, been a director, CEO, or CFO of any person or company, that was subject to an order that was issued while the promoter was acting in such capacity, or was subject to an order that was issued after the promoter ceased to act in such capacity and which resulted from an event that occurred while the promoter was acting in such capacity.

### **21.2 Bankruptcies**

To the knowledge of the Company, no promoter of the Company is, as at the date of this Listing Statement, or has been within the 10 years prior to the date of this Listing Statement, a director or executive officer of any person or company that, while the promoter was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

### **21.3 Penalties or Sanctions**

To the knowledge of the Company, no promoter has been subject to:

- (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or
- (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

## **22. LEGAL PROCEEDINGS AND REGULATORY ACTIONS**

### **22.1 Legal Proceedings**

Other than as described below, to the knowledge of the Company, there are no legal proceedings outstanding, threatened or pending as of the date of this Listing Statement by or against the Company or to which it is a party or its business or any of its assets is the subject of, nor to the knowledge of the directors and officers of the Company are any such legal proceedings contemplated which could become material to a purchaser of the Company's securities.

Li-Metal US Inc. is engaged in litigation with Srimi Godavarthy, its former CEO. Li-Metal is asserting a claim for conversion of property and for breach of contract and breach of fiduciary duty. Mr. Godavarthy has asserted a counterclaim against the company for, amongst other things, breach of contract arising under his Employment Agreement. Both parties are seeking damages for amounts to be determined by the court.

### **22.2 Regulatory Actions**

To the knowledge of the Company, there have not been any penalties or sanctions imposed against the Company by a court relating to provincial or territorial securities legislation or by a securities regulatory authority, nor have there been any other penalties or sanctions imposed by a court or regulatory body against the Company, and the Company has not entered into any settlement agreements before a court relating to provincial or territorial securities legislation or with a securities regulatory authority.

## **23. INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

No director, executive officer or person that beneficially owns, or controls or directs, directly or indirectly, more than 10% of any class or series of the outstanding voting securities of the Company or any associate or affiliate of the foregoing has, or has had, any material interest, direct or indirect, in any transaction prior to the date of this Listing Statement or any proposed transaction that has materially affected, or is reasonably expected to materially affect, the Company or any of its affiliates.

## **24. AUDITORS, TRANSFER AGENTS AND REGISTRARS**

### **24.1 Auditors**

The auditors of the Company is MNP LLP, Chartered Professional Accountants, located at 50 Burnhamthorpe Road West, Suite 900, Toronto, Ontario, L5B 3C2, Canada. MNP LLP is independent of the Company within the meaning of the Code of Professional Conduct of Chartered Professional Accountants of British Columbia.

### **24.2 Transfer Agent**

The registrar and transfer agent of the Company's Common Shares is TSX Trust Company located at Suite 301, 100 Adelaide St. West, Toronto, Ontario, M5H 1S3, Canada.

## **25. EXPERTS**

No person or corporation whose profession or business gives authority to a statement made by the person or corporation and who is named as having prepared or certified a part of this Listing Statement or as having prepared or certified a report or valuation described or included in this Listing Statement, holds any beneficial interest, direct or indirect, in any securities or property of the Company and no such person is expected to be elected, appointed or employed as a director, senior officer or employee of the Company.

**SCHEDULE A**  
**INVESTMENT POLICY**  
*[SEE ATTACHED]*



## LI-METAL CORP. - INVESTMENT POLICY

### *Overview of Investment Policy*

The Company's investment policy is focused on enhancing shareholder value. The Company will seek to accomplish this objective by making use of the experience, expertise and opportunity flow of its management and board of directors (the "**Board**") to opportunistically make investments in situations that the Company believes will provide superior returns. Such investments may include the acquisition of equity, debt or other securities of publicly traded or private companies or other entities.

The Company's objective is to leverage management's extensive expertise in deal sourcing and capital structuring to identify promising businesses with outstanding projects, innovative technologies, or both, aiming to maximize returns for its shareholders.

Investments will be acquired and held for short-term gains, income generation, or long-term capital appreciation, dependent upon the specific investment. The paramount goal of the Company will be to generate maximum returns from its investments.

The Company will operate as an investment company rather than as an investment fund. This entails active management of the Company's investments and direct involvement with each entity in which it holds an interest (each an "**Investee Company**"). The Company plans to accomplish this by engaging in one or more of the following actions:

1. Holding a significant equity interest in the Investee Company;
2. Securing representation on the Investee Company's board of directors or obtaining observer status for board meetings and matters;
3. Appointing an advisor to the Investee Company's advisory board;
4. Imposing restrictions on the Investee Company's management or holding approval/veto rights over key management decisions; and
5. Retaining rights to restrict the transfer of shares by other shareholders or to control the issuance of new shares.

The Company expects to establish the Investment Committee to oversee the identification, review and implementation of investments. The Company may also engage one or more investment managers or third-party consultants to assist in identifying, executing, and monitoring investments. Prior to making investments, the Company will generally conduct due diligence it deems appropriate, based on the specific facts and circumstances of each investment. This process may involve evaluating critical business, financial, tax, accounting, environmental, and legal considerations. Depending on the nature of the investment, the Company may engage external consultants, legal advisors, accountants, investment banks, or other third parties as part of the due diligence process.

The Company plans to reinvest the profits derived from its investments to further grow and develop its investment portfolio. The declaration and payment of dividends to shareholders will become a priority once the Company achieves consistent or steady cash flow from its investments.

### ***Investment Objectives***

The principal investment objectives of the Company may include the following:

- to maximize returns on each investment of the Company;
- to minimize the risk associated with each form of investment;
- to invest in high-growth companies and technologies; and
- to invest in companies where the Company can provide capital markets expertise and leadership.

### ***Investment Strategy***

The Company's investment strategy shall adhere to the following guidelines:

- The Company may invest in securities of both public and private companies or other entities that are expected to yield superior investment returns, with particular emphasis on small-cap companies seeking growth or expansion. The Company intends to actively manage its investments and engage directly with each entity in which it holds an interest.
- The Company's investment portfolio may consist of one or more direct or indirect investments to diversify risk and maximize portfolio returns.
- The Company will maintain flexibility with respect to the form of investment and may employ a range of investment instruments, including equity, bridge loans, secured loans, unsecured loans, convertible debentures, warrants, options, royalties, net profit interests, and other hybrid instruments.
- The Company is not restricted to any particular industry. Although it will primarily focus on North American and European entities, it may also invest in properties owned by companies in the resource sector located outside of these regions. The Company has no restrictions on the size or market capitalization of potential investments, subject to the guidelines herein.
- The Company does not have a specific policy regarding investment diversification. Each investment will be evaluated on its individual merits and its potential to generate above-market returns for the Company. In addition, it is possible that the Company will only make one acquisition or merger.
- In appropriate circumstances, the Company may seek a more active role in certain investments or investee companies, where its involvement is expected to significantly enhance the success of the investment. This may include seeking board seats, initiating proxy contests, or otherwise influencing governance to increase shareholder value, or actively participating in the management or oversight of investee companies.

- The Company may also invest in special situations, such as corporate restructurings, mergers, spin-offs, friendly or hostile takeovers, bankruptcies, or leveraged buyouts. These situations may involve investments in public companies, where there is an opportunity to influence the strategic direction, whether through acquiring control or using shares of the Company as currency. These situations may also involve lending funds.
- Depending on market conditions and applicable laws, the Company may seek to sell any or all of its investments when it determines that those investments no longer offer the potential for appropriate returns or when superior opportunities become available. This may include disposing of investments in specific industry sectors or in general, without prior notice to shareholders.
- Depending on the nature of the investment, the Company will consider the appropriate exit strategy. For any investments in publicly traded companies, the Company's exit strategy will involve selling the investment on the open market. For any investments in privately held companies, the Company's exit strategy may involve liquidating the investment in connection with an Initial Public Offering. The general timeframe the Company will consider for holding investments would be three to five years.
- Subject to applicable laws and regulatory requirements, the Company may also from time to time seek to utilize its capital to repurchase shares of the Company.
- The Company may use borrowed funds for investments or working capital requirements or make investments jointly with third parties.
- Depending on market conditions and investment opportunities, the Company may be fully invested, partially invested, or entirely uninvested, holding cash or cash equivalents while seeking suitable investment opportunities. Funds not immediately invested may be placed into high-quality money market instruments.
- All investments shall be made in compliance with applicable laws in relevant jurisdictions and shall be made in accordance with the rules and policies of any applicable regulatory authorities.

### ***Implementation***

The Company's management team and Board will work together to identify investment opportunities that align with the Company's strategy and objective of enhancing shareholder value. Leveraging their extensive business and investment expertise, as well as their professional networks, these individuals are well-positioned to identify and evaluate potential investments. Proposed investments will be submitted to the Investment Committee of the Board for evaluation. The Investment Committee will assess whether the investment aligns with the Company's strategy, conducting initial due diligence and advancing proposals for further review, possibly involving external consultants.

All investments must be approved by the Board. The Investment Committee is responsible for selecting investments for submission to the Board and monitoring the Company's investment portfolio. One member of the Investment Committee may be designated and authorized to manage day-to-day investment decisions under the Board's direction.

Negotiation of terms is a key factor in determining the value of any opportunity. The representatives involved in negotiations will be determined on a case-by-case basis, depending on the circumstances.

### ***Investment Evaluation Process***

In selecting securities or acquisitions for the investment portfolio, the Investment Committee will consider the following factors:

- consistency with the Company's Investment Policy;
- inherent value of the assets;
- proven management, clear objectives, and strong technical, commercial, and professional support;
- future capital requirements to realize the business's full potential and the ability to raise necessary capital;
- expected rate of return and associated risks; and
- financial performance, including the consistency of positive cash flow.

### ***Composition of Investment Portfolio***

The investment portfolio may consist of one or many direct or indirect investments to diversify risk and maximize portfolio returns. The nature and timing of investments will depend on available capital and identified opportunities. The Company aims to build a diversified portfolio, with its composition evolving based on market performance and risk assessments.

### ***Conflicts of Interest***

The Company recognizes the management and directors of the Company may be involved in other activities which may on occasion cause a conflict of interest with his or her duties to the Company. These include serving as directors, officers, promoters, advisors or agents of other public and private companies, including of companies in which the Company may invest, or being shareholders or having an involvement or financial interest in one or more existing or prospective investee companies of the Company. The management and directors of the Company may also engage from time to time in transactions with the Company where any one or more of such persons is acting in his or her capacity as financial or other advisor, broker, intermediary, principal or counterparty.

The Company is also subject to the “non-arm’s length” and “related party transaction” policies of the applicable securities regulators, which mandates disinterested shareholder approval for certain transactions.

The management and directors of the Company are aware of the existence of laws governing the accountability of directors and officers for corporate opportunities and requiring disclosure of conflicts of interest, and the Company will rely upon such laws in respect of any conflict of interest. Further, to the extent that management or directors of the Company engage in any transactions with the Company, such transactions will be carried out on customary and arm’s length commercial terms and reported to shareholders transparently.

### ***Monitoring and Reporting***

The Company’s Chief Financial Officer will oversee the monitoring and reporting of the performance of the Company’s investments. Quarterly financial and progress reports will be obtained from each corporate entity, forming the basis for a quarterly review by the Investment Committee. Significant deviations from expectations will be investigated and reported to the Board.

For public company investments, the Company will typically have access to relevant financial information. For private investments, the Company will seek contractual rights to timely access books and records necessary to monitor and protect its investments.

At the end of each fiscal year, a comprehensive report on the performance of the Company’s investments will be prepared by the Chief Financial Officer and presented to the Board.

### ***Amendment***

This investment policy may be amended from time to time with the prior approval of the Board.

**SCHEDULE B**

**AUDITED FINANCIAL STATEMENTS OF LI-METAL CORP. FOR THE YEAR ENDED MARCH 31, 2024, MARCH 31, 2023 AND THE FIFTEEN MONTHS ENDED MARCH 31, 2022 AND UNAUDITED FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTH PERIOD ENDED SEPTEMBER 30, 2024**

*[SEE ATTACHED]*

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**LI-METAL CORP.**  
**CONDENSED INTERIM CONSOLIDATED FINANCIAL**  
**STATEMENTS**  
**THREE AND SIX MONTHS ENDED SEPTEMBER 30,**  
**2024**  
**(EXPRESSED IN CANADIAN DOLLARS)**

---

**(UNAUDITED)**

**Notice to Reader**

The accompanying unaudited condensed interim consolidated financial statements of the Corporation have been prepared by and are the responsibility of management. The unaudited condensed interim consolidated financial statements as at and for the three and six months ended September 30, 2024 have not been reviewed by the Corporation's auditors.

# Management's Responsibility for Financial Statements

The accompanying unaudited condensed interim consolidated financial statements of Li-Metal Corp. (the "Corporation" or the "Company") are the responsibility of management and the Board of Directors.

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

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

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

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

(signed) "Keshav Kochhar"

Chief Executive Officer

Toronto, Canada  
November 28, 2024

(signed) "Richard Halka"

Chief Financial Officer



# Li-Metal Corp.

## Condensed Interim Consolidated Statements of Financial Position (Expressed in Canadian dollars) (Unaudited)

|  | As at<br>September 30,<br>2024 | As at<br>March 31,<br>2024 |
|--|--------------------------------|----------------------------|
| <b>ASSETS</b>                                    |                                |                            |
| <b>Current assets</b>                            |                                |                            |
| Cash and cash equivalents                        | \$ 13,771,243                  | \$ 1,648,430               |
| Sales tax and other receivables (notes 8 and 11) | 701,690                        | 423,411                    |
| Prepaid expenses                                 | 118,060                        | 114,597                    |
| <b>Total current assets</b>                      | <b>14,590,993</b>              | <b>2,186,438</b>           |
| <b>Non-current assets</b>                        |                                |                            |
| Restricted cash (note 5)                         | 50,000                         | 50,000                     |
| Property and equipment (note 6)                  | 922,780                        | 4,627,415                  |
| Asset held for sale (note 7)                     | 573,708                        | -                          |
| Right-of-use assets (note 9)                     | 165,738                        | 748,878                    |
| <b>Total assets</b>                              | <b>\$ 16,303,219</b>           | <b>\$ 7,612,731</b>        |
| <b>EQUITY AND LIABILITIES</b>                    |                                |                            |
| <b>Current liabilities</b>                       |                                |                            |
| Accounts payable and accrued liabilities         | \$ 626,131                     | \$ 561,986                 |
| Lease liability (note 14)                        | 55,181                         | 317,022                    |
| <b>Total current liabilities</b>                 | <b>681,312</b>                 | <b>879,008</b>             |
| <b>Long-term liabilities</b>                     |                                |                            |
| Lease liability (note 14)                        | 141,979                        | 548,754                    |
| <b>Total liabilities</b>                         | <b>823,291</b>                 | <b>1,427,762</b>           |
| <b>Equity</b>                                    |                                |                            |
| Share capital (note 15)                          | 44,707,984                     | 44,063,196                 |
| Warrants (note 16)                               | 4,285,927                      | 3,983,565                  |
| Contributed surplus                              | 6,794,126                      | 6,743,748                  |
| Accumulated other comprehensive loss             | 7,281                          | (192,801)                  |
| Deficit  | (40,315,390)                   | (48,412,739)               |
| <b>Total equity</b>                              | <b>15,479,928</b>              | <b>6,184,969</b>           |
| <b>Total equity and liabilities</b>              | <b>\$ 16,303,219</b>           | <b>\$ 7,612,731</b>        |

Going concern (note 2)

Commitment (note 24)

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

### Approved on behalf of the Board:

(Signed) "Anthony Tse", Chairman of the Board

(Signed) "Colin Farrell ", Director

**Li-Metal Corp.****Condensed Interim Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)**  
**(Expressed in Canadian dollars)**  
**(Unaudited)**

|   | Three months ended<br>September 30, |                       | Six months ended<br>September 30, |                        |
|---|-------------------------------------|-----------------------|-----------------------------------|------------------------|
|   | 2024                                | 2023                  | 2024                              | 2023                   |
| <b>Revenue</b> (note 12)  | \$ 27,856                           | \$ 127,195            | \$ 61,790                         | \$ 310,300             |
| <b>Operating expenses</b>   |                                     |                       |                                   |                        |
| Research and development (note 11)  | 267,405                             | 199,594               | 511,711                           | 1,056,327              |
| Salaries and wages  | 191,336                             | 373,856               | 432,235                           | 651,005                |
| Share-based compensation<br>(notes 17, 18 and 19)                             | 2,370                               | (202,112)             | 51,478                            | 275,046                |
| Professional and consulting fees  | 1,997,109                           | 630,862               | 2,229,677                         | 1,193,951              |
| Investor relations and reporting issuer cost                                  | 31,421                              | 388,382               | 67,996                            | 580,700                |
| Office and general  | 184,193                             | 408,905               | 425,453                           | 1,227,481              |
| Interest and bank charges   | 800                                 | 1,776                 | 1,569                             | 3,801                  |
| Foreign exchange (gain) loss  | 491,475                             | (50,997)              | 576,599                           | 183,328                |
| Amortization of property and<br>equipment (note 6)                            | 304,392                             | 30,981                | 507,430                           | 894,838                |
| Amortization of right-of-use assets (note 9)                                  | 74,853                              | 74,804                | 149,921                           | 149,627                |
| <b>Operating loss before the following items</b>                              | <b>(3,517,498)</b>                  | <b>(1,728,856)</b>    | <b>(4,892,279)</b>                | <b>(5,905,804)</b>     |
| Interest and other income   | 80,491                              | 90,009                | 100,666                           | 224,527                |
| Business development expense (notes 10)                                       | -                                   | (4,858,565)           | -                                 | (4,858,565)            |
| Gain on assignment of lease (note 14)   | 82,135                              | -                     | 82,135                            | -                      |
| Accretion of lease liability (note 14)  | (17,653)                            | (24,694)              | (37,314)                          | (51,058)               |
| Gain on disposition of property<br>and equipment (note 8)                     | 14,618,267                          | -                     | 14,618,267                        | -                      |
| Impairment of property and<br>equipment (notes 6 and 10)                      | (1,774,126)                         | -                     | (1,774,126)                       | -                      |
| <b>Net income (loss) for the period</b>                                       | <b>9,471,616</b>                    | <b>(6,522,106)</b>    | <b>8,097,349</b>                  | <b>(10,590,900)</b>    |
| Other comprehensive loss:   |                                     |                       |                                   |                        |
| Foreign currency translation adjustment                                       | 71,927                              | 321,217               | 200,082                           | 128,155                |
| <b>Total income (loss) and comprehensive income<br/>(loss) for the period</b> | <b>\$ 9,543,543</b>                 | <b>\$ (6,200,889)</b> | <b>\$ 8,297,431</b>               | <b>\$ (10,462,745)</b> |
| <b>Basic net income (loss) per share (note 21)</b>                            | <b>\$ 0.06</b>                      | <b>\$ (0.04)</b>      | <b>\$ 0.06</b>                    | <b>\$ (0.07)</b>       |
| <b>Diluted income (loss) per share (note 21)</b>                              | <b>\$ 0.06</b>                      | <b>\$ (0.04)</b>      | <b>\$ 0.05</b>                    | <b>\$ (0.07)</b>       |
| <b>Weighted average number of common<br/>shares outstanding - basic</b>       | <b>164,496,224</b>                  | <b>155,714,698</b>    | <b>163,621,094</b>                | <b>155,336,342</b>     |
| <b>Weighted average number of common<br/>shares outstanding - diluted</b>     | <b>164,496,224</b>                  | <b>155,714,698</b>    | <b>163,890,250</b>                | <b>155,336,342</b>     |

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

# Li-Metal Corp.

## Condensed Interim Consolidated Statements of Cash Flows (Expressed in Canadian dollars) (Unaudited)

| Six months ended September 30,   | 2024                 | 2023                |
|--|----------------------|---------------------|
| <b>Operating activities</b>  |                      |                     |
| Net income (loss) for the period   | \$ 8,097,349         | \$ (10,590,900)     |
| Adjustments for:   |                      |                     |
| Amortization of property and equipment   | 507,430              | 894,838             |
| Amortization of right-of-use assets (note 9)                                   | 149,921              | 149,627             |
| Accretion of lease liability (note 14)   | 37,314               | 51,058              |
| Share-based compensation (notes 17, 18 and 19)                                 | 51,478               | 275,046             |
| Shares and warrants issued for business development expense (note 10)          | -                    | 4,858,565           |
| Impairment of property and equipment (note 6)                                  | 1,774,126            | -                   |
| Gain on disposition of property and equipment (note 8)                         | (14,618,267)         | -                   |
| Gain on assignment of lease  | (82,135)             | -                   |
| Unrealized foreign exchange loss   | 3,030                | 148,334             |
| Non-cash working capital items:  |                      |                     |
| Sales tax and other receivables  | 126,691              | 192,792             |
| Prepaid expenses   | (3,463)              | 37,722              |
| Accounts payable and accrued liabilities                                       | 64,146               | (808,750)           |
| Restricted cash  | -                    | -                   |
| Customer deposits  | -                    | -                   |
| <b>Net cash used in operating activities</b>                                   | <b>(3,892,380)</b>   | <b>(4,791,668)</b>  |
| <b>Investing activities</b>  |                      |                     |
| Purchase of property and equipment (note 6)                                    | -                    | (315,631)           |
| Proceeds from disposition of property and equipment (note 8)                   | 15,062,558           | -                   |
| Repayment of lease liability (note 14)   | (190,451)            | (188,257)           |
| <b>Net cash used in investing activities</b>                                   | <b>14,872,107</b>    | <b>(503,888)</b>    |
| <b>Financing activities</b>  |                      |                     |
| Proceeds from issuance of common shares and warrants, net of transaction costs | 946,050              | -                   |
| <b>Net cash provided by financing activities</b>                               | <b>946,050</b>       | <b>-</b>            |
| <b>Effect of foreign currency translation</b>                                  | <b>197,036</b>       | <b>(19,014)</b>     |
| <b>Net change in cash and cash equivalents</b>                                 | <b>12,122,813</b>    | <b>(5,314,570)</b>  |
| <b>Cash and cash equivalents, beginning of the period</b>                      | <b>1,648,430</b>     | <b>10,418,506</b>   |
| <b>Cash and cash equivalents, end of the period</b>                            | <b>\$ 13,771,243</b> | <b>\$ 5,103,936</b> |
| <b>Supplemental cash flow information:</b>                                     |                      |                     |
| Shares and warrants issued in settlement of business development expense       | \$ -                 | \$ 4,858,565        |

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

**Li-Metal Corp.**  
**Condensed Interim Consolidated Statements of Changes in Equity**  
**(Expressed in Canadian dollars)**  
**(Unaudited)**

|  | Number of shares   | Share capital        | Warrant reserve     | Contributed surplus | Accumulated other comprehensive loss | Deficit                | Total                |
|--|--------------------|----------------------|---------------------|---------------------|--------------------------------------|------------------------|----------------------|
| <b>Balance, March 31, 2023</b>   | <b>154,953,828</b> | <b>\$ 43,188,196</b> | <b>\$ -</b>         | <b>\$ 6,279,026</b> | <b>\$ (184,062)</b>                  | <b>\$ (34,925,125)</b> | <b>\$ 14,358,035</b> |
| Shares and warrants issued for business development expense              | 4,375,000          | 875,000              | 3,983,565           | -                   | -                                    | -                      | 4,858,565            |
| Share-based compensation (notes 17, 18 and 19)                           | -                  | -                    | -                   | 275,046             | -                                    | -                      | 275,046              |
| Net loss and comprehensive loss for the period                           | -                  | -                    | -                   | -                   | 128,155                              | (9,124,722)            | (8,996,567)          |
| <b>Balance, September 30, 2023</b>                                       | <b>159,328,828</b> | <b>\$ 44,063,196</b> | <b>\$ 3,983,565</b> | <b>\$ 6,554,072</b> | <b>\$ (55,907)</b>                   | <b>\$ (44,049,847)</b> | <b>\$ 10,495,079</b> |
| <b>Balance, March 31, 2024</b>   | <b>159,328,828</b> | <b>\$ 44,063,196</b> | <b>\$ 3,983,565</b> | <b>\$ 6,743,748</b> | <b>\$ (192,801)</b>                  | <b>\$ (48,412,739)</b> | <b>\$ 6,184,969</b>  |
| Shares and warrants issued in private placement, net of costs (notes 10) | 5,164,500          | 643,688              | 302,362             | -                   | -                                    | -                      | 946,050              |
| Shares issued in settlement of RSUs (notes 10)                           | 2,896              | 1,100                | -                   | (1,100)             | -                                    | -                      | -                    |
| Share-based compensation (notes 17, 18 and 19)                           | -                  | -                    | -                   | 51,478              | -                                    | -                      | 51,478               |
| Net loss and comprehensive loss for the period                           | -                  | -                    | -                   | -                   | 200,082                              | 8,097,349              | 8,297,431            |
| <b>Balance, September 30, 2024</b>                                       | <b>164,496,224</b> | <b>\$ 44,707,984</b> | <b>\$ 4,285,927</b> | <b>\$ 6,794,126</b> | <b>\$ 7,281</b>                      | <b>\$ (40,315,390)</b> | <b>\$ 15,479,928</b> |

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

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# Li-Metal Corp.

## Notes to Condensed Interim Consolidated Financial Statements

September 30, 2024

(Expressed in Canadian dollars)

(Unaudited)

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### 1. Nature of operations

#### Nature of operations

2555663 Ontario Limited ("Li-Metal" or the "Company") was incorporated under the Business Corporations Act (Ontario) on January 17, 2017. Li-Metal is a company that leverages its innovative and anode technology to provide low-cost and environmentally-friendly solutions for next generation lithium batteries.

On October 25, 2021, the reverse takeover transaction ("RTO") pursuant to which 2555663 Ontario Limited, acquired Eurotin Inc. was completed under the terms of an amalgamation agreement previously entered into between the Company, Eurotin and 2848302 Ontario Inc., a wholly owned subsidiary of Eurotin ("Subco"). The RTO was completed by way of a three-cornered amalgamation under the laws of the Province of Ontario. Pursuant to the RTO, Subco amalgamated with Li-Metal, with Li-Metal surviving as a wholly owned subsidiary of Eurotin, known as Li-Metal North America Inc. In addition, Eurotin underwent a 124.72 to 1 share consolidation and changed its name to "Li-Metal Corp.". Immediately following the closing of the RTO, the Resulting Issuer and Li-Metal North America Inc. amalgamated by way of a short-form amalgamation under the laws of the Province of Ontario, with the Resulting Issuer surviving the amalgamation. The Resulting Issuer now holds all of Li-Metal's assets, conducts the business of Li-Metal under the Li-Metal name and has its shares listed on the Canadian Securities Exchange (the "CSE") under the symbol "LIM". The Company changed its year end from December 31 to March 31 after the RTO. The Company operates from Toronto, Canada and also through its wholly owned subsidiary: Li-Metal US Inc. incorporated in Albany NY, USA. The address of the registered office is 77 King Street West, TD North Tower Suite 700, Toronto, ON M5K 1G8.

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

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

### 2. Going concern

The Company is in the early stages of operation and at present, its operations do not generate positive cash flow from operations. For the six months ended September 30, 2024, the Company had a net income of \$8,097,349 (six months ended September 30, 2023 - net loss of \$10,590,900) and had an accumulated deficit of \$40,315,390 as at September 30, 2024 (March 31, 2024 - \$48,412,739).

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

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

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# Li-Metal Corp.

## Notes to Condensed Interim Consolidated Financial Statements

September 30, 2024

(Expressed in Canadian dollars)

(Unaudited)

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### 3. Basis of presentation and statement of compliance

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 – “Interim Financial Reporting” (“IAS 34”) using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). Accordingly, certain disclosures included in annual financial statements prepared in accordance with IFRS have been condensed or omitted and these unaudited condensed interim financial statements should be read in conjunction with the Company’s audited financial statements for the year ended March 31, 2024.

The preparation of condensed interim consolidated financial statements in conformity with IAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The interim results are not necessarily indicative of results for a full year. The critical judgments and estimates applied in the preparation of the Company’s condensed interim consolidated financial statements are consistent with those applied to the Company’s consolidated financial statements for the year ended March 31, 2024.

These unaudited condensed interim consolidated financial statements were authorized for issuance by the Board of Directors of the Company on November 28, 2024.

### 4. Initial adoption and upcoming changes in accounting standards

#### Adoption of new accounting standards

##### *Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)*

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

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

This amendment is effective for annual periods beginning on or after January 1, 2024. The Company adopted this amendment on April 1, 2024 and the adoption of this amendment had no material impact on the Company’s unaudited condensed interim consolidated financial statements.

#### New standards and interpretations not yet adopted

In addition, Amendment to IAS 21: Lack of Exchangeability has been published by IASB to specify how to assess whether a currency is exchangeable or not and how to determine the exchange rate when it is not, which is effective as of January 1, 2025. IFRS 18 Presentation and Disclosure in Financial Statements was issued by the IASB in April 2024, with mandatory application of the standard in annual reporting periods beginning on or after January 1, 2027. The Company is still assessing the impact of the implementation of these amendments. No standards have been early adopted in the current period.

## Li-Metal Corp.

### Notes to Condensed Interim Consolidated Financial Statements

September 30, 2024

(Expressed in Canadian dollars)

(Unaudited)

#### 5. Restricted cash

The Company has a corporate credit card with a major financial institution with an average credit limit of \$50,000. As at September 30, 2024, the financial institution holds \$50,000 in a Guaranteed Investment Certificate (March 31, 2024 - \$50,000) as collateral on the credit card amount as long as the credit card is alive. The restricted cash amount would change if there was any change in the credit limit on the card.

#### 6. Property and equipment

| Cost                                    | Computer hardware | Equipment    | Furniture & fixtures | Leasehold improvement | Asset under construction (note 10) | Total        |
|---|-------------------|--------------|----------------------|-----------------------|------------------------------------|--------------|
| Balance, March 31, 2024                 | \$ 16,005         | \$ 5,759,057 | \$ 32,327            | \$ 216,417            | \$ 684,711                         | \$ 6,708,517 |
| Disposition (note 8)                    | (16,005)          | (1,582,383)  | (32,327)             | (217,880)             | -                                  | (1,848,595)  |
| Write-off                               | -                 | (1,089,415)  | -                    | -                     | (684,711)                          | (1,774,126)  |
| Reclassification to asset held for sale | -                 | (989,488)    | -                    | -                     | -                                  | (989,488)    |
| Foreign exchange                        | -                 | 3,402        | -                    | 1,463                 | -                                  | 4,865        |
| Balance, September 30, 2024             | \$ -              | \$ 2,101,173 | \$ -                 | \$ -                  | \$ -                               | \$ 2,101,173 |

| Accumulated depreciation                | Computer hardware | Equipment      | Furniture & fixtures | Leasehold improvement | Asset under construction (note 10) | Total          |
|---|-------------------|----------------|----------------------|-----------------------|------------------------------------|----------------|
| Balance, March 31, 2024                 | (8,923)           | (1,973,445)    | (13,371)             | (85,363)              | -                                  | (2,081,102)    |
| Amortization                            | (1,022)           | (477,506)      | (4,550)              | (24,352)              | -                                  | (507,430)      |
| Disposition (note 8)                    | 9,945             | 858,106        | 17,921               | 110,332               | -                                  | 996,304        |
| Reclassification to asset held for sale | -                 | 415,781        | -                    | -                     | -                                  | 415,781        |
| Foreign exchange                        | -                 | (1,329)        | -                    | (617)                 | -                                  | (1,946)        |
| Balance, September 30, 2024             | \$ -              | \$ (1,178,393) | \$ -                 | \$ -                  | \$ -                               | \$ (1,178,393) |

| Net book value              | Computer hardware | Equipment    | Furniture & fixtures | Leasehold improvement | Asset under construction (note 10) | Total        |
|-----------------------------|-------------------|--------------|----------------------|-----------------------|------------------------------------|--------------|
| Balance, March 31, 2024     | \$ 7,082          | \$ 3,785,612 | \$ 18,956            | \$ 131,054            | \$ 684,711                         | \$ 4,627,415 |
| Balance, September 30, 2024 | \$ -              | \$ 922,780   | \$ -                 | \$ -                  | \$ -                               | \$ 922,780   |

#### 7. Asset held for sale

During the three and six months ended September 30, 2024, the Company received a purchase order for sale of equipment with a net asset value of \$1,663,123 for USD of \$425,000 (CDN\$573,708) which was received subsequent to September 30, 2024 (note 25). The Company recorded the impairment of the equipment to its fair value based on its sale price of \$573,708, recorded an impairment of equipment charge of \$1,089,415 and reclassified the equipment to asset held for sale.

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**Li-Metal Corp.****Notes to Condensed Interim Consolidated Financial Statements****September 30, 2024****(Expressed in Canadian dollars)****(Unaudited)**

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**8. Strategic Sale of Lithium Metal Business**

On August 2, 2024 the Company announced that it had completed the sale of certain assets constituting its lithium metal productions business (the "Assets") to Arcadium Lithium plc ("Arcadium" or the "Purchaser"). Pursuant to a definitive Asset Purchase Agreement dated August 2, 2024 (the "Agreement"), the Company sold the assets for aggregate cash consideration of \$15,062,558 (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 Company also recorded a cash holdback of \$404,970 (US\$300,000) from Arcadium which will be received in July 2025 and this amount has been included in other receivables.

The following is the summary of the consideration received and assets sold:

| <b>Consideration received</b> | <b>Amount (\$)</b> |
|-------------------------------|--------------------|
| Cash                          | \$ 15,470,558      |
| <b>Assets sold</b>            |                    |
| Equipment                     | \$ 724,277         |
| Computer hardware             | 6,060              |
| Furniture and fixture         | 14,406             |
| Leasehold improvement         | 107,548            |
|                               | \$ 852,291         |
| Gain on disposition           | \$ 14,618,267      |

**9. Right-of-use assets**

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|                                     |                   |
|-------------------------------------|-------------------|
| <b>Balance, March 31, 2024</b>      | <b>\$ 748,878</b> |
| Amortization                        | (149,921)         |
| Disposition on assignment (note 14) | (432,636)         |
| Impact of foreign exchange          | (583)             |
| <b>Balance, September 30, 2024</b>  | <b>\$ 165,738</b> |

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## Li-Metal Corp.

### Notes to Condensed Interim Consolidated Financial Statements

September 30, 2024

(Expressed in Canadian dollars)

(Unaudited)

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#### 10. Joint arrangements

##### Agreement with Blue Solutions

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 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.

##### Agreements with Mustang Vacuum Systems Inc. (“MVS”)

On September 14, 2023, the Company signed a strategic collaboration agreement and a contract production agreement with MVS.

Pursuant to the agreements, MVS and the Company would collaborate on the design and manufacture of a physical vapour deposition machine (the “PVD Machine”) for the future production of anodes at an MVS facility in Sarasota, Florida.

The cost to build the PVD Machine would be shared equally and the Company and MVS would have joint ownership of the PVD Machine, with each committing a maximum of USD \$2 million towards building the machine.

In July of 2024, MVS and the Company terminated the agreements. By that time, an initial payment of USD \$500,000 (\$684,711) had been made by the Company to MVS towards manufacture of the PVD Machine. If the MVS agreements had not been terminated, the remaining payments totalling USD \$1,500,000 would have been due from the Company on a progress percentage of completion basis at 33%, 66% and 100%.

The initial payment of USD 500,000 (\$684,711) was recorded as assets under construction in fixed assets. The \$684,711 has been written off and expensed in the September 30, 2024, financial statements.

The unpaid USD \$1.5 million amount is disclosed in the Commitments and Contingencies Note 23 to these financial statements.

According to the strategic collaboration agreement, MVS may not sell PVD machines for the battery market other than to the Company and the Company may not purchase PVD machines from any entities other than MVS. As consideration for the exclusivity, on September 14, 2023, the Company issued 4,375,000 common shares of the Company to MVS at a value of \$0.20 per share for a total of \$875,000 (note 15). The Company also issued to MVS 21,000,000 warrants with each warrant exercisable at a price of CDN \$0.627 until September 19, 2028 recorded at a value of \$3,983,565 (note 16). In addition, MVS has the right to participate in any future equity issues of the Company and has a right to a seat in the board of directors of the Company if MVS accumulates 10 million shares of the Company. During the year ended March 31, 2024, the Company recorded the fair value of the shares (\$875,000) and warrants (\$3,983,565) issued as business development expense for a total of \$4,858,565.

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**Li-Metal Corp.****Notes to Condensed Interim Consolidated Financial Statements****September 30, 2024****(Expressed in Canadian dollars)****(Unaudited)**

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**11. Government assistance**

The government assistance for the periods is as follows:

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|                              | <b>Three months ended<br/>September 30,</b> |             | <b>Six months ended<br/>September 30,</b> |             |
|------------------------------|---|-------------|---|-------------|
|                              | <b>2024</b>                                 | <b>2023</b> | <b>2024</b>                               | <b>2023</b> |
| NGEN refunds                 | \$ -  | \$ 350,869  | \$ -                                      | \$ 350,859  |
| Government of Ontario grants | -   | 200,000     | \$ 114,415                                | \$ 293,083  |
|                              | \$ -  | \$ 550,869  | \$ 114,415                                | \$ 643,942  |

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Government assistance in each year is aggregated with research and development expense for the period.

**NGEN refunds**

On March 1, 2022, Li-Metal was granted up to approximately \$1.9 million, as part of a \$5.1 million joint project with Blue Solutions, awarded by Next Generation Manufacturing Canada ("NGEN"), an industry-led organization supporting advanced manufacturing in Canada, to develop the Company's lithium metal anode technologies.

NGEN grant was provided to assist Li-Metal in developing and advancing its scrap lithium foil reprocessing operation and anode production process. The funds from the grant assisted Li-Metal in further developing its PVD technology to make ultra thin anodes at higher deposition rates and also allowed Li-Metal to enhance its internal battery & surface characterization capabilities. The grant covered part of the costs for technical/operations personnel, contractors, and consumables involved in the project.

During the three and six months ended September 30, 2024, the Company received refunds from NGEN \$nil (three and six months ended September 30, 2023 - \$350,869) which was recognized as a reduction of research and development expense. There are no unfilled conditions nor other contingencies related to the government assistance received. In total, the Company received \$1,839,666 under the NGEN grant and no additional funding is expected.

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# Li-Metal Corp.

## Notes to Condensed Interim Consolidated Financial Statements

September 30, 2024

(Expressed in Canadian dollars)

(Unaudited)

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### 11. Government assistance (continued)

#### Government of Ontario grants

On June 6, 2023, the Company was awarded up to \$1,430,826 from the Government of Ontario to develop and commercialise its lithium metal production technology. The funding awarded to Li-Metal consists of a \$930,826 grant from the R&D Partnership Fund – Electric Vehicle, administered by the Ontario Vehicle Innovation Network (OVIN) and a \$500,000 grant from the Critical Minerals Innovation Fund (CMIF), funded by the Ontario Ministry of Mines. There are no unfilled conditions nor other contingencies related to the government assistance received.

During the three and six months ended September 30, 2024, the Company recognized \$nil and \$114,415, respectively (three and six months ended September 30, 2023 - \$200,000 and \$293,083, respectively) of government assistance related to the OVIN grant based on the proportion of expenses incurred by Company and the amount of funding expected to be funded under the Grant. As at September 30, 2024, \$nil (March 31, 2024 - \$113,253) of the government assistance was accrued in sales tax and other receivables.

During the year ended March 31, 2024, the Company earned and received \$485,064 (2023 - \$nil) of government assistance related to the CMIF grant. No additional funding is expected.

### 12. Revenue

During the three and six months ended September 30, 2024, the Company recognized revenue of \$27,856 and \$61,790, respectively (three and six months ended September 30, 2023 - \$127,195 and \$310,300, respectively) representing sales of samples to customers.

### 13. Related party balances and transactions

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

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

|                                    | Three months ended<br>September 30, |            | Six months ended<br>September 30, |              |
|------------------------------------|-------------------------------------|------------|-----------------------------------|--------------|
|                                    | 2024                                | 2023       | 2024                              | 2023         |
| Director fees                      | \$ 50,000                           | \$ 71,500  | \$ 100,000                        | \$ 143,000   |
| Salaries and short-term employment | 355,733                             | 290,550    | 600,843                           | 882,370      |
| Consulting fees                    | -                                   | -          | -                                 | -            |
| Share-based compensation           | 32,010                              | 61,509     | 69,123                            | 110,983      |
| Total                              | \$ 437,743                          | \$ 423,559 | \$ 769,966                        | \$ 1,136,353 |

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**Li-Metal Corp.****Notes to Condensed Interim Consolidated Financial Statements****September 30, 2024****(Expressed in Canadian dollars)****(Unaudited)**

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**14. Lease liability**

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|   |                   |
|---|-------------------|
| <b>Balance, March 31, 2024</b>                    | <b>\$ 865,776</b> |
| Accretion   | 37,314            |
| Lease payments                                    | (190,451)         |
| Disposition on assignment of lease <sup>(i)</sup> | (514,770)         |
| Impact of foreign exchange                        | (709)             |
| <b>Balance, September 30, 2024</b>                | <b>\$ 197,160</b> |

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<sup>(i)</sup> During the three and six months ended September 30, 2024, the Company assigned the lease in Canada to Arcadium as part of the transaction (see note 8) for \$nil consideration and derecognized the right-of-use asset and lease liability, resulting a gain on assignment of lease of \$82,135.

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|                      |                   |
|----------------------|-------------------|
| <b>Allocated as:</b> |                   |
| Current              | \$ 55,181         |
| Long-term            | 141,979           |
|                      | <b>\$ 197,160</b> |

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

| <b>Maturity analysis</b>              | <b>September 30,<br/>2024</b> |
|---------------------------------------|-------------------------------|
| Less than one year                    | \$ 71,145                     |
| One to three years                    | 144,480                       |
| Four to five years                    | 12,040                        |
| Total undiscounted lease liabilities  | 227,665                       |
| Amount representing implicit interest | (30,505)                      |
| Lease liabilities                     | <b>\$ 197,160</b>             |

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## Li-Metal Corp.

### Notes to Condensed Interim Consolidated Financial Statements

September 30, 2024

(Expressed in Canadian dollars)

(Unaudited)

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#### 15. Share capital

##### a) Authorized share capital

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

##### b) Common shares issued

At September 30, 2024, the issued share capital amounted to \$44,707,984. The changes in issued share capital for the periods were as follows:

|   | Number of<br>common<br>shares | Amount        |
|---|-------------------------------|---------------|
| Balance, March 31, 2023                                       | 154,953,828                   | \$ 43,188,196 |
| Shares issued for business development expense (note 10)      | 4,375,000                     | 875,000       |
| Balance, September 30, 2023 and March 31, 2024                | 159,328,828                   | \$ 44,063,196 |
| Shares and warrants issued in private placement, net of costs | 5,164,500                     | 643,688       |
| Shares issued in settlement of RSUs                           | 2,896                         | 1,100         |
| Balance, September 30, 2024                                   | 164,496,224                   | \$ 44,707,984 |

(i) On September 14, 2023, the Company issued 4,375,000 common shares of the Company to MVS at a value of \$0.20 per share for a total of \$875,000 (note 10).

(ii) On May 1, 2024, the Company issued 5,164,500 units for US\$750,000 (CDN \$1,032,300) to Blue Horizon Advisors LLC ("Blue Horizon"); and (ii) entered into an advisory agreement (the "Advisory Agreement") with Blue Horizon pursuant to which Blue Horizon will provide strategic consulting services to Li-Metal on elements of its business including, without limiting, corporate strategy and development, commercial activity and direct client engagement, partnership, management and rationalization of Li-Metal's capital structure. Each unit issued pursuant to the financing consisted of one common share and one-half of a warrant, with each warrant exercisable at a price of \$0.63 for one additional common share for a period of three years from closing. The fair value of these warrants was estimated to be \$302,362 using the Black-Scholes valuation model on the following assumptions: volatility of 270% based on historical stock prices of the Company, risk-free rate of 4.18%, share price range of \$0.09 and a expected life of 3 years. The Company incurred share issuance costs of \$86,250.

The Advisory Agreement subsequently terminated on June 30, 2024.

(ii) On April 17, 2024, the Company issued 2,896 shares in settlement of 2,896 RSUs that vested.

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**Li-Metal Corp.****Notes to Condensed Interim Consolidated Financial Statements****September 30, 2024****(Expressed in Canadian dollars)****(Unaudited)**

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**16. Warrants**

|  | <b>Number of<br/>warrants</b> |    | <b>Weighted<br/>average<br/>exercise<br/>price</b> |
|--|-------------------------------|----|--|
| Balance, March 31, 2023                        | -                             | \$ | -  |
| Issued (note 10)                               | 21,000,000                    |    | 0.627  |
| Balance, September 30, 2023 and March 31, 2024 | 21,000,000                    | \$ | 0.627  |
| Issued (note 15)                               | 2,582,250                     |    | 0.630  |
| Balance, September 30, 2024                    | 23,582,250                    | \$ | 0.630  |

As at September 30, 2024, the warrants outstanding are as follows:

| <b>Remaining<br/>Contractual<br/>Life (years)</b> | <b>Number<br/>of Warrants</b> | <b>Exercise<br/>Price (\$)</b> | <b>Expiry<br/>Date</b> |
|---|-------------------------------|--------------------------------|------------------------|
| 3.97  | 21,000,000                    | 0.627                          | September 19, 2028     |
| 2.59  | 2,582,250                     | 0.630                          | May 1, 2027            |
| 3.82  | 23,582,250                    | 0.630                          |                        |

The fair value of the warrants issued to MVS (note 10) was estimated to be \$3,983,565 using the Black Scholes valuation model on the following assumptions: volatility of 121% based on the Company's historical volatility, risk-free rate of 3.96%, share price of \$0.25 on the valuation date of September 19, 2023.

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**Li-Metal Corp.****Notes to Condensed Interim Consolidated Financial Statements****September 30, 2024****(Expressed in Canadian dollars)****(Unaudited)**

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**17. Stock options**

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

|                             | <b>Number of<br/>options</b> | <b>Weighted<br/>average<br/>exercise<br/>price</b> |
|-----------------------------|------------------------------|--|
| Balance, March 31, 2023     | 14,459,522                   | 0.33   |
| Forfeited                   | (1,469,226)                  | 0.43   |
| Balance, September 30, 2023 | 12,990,296                   | 0.32   |
| Balance, March 31, 2024     | 12,893,529                   | 0.31   |
| Forfeited                   | (36,667)                     | 1.00   |
| Balance, September 30, 2024 | 12,856,862                   | \$ 0.31  |

As at September 30, 2024, the stock options outstanding are as follows:

| <b>Remaining<br/>Contractual<br/>Life (years)</b> | <b>Exercisable<br/>Options</b> | <b>Number<br/>of Options</b> | <b>Exercise<br/>Price (\$)</b> | <b>Expiry<br/>Date</b> |
|---|--------------------------------|------------------------------|--------------------------------|------------------------|
| 1.04  | 1,345,780                      | 1,345,780                    | 0.08                           | October 15, 2025       |
| 1.21  | 2,343,658                      | 2,343,658                    | 0.23                           | December 17, 2025      |
| 1.50  | 546,360                        | 546,360                      | 0.23                           | April 1, 2026          |
| 2.00  | 5,670,000                      | 5,670,000                    | 0.31                           | October 1, 2026        |
| 2.18  | 14,000                         | 14,000                       | 2.69                           | December 6, 2026       |
| 2.38  | 14,000                         | 14,000                       | 2.04                           | February 14, 2027      |
| 2.41  | 3,300                          | 3,300                        | 1.60                           | February 28, 2027      |
| 2.43  | 11,765                         | 11,765                       | 1.60                           | March 7, 2027          |
| 2.47  | 66,667                         | 100,000                      | 1.43                           | March 21, 2027         |
| 2.59  | 400,000                        | 400,000                      | 1.00                           | May 2, 2027            |
| 2.75  | 3,000                          | 3,000                        | 0.62                           | June 30, 2027          |
| 2.79  | 2,666                          | 2,666                        | 0.72                           | July 14, 2027          |
| 2.86  | 400,000                        | 400,000                      | 0.72                           | August 10, 2027        |
| 2.93  | 833                            | 833                          | 0.73                           | September 3, 2027      |
| 2.96  | 1,500                          | 1,500                        | 0.65                           | September 15, 2027     |
| 3.19  | 2,000,000                      | 2,000,000                    | 0.28                           | December 9, 2027       |
| 1.97  | 12,823,529                     | 12,856,862                   | 0.31                           |                        |

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**Li-Metal Corp.****Notes to Condensed Interim Consolidated Financial Statements****September 30, 2024****(Expressed in Canadian dollars)****(Unaudited)**

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**17. Stock options (continued)**

During the three and six months ended September 30, 2024, the Company recognized a total share-based payments expense of \$7,372 and \$14,605, respectively (three and six months ended September 30, 2023 – \$(18,160) and \$252,611, respectively).

The Company amortizes the estimated grant date fair value of stock options to expense over the vesting period (generally three years). The grant date fair value of outstanding stock options was determined using the Black-Scholes option pricing model and the following assumptions in the year of the grant: risk-free interest rate (based on Canadian government bond yields), expected volatility of the market price of the Company's shares (estimated based on industry average), and the expected option life (in years) (based on historical option holder behavior).

**18. Restricted share units**

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|                             |             |
|-----------------------------|-------------|
| Balance, March 31, 2023     | 1,383,029   |
| Granted                     | 3,432,981   |
| Forfeited                   | (3,383,346) |
| <hr/>                       |             |
| Balance, September 30, 2023 | 1,432,664   |
| Forfeited                   | -           |
| <hr/>                       |             |
| Balance, March 31, 2024     | 1,432,664   |
| Settled                     | (2,896)     |
| Forfeited                   | (194,474)   |
| <hr/>                       |             |
| Balance, September 30, 2024 | 1,235,294   |

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On October 31, 2022, the Company granted to an officer 1,383,029 RSUs, 345,757 RSUs will vest in 12, 24, 36 and 48 months starting from the date of the grant.

On April 17, 2023, the Company granted to five officers an aggregate of 2,830,000 RSUs, 707,500 RSUs will vest in 12, 24, 36 and 48 months starting from the date of the grant.

On April 17, 2023, the Company granted to twenty-two employees an aggregate of 602,981 RSUs, 200,994 RSUs will vest in 12, 24 and 36 months starting from the date of the grant.

During the year ended March 31, 2024, 3,383,346 of RSUs were forfeited. During the six months ended September 30, 2024, 2,896 RSUs issued on April 17, 2023 to an employee were settled with the issuance of 2,896 shares of the Company. During the six months ended September 30, 2024, the vesting date of 308,824 RSUs granted to officers and 64,825 RSUs granted to employees on April 17, 2023 were changed from April 17, 2024 to April 17, 2025. During the six months ended September 30, 2024, the Company compensated certain employees in the amount of \$11,884 for forfeiture of 125,092 RSUs and a further 69,382 were forfeited without compensation.

During the three and six ended September 30, 2024, the Company recognized as share-based payment expense of (\$5,002) and \$36,873, respectively (three and six months ended September 30, 2023 - (\$183,952) and \$22,435, respectively).



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**Li-Metal Corp.****Notes to Condensed Interim Consolidated Financial Statements****September 30, 2024****(Expressed in Canadian dollars)****(Unaudited)**

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**19. Share-based compensation**

The share-based compensation is as follows:

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|               | Three months ended<br>September 30, |              | Six months ended<br>September 30, |            |
|---------------|-------------------------------------|--------------|-----------------------------------|------------|
|               | 2024                                | 2023         | 2024                              | 2023       |
| Stock options | \$ 7,372                            | \$ (18,160)  | \$ 14,605                         | \$ 252,611 |
| RSUs          | (5,002)                             | (183,952)    | 36,873                            | 22,435     |
|               | \$ 2,370                            | \$ (202,112) | \$ 51,478                         | \$ 275,046 |

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**20. Financial instruments****Fair Value**

The fair value of cash and cash equivalents, receivables and payables approximate their carrying amounts due to their short-term nature.

**Credit Risk**

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

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

**Liquidity Risk**

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due. The Company's liquidity and operating results may be adversely affected if its access to capital markets is hindered, whether as a result of a downturn in stock market conditions generally or matters specific to the Company. The Company has historically generated cash flow from its financing activities. The Company manages liquidity risk through the management of its capital structure and financial leverage. As at September 30, 2024, the Company's current liabilities comprise accounts payable, accrued liabilities and the current portion of lease liability. The Company will require additional funding to maintain corporate and administrative functions and to fund its continuing development and commercialization activities and commitments.

The following table shows the maturity date of the Company's financial liabilities as at September 30, 2024:

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|  | Total      | Less than<br>1 year | 1 to 2<br>years | Beyond<br>2 years |
|--|------------|---------------------|-----------------|-------------------|
| Accounts payable and accrued liabilities | \$ 626,131 | \$ 626,131          | \$ -            | \$ -              |

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Please refer to note 14 for lease liability.

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# Li-Metal Corp.

## Notes to Condensed Interim Consolidated Financial Statements

September 30, 2024

(Expressed in Canadian dollars)

(Unaudited)

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### 20. Financial instruments (continued)

#### Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market factors. Market risk comprises three types of risk: price risk, interest rate risk and currency risk.

##### Price risk

Price risk is the risk that the fair value of future cash flows of the Company's financial instruments will fluctuate because of changes in market prices. The Company is not exposed to price risks.

##### Interest rate risk

Interest rate risk is the risk that the fair values and future cash flows of the Company will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk to the extent that the cash and cash equivalents and term deposits, if any, maintained at financial institutions is subject to a floating rate of interest. The interest rate risk on cash is not considered significant.

##### Currency risk

Currency risk is the risk that the fair values or future cash flows of the Company's financial instruments will fluctuate because of changes in foreign currency exchange rates. The Company is exposed to currency risk through financial assets and liabilities denominated in currencies other than the Canadian dollar, the Company's presentation currency. The Company's financial instruments denominated in currencies that are not the Canadian dollar as at September 30, 2024 are as follows:

|  | US dollar    | C\$Equivalent |
|--|--------------|---------------|
| Cash and cash equivalents                | \$ 9,995,898 | \$13,493,463  |
| Other receivables                        | 28,003       | 34,527        |
| Accounts payable and accrued liabilities | (39,314)     | (59,909)      |

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The Company's sensitivity analysis suggests that a 10% depreciation or appreciation of the foreign currencies against the Canadian dollar would have resulted in an approximate \$1,349,000 decrease or increase in the Company's total comprehensive income or loss.

As at September 30, 2024, US dollar amounts have been translated at a rate of C\$1.3499 per US dollar.

### 21. Net loss per common share

The calculation of basic income per share for the three and six months ended September 30, 2024 was based on the income attributable to common shares of \$9,471,616 and \$8,097,349, respectively (three and six months ended June 30, 2023 - loss of \$6,522,106 and \$10,590,900, respectively) and the weighted average number of common shares outstanding of 164,496,224 and 163,621,094, respectively (three and six months ended September 30, 2023 - 155,714,698 and 155,336,342, respectively).

The calculation of diluted income per share for the three and six months ended September 30, 2024 was based on the income attributable to common shares of \$9,471,616 and \$8,097,349, respectively (three and six months ended June 30, 2023 - loss of \$6,522,106 and \$10,590,900, respectively) and the weighted average number of common shares outstanding of 164,496,224 and 163,890,250, respectively (three and six months ended September 30, 2023 - 155,714,698 and 155,336,342, respectively).

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**Li-Metal Corp.****Notes to Condensed Interim Consolidated Financial Statements****September 30, 2024****(Expressed in Canadian dollars)****(Unaudited)**

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**22. Segmented information**

Operating segments are reported in a manner consistent with internal reporting provided to the chief operating decision maker. The chief operating decision maker is responsible for allocating resources and assessing performance of the operating segments and has been identified as the Company's CEO. During the three and six months ended September 30, 2024, the Company has one (March 31, 2024 - one) business operating segment and two (March 31, 2024 – two) geographical operating segments.

The Company's reportable segments are based on the geographic region for the Company's operations and include Canada and US.

| <b>As at September 30, 2024</b> | <b>US</b>  | <b>Canada</b> | <b>Total</b>  |
|---------------------------------|------------|---------------|---------------|
| Current assets                  | \$ 302,479 | \$ 14,288,514 | \$ 14,590,993 |
| Restricted cash                 | -          | 50,000        | 50,000        |
| Property and equipment          | 196,955    | 725,825       | 922,780       |
| Asset held for sale             | -          | 573,708       | 573,708       |
| Right-of-use assets             | -          | 165,738       | 165,738       |
| Total assets                    | \$ 499,434 | \$ 15,803,785 | \$ 16,303,219 |
| Total liabilities               | \$ 68,943  | \$ 754,348    | \$ 823,291    |

| <b>As at March 31, 2024</b> | <b>US</b>  | <b>Canada</b> | <b>Total</b> |
|-----------------------------|------------|---------------|--------------|
| Current assets              | \$ 182,203 | \$ 2,004,235  | \$ 2,186,438 |
| Restricted cash             | -          | 50,000        | 50,000       |
| Property and equipment      | 289,021    | 4,338,394     | 4,627,415    |
| Right-of-use assets         | -          | 748,878       | 748,878      |
| Total assets                | \$ 471,224 | \$ 7,141,507  | \$ 7,612,731 |
| Total liabilities           | \$ 44,122  | \$ 1,383,640  | \$ 1,427,762 |

**Six months ended September 30, 2024**

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|                                  |              |              |              |
|----------------------------------|--------------|--------------|--------------|
| Net (loss) income for the period | \$ (472,744) | \$ 8,570,093 | \$ 8,097,349 |
|----------------------------------|--------------|--------------|--------------|

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**Three months ended September 30, 2024**

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|                                    |              |              |              |
|------------------------------------|--------------|--------------|--------------|
| Total (loss) income for the period | \$ (202,064) | \$ 9,673,680 | \$ 9,471,616 |
|------------------------------------|--------------|--------------|--------------|

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**Six months ended September 30, 2023**

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|                         |              |              |               |
|-------------------------|--------------|--------------|---------------|
| Net loss for the period | \$ 1,054,823 | \$ 9,536,077 | \$ 10,590,900 |
|-------------------------|--------------|--------------|---------------|

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**Three months ended September 30, 2023**

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|                         |            |              |              |
|-------------------------|------------|--------------|--------------|
| Net loss for the period | \$ 419,506 | \$ 6,102,600 | \$ 6,522,106 |
|-------------------------|------------|--------------|--------------|

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## Li-Metal Corp.

### Notes to Condensed Interim Consolidated Financial Statements

September 30, 2024

(Expressed in Canadian dollars)

(Unaudited)

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#### 23. Capital risk management

The Company manages its capital with the following objectives:

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

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

The Company considers its capital to be equity, which comprises share capital, warrants, contributed surplus, accumulated other comprehensive loss and deficit, which at September 30, 2024, totaled \$15,479,928 (March 31, 2024 - \$6,184,969).

The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. The forecast is updated based on activities related to its operations and research and development activities. Selected information is provided to the Board of Directors of the Company. The Company's capital management objectives, policies and processes have remained unchanged during the three and six months ended September 30, 2024.

#### 24. Commitments and contingencies

As per the strategic collaboration and contract production agreements with MVS (note 10), prior to the early termination of the agreements, the Company had expected to pay USD \$2 million toward the first PVD Machine, which would have been owned jointly by the Company and MVS.

An initial payment of USD \$500,000 (\$684,711) was made by the Company to MVS towards manufacture of the PVD Machine. If the MVS agreements had not been terminated, the remaining payments totalling USD \$1,500,000 would have been due from the Company on a progress percentage of completion basis at 33%, 66% and 100%.

The agreements were terminated in July 2024. The Company had issued shares and warrants to MVS under the strategic collaboration agreement as consideration for the exclusivity. On September 14, 2023, the Company issued 4,375,000 common shares of the Company to MVS at a value of \$0.20 per share for a total of \$875,000 (note 15).

The Company also issued to MVS 21,000,000 warrants with each warrant exercisable at a price of CDN \$0.627 until September 19, 2028 recorded at a value of \$3,983,565 (note 16).

Li-Metal US Inc. is engaged in litigation with its former CEO. Li-Metal is asserting a claim for conversion of property and for breach of contract and breach of fiduciary duty. The former CEO has asserted a counterclaim against the company for, amongst other things, breach of contract arising under his Employment Agreement. Both parties are seeking damages in unliquidated amounts.

#### 25. Subsequent event

Subsequent to September 30, 2024, the Company received \$573,708 (US\$425,000) from the sale of an equipment.

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**LI-METAL CORP.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED MARCH 31, 2024 AND 2023**  
**(EXPRESSED IN CANADIAN DOLLARS)**

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To the Shareholders of Li-Metal Corp.:

## Opinion

We have audited the consolidated financial statements of Li-Metal Corp. and its subsidiaries (the "Company"), which comprise the consolidated statement of financial position as at March 31, 2024, and the consolidated statements of loss and other comprehensive loss, changes in equity, and cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at March 31, 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

## Basis for Opinion

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

## Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the consolidated financial statements, which indicates that the Company is in the early stages of operation and at present, its operations do not generate cashflows from operations. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter described in the Material Uncertainty Related to Going Concern section, we have determined that there are no key audit matters to communicate in our report.

## Other Matter

The consolidated financial statements as at and for the year ended March 31, 2023 were audited by another auditor who expressed unmodified opinion on those statements on July 31, 2023.

## Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

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

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Andrew Kevin Spidle.

Mississauga, Ontario

August 1, 2024

*MNP LLP*

Chartered Professional Accountants

Licensed Public Accountants



# Management's Responsibility for Financial Statements

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

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

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

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

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

(signed) "Keshav Kochhar"

Chief Executive Officer

Toronto, Canada  
August 1, 2024

(signed) "Richard Halka"

Chief Financial Officer

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

|   | As at<br>March 31,<br>2024 | As at<br>March 31,<br>2023 |
|---|----------------------------|----------------------------|
| <b>ASSETS</b>                             |                            |                            |
| <b>Current assets</b>                     |                            |                            |
| Cash and cash equivalents                 | \$ 1,648,430               | \$ 10,418,506              |
| Sales tax and other receivables (note 11) | 423,411                    | 655,946                    |
| Prepaid expenses                          | 114,597                    | 178,546                    |
| <b>Total current assets</b>               | <b>2,186,438</b>           | <b>11,252,998</b>          |
| <b>Non-current assets</b>                 |                            |                            |
| Restricted cash (note 7)                  | 50,000                     | 50,000                     |
| Property and equipment (note 8)           | 4,627,415                  | 4,580,747                  |
| Right-of-use assets (note 9)              | 748,878                    | 1,048,327                  |
| <b>Total assets</b>                       | <b>\$ 7,612,731</b>        | <b>\$ 16,932,072</b>       |
| <b>EQUITY AND LIABILITIES</b>             |                            |                            |
| <b>Current liabilities</b>                |                            |                            |
| Accounts payable and accrued liabilities  | \$ 561,986                 | \$ 1,386,135               |
| Lease liability (note 14)                 | 317,022                    | 282,403                    |
| Government assistance (note 11)           | -                          | 40,000                     |
| <b>Total current liabilities</b>          | <b>879,008</b>             | <b>1,708,538</b>           |
| <b>Long-term liabilities</b>              |                            |                            |
| Lease liability (note 14)                 | 548,754                    | 865,499                    |
| <b>Total liabilities</b>                  | <b>1,427,762</b>           | <b>2,574,037</b>           |
| <b>Equity</b>                             |                            |                            |
| Share capital (note 15)                   | 44,063,196                 | 43,188,196                 |
| Warrants (note 16)                        | 3,983,565                  | -                          |
| Contributed surplus                       | 6,743,748                  | 6,279,026                  |
| Accumulated other comprehensive loss      | (192,801)                  | (184,062)                  |
| Deficit                                   | (48,412,739)               | (34,925,125)               |
| <b>Total equity</b>                       | <b>6,184,969</b>           | <b>14,358,035</b>          |
| <b>Total equity and liabilities</b>       | <b>\$ 7,612,731</b>        | <b>\$ 16,932,072</b>       |

Going concern (note 1)  
Commitment (note 24)  
Subsequent events (note 25)

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

**Approved on behalf of the Board:**

(Signed) "Anthony Tse", Chairman of the Board

(Signed) "John Walsh", Director

**Li-Metal Corp.****Consolidated Statements of Loss and Comprehensive Loss  
(Expressed in Canadian dollars)**

| <b>Years ended March 31,</b>                                    | <b>2024</b>           | <b>2023</b>           |
|---|-----------------------|-----------------------|
| <b>Revenue</b> (note 12)  | <b>\$ 311,803</b>     | <b>\$ -</b>           |
| <b>Operating expenses</b>                                       |                       |                       |
| Research and development (note 11)                              | 1,295,260             | 5,058,494             |
| Salaries and wages  | 1,310,950             | 1,385,783             |
| Share-based compensation<br>(notes 17, 18 and 19)               | 464,722               | 1,181,408             |
| Professional and consulting fees                                | 1,949,797             | 2,299,946             |
| Investor relations and reporting issuer cost                    | 794,665               | 775,986               |
| Office and general  | 2,054,831             | 2,105,896             |
| Interest and bank charges                                       | 6,646                 | 10,912                |
| Foreign exchange (gain) loss                                    | 34,079                | (851,692)             |
| Amortization of property and<br>equipment (note 8)              | 953,784               | 667,428               |
| Amortization of right-of-use assets (note 9)                    | 299,515               | 298,516               |
| <b>Operating loss before the following items</b>                | <b>(8,852,446)</b>    | <b>(12,932,677)</b>   |
| Interest and other income                                       | 308,584               | 495,553               |
| Business development expense (notes 10)                         | (4,858,565)           | -                     |
| Forgiveness of government<br>assistance (note 11)               | 10,000                | -                     |
| Accretion of lease liability (note 14)                          | (95,187)              | (119,637)             |
| <b>Net loss for the year</b>                                    | <b>(13,487,614)</b>   | <b>(12,556,761)</b>   |
| Other comprehensive loss:                                       |                       |                       |
| Foreign currency translation adjustment                         | (8,739)               | (184,062)             |
| <b>Total loss and comprehensive<br/>loss for the year</b>       | <b>\$(13,496,353)</b> | <b>\$(12,740,823)</b> |
| <b>Basic and diluted loss per share (note 21)</b>               | <b>\$ (0.09)</b>      | <b>\$ (0.08)</b>      |
| <b>Weighted average number of common<br/>shares outstanding</b> | <b>157,332,585</b>    | <b>154,953,828</b>    |

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

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

| <b>Years ended March 31,</b>                                | <b>2024</b>           | <b>2023</b>         |
|---|-----------------------|---------------------|
| <b>Operating activities</b>                                 |                       |                     |
| Net loss for the year                                       | <b>\$(13,487,614)</b> | \$ (12,556,761)     |
| Adjustments for:  |                       |                     |
| Amortization of property and equipment                      | <b>953,784</b>        | 667,428             |
| Amortization of right-of-use assets (note 9)                | <b>299,515</b>        | 298,516             |
| Accretion of lease liability (note 14)                      | <b>95,187</b>         | 119,637             |
| Share-based compensation (notes 17, 18 and 19)              | <b>464,722</b>        | 1,181,408           |
| Shares and warrants issued for business development expense | <b>4,858,565</b>      | -                   |
| Forgiveness of government assistance (note 11)              | <b>(10,000)</b>       | -                   |
| Unrealized foreign exchange loss                            | <b>136</b>            | (21,953)            |
| Non-cash working capital items:                             |                       |                     |
| Sales tax and other receivables                             | <b>232,575</b>        | (138,964)           |
| Prepaid expenses  | <b>63,949</b>         | (2,533)             |
| Accounts payable and accrued liabilities                    | <b>(822,044)</b>      | 742,188             |
| Restricted cash   | -                     | (50,000)            |
| Customer deposits   | -                     | (17,652)            |
| <b>Net cash used in operating activities</b>                | <b>(7,351,225)</b>    | <b>(9,778,686)</b>  |
| <b>Investing activities</b>                                 |                       |                     |
| Purchase of property and equipment (note 8)                 | <b>(1,000,341)</b>    | (2,597,522)         |
| Repayment of lease liability (note 14)                      | <b>(377,449)</b>      | (370,242)           |
| <b>Net cash used in investing activities</b>                | <b>(1,377,790)</b>    | <b>(2,967,764)</b>  |
| <b>Financing activities</b>                                 |                       |                     |
| Repayment of loan payable (note 11)                         | <b>(30,000)</b>       | -                   |
| <b>Net cash provided by financing activities</b>            | <b>(30,000)</b>       | -                   |
| <b>Effect of foreign currency translation</b>               | <b>(11,061)</b>       | 2,503               |
| <b>Net change in cash and cash equivalents</b>              | <b>(8,770,076)</b>    | <b>(12,746,450)</b> |
| <b>Cash and cash equivalents, beginning of the year</b>     | <b>10,418,506</b>     | 23,162,453          |
| <b>Cash and cash equivalents, end of the year</b>           | <b>\$ 1,648,430</b>   | \$ 10,418,506       |

**Supplemental cash flow information:**

|  |                     |      |
|--|---------------------|------|
| Shares and warrants issued in settlement of business development expense | <b>\$ 4,858,565</b> | \$ - |
| Government assistance recognized but not yet collected (note 11)         | <b>\$ 113,253</b>   | \$ - |

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

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

|  | Number of shares   | Share capital        | Warrant reserve     | Contributed surplus | Accumulated other comprehensive loss | Deficit                | Total                |
|--|--------------------|----------------------|---------------------|---------------------|--------------------------------------|------------------------|----------------------|
| <b>Balance, March 31, 2022</b>   | <b>154,953,828</b> | <b>\$ 43,188,196</b> | <b>\$ -</b>         | <b>\$ 5,097,618</b> | <b>\$ -</b>                          | <b>\$ (22,368,364)</b> | <b>\$ 25,917,450</b> |
| Share-based compensation (notes 17, 18 and 19)                         | -                  | -                    | -                   | 1,181,408           | -                                    | -                      | 1,181,408            |
| Net loss and comprehensive loss for the year                           | -                  | -                    | -                   | -                   | (184,062)                            | (12,556,761)           | (12,740,823)         |
| <b>Balance, March 31, 2023</b>   | <b>154,953,828</b> | <b>\$ 43,188,196</b> | <b>\$ -</b>         | <b>\$ 6,279,026</b> | <b>\$ (184,062)</b>                  | <b>\$ (34,925,125)</b> | <b>\$ 14,358,035</b> |
| Shares and warrants issued for business development expense (notes 10) | 4,375,000          | 875,000              | 3,983,565           | -                   | -                                    | -                      | 4,858,565            |
| Share-based compensation (notes 17, 18 and 19)                         | -                  | -                    | -                   | 464,722             | -                                    | -                      | 464,722              |
| Net loss and comprehensive loss for the year                           | -                  | -                    | -                   | -                   | (8,739)                              | (13,487,614)           | (13,496,353)         |
| <b>Balance, March 31, 2024</b>   | <b>159,328,828</b> | <b>\$ 44,063,196</b> | <b>\$ 3,983,565</b> | <b>\$ 6,743,748</b> | <b>\$ (192,801)</b>                  | <b>\$ (48,412,739)</b> | <b>\$ 6,184,969</b>  |

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

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# Li-Metal Corp.

## Notes to Consolidated Financial Statements

March 31, 2024

(Expressed in Canadian dollars)

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### 1. Nature of operations

#### Nature of operations

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

On October 25, 2021, the reverse takeover transaction ("RTO") pursuant to which 2555663 Ontario Limited, acquired Eurotin Inc. was completed under the terms of an amalgamation agreement previously entered into between the Company, Eurotin and 2848302 Ontario Inc., a wholly owned subsidiary of Eurotin ("Subco"). The RTO was completed by way of a three-cornered amalgamation under the laws of the Province of Ontario. Pursuant to the RTO, Subco amalgamated with Li-Metal, with Li-Metal surviving as a wholly owned subsidiary of Eurotin, known as Li-Metal North America Inc. In addition, Eurotin underwent a 124.72 to 1 share consolidation and changed its name to "Li-Metal Corp.". Immediately following the closing of the RTO, the Resulting Issuer and Li-Metal North America Inc. amalgamated by way of a short-form amalgamation under the laws of the Province of Ontario, with the Resulting Issuer surviving the amalgamation. The Resulting Issuer now holds all of Li-Metal's assets, conducts the business of Li-Metal under the Li-Metal name and has its shares listed on the Canadian Securities Exchange (the "CSE") under the symbol "LIM". The Company changed its year end from December 31 to March 31 after the RTO. The Company operates from its head office located at 90 Riviera Drive, Markham, Ontario, L3R 5M1 Canada and also through its wholly owned subsidiary: Li-Metal US Inc. incorporated in Albany NY, USA. The address of the registered office is 77 King Street West, TD North Tower Suite 700, Toronto, ON M5K 1G8.

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

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

### 2. Going concern

The Company is in the early stages of operation and at present, its operations do not generate cash flow from operations. For the year ended March 31, 2024, the Company incurred a net loss of \$13,487,614 (2023 - \$12,556,761) and had an accumulated deficit of \$48,412,739 as at March 31, 2024 (March 31, 2023 - \$34,925,125).

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

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

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# Li-Metal Corp.

## Notes to Consolidated Financial Statements

March 31, 2024

(Expressed in Canadian dollars)

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### 3. Basis of presentation and statement of compliance

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

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

These consolidated financial statements were authorized for issuance by the Board of Directors of the Company on August 1, 2024.

### 4. Summary of significant accounting policies

#### Basis of measurement

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

#### Basis of consolidation

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

#### Foreign currency translation

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

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

The results and financial position of Li-Metal US Inc. that has a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at period-end exchange rates prevailing at the reporting date: and
- income and expenses are translated at the average exchange rates for the period.

Exchange differences are transferred directly to other comprehensive (income) loss and are included in a separate component of equity titled "Accumulated other comprehensive income or loss". These differences are recognized in profit or loss in the period in which the operation is disposed of. Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future, and which is considered to form part of the net investment in the foreign operation, are recognized in the accumulated other comprehensive income.

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# Li-Metal Corp.

## Notes to Consolidated Financial Statements

March 31, 2024

(Expressed in Canadian dollars)

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### 4. Summary of significant accounting policies (continued)

#### Cash and cash equivalents

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

#### Property and equipment

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

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

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

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

#### Impairment of long-lived assets

Long-lived assets, which comprise furniture and fixtures, equipment and computer hardware, are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is measured as the amount by which the carrying value of the long-lived asset exceeds its fair value. Fair value is determined as the higher of fair value less costs to sell and value in use for each item of property and equipment.

#### Financial instruments

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Company's designation of such instruments. The following summarizes the Company's classifications and measurements of financial instruments:

| <u>Measurement</u>           | <u>Classification</u>         |
|------------------------------|-------------------------------|
| Financial assets             |                               |
| Cash and cash equivalents    | Assets at amortized cost      |
| Other receivables            | Assets at amortized cost      |
| Restricted cash              | Assets at amortized cost      |
| Financial liabilities        |                               |
| Accounts payable             | Liabilities at amortized cost |
| Government assistance - CEBA | Liabilities at amortized cost |



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# Li-Metal Corp.

## Notes to Consolidated Financial Statements

March 31, 2024

(Expressed in Canadian dollars)

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### 4. Summary of significant accounting policies (continued)

#### Financial instruments (continued)

##### *Financial assets at amortized cost*

A financial asset is measured at amortized cost if it is held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and is not designated as Fair Value Through Profit and Loss ("FVTPL"). Financial assets classified as amortized cost are measured subsequent to initial recognition at amortized cost using the effective interest method. Cash and certain other assets are classified as and measured at amortized cost.

##### *Financial liabilities*

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in net earnings when the liabilities are derecognized as well as through the amortization process. Borrowing liabilities are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date. Accounts payable and accrued liabilities are classified as and measured at amortized cost either directly (i.e. as prices) or indirectly (i.e. derived from prices).

##### *Fair value measurement*

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

Level 1 – financial instruments with quoted market price;

Level 2 – financial instruments which valuation technique is based on observable market inputs; and

Level 3 – financial instruments which valuation technique is based on non-observable market inputs.

##### *Impairment of financial assets*

A loss allowance for expected credit losses is recognized in profit or loss for financial assets measured at amortized cost. At each balance sheet date, on a forward-looking basis, the Company assesses the expected credit losses associated with its financial assets carried at amortized cost and Fair Value Through Other Comprehensive Income ("FVOCI"). The impairment methodology applied depends on whether there has been a significant increase in credit risk. The impairment model does not apply to investments in equity instruments.

The expected credit losses are required to be measured through a loss allowance at an amount equal to the 12-month expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date) or full lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument). A loss allowance for full lifetime expected credit losses is required for a financial instrument if the credit risk of that financial instrument has increased significantly since initial recognition.

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# Li-Metal Corp.

## Notes to Consolidated Financial Statements

March 31, 2024

(Expressed in Canadian dollars)

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### 4. Summary of significant accounting policies (continued)

#### Financial instruments (continued)

##### *Derecognition of financial assets and liabilities*

A financial asset is derecognized when either the rights to receive cash flows from the asset have expired or the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party. If neither the rights to receive cash flows from the asset have expired nor the Company has transferred its rights to receive cash flows from the asset, the Company will assess whether it has relinquished control of the asset or not. If the Company does not control the asset then derecognition is appropriate.

A financial liability is derecognized when the associated obligation is discharged or canceled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in net earnings.

#### Research and Development expenditures

Costs directly related to research and development expenditures are expensed as incurred. These direct expenditures include such costs as material used. Once the technical feasibility and commercial viability is determined, the project under development is to be capitalized in the Statement of Financial Position. Government assistance grants are netted against total research and development expense.

#### Income taxes

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

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

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

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

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# Li-Metal Corp.

## Notes to Consolidated Financial Statements

March 31, 2024

(Expressed in Canadian dollars)

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### 4. Summary of significant accounting policies (continued)

#### Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

#### Share-based payments

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

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

The restricted shares units ("RSU") are awarded to executives and are measured at fair value at the date of the grant determined using the Black-Scholes option pricing model. The fair value of the estimated number of RSUs awarded, that are expected to vest is recognized as share-based compensation expense over the vesting period of the RSUs with a corresponding amount recorded in contributed surplus until the respective shares are issued in settlement of the RSUs. The total amount is recognized as an expense. The corresponding credit for these costs is recognized in contributed surplus.

#### Interest in joint arrangement

The Company determines whether the joint arrangement entered into by the Company is a joint operation or a joint venture based upon the rights and obligations of the parties to the arrangement. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Where the Company determines the joint arrangement represents a joint operation, the Company accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

The Company enters into joint operations from time to time and accounts for its proportion of the expenditures and government assistance (note 10).

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# Li-Metal Corp.

## Notes to Consolidated Financial Statements

March 31, 2024

(Expressed in Canadian dollars)

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### 4. Summary of significant accounting policies (continued)

#### Government assistance

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

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

#### Leases

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

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

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

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# Li-Metal Corp.

## Notes to Consolidated Financial Statements

March 31, 2024

(Expressed in Canadian dollars)

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### 4. Summary of significant accounting policies (continued)

#### Revenue recognition

The core principle of IFRS 15 Revenue from Contracts with Customers (“IFRS 15”) is that an entity should recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard establishes a comprehensive five-step framework for the timing and measurement of revenue recognition. (1) identify the contract(s) with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when (or as) the entity satisfies a performance obligation. The Company's revenue of sample products is recognized upon transfer of control of promised goods to the customers in an amount that reflects the consideration the Company expects to receive in exchange for those goods.

#### Interest income

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

#### Loss per share

Loss per share is based on the weighted average number of common shares of the Company outstanding during the period. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options and warrants, in the weighted average number of common shares outstanding during the period, if dilutive. In the Company's case, diluted loss per share is the same as basic loss per share during the years ended March 31, 2024 and 2023 as the Company recorded a net loss for both periods, and the exercise of any potentially dilutive instruments would be anti-dilutive.

#### Comparative amounts

Certain comparative amounts in the consolidated statements of loss and comprehensive loss for the year ended March 31, 2023 was reclassified to conform to the current year presentation.

### 5. Significant judgements and sources of estimation uncertainty

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

#### Critical Judgement in Applying Accounting Policies

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

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# Li-Metal Corp.

## Notes to Consolidated Financial Statements

March 31, 2024

(Expressed in Canadian dollars)

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

#### Key Sources of Estimation Uncertainty

1. Stock-based compensation

The determination of the fair value of stock-based compensation is derived based on assumptions input into the Black-Scholes option pricing model. The model requires that management make forecasts as to future events, including estimates of the average future hold period of issued stock options before exercise, expiry or cancellation; future volatility of the Company's share price in the expected hold period (using historical volatility as a reference); and the appropriate risk-free rate of interest. Stock-based compensation incorporates an expected forfeiture rate and is estimated based on historical forfeitures and expectations of future forfeitures and is adjusted if the actual forfeiture rate differs from the expected rate.

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

2. 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.

3. 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. Management have also determined that funds loaned from Li-Metal Corp. to Li-Metal US Inc. form part of the Company's net investment in a foreign operation.

4. 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.

5. Intangible capitalization

IAS 38 Intangible assets gives guidance on the accounting treatment for intangible assets that are not dealt with specifically in another standard. It requires an entity to recognize an intangible asset upon fulfillment of certain recognition criteria. It also specifies how to measure the carrying amount of intangible assets and requires certain disclosures regarding intangible assets. Based in the above criteria it is the Management assessment as of March 31, 2024 that Li-Metal Corp. is in the research stage and expenditures are expensed.

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# Li-Metal Corp.

## Notes to Consolidated Financial Statements

March 31, 2024

(Expressed in Canadian dollars)

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### 6. Initial adoption and upcoming changes in accounting standards

#### Adoption of new accounting standards

##### IAS 12 Income Taxes

In May 2021, the IASB issued amendments to IAS 12, Income Taxes. The amendments to IAS 12 narrow the scope of the initial recognition exemption so that it no longer applies to transactions which give rise to equal amounts of taxable and deductible temporary differences. The Company is to recognize a deferred tax asset and deferred tax liability for temporary differences arising on initial recognition for certain transactions, including leases and reclamation provisions. The Company adopted this amendments on April 1, 2023 and the adoption of this amendment had no significant impact on the Company's consolidated financial statements.

##### Amendments to IAS 8 - Definition of Accounting Estimates

These amendments clarify how companies distinguish changes in accounting policies from changes in accounting estimates, with a primary focus on the definition of and clarifications on accounting estimates. The distinction between the two is important because changes in accounting policies are applied retrospectively, whereas changes in accounting estimates are applied prospectively. Further, the amendments clarify that accounting estimates are monetary amounts in the financial statements subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. The Company adopted this amendment on April 1, 2023 and the adoption of this amendment had no significant impact on the Company's consolidated financial statements.

##### Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies

These amendments continue the IASB's clarifications on applying the concept of materiality. These amendments help companies provide useful accounting policy disclosures, and they include: requiring companies to disclose their material accounting policies instead of their significant accounting policies; clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and do not need to be disclosed; and clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material. The IASB also amended IFRS Practice Statement 2 to include guidance and examples on applying materiality to accounting policy disclosures. These amendments are effective for reporting periods beginning on or after January 1, 2023. The Company adopted this amendment on April 1, 2023 and the adoption of this amendment had no significant impact on the Company's consolidated financial statements.

#### New standards and interpretations not yet adopted

##### Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)

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

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

This amendment is effective for annual periods beginning on or after January 1, 2024, with earlier application permitted. The adoption of this amendment is not expected to have a material impact on the Company's financial statements.

# Li-Metal Corp.

## Notes to Consolidated Financial Statements

March 31, 2024

(Expressed in Canadian dollars)

### 7. Restricted cash

The Company has a corporate credit card with a major financial institution with an average credit limit of \$50,000. As at March 31, 2024, the financial institution holds \$50,000 in a Guaranteed Investment Certificate (March 31, 2023 - \$50,000) as collateral on the credit card amount as long as the credit card is alive. The restricted cash amount would change if there was any change in the credit limit on the card.

### 8. Property and equipment

| Cost                    | Computer hardware | Equipment    | Furniture & fixtures | Leasehold improvement | Asset under construction (note 10) | Total        |
|-------------------------|-------------------|--------------|----------------------|-----------------------|------------------------------------|--------------|
| Balance, March 31, 2022 | \$ 9,307          | \$ 3,022,793 | \$ 20,686            | \$ 19,801             | \$ -                               | \$ 3,072,587 |
| Reclassification        | -                 | (113,598)    | -                    | 113,598               | -                                  | -            |
| Additions               | 6,698             | 2,524,034    | 11,641               | 65,800                | -                                  | 2,608,173    |
| Foreign exchange        | -                 | 15,743       | -                    | 11,070                | -                                  | 26,813       |
| Balance, March 31, 2023 | 16,005            | 5,448,972    | 32,327               | 210,269               | -                                  | 5,707,573    |
| Additions               | -                 | 309,663      | -                    | 5,967                 | 684,711                            | 1,000,341    |
| Foreign exchange        | -                 | 422          | -                    | 181                   | -                                  | 603          |
| Balance, March 31, 2024 | \$ 16,005         | \$ 5,759,057 | \$ 32,327            | \$ 216,417            | \$ 684,711                         | \$ 6,708,517 |

| Accumulated depreciation | Computer hardware | Equipment      | Furniture & fixtures | Leasehold improvement | Asset under construction (note 10) | Total          |
|--------------------------|-------------------|----------------|----------------------|-----------------------|------------------------------------|----------------|
| Balance, March 31, 2022  | \$ (4,062)        | \$ (443,148)   | \$ (5,255)           | \$ (2,073)            | \$ -                               | \$ (454,538)   |
| Amortization             | (1,825)           | (618,683)      | (3,377)              | (43,543)              | -                                  | (667,428)      |
| Foreign exchange         | -                 | (3,889)        | -                    | (971)                 | -                                  | (4,860)        |
| Balance, March 31, 2023  | (5,887)           | (1,065,720)    | (8,632)              | (46,587)              | -                                  | (1,126,826)    |
| Amortization             | (3,036)           | (907,386)      | (4,739)              | (38,622)              | -                                  | (953,783)      |
| Foreign exchange         | -                 | (339)          | -                    | (154)                 | -                                  | (493)          |
| Balance, March 31, 2024  | \$ (8,923)        | \$ (1,973,445) | \$ (13,371)          | \$ (85,363)           | \$ -                               | \$ (2,081,102) |

| Net book value          | Computer hardware | Equipment    | Furniture & fixtures | Leasehold improvement | Asset under construction (note 10) | Total        |
|-------------------------|-------------------|--------------|----------------------|-----------------------|------------------------------------|--------------|
| Balance, March 31, 2023 | \$ 10,118         | \$ 4,383,252 | \$ 23,695            | \$ 163,682            | \$ -                               | \$ 4,580,747 |
| Balance, March 31, 2024 | \$ 7,082          | \$ 3,785,612 | \$ 18,956            | \$ 131,054            | \$ 684,711                         | \$ 4,627,415 |



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## Li-Metal Corp.

### Notes to Consolidated Financial Statements

March 31, 2024

(Expressed in Canadian dollars)

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#### 9. Right-of-use assets

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|                                |                     |
|--------------------------------|---------------------|
| <b>Balance, March 31, 2022</b> | <b>\$ 1,229,701</b> |
| Modification                   | 95,487              |
| Amortization                   | (298,516)           |
| Impact of foreign exchange     | 21,655              |
| <b>Balance, March 31, 2023</b> | <b>\$ 1,048,327</b> |
| Amortization                   | (299,515)           |
| Impact of foreign exchange     | 66                  |
| <b>Balance, March 31, 2024</b> | <b>\$ 748,878</b>   |

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#### 10. Joint arrangements

##### Agreement with Blue Solutions

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 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.

##### Agreements with Mustang Vacuum Systems Inc. (“MVS”)

On September 14, 2023, the Company signed a contract production agreement and a strategic collaboration agreement with MVS.

According to the contract production agreement, MVS uses its resources to create a physical vapour deposition machine (the “PVD Machine”) and set up a contract manufacturing facility for the manufacture of anodes at MVS facility in Sarasota, Florida. The Company agreed to pay USD \$2 million toward the machine which would be owned equally between the two parties. An initial payment of USD \$500,000 (\$684,711) was made by the Company in October 2023, with the remaining payments due on a progress percentage of completion basis at 33%, 66% and 100%. In addition, according to the contract production agreement, MVS manufactures and sells anodes exclusively to the Company for further sale to the Company’s customers. During the year ended March 31, 2024, the Company recorded the USD \$500,000 (\$684,711) payment as asset under construction under property and equipment (note 8).

According to the strategic collaboration agreement, MVS may not sell PVD machines for the battery market other than to the Company and the Company may not purchase PVD machines from any entities other than MVS. As consideration for the exclusivity, on September 14, 2023, the Company issued 4,375,000 common shares of the Company to MVS at a value of \$0.20 per share for a total of \$875,000 (note 15). The Company also issued to MVS 21,000,000 warrants with each warrant exercisable at a price of CDN \$0.627 until September 19, 2028 recorded at a value of \$3,983,565 (note 16). In addition, MVS has the right to participate in any future equity issues of the Company and has a right to a seat in the board of directors of the Company if MVS accumulates 10 million shares of the Company. During the year ended March 31, 2024, the Company recorded the fair value of the shares (\$875,000) and warrants (\$3,983,565) issued as business development expense for a total of \$4,858,565.

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## Li-Metal Corp.

### Notes to Consolidated Financial Statements

March 31, 2024

(Expressed in Canadian dollars)

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#### 10. Joint arrangements (continued)

##### Agreements with Mustang Vacuum Systems Inc. ("MVS") (continued)

The Company has determined that the joint arrangements with Blue Solutions and MVS are both joint operations as they were not structured through a separate vehicle.

#### 11. Government assistance

The government assistance for the periods is as follows:

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| <b>Years ended March 31,</b> | <b>2024</b>         | <b>2023</b>         |
|------------------------------|---------------------|---------------------|
| NGEN refunds                 | \$ 626,819          | \$ 1,212,847        |
| Government of Ontario grants | 1,027,901           | -                   |
|                              | <b>\$ 1,654,720</b> | <b>\$ 1,212,847</b> |

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Government assistance in each year is aggregated with research and development expense for the period.

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Forgiveness of government assistance:

|                          |           |      |
|--------------------------|-----------|------|
| Forgiveness of CEBA loan | \$ 10,000 | \$ - |
|--------------------------|-----------|------|

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##### CEBA

On April 16, 2020, the Company received the Canadian Emergency Business Account (CEBA) in the amount of \$40,000. CEBA is a government program providing interest-free loans to small businesses. No principal repayments will be required before December 31, 2023. If the loan remains outstanding after December 31, 2020, only interest payments will be required until full principal is due on December 31, 2025. If the outstanding principal, other than the amount of potential debt forgiveness at 25% of the principal balance of the loan, is repaid by December 31, 2023, the remaining principal will be forgiven. The eligibility of the program may be subject to audit and verification at which time the balance may become repayable. During the year ended March 31, 2024, the Company repaid \$30,000 of the CEBA loan and the remaining \$10,000 was recorded as forgiveness of government assistance during the year ended March 31, 2024.

##### NGEN refunds

On March 1, 2022, Li-Metal was granted up to approximately \$1.9 million, as part of a \$5.1 million joint project with Blue Solutions, awarded by Next Generation Manufacturing Canada ("NGEN"), an industry-led organization supporting advanced manufacturing in Canada, to develop the Company's lithium metal anode technologies.

NGEN grant was provided to assist Li-Metal in developing and advancing its scrap lithium foil reprocessing operation and anode production process. The funds from the grant assisted Li-Metal in further developing its PVD technology to make ultra thin anodes at higher deposition rates and also allowed Li-Metal to enhance its internal battery & surface characterization capabilities. The grant covered part of the costs for technical/operations personnel, contractors, and consumables involved in the project.

During the year ended March 31, 2024, the Company received refunds from NGEN \$626,819 (2023 - \$1,212,847) which was recognized as a reduction of research and development expense. There are no unfilled conditions nor other contingencies related to the government assistance received. In total, the Company received \$1,839,666 under the NGEN grant and no additional funding is expected.

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# Li-Metal Corp.

## Notes to Consolidated Financial Statements

March 31, 2024

(Expressed in Canadian dollars)

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### 11. Government assistance (continued)

#### Government of Ontario grants

On June 6, 2023, the Company was awarded up to \$1,430,826 from the Government of Ontario to develop and commercialise its lithium metal production technology. The funding awarded to Li-Metal consists of a \$930,826 grant from the R&D Partnership Fund – Electric Vehicle, administered by the Ontario Vehicle Innovation Network (OVIN) and a \$500,000 grant from the Critical Minerals Innovation Fund (CMIF), funded by the Ontario Ministry of Mines. There are no unfilled conditions nor other contingencies related to the government assistance received.

During the year, the Company recognized \$542,837 (2023 - \$nil) of government assistance related to the OVIN grant based on the proportion of expenses incurred by Company March 31, 2024 and the amount of funding expected to be funded under the Grant. As at March 31, 2024, \$113,253 (2023 - \$nil) of the government assistance was accrued in sales tax and other receivables.

During the year ended March 31, 2024, the Company earned and received \$485,064 (2023 - \$nil) of government assistance related to the CMIF grant. No additional funding is expected.

### 12. Revenue

During the year ended March 31, 2024, the Company recognized revenue of \$311,803 (2023 - \$nil) representing sales of samples to customers.

### 13. Related party balances and transactions

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

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

| <b>Years ended March 31,</b>       | <b>2024</b>         | <b>2023</b>         |
|------------------------------------|---------------------|---------------------|
| Director fees                      | \$ 238,042          | \$ 259,000          |
| Salaries and short-term employment | 1,359,230           | 854,830             |
| Consulting fees                    | -                   | 61,000              |
| Share-based compensation           | 233,332             | 66,560              |
| <b>Total</b>                       | <b>\$ 1,830,604</b> | <b>\$ 1,241,390</b> |

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**Li-Metal Corp.****Notes to Consolidated Financial Statements****March 31, 2024****(Expressed in Canadian dollars)**

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**14. Lease liability**

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|                                |                     |
|--------------------------------|---------------------|
| <b>Balance, March 31, 2022</b> | <b>\$ 1,280,808</b> |
| Modification                   | 95,487              |
| Accretion                      | 119,637             |
| Lease payments                 | (370,242)           |
| Impact of foreign exchange     | 22,212              |
| <b>Balance, March 31, 2023</b> | <b>\$ 1,147,902</b> |
| Accretion                      | 95,187              |
| Lease payments                 | (377,449)           |
| Impact of foreign exchange     | 136                 |
| <b>Balance, March 31, 2024</b> | <b>\$ 865,776</b>   |

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**Allocated as:**

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|           |                   |
|-----------|-------------------|
| Current   | \$ 317,022        |
| Long-term | 548,754           |
|           | <b>\$ 865,776</b> |

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

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| <b>Maturity analysis</b>              | <b>March 31,<br/>2024</b> |
|---------------------------------------|---------------------------|
| Less than one year                    | \$ 383,296                |
| One to three years                    | 517,447                   |
| Four to five years                    | 48,342                    |
| Total undiscounted lease liabilities  | 949,085                   |
| Amount representing implicit interest | (83,309)                  |
| <b>Lease liabilities</b>              | <b>\$ 865,776</b>         |

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**Li-Metal Corp.****Notes to Consolidated Financial Statements****March 31, 2024****(Expressed in Canadian dollars)**

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**15. Share capital**

## a) Authorized share capital

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

## b) Common shares issued

At March 31, 2024, the issued share capital amounted to \$44,063,196. The changes in issued share capital for the periods were as follows:

|  | <b>Number of<br/>common<br/>shares</b> | <b>Amount</b> |
|--|--|---------------|
| Balance, March 31, 2022 and 2023                         | 154,953,828                            | \$ 43,188,196 |
| Shares issued for business development expense (note 10) | 4,375,000                              | 875,000       |
| Balance, March 31, 2024                                  | 159,328,828                            | \$ 44,063,196 |

As at March 31, 2024, nil (March 31, 2023 - 7,786,737) common shares of the Company were in escrow.

**16. Warrants**

|                                  | <b>Number of<br/>warrants</b> | <b>Weighted<br/>average<br/>exercise<br/>price</b> |
|----------------------------------|-------------------------------|--|
| Balance, March 31, 2022 and 2023 | -                             | \$ -   |
| Issued (note 10)                 | 21,000,000                    | 0.627  |
| Balance, March 31, 2024          | 21,000,000                    | \$ 0.627   |

As at March 31, 2024, the warrants outstanding are as follows:

| <b>Remaining<br/>Contractual<br/>Life (years)</b> | <b>Number<br/>of Warrants</b> | <b>Exercise<br/>Price (\$)</b> | <b>Expiry<br/>Date</b> |
|---|-------------------------------|--------------------------------|------------------------|
| 4.48  | 21,000,000                    | 0.627                          | September 19, 2028     |

The fair value of the warrants issued to MVS (note 10) was estimated to be \$3,983,565 using the Black Scholes valuation model on the following assumptions: volatility of 121% based on the Company's historical volatility, risk-free rate of 3.96%, share price of \$0.25 on the valuation date of September 19, 2023.

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**Li-Metal Corp.****Notes to Consolidated Financial Statements****March 31, 2024****(Expressed in Canadian dollars)**

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**17. Stock options**

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

|                         | <b>Number of<br/>options</b> | <b>Weighted<br/>average<br/>exercise<br/>price</b> |
|-------------------------|------------------------------|--|
| Balance, March 31, 2022 | 10,321,589                   | \$ 0.29  |
| Granted                 | 4,900,529                    | 0.53   |
| Forfeited               | (762,596)                    | 1.05   |
| <hr/>                   |                              |  |
| Balance, March 31, 2023 | 14,459,522                   | \$ 0.33  |
| Forfeited               | (1,565,993)                  | 0.46   |
| <hr/>                   |                              |  |
| Balance, March 31, 2024 | 12,893,529                   | \$ 0.31  |

As at March 31, 2024, the stock options outstanding are as follows:

| <b>Remaining<br/>Contractual<br/>Life (years)</b> | <b>Exercisable<br/>Options</b> | <b>Number<br/>of Options</b> | <b>Exercise<br/>Price (\$)</b> | <b>Expiry<br/>Date</b> |
|---|--------------------------------|------------------------------|--------------------------------|------------------------|
| 1.54  | 1,345,780                      | 1,345,780                    | 0.08                           | October 15, 2025       |
| 1.72  | 2,343,658                      | 2,343,658                    | 0.23                           | December 17, 2025      |
| 2.00  | 546,360                        | 546,360                      | 0.23                           | April 1, 2026          |
| 2.50  | 5,670,000                      | 5,670,000                    | 0.31                           | October 1, 2026        |
| 2.68  | 14,000                         | 14,000                       | 2.69                           | December 6, 2026       |
| 2.88  | 24,000                         | 24,000                       | 2.04                           | February 14, 2027      |
| 2.92  | 3,300                          | 3,300                        | 1.60                           | February 28, 2027      |
| 2.93  | 11,765                         | 11,765                       | 1.60                           | March 7, 2027          |
| 2.97  | 66,667                         | 100,000                      | 1.43                           | March 21, 2027         |
| 3.09  | 200,000                        | 400,000                      | 1.00                           | May 2, 2027            |
| 3.25  | 1,500                          | 4,500                        | 0.62                           | June 30, 2027          |
| 3.29  | 2,666                          | 5,333                        | 0.72                           | July 14, 2027          |
| 3.36  | 200,000                        | 400,000                      | 0.72                           | August 10, 2027        |
| 3.37  | 22,500                         | 22,500                       | 0.60                           | August 12, 2027        |
| 3.43  | 833                            | 833                          | 0.73                           | September 3, 2027      |
| 3.46  | 1,500                          | 1,500                        | 0.65                           | September 15, 2027     |
| 3.69  | 2,000,000                      | 2,000,000                    | 0.28                           | December 9, 2027       |
| <hr/>   |                                |                              |                                |                        |
| 2.48  | 12,454,529                     | 12,893,529                   | 0.31                           |                        |

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## Li-Metal Corp.

### Notes to Consolidated Financial Statements

March 31, 2024

(Expressed in Canadian dollars)

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#### 17. Stock options (continued)

During the year ended March 31, 2024, the Company recognized a total share-based payments expense of \$320,879 (2023 – \$1,059,119).

The Company amortizes the estimated grant date fair value of stock options to expense over the vesting period (generally three years). The grant date fair value of outstanding stock options was determined using the Black-Scholes option pricing model and the following assumptions in the year of the grant: risk-free interest rate (based on Canadian government bond yields), expected volatility of the market price of the Company's shares (estimated based on industry average), and the expected option life (in years) (based on historical option holder behavior).

The following tables summarizes the assumptions used with the Black-Scholes valuation model for the determination of the stock-based compensation costs for the stock options granted during the year ended March 31, 2024 and 2023:

| Year ended March 31, 2024, | 2024 | 2023            |
|----------------------------|------|-----------------|
| Share price                | N/A  | \$0.28 - \$1.31 |
| Exercise price             | N/A  | \$0.28 - \$1.31 |
| Risk free rate             | N/A  | 2.46% - 3.43%   |
| Expected option life       | N/A  | 5 years         |
| Volatility                 | N/A  | 100%            |
| Forfeiture rate            | N/A  | 0%              |

#### 18. Restricted share units

On October 31, 2022, the Company granted to an officer 1,383,029 RSUs, 345,757 RSUs will vest in 12, 24, 36 and 48 months starting from the date of the grant.

On April 17, 2023, the Company granted to five officers an aggregate of 2,830,000 RSUs, 707,500 RSUs will vest in 12, 24, 36 and 48 months starting from the date of the grant.

On April 17, 2023, the Company granted to twenty-two employees an aggregate of 602,981 RSUs, 200,994 RSUs will vest in 12, 24 and 36 months starting from the date of the grant.

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|                         |             |
|-------------------------|-------------|
| Balance, March 31, 2022 | -           |
| Granted                 | 1,383,029   |
| Balance, March 31, 2023 | 1,383,029   |
| Granted                 | 3,432,981   |
| Forfeited               | (3,383,346) |
| Balance, March 31, 2024 | 1,432,664   |

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During the year ended March 31, 2024, the Company recognized as share-based payments expense of \$143,843 (2023 – \$122,289). The fair value of the RSUs was determined based on share price of the Company of \$0.4 per share on the date of grant on October 31, 2022 and \$0.38 on the date of grant of April 17, 2023.

During the year ended March 31, 2024, 3,383,346 of RSUs were forfeited.

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**Li-Metal Corp.****Notes to Consolidated Financial Statements****March 31, 2024****(Expressed in Canadian dollars)**

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**19. Share-based compensation**

The share-based compensation is as follows:

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| <b>Years ended March 31,</b> | <b>2024</b>       | <b>2023</b>         |
|------------------------------|-------------------|---------------------|
| Stock options                | \$ 320,879        | \$ 1,059,119        |
| RSUs                         | 143,843           | 122,289             |
|                              | <b>\$ 464,722</b> | <b>\$ 1,181,408</b> |

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**20. Financial instruments****Fair Value**

The fair value of cash and cash equivalents, receivables and payables approximate their carrying amounts due to their short-term nature.

**Credit Risk**

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

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

**Liquidity Risk**

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due. The Company's liquidity and operating results may be adversely affected if its access to capital markets is hindered, whether as a result of a downturn in stock market conditions generally or matters specific to the Company. The Company has historically generated cash flow from its financing activities. The Company manages liquidity risk through the management of its capital structure and financial leverage. As at March 31, 2024, the Company's current liabilities comprise accounts payable, accrued liabilities and the current portion of lease liability. The Company will require additional funding to maintain corporate and administrative functions and to fund its continuing development and commercialization activities and commitments.

The following table shows the maturity date of the Company's financial liabilities as at March 31, 2024:

---

|  | <b>Total</b> | <b>Less than<br/>1 year</b> | <b>1 to 2<br/>years</b> | <b>Beyond<br/>2 years</b> |
|--|--------------|-----------------------------|-------------------------|---------------------------|
| Accounts payable and accrued liabilities | \$ 561,986   | \$ 561,986                  | \$ -                    | \$ -                      |

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Please refer to note 14 for lease liability.



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# Li-Metal Corp.

## Notes to Consolidated Financial Statements

March 31, 2024

(Expressed in Canadian dollars)

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### 20. Financial instruments (continued)

#### Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market factors. Market risk comprises three types of risk: price risk, interest rate risk and currency risk.

##### Price risk

Price risk is the risk that the fair value of future cash flows of the Company's financial instruments will fluctuate because of changes in market prices. The Company is not exposed to price risks.

##### Interest rate risk

Interest rate risk is the risk that the fair values and future cash flows of the Company will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk to the extent that the cash and cash equivalents and term deposits, if any, maintained at financial institutions is subject to a floating rate of interest. The interest rate risk on cash is not considered significant.

##### Currency risk

Currency risk is the risk that the fair values or future cash flows of the Company's financial instruments will fluctuate because of changes in foreign currency exchange rates. The Company is exposed to currency risk through financial assets and liabilities denominated in currencies other than the Canadian dollar, the Company's presentation currency. The Company's financial instruments denominated in currencies that are not the Canadian dollar as at March 31, 2024 are as follows:

|  | US dollar  | C\$Equivalent |
|--|------------|---------------|
| Cash and cash equivalents                | \$ 221,255 | \$ 347,536    |
| Other receivables                        | 8,676      | 11,756        |
| Accounts payable and accrued liabilities | (66,192)   | (89,690)      |

The Company's sensitivity analysis suggests that a 10% depreciation or appreciation of the foreign currencies against the Canadian dollar would have resulted in an approximate \$16,000 decrease or increase in the Company's total comprehensive income or loss.

As at March 31, 2024, US dollar amounts have been translated at a rate of C\$1.355 per US dollar.

### 21. Net loss per common share

The calculation of basic and diluted loss per share for the year ended March 31, 2024 was based on the loss attributable to common shares of \$13,487,614 (2022 - \$12,556,761) and the weighted average number of common shares outstanding of 157,332,585 (2022 - 154,953,828).

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**Li-Metal Corp.****Notes to Consolidated Financial Statements****March 31, 2024****(Expressed in Canadian dollars)**

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**22. Segmented information**

Operating segments are reported in a manner consistent with internal reporting provided to the chief operating decision maker. The chief operating decision maker is responsible for allocating resources and assessing performance of the operating segments and has been identified as the Company's CEO. During the year ended March 31, 2024, the Company has one (2023 - one) business operating segment and two (2023 – two) geographical operating segments.

The Company's reportable segments are based on the geographic region for the Company's operations and include Canada and US.

| <b>As at March 31, 2024</b> | <b>US</b>  | <b>Canada</b> | <b>Total</b> |
|-----------------------------|------------|---------------|--------------|
| Current assets              | \$ 182,203 | \$ 2,004,235  | \$ 2,186,438 |
| Restricted cash             | -          | 50,000        | 50,000       |
| Property and equipment      | 289,021    | 4,338,394     | 4,627,415    |
| Right-of-use assets         | -          | 748,878       | 748,878      |
| Total assets                | \$ 471,224 | \$ 7,141,507  | \$ 7,612,731 |
| Total liabilities           | \$ 44,122  | \$ 1,383,640  | \$ 1,427,762 |

| <b>As at March 31, 2023</b> | <b>US</b>  | <b>Canada</b> | <b>Total</b>  |
|-----------------------------|------------|---------------|---------------|
| Current assets              | \$ 107,729 | \$ 11,145,269 | \$ 11,252,998 |
| Restricted cash             | -          | 50,000        | 50,000        |
| Property and equipment      | 362,775    | 4,217,972     | 4,580,747     |
| Right-of-use assets         | -          | 1,048,327     | 1,048,327     |
| Total assets                | \$ 470,504 | \$ 16,461,568 | \$ 16,932,072 |
| Total liabilities           | \$ 44,911  | \$ 2,529,126  | \$ 2,574,037  |

**Year ended March 31, 2024**

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|            |              |               |               |
|------------|--------------|---------------|---------------|
| Total loss | \$ 1,969,732 | \$ 11,517,882 | \$ 13,487,614 |
|------------|--------------|---------------|---------------|

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**Year ended March 31, 2023**

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|            |              |               |               |
|------------|--------------|---------------|---------------|
| Total loss | \$ 1,683,212 | \$ 10,873,549 | \$ 12,556,761 |
|------------|--------------|---------------|---------------|

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## **Li-Metal Corp.**

### **Notes to Consolidated Financial Statements**

**March 31, 2024**

**(Expressed in Canadian dollars)**

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#### **23. Capital risk management**

The Company manages its capital with the following objectives:

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

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

The Company considers its capital to be equity, which comprises share capital, warrants, contributed surplus, accumulated other comprehensive loss and deficit, which at March 31, 2024, totaled \$6,184,969 (March 31, 2023 - \$14,358,035).

The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. The forecast is updated based on activities related to its operations and research and development activities. Selected information is provided to the Board of Directors of the Company. The Company's capital management objectives, policies and processes have remained unchanged during the year ended March 31, 2024.

#### **24. Commitment**

As per the contract production agreement with MVS (note 10), the Company agreed to pay USD \$2 million toward the machine which would be owned equally between the two parties. An initial payment of USD \$500,000 was made by the Company in October 2023, with the remaining payments due on a progress percentage of completion basis at 33%, 66% and 100%.

#### **25. Subsequent events**

##### **Blue Horizon Financing and Advisory Agreement**

On April 19, 2024, the Company announced that it had (i) received a commitment for a US\$750,000 (CDN \$1,032,300) subscription for 5,164,500 units of the Company from Blue Horizon Advisors LLC ("Blue Horizon"); and (ii) entered into an advisory agreement (the "Advisory Agreement") with Blue Horizon pursuant to which Blue Horizon will provide strategic consulting services to Li-Metal on elements of its business including, without limiting, corporate strategy and development, commercial activity and direct client engagement, partnership, management and rationalization of Li-Metal's capital structure. The subscription was completed on May 1, 2024. Each unit issued pursuant to the financing consisted of one common share and one warrant, with each warrant exercisable at a price of \$0.63 for one additional common share for a period of three years from closing.

The Advisory Agreement subsequently terminated on June 30, 2024.

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**Li-Metal Corp.****Notes to Consolidated Financial Statements****March 31, 2024****(Expressed in Canadian dollars)**

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**25. Subsequent events (continued)****Private Placement Financing**

On June 12, 2024 the Company announced the initiation of a non-brokered private placement to raise gross proceeds of up to \$2,000,000, comprising 20,000,000 units (each a "Unit"), at \$0.10 per Unit (the "Offering"). Each Unit will consist of one common share of the Company and one-half common share purchase warrant, and each whole warrant (a "Warrant") will entitle the holder to purchase one common share of the Company at a price of \$0.20 per share for a period of 24 months following the date of issuance. Additionally, the Warrants will be callable during the 24-month period, at the option of the Company, in the event that the 20-day volume-weighted average price of the Company's common shares meets or exceeds \$0.40 for 10 consecutive trading days based on trades on a recognized Canadian stock exchange (which includes the Canadian Securities Exchange). Subscribers will be notified of the call provision being triggered and will have a 30-day period to exercise the Warrants.

The Offering has not yet been completed.

**LOI for Strategic Sale of Lithium Metal Business**

On June 28, 2024 the Company announced that it had entered into a non-binding letter of intent (the "LOI") dated June 27, 2024, with an arm's length purchaser (the "Purchaser"), detailing a proposed acquisition (the "Sale Transaction") of the Company's lithium metal business for an indicative purchase price of US\$11,000,000 (~C\$15,000,000). The LOI grants the Purchaser an exclusivity period of no less than 30 days for the parties to negotiate the potential transaction.

**26. Income taxes**

The Company's provision for income tax differs from the amount computed by applying the combined Canadian federal and provincial income tax rates of 26.5% (2023 - 26.5%) to loss before income taxes as a result of the following:

| <b>Years ended March 31,</b>                    | <b>2024</b>             | <b>2023</b>             |
|---|-------------------------|-------------------------|
| Loss before income taxes                        | \$(13,487,614)<br>26.5% | \$(12,556,761)<br>26.5% |
| Expected income tax recovery at statutory rate: | (3,574,218)             | (3,327,542)             |
| Non-deductible expenses                         | 3,100                   | 2,120                   |
| Stock-based compensation                        | 123,151                 | 313,073                 |
| Benefit of deferred tax assets not recognized   | 3,447,967               | 3,012,349               |
| Provision for income taxes                      | \$ -                    | \$ -                    |

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**Li-Metal Corp.****Notes to Consolidated Financial Statements****March 31, 2024****(Expressed in Canadian dollars)**

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**26. Income taxes (continued)**

The following table summarizes the Company's deferred tax assets and liabilities at March 31, 2024 and 2023:

|                                | <b>March 31,<br/>2024</b> | <b>March 31,<br/>2023</b> |
|--------------------------------|---------------------------|---------------------------|
| <b>Deferred tax assets:</b>    |                           |                           |
| Lease liability                | \$ 198,450                | \$ -                      |
| <b>Deferred tax liability:</b> |                           |                           |
| Right of use assets            | (198,450)                 | -                         |
|                                | <b>\$ -</b>               | <b>\$ -</b>               |

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

|   | <b>March 31,<br/>2024</b> | <b>March 31,<br/>2023</b> |
|---|---------------------------|---------------------------|
| Deferred tax asset arising from loss carryforwards Canada                 | \$ 37,849,090             | \$ 27,999,111             |
| Deferred tax asset arising from loss carryforwards US                     | 3,778,083                 | 1,806,153                 |
| Deferred tax asset (liability) arising from property, plant and equipment | 1,653,100                 | 934,924                   |
| Lease liability   | 116,898                   | -                         |
| <b>Total</b>  | <b>\$ 43,397,171</b>      | <b>\$ 30,740,188</b>      |

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As at March 31, 2024, the Company has non-capital losses in Canada of \$37,849,090 (March 31, 2023 - \$27,999,111), the benefit of which has not been fully recognized. Non-capital losses may be carried forward and applied against taxable income of future years. Losses begin to expire in 2028. As at March 31, 2024, the Company has non-capital losses in the United States of \$3,778,083 (March 31, 2023 - \$1,806,153), the benefit of which has not been fully recognized. Non-capital losses can be carried forward indefinitely.

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**LI-METAL CORP. (FORMERLY EUROTIN INC.)  
CONSOLIDATED FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2023 AND FIFTEEN  
MONTHS ENDED MARCH 31, 2022  
(EXPRESSED IN CANADIAN DOLLARS)**

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# Independent auditor's report

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

## Opinion

We have audited the consolidated financial statements of Li-Metal Corp. (formerly Eurotin Inc.) ("the Company"), which comprise the consolidated statements of financial position as at March 31, 2023 and March 31, 2022, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the year ended March 31, 2023 and fifteen months ended March 31, 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the Company's consolidated financial statements present fairly, in all material respects, the financial position of Li-Metal Corp. (formerly Eurotin Inc.) as at March 31, 2023 and March 31, 2022 and its consolidated financial performance and its consolidated cash flows for the year ended March 31, 2023 and fifteen months ended March 31, 2022 in accordance with International Financial Reporting Standards (IFRSs).

## Basis for Opinion

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

## Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the consolidated financial statements, which indicates that the Company incurred a net loss of \$12,556,761 and has an accumulated deficit of \$34,925,125. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined that there are no other key audit matters to communicate in our auditor's report.

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

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

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk



of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because of the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication

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

The logo for Grant Thornton LLP, featuring the company name in a stylized, cursive script font.

Toronto, Canada  
July 31, 2023

Chartered Professional Accountants  
Licensed Public Accountants

# Management's Responsibility for Financial Statements

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

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

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

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

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

(signed) "Srini Godavarthy"

Chief Executive Officer

Toronto, Canada  
July 31, 2023

(signed) "Carlos Pinglo"

Chief Financial Officer

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

|  | As at<br>March 31,<br>2023 | As at<br>March 31,<br>2022 |
|--|----------------------------|----------------------------|
| <b>ASSETS</b>                            |                            |                            |
| <b>Current assets</b>                    |                            |                            |
| Cash and cash equivalents                | \$ 10,418,506              | \$ 23,162,453              |
| Sales tax and other receivables          | 655,946                    | 516,849                    |
| Prepaid expenses                         | 178,546                    | 176,270                    |
| <b>Total current assets</b>              | <b>11,252,998</b>          | <b>23,855,572</b>          |
| <b>Non-current assets</b>                |                            |                            |
| Restricted cash (note 7)                 | 50,000                     | -                          |
| Property and equipment (note 8)          | 4,580,747                  | 2,618,049                  |
| Right-of-use assets (note 9)             | 1,048,327                  | 1,229,701                  |
| <b>Total assets</b>                      | <b>\$ 16,932,072</b>       | <b>\$ 27,703,322</b>       |
| <b>EQUITY AND LIABILITIES</b>            |                            |                            |
| <b>Current liabilities</b>               |                            |                            |
| Accounts payable and accrued liabilities | \$ 1,386,135               | \$ 447,412                 |
| Lease liability (note 14)                | 282,403                    | 377,933                    |
| Government assistance (note 11)          | 40,000                     | 40,000                     |
| <b>Total current liabilities</b>         | <b>1,708,538</b>           | <b>865,345</b>             |
| <b>Long-term liabilities</b>             |                            |                            |
| Customer deposits                        | -                          | 17,652                     |
| Lease liability (note 14)                | 865,499                    | 902,875                    |
| <b>Total liabilities</b>                 | <b>2,574,037</b>           | <b>1,785,872</b>           |
| <b>Equity</b>                            |                            |                            |
| Share capital (note 16)                  | 43,188,196                 | 43,188,196                 |
| Contributed surplus                      | 6,279,026                  | 5,097,618                  |
| Accumulated other comprehensive loss     | (184,062)                  | -                          |
| Deficit                                  | (34,925,125)               | (22,368,364)               |
| <b>Total equity</b>                      | <b>14,358,035</b>          | <b>25,917,450</b>          |
| <b>Total equity and liabilities</b>      | <b>\$ 16,932,072</b>       | <b>\$ 27,703,322</b>       |

Nature of operations and going concern (notes 1 and 2)  
Subsequent events (note 25)

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

**Approved on behalf of the Board:**

(Signed) "Mark Wellings", Chairman of the Board

(Signed) "Maciej Jastrzebski ", Director

**Li-Metal Corp. (Formerly Eurotin Inc.)**  
**Consolidated Statements of Loss and Comprehensive Loss**  
**(Expressed in Canadian dollars)**

|   | <b>Year<br/>Ended<br/>March 31,<br/>2023</b> | <b>Fifteen Months<br/>Ended<br/>March 31,<br/>2022</b> |
|---|--|--|
| <b>Operating expenses</b>                                       |  |  |
| Research and development  | \$ 5,058,494                                 | \$ 2,151,425   |
| Salaries and wages  | 1,385,783                                    | 1,295,621  |
| Share-based compensation (notes 18 and 19)                      | 1,181,408                                    | 4,654,322  |
| Professional and consulting fees                                | 2,299,946                                    | 3,845,440  |
| Investor relations and reporting issuer cost                    | 775,986                                      | 1,884,626  |
| Office and general  | 2,105,896                                    | 1,022,103  |
| Interest and bank charges                                       | 10,912                                       | 185,640  |
| Foreign exchange gain   | (851,692)                                    | (64,634)   |
| Amortization of property and equipment (note 8)                 | 667,428                                      | 415,254  |
| Amortization of right-of-use assets (note 9)                    | 298,516                                      | 196,042  |
| <b>Operating loss before the following items</b>                | <b>(12,932,677)</b>                          | <b>(15,585,839)</b>                                    |
| Interest and other income                                       | 495,553                                      | 40,707   |
| Change in fair value of convertible debenture (note 13)         | -  | (833,689)  |
| RTO transaction costs (note 15)                                 | -  | (2,267,108)  |
| Accretion of lease liability (note 14)                          | (119,637)                                    | (88,896)   |
| <b>Net loss for the year</b>                                    | <b>(12,556,761)</b>                          | <b>(18,734,825)</b>                                    |
| Other comprehensive loss:                                       |  |  |
| Foreign currency translation adjustment                         | (184,062)                                    | -  |
| <b>Total loss and comprehensive<br/>loss for the year</b>       | <b>\$(12,740,823)</b>                        | <b>\$(18,734,825)</b>                                  |
| <b>Basic and diluted loss per share (note 21)</b>               | <b>\$ (0.08)</b>                             | <b>\$ (0.21)</b>                                       |
| <b>Weighted average number of common<br/>shares outstanding</b> | <b>154,953,828</b>                           | <b>87,297,163</b>                                      |

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

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

|   | Year<br>Ended<br>March 31,<br>2023 | Fifteen Months<br>Ended<br>March 31,<br>2022 |
|---|------------------------------------|--|
| <b>Operating activities</b>                                       |                                    |  |
| Net loss for the period   | \$(12,556,761)                     | \$ (18,734,825)                              |
| Adjustments for:  |                                    |  |
| Amortization of property and equipment                            | 667,428                            | 415,254                                      |
| Amortization of right-of-use assets                               | 298,516                            | 196,042                                      |
| Accretion of lease liability (note 14)                            | 119,637                            | 88,896                                       |
| Share-based compensation  | 1,181,408                          | 4,654,322                                    |
| RTO transaction cost  | -                                  | 2,267,108                                    |
| Shares issued in settlement of interest expense (note 13)         | -                                  | 174,998                                      |
| Change in fair value of convertible debentures                    | -                                  | 833,689                                      |
| Shares issued for services  | -                                  | 645,148                                      |
| Unrealized foreign exchange loss (gain)                           | (21,953)                           | (32,980)                                     |
| Non-cash working capital items:                                   |                                    |  |
| Sales tax and other receivables                                   | (138,964)                          | (378,747)                                    |
| Prepaid expenses  | (2,533)                            | (105,397)                                    |
| Accounts payable and accrued liabilities                          | 742,188                            | 240,066                                      |
| Restricted cash   | (50,000)                           | -  |
| Customer deposits   | (17,652)                           | 17,652                                       |
| <b>Net cash used in operating activities</b>                      | <b>(9,778,686)</b>                 | <b>(9,718,774)</b>                           |
| <b>Investing activities</b>                                       |                                    |  |
| Purchase of property and equipment                                | (2,597,522)                        | (2,748,901)                                  |
| Cash obtained upon RTO with Eurotin                               | -                                  | 8,836  |
| Repayment of lease liability                                      | (370,242)                          | (233,802)                                    |
| <b>Net cash used in investing activities</b>                      | <b>(2,967,764)</b>                 | <b>(2,973,867)</b>                           |
| <b>Financing activities</b>                                       |                                    |  |
| Proceeds from issuance of common shares, net of transaction costs | -                                  | 32,807,116                                   |
| <b>Net cash provided by financing activities</b>                  | <b>-</b>                           | <b>32,807,116</b>                            |
| <b>Effect of foreign currency translation</b>                     | <b>2,503</b>                       | <b>-</b>                                     |
| <b>Net change in cash and cash equivalents</b>                    | <b>(12,743,947)</b>                | <b>20,114,475</b>                            |
| <b>Cash and cash equivalents, beginning of the period</b>         | <b>23,162,453</b>                  | <b>3,047,978</b>                             |
| <b>Cash and cash equivalents, end of the period</b>               | <b>\$ 10,418,506</b>               | <b>\$ 23,162,453</b>                         |

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

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

|  | Number of shares   | Share capital        | Contributed surplus | Accumulated other comprehensive loss | Deficit                | Total                |
|--|--------------------|----------------------|---------------------|--------------------------------------|------------------------|----------------------|
| <b>Balance, December 31, 2020</b>                                  | <b>59,064,124</b>  | <b>\$ 6,393,604</b>  | <b>\$ 752,751</b>   | <b>\$ -</b>                          | <b>\$ (3,633,539)</b>  | <b>\$ 3,512,816</b>  |
| Shares issued in private placement                                 | 2,201,472          | 645,148              | -                   | -                                    | -                      | 645,148              |
| Exercise of stock options  | 1,122,836          | 527,514              | (309,455)           | -                                    | -                      | 218,059              |
| Elimination of 2555663 Ontario Limited shares                      | (62,097,760)       | -                    | -                   | -                                    | -                      | -                    |
| Conversion into Li-Metal shares per RTO                            | 62,097,760         | -                    | -                   | -                                    | -                      | -                    |
| Shares issued from conversion of sub-receipts in private placement | 30,000,000         | 6,504,029            | 2,763,721           | -                                    | -                      | 9,267,750            |
| Transaction costs in private placement                             | -                  | (13,562)             | -                   | -                                    | -                      | (13,562)             |
| Shares issued in settlement of convertible debenture               | 12,565,468         | 3,549,998            | 1,105,489           | -                                    | -                      | 4,655,487            |
| Shares issued as consideration in the RTO                          | 7,999,928          | 2,249,980            | -                   | -                                    | -                      | 2,249,980            |
| Shares issued upon exercise of warrants (note 17)                  | 42,000,000         | 19,462,275           | -                   | -                                    | -                      | 19,462,275           |
| Reclassification of fair value warrants exercised                  | -                  | 3,869,210            | (3,869,210)         | -                                    | -                      | -                    |
| Share-based compensation   | -                  | -                    | 4,654,322           | -                                    | -                      | 4,654,322            |
| Net loss and comprehensive loss for the period                     | -                  | -                    | -                   | -                                    | (18,734,825)           | (18,734,825)         |
| <b>Balance, March 31, 2022</b>                                     | <b>154,953,828</b> | <b>\$ 43,188,196</b> | <b>\$ 5,097,618</b> | <b>\$ -</b>                          | <b>\$ (22,368,364)</b> | <b>\$ 25,917,450</b> |
| Share-based compensation   | -                  | -                    | 1,181,408           | -                                    | -                      | 1,181,408            |
| Net loss and comprehensive loss for the year                       | -                  | -                    | -                   | (184,062)                            | (12,556,761)           | (12,740,823)         |
| <b>Balance, March 31, 2023</b>                                     | <b>154,953,828</b> | <b>\$ 43,188,196</b> | <b>\$ 6,279,026</b> | <b>\$ (184,062)</b>                  | <b>\$ (34,925,125)</b> | <b>\$ 14,358,035</b> |

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

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# Li-Metal Corp. (Formerly Eurotin Inc.)

## Notes to Consolidated Financial Statements

March 31, 2023

(Expressed in Canadian dollars)

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### 1. Nature of operations

#### Nature of operations

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

On October 25, 2021, the reverse takeover transaction ("RTO") pursuant to which 2555663 Ontario Limited, acquired Eurotin Inc. was completed under the terms of an amalgamation agreement previously entered into between the Company, Eurotin and 2848302 Ontario Inc., a wholly owned subsidiary of Eurotin ("Subco"), the RTO was completed by way of a three-cornered amalgamation under the laws of the Province of Ontario. Pursuant to the RTO, Subco amalgamated with Li-Metal, with Li-Metal surviving as a wholly owned subsidiary of Eurotin, known as Li-Metal North America Inc. In addition, Eurotin underwent a 124.72 to 1 share consolidation and changed its name to "Li-Metal Corp.". Immediately following the closing of the RTO, the Resulting Issuer and Li-Metal North America Inc. amalgamated by way of a short-form amalgamation under the laws of the Province of Ontario, with the Resulting Issuer surviving the amalgamation. The Resulting Issuer now holds all of Li-Metal's assets, conducts the business of Li-Metal under the Li-Metal name and has its shares listed on the Canadian Securities Exchange (the "CSE") under the symbol "LIM". The Company changed its year end from December 31 to March 31 after the RTO. The Company operates from its head office located at 90 Riviera Drive, Markham, Ontario, L3R 5M1 Canada and also through its wholly owned subsidiary: Li-Metal US Inc. incorporated in Albany NY, USA. The address of the registered office is 77 King Street West, TD North Tower Suite 700, Toronto, ON M5K 1G8.

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

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

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## **Li-Metal Corp. (Formerly Eurotin Inc.)**

### **Notes to Consolidated Financial Statements**

**March 31, 2023**

**(Expressed in Canadian dollars)**

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#### **2. Going concern**

The Company is in the early stages of operation and at present, its operations do not generate cash flow from operations. For the year ended March 31, 2023, the Company incurred a net loss of \$12,556,761 (fifteen months ended March 31, 2022 - \$18,734,825) and had an accumulated deficit of \$34,925,125 as at March 31, 2023 (March 31, 2022 - \$22,368,364).

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

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

#### **3. Basis of presentation and statement of compliance**

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

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

These consolidated financial statements were authorized for issuance by the Board of Directors of the Company on July 31, 2023.



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# Li-Metal Corp. (Formerly Eurotin Inc.)

## Notes to Consolidated Financial Statements

March 31, 2023

(Expressed in Canadian dollars)

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### 4. Summary of significant accounting policies

#### Basis of measurement

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

#### Basis of consolidation

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

#### Foreign currency translation

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

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

The results and financial position of Li-Metal US Inc. that has a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at period-end exchange rates prevailing at the reporting date: and
- income and expenses are translated at the average exchange rates for the period.

Exchange differences are transferred directly to other comprehensive (income) loss and are included in a separate component of equity titled "Accumulated other comprehensive income or loss". These differences are recognized in profit or loss in the period in which the operation is disposed of.

#### Cash and cash equivalents

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

#### Property and equipment

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

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

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

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# Li-Metal Corp. (Formerly Eurotin Inc.)

## Notes to Consolidated Financial Statements

March 31, 2023

(Expressed in Canadian dollars)

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### 4. Summary of significant accounting policies (continued)

#### Property and equipment (continued)

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

#### Impairment of long-lived assets

Long-lived assets, which comprise furniture and fixtures, equipment and computer hardware, are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is measured as the amount by which the carrying value of the long-lived asset exceeds its fair value. Fair value is determined as the higher of fair value less costs to sell and value in use for each item of property and equipment.

#### Financial instruments

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Company's designation of such instruments. The following summarizes the Company's classifications and measurements of financial instruments:

| <u>Measurement</u>              | <u>Classification</u>         |
|---------------------------------|-------------------------------|
| Financial assets                |                               |
| Cash and cash equivalents       | Assets at amortized cost      |
| Sales tax and other receivables | Assets at amortized cost      |
| Financial liabilities           |                               |
| Accounts payable                | Liabilities at amortized cost |
| Customer deposits               | Liabilities at amortized cost |
| Shareholder advances            | Liabilities at amortized cost |

#### *Financial assets at amortized cost*

A financial asset is measured at amortized cost if it is held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and is not designated as FVTPL. Financial assets classified as amortized cost are measured subsequent to initial recognition at amortized cost using the effective interest method. Cash and certain other assets are classified as and measured at amortized cost.

#### *Financial liabilities*

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in net earnings when the liabilities are derecognized as well as through the amortization process. Borrowing liabilities are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date. Accounts payable and accrued liabilities are classified as and measured at amortized cost either directly (i.e. as prices) or indirectly (i.e. derived from prices).

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# Li-Metal Corp. (Formerly Eurotin Inc.)

## Notes to Consolidated Financial Statements

March 31, 2023

(Expressed in Canadian dollars)

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### 4. Summary of significant accounting policies (continued)

#### Financial instruments (continued)

##### *Fair value measurement*

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

Level 1 – financial instruments with quoted market price;

Level 2 – financial instruments which valuation technique is based on observable market inputs; and

Level 3 – financial instruments which valuation technique is based on non-observable market inputs.

##### *Convertible Debentures*

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

##### *Impairment of financial assets*

A loss allowance for expected credit losses is recognized in profit or loss for financial assets measured at amortized cost. At each balance sheet date, on a forward-looking basis, the Company assesses the expected credit losses associated with its financial assets carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The impairment model does not apply to investments in equity instruments.

The expected credit losses are required to be measured through a loss allowance at an amount equal to the 12-month expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date) or full lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument). A loss allowance for full lifetime expected credit losses is required for a financial instrument if the credit risk of that financial instrument has increased significantly since initial recognition.

##### *Derecognition of financial assets and liabilities*

A financial asset is derecognized when either the rights to receive cash flows from the asset have expired or the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party. If neither the rights to receive cash flows from the asset have expired nor the Company has transferred its rights to receive cash flows from the asset, the Company will assess whether it has relinquished control of the asset or not. If the Company does not control the asset then derecognition is appropriate.

A financial liability is derecognized when the associated obligation is discharged or canceled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in net earnings.

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# Li-Metal Corp. (Formerly Eurotin Inc.)

## Notes to Consolidated Financial Statements

March 31, 2023

(Expressed in Canadian dollars)

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### 4. Summary of significant accounting policies (continued)

#### Research and Development expenditures

Costs directly related to research and development expenditures are expensed as incurred. These direct expenditures include such costs as material used. Once the technical feasibility and commercial viability is determined, the project under development is to be capitalized in the Statement of Financial Position.

#### Income taxes

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

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

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

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

#### Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

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# Li-Metal Corp. (Formerly Eurotin Inc.)

## Notes to Consolidated Financial Statements

March 31, 2023

(Expressed in Canadian dollars)

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### 4. Summary of significant accounting policies (continued)

#### Share-based payments

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

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

The restricted shares units ("RSU") are awarded to executives and are measured at fair value at the date of the grant determined using the Black-Scholes option pricing model. The fair value of the estimated number of RSUs awarded, that are expected to vest is recognized as share-based compensation expense over the vesting period of the RSUs with a corresponding amount recorded in contributed surplus until the respective shares are issued in settlement of the RSUs. The total amount is recognized as an expense. The corresponding credit for these costs is recognized in contributed surplus.

#### Interest in joint arrangement

The Company determines whether the joint arrangement entered into by the Company is a joint operation or a joint venture based upon the rights and obligations of the parties to the arrangement. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Where the Company determines the joint arrangement represents a joint operation, the Company accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

The Company enters into joint operations from time to time and accounts for its proportion of the expenditures and government assistance (note 10).

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## Li-Metal Corp. (Formerly Eurotin Inc.)

### Notes to Consolidated Financial Statements

March 31, 2023

(Expressed in Canadian dollars)

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#### 4. Summary of significant accounting policies (continued)

##### Government assistance

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

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

##### Leases

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

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

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

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## **Li-Metal Corp. (Formerly Eurotin Inc.)**

### **Notes to Consolidated Financial Statements**

**March 31, 2023**

**(Expressed in Canadian dollars)**

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#### **4. Summary of significant accounting policies (continued)**

##### **Interest income**

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

##### **Loss per share**

Loss per share is based on the weighted average number of common shares of the Company outstanding during the period. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options and warrants, in the weighted average number of common shares outstanding during the period, if dilutive. In the Company's case, diluted loss per share is the same as basic loss per share during the year ended March 31, 2023 and period ended March 31, 2022 as the Company recorded a net loss for both periods, and the exercise of any potentially dilutive instruments would be anti-dilutive.

##### **Comparative amounts**

Certain comparative amounts in the consolidated statements of loss and comprehensive loss for the fifteen months ended March 31, 2022 was reclassified to conform to the current year presentation.

#### **5. Significant judgements and sources of estimation uncertainty**

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

##### **Critical Judgement in Applying Accounting Policies**

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

##### **Key Sources of Estimation Uncertainty**

###### **1. Share price**

The measurement of entity share price is used in the measurement of convertible debenture, estimate of fair value in the RTO transaction and share based payments. The Company incorporates various estimates in the calculation of the fair value of the convertible debentures using a valuation model where the inputs include the equity value of the Company, market rate of interest, terms of instrument and volatility. The estimates are based on the Company's own experience as 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.

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## Li-Metal Corp. (Formerly Eurotin Inc.)

### Notes to Consolidated Financial Statements

March 31, 2023

(Expressed in Canadian dollars)

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

##### Key Sources of Estimation Uncertainty (continued)

###### 2. Stock-based compensation

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

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

###### 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.



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## Li-Metal Corp. (Formerly Eurotin Inc.)

### Notes to Consolidated Financial Statements

March 31, 2023

(Expressed in Canadian dollars)

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

##### Key Sources of Estimation Uncertainty (continued)

##### 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 March 31, 2023 that Li-Metal Corp. is in the research stage and expenditures are expensed.

#### 6. Initial adoption and upcoming changes in accounting standards

##### Adoption of new accounting standards

##### *IAS 16, Property plant and equipment ("IAS 16")*

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

The adoption of this amendment did not have any significant impact on the Company's consolidated financial statements for the year ended March 31, 2023.

##### New standards and interpretations not yet adopted

##### *Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)*

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

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

This amendment is effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted. The extent of the impact of adoption of this amendment has not yet been determined.

##### *IAS 12 Income Taxes*

In May 2021, the IASB issued amendments to IAS 12, Income Taxes. The amendments to IAS 12 narrow the scope of the initial recognition exemption so that it no longer applies to transactions which give rise to equal amounts of taxable and deductible temporary differences. The Company is to recognize a deferred tax asset and deferred tax liability for temporary differences arising on initial recognition for certain transactions, including leases and reclamation provisions. The amendments to IAS 12 are effective for annual reporting periods beginning on or after January 1, 2023, with early adoption permitted.

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## Li-Metal Corp. (Formerly Eurotin Inc.)

### Notes to Consolidated Financial Statements

March 31, 2023

(Expressed in Canadian dollars)

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

##### New standards and interpretations not yet adopted (continued)

###### *Amendments to IAS 8 - Definition of Accounting Estimates*

These amendments clarify how companies distinguish changes in accounting policies from changes in accounting estimates, with a primary focus on the definition of and clarifications on accounting estimates. The distinction between the two is important because changes in accounting policies are applied retrospectively, whereas changes in accounting estimates are applied prospectively. Further, the amendments clarify that accounting estimates are monetary amounts in the financial statements subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. These amendments are effective for reporting periods beginning on or after January 1, 2023. The Company is evaluating the impact of the above amendments on its consolidated financial statements.

###### *Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies*

These amendments continue the IASB's clarifications on applying the concept of materiality. These amendments help companies provide useful accounting policy disclosures, and they include: requiring companies to disclose their material accounting policies instead of their significant accounting policies; clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and do not need to be disclosed; and clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material. The IASB also amended IFRS Practice Statement 2 to include guidance and examples on applying materiality to accounting policy disclosures. These amendments are effective for reporting periods beginning on or after January 1, 2023. The Company is evaluating the impact of the above amendments on its consolidated financial statements.

#### 7. Restricted cash

The Company has a corporate credit card with a major financial institution with an average credit limit of \$50,000. As at March 31, 2023, the financial institution holds \$50,000 in a Guaranteed Investment Certificate (March 31, 2022 - \$nil) as collateral on the credit card amount as long as the credit card is alive. The restricted cash amount would change if there was any change in the credit limit on the card.

#### 8. Property and equipment

| <b>Cost</b>                | <b>Computer hardware</b> | <b>Equipment</b> | <b>Furniture &amp; fixtures</b> | <b>Leasehold improvement</b> | <b>Total</b> |
|----------------------------|--------------------------|------------------|---------------------------------|------------------------------|--------------|
| Balance, December 31, 2020 | \$ 4,846                 | \$ 310,610       | \$ 8,230                        | \$ -                         | \$ 323,686   |
| Additions                  | 4,461                    | 2,712,183        | 12,456                          | 19,801                       | 2,748,901    |
| Balance, March 31, 2022    | 9,307                    | 3,022,793        | 20,686                          | 19,801                       | 3,072,587    |
| Reclassification           | -                        | (113,598)        | -                               | 113,598                      | -            |
| Additions                  | 6,698                    | 2,524,034        | 11,641                          | 65,800                       | 2,608,173    |
| Foreign exchange           | -                        | 15,743           | -                               | 11,070                       | 26,813       |
| Balance, March 31, 2023    | \$ 16,005                | \$ 5,448,972     | \$ 32,327                       | \$ 210,269                   | \$ 5,707,573 |

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**Li-Metal Corp. (Formerly Eurotin Inc.)****Notes to Consolidated Financial Statements****March 31, 2023****(Expressed in Canadian dollars)**

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**8. Equipment (continued)**

| <b>Accumulated depreciation</b> | <b>Computer hardware</b> | <b>Equipment</b> | <b>Furniture &amp; fixtures</b> | <b>Leasehold improvement</b> | <b>Total</b>  |
|---------------------------------|--------------------------|------------------|---------------------------------|------------------------------|---------------|
| Balance, December 31, 2020      | \$ (181)                 | \$ (38,897)      | \$ (206)                        | \$ -                         | \$ (39,284)   |
| Additions                       | (3,881)                  | (404,251)        | (5,049)                         | (2,073)                      | (415,254)     |
| Balance, March 31, 2022         | (4,062)                  | (443,148)        | (5,255)                         | (2,073)                      | (454,538)     |
| Amortization                    | (1,825)                  | (618,683)        | (3,377)                         | (43,543)                     | (667,428)     |
| Foreign exchange                | -                        | (3,889)          | -                               | (971)                        | (4,860)       |
| Balance, March 31, 2023         | \$ (5,887)               | \$(1,065,720)    | \$ (8,632)                      | \$ (46,587)                  | \$(1,126,826) |

| <b>Net book value</b>   | <b>Computer hardware</b> | <b>Equipment</b> | <b>Furniture &amp; fixtures</b> | <b>Leasehold improvement</b> | <b>Total</b> |
|-------------------------|--------------------------|------------------|---------------------------------|------------------------------|--------------|
| Balance, March 31, 2022 | \$ 5,245                 | \$ 2,579,645     | \$ 15,431                       | \$ 17,728                    | \$ 2,618,049 |
| Balance, March 31, 2023 | \$ 10,118                | \$ 4,383,252     | \$ 23,695                       | \$ 163,682                   | \$ 4,580,747 |

**9. Right-of-use assets**

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|                                   |           |                  |
|-----------------------------------|-----------|------------------|
| <b>Balance, December 31, 2020</b> | <b>\$</b> | <b>-</b>         |
| Additions                         |           | 1,427,112        |
| Amortization                      |           | (196,042)        |
| Impact of foreign exchange        |           | (1,369)          |
| <b>Balance, March 31, 2022</b>    | <b>\$</b> | <b>1,229,701</b> |
| Additions                         |           | -                |
| Modification                      |           | 95,487           |
| Amortization                      |           | (298,516)        |
| Impact of foreign exchange        |           | 21,655           |
| <b>Balance, March 31, 2023</b>    | <b>\$</b> | <b>1,048,327</b> |

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## Li-Metal Corp. (Formerly Eurotin Inc.)

### Notes to Consolidated Financial Statements

March 31, 2023

(Expressed in Canadian dollars)

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#### 10. Joint arrangement

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 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 will terminate at the of earlier of August 16, 2023 or the date on which at least one lithium batteries anode product is first available for commercial exploitation. Each party bears the costs of its activities including labor and materials.

#### 11. Government assistance

##### CEBA

On April 16, 2020, the Company received the Canadian Emergency Business Account (CEBA) in the amount of \$40,000. CEBA is a government program providing interest-free loans to small businesses. No principal repayments will be required before December 31, 2023. If the loan remains outstanding after December 31, 2020, only interest payments will be required until full principal is due on December 31, 2025. If the outstanding principal, other than the amount of potential debt forgiveness at 25% of the principal balance of the loan, is repaid by December 31, 2023, the remaining principal will be forgiven. The eligibility of the program may be subject to audit and verification at which time the balance may become repayable.

##### NGEN refunds

On March 1, 2022, Li-Metal was granted up to \$1.9 million grant, as part of a \$5.1 million joint project with Blue Solutions, awarded by Next Generation Manufacturing Canada (“NGEN”), an industry-led organization supporting advanced manufacturing in Canada, to develop the Company’s lithium metal anode technologies.

NGEN grant was provided to assist Li-Metal in developing and advancing its scrap lithium foil reprocessing operation and anode production process. The funds from the grant assisted Li-Metal in further developing its PVD technology to make ultra thin anodes at higher deposition rates and also allowed Li-Metal to enhance its internal battery & surface characterization capabilities. The grant covered part of the costs for technical/operations personnel, contractors, and consumables involved in the project.

From the year ended March 31, 2023, the Company received refunds from NGEN \$1,212,847 that were credited to research and development expenses. There are no unfilled conditions nor other contingencies related to the government assistance received.

## Li-Metal Corp. (Formerly Eurotin Inc.)

### Notes to Consolidated Financial Statements

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(Expressed in Canadian dollars)

#### 12. Related party balances and transactions

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

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

|  | Year<br>Ended<br>March 31,<br>2023 | Fifteen Months<br>Ended<br>March 31,<br>2022 |
|--|------------------------------------|--|
| Director fees                          | \$ 259,000                         | \$ 130,630                                   |
| Salaries and short-term employment (1) | 854,830                            | 337,500                                      |
| Consulting fees (2)                    | 61,000                             | 305,863                                      |
| Share-based compensation               | 66,560                             | 825,153                                      |
| Share capital issued                   | -                                  | 157,865                                      |

(1) The salaries and short-term employment are compensation for officers including Maciej Jastrzebski, Chief Executive Officer ("CEO") from April 1, 2019 to May 15, 2023, Carlos Pinglo, Chief Financial Officer ("CFO") from November 1, 2022 to March 31, 2023 and Kunal Phalpher, President from October 17, 2022 to March 31, 2023.

(2) During the year ended March 31, 2023, the Company paid to ZCR Corp. \$61,000 (March 31, 2022 - \$nil) in consulting fees. ZCR Corp. is controlled by Mark Wellings, Chairman and Director of the Company.

#### 13. Convertible debenture and financing

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

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

A summary of movement in the convertible debentures is as follows:

|                                      | As at<br>March 31,<br>2023 | As at<br>March 31,<br>2022 |
|--------------------------------------|----------------------------|----------------------------|
| Opening balance                      | \$ -                       | \$ -                       |
| Issuance of convertible debentures   | -                          | 3,662,136                  |
| Change in fair value                 | -                          | 833,689                    |
| Foreign exchange                     | -                          | (15,475)                   |
| Settlement of convertible debentures | -                          | (4,480,350)                |
| Ending balance                       | \$ -                       | \$ -                       |

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**Li-Metal Corp. (Formerly Eurotin Inc.)****Notes to Consolidated Financial Statements****March 31, 2023****(Expressed in Canadian dollars)**

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**13. Convertible debenture and financing (continued)**

On October 25, 2021, upon completion of the RTO, all of the outstanding balance of the convertible debentures, accrued interest of \$174,998 on the convertible debentures and sub-receipts were converted into common shares and warrants of the Company such that \$4,655,487 was converted; where \$3,549,998 was allocated to share capital and \$1,105,489 allocated to warrants.

**14. Lease liability**

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|                                   |                     |
|-----------------------------------|---------------------|
| <b>Balance, December 31, 2020</b> | <b>\$ -</b>         |
| Additions                         | 1,427,112           |
| Accretion                         | 88,896              |
| Lease payments                    | (233,802)           |
| Impact of foreign exchange        | (1,398)             |
| <b>Balance, March 31, 2022</b>    | <b>\$ 1,280,808</b> |
| Modification                      | 95,487              |
| Accretion                         | 119,637             |
| Lease payments                    | (370,242)           |
| Impact of foreign exchange        | 22,212              |
| <b>Balance, March 31, 2023</b>    | <b>\$ 1,147,902</b> |

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|                      |                     |
|----------------------|---------------------|
| <b>Allocated as:</b> |                     |
| Current              | \$ 282,403          |
| Long-term            | 865,499             |
|                      | <b>\$ 1,147,902</b> |

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

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| <b>Maturity analysis</b>              | <b>March 31, 2023</b> |
|---------------------------------------|-----------------------|
| Less than one year                    | \$ 377,365            |
| One to three years                    | 774,459               |
| Four to five years                    | 200,638               |
| Total undiscounted lease liabilities  | 1,352,462             |
| Amount representing implicit interest | (204,560)             |
| Lease liabilities                     | <b>\$ 1,147,902</b>   |

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**Li-Metal Corp. (Formerly Eurotin Inc.)****Notes to Consolidated Financial Statements****March 31, 2023****(Expressed in Canadian dollars)**

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**15. Reverse takeover**

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

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

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

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

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

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

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

# Li-Metal Corp. (Formerly Eurotin Inc.)

## Notes to Consolidated Financial Statements

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### 15. Reverse takeover (continued)

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

#### Consideration

|                            |                     |
|----------------------------|---------------------|
| Common shares              | \$ 2,249,980        |
| <b>Total consideration</b> | <b>\$ 2,249,980</b> |

#### Identifiable assets acquired

|   |                 |
|---|-----------------|
| Cash                                      | \$ 8,836        |
| Sales tax receivable                      | 63,306          |
| Prepaid                                   | 4,252           |
| Accounts payable and accrued liabilities  | (93,522)        |
| <b>Total identifiable assets acquired</b> | <b>(17,128)</b> |

#### Unidentifiable assets acquired

|   |                     |
|---|---------------------|
| Transaction cost  | 2,267,108           |
| <b>Total net identifiable assets and transaction cost</b> | <b>\$ 2,249,980</b> |

### 16. Share capital

#### a) Authorized share capital

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

#### b) Common shares issued

At March 31, 2023, the issued share capital amounted to \$43,188,196. The changes in issued share capital for the periods were as follows:

|   | Number of<br>common<br>shares | Amount               |
|---|-------------------------------|----------------------|
| Balance, December 31, 2020  | 59,064,124                    | \$ 6,393,604         |
| Private placement - common shares (i)                                       | 2,201,472                     | 645,148              |
| Exercise of stock options   | 1,122,836                     | 527,514              |
| Elimination of 2555663 Ontario Limited shares (note 15)                     | (62,097,760)                  | -                    |
| Conversion into Li-Metal shares per RTO (note 15)                           | 62,097,760                    | -                    |
| Shares issued from conversion of sub-receipts in private placement (ii)     | 30,000,000                    | 6,504,029            |
| Transaction costs in private placement (note 15)                            | -                             | (13,562)             |
| Shares issued in settlement of convertible debentures (note 13)             | 12,565,468                    | 3,549,998            |
| Shares issued in settlement of interest on convertible debentures (note 13) | -                             | 3,869,210            |
| Shares issued as consideration in the RTO (note 15)                         | 7,999,928                     | 2,249,980            |
| Shares issued upon exercises of warrants (note 17)                          | 42,000,000                    | 19,462,275           |
| <b>Balance, March 31, 2022 and March 31, 2023</b>                           | <b>154,953,828</b>            | <b>\$ 43,188,196</b> |

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



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## Li-Metal Corp. (Formerly Eurotin Inc.)

### Notes to Consolidated Financial Statements

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#### 16. Share capital (continued)

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

As at March 31, 2023, 7,786,737 common shares of the Company were in escrow.

#### 17. Warrants

The 12,000,000 warrants issued upon conversion of the convertible debentures and the 30,000,000 warrants issued upon conversion of the sub-receipts in the private placement on September 7, 2021 were all exercised into 42,000,000 common shares of the Company during the year ended December 31, 2021. The fair value of these warrants was estimated to be \$3,869,210 using the binomial tree valuation model on the following assumptions: volatility of 90.6% based on comparable companies, risk-free rate of 0.86%, share price range of \$0.76 to \$1.19 with a mid point of \$1.13 on the valuation date of October 25, 2021. As at March 31, 2023, nil warrants were outstanding.

#### 18. Stock options

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

|                            | Number of<br>options |    | Weighted<br>average<br>exercise<br>price |
|----------------------------|----------------------|----|--|
| Balance, December 31, 2020 | 5,281,229            | \$ | 0.17                                     |
| Exercised                  | (1,122,835)          |    | 0.19                                     |
| Granted                    | 6,163,195            |    | 0.36                                     |
| Balance, March 31, 2022    | 10,321,589           | \$ | 0.29                                     |
| Granted                    | 4,900,529            |    | 0.53                                     |
| Forfeited                  | (762,596)            |    | 1.05                                     |
| Balance, March 31, 2023    | 14,459,522           | \$ | 0.33                                     |

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**Li-Metal Corp. (Formerly Eurotin Inc.)****Notes to Consolidated Financial Statements****March 31, 2023****(Expressed in Canadian dollars)**

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**18. Stock options (continued)**

As at March 31, 2023, the stock options outstanding are as follows:

| <b>Remaining<br/>Contractual<br/>Life (years)</b> | <b>Exercisable<br/>Options</b> | <b>Number<br/>of Options</b> | <b>Exercise<br/>Price (\$)</b> | <b>Expiry<br/>Date</b> |
|---|--------------------------------|------------------------------|--------------------------------|------------------------|
| 2.55  | 1,345,780                      | 1,345,780                    | 0.08                           | October 15, 2025       |
| 2.72  | 2,343,658                      | 2,343,658                    | 0.23                           | December 17, 2025      |
| 3.01  | 452,160                        | 546,360                      | 0.23                           | April 1, 2026          |
| 3.51  | 5,480,000                      | 5,720,000                    | 0.31                           | October 1, 2026        |
| 3.69  | 7,000                          | 14,000                       | 2.69                           | December 6, 2026       |
| 3.88  | 12,000                         | 44,000                       | 2.04                           | February 14, 2027      |
| 3.92  | 3,300                          | 9,900                        | 1.60                           | February 28, 2027      |
| 3.94  | 11,765                         | 35,295                       | 1.60                           | March 7, 2027          |
| 3.98  | 33,333                         | 100,000                      | 1.43                           | March 21, 2027         |
| 4.09  | -                              | 400,000                      | 1.00                           | May 2, 2027            |
| 4.25  | -                              | 4,500                        | 0.62                           | June 30, 2027          |
| 4.29  | -                              | 8,000                        | 0.72                           | July 14, 2027          |
| 4.36  | 200,000                        | 400,000                      | 0.72                           | August 10, 2027        |
| 4.37  | -                              | 90,000                       | 0.60                           | August 12, 2027        |
| 4.43  | -                              | 2,500                        | 0.73                           | September 3, 2027      |
| 4.46  | -                              | 4,500                        | 0.65                           | September 15, 2027     |
| 4.59  | -                              | 1,391,029                    | 0.41                           | October 31, 2027       |
| 4.70  | -                              | 2,000,000                    | 0.28                           | December 9, 2027       |
| 3.59  | 9,888,996                      | 14,459,522                   | 0.36                           |                        |

During the year ended March 31, 2023, the Company recognized a total share-based payments expense of \$1,059,119 (fifteen months ended March 31, 2022 – \$4,654,322).

The Company amortizes the estimated grant date fair value of stock options to expense over the vesting period (generally three years). The grant date fair value of outstanding stock options was determined using the Black-Scholes option pricing model and the following assumptions in the year of the grant: risk-free interest rate (based on Canadian government bond yields), expected volatility of the market price of the Company's shares (estimated based on industry average), and the expected option life (in years) (based on historical option holder behavior).

The following tables summarizes the assumptions used with the Black-Scholes valuation model for the determination of the stock-based compensation costs for the stock options granted during the year ended March 31, 2023 and fifteen months ended March 31, 2022:

|                      | <b>Year<br/>Ended<br/>March 31,<br/>2023</b> | <b>Fifteen Months<br/>Ended<br/>March 31,<br/>2022</b> |
|----------------------|--|--|
| Share price          | \$0.28 - \$1.31                              | \$1.125  |
| Exercise price       | \$0.28 - \$1.31                              | 1.65   |
| Risk free rate       | 2.46% - 3.43%                                | 1.22%  |
| Expected option life | 5 years                                      | 4 years  |
| Volatility           | 100%   | 98%  |
| Forfeiture rate      | 0%   | 0%   |

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## Li-Metal Corp. (Formerly Eurotin Inc.)

### Notes to Consolidated Financial Statements

March 31, 2023

(Expressed in Canadian dollars)

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#### 19. Restricted share units

On October 31, 2022, the Company granted to an officer 1,383,029 RSUs, 345,757 RSUs will vest in 12, 24, 36 and 48 months starting from the date of the grant.

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|   |           |
|---|-----------|
| Balance, December 31, 2020 and March 31, 2022 | -         |
| Granted                                       | 1,383,029 |
| <hr/>   |           |
| Balance, March 31, 2023                       | 1,383,029 |

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During the year ended March 31, 2023, the Company recognized a total share-based payments expense of \$122,289 (fifteen months ended March 31, 2020 – \$nil). The fair value of the RSUs was determined based on share price of the Company of \$0.4 per share on the date of grant on October 31, 2022.

#### 20. Financial instruments

##### Fair Value

The fair value of cash and cash equivalents, receivables and payables approximate their carrying amounts due to their short-term nature. The convertible debenture is measured at fair value through profit and loss.

##### Credit Risk

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

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

##### Liquidity Risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due. The Company's liquidity and operating results may be adversely affected if its access to capital markets is hindered, whether as a result of a downturn in stock market conditions generally or matters specific to the Company. The Company has historically generated cash flow from its financing activities. The Company manages liquidity risk through the management of its capital structure and financial leverage. As at March 31, 2023, the Company's current liabilities comprise accounts payable and accrued liabilities. The Company will require additional funding to maintain corporate and administrative functions and to fund its continuing development and commercialization activities and commitments.

The following table shows the maturity date of the Company's financial liabilities as at March 31, 2023:

|  | Total        | Less than<br>1 year | 1 to 2<br>years | Beyond<br>2 years |
|--|--------------|---------------------|-----------------|-------------------|
| Accounts payable and accrued liabilities | \$ 1,386,135 | \$ 1,386,135        | \$ -            | \$ -              |
| Government assistance                    | 40,000       | 40,000              | -               | -                 |

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Please refer to note 14 for lease liability.

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## Li-Metal Corp. (Formerly Eurotin Inc.)

### Notes to Consolidated Financial Statements

March 31, 2023

(Expressed in Canadian dollars)

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#### 20. Financial instruments (continued)

##### Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market factors. Market risk comprises three types of risk: price risk, interest rate risk and currency risk.

##### Price risk

Price risk is the risk that the fair value of future cash flows of the Company's financial instruments will fluctuate because of changes in market prices. The Company is not exposed to price risks.

##### Interest rate risk

Interest rate risk is the risk that the fair values and future cash flows of the Company will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk to the extent that the cash and cash equivalents and term deposits, if any, maintained at financial institutions is subject to a floating rate of interest. The interest rate risk on cash is not considered significant.

##### Currency risk

Currency risk is the risk that the fair values or future cash flows of the Company's financial instruments will fluctuate because of changes in foreign currency exchange rates. The Company is exposed to currency risk through financial assets and liabilities denominated in currencies other than the Canadian dollar, the Company's presentation currency. The Company's financial instruments denominated in currencies that are not the Canadian dollar as at March 31, 2023 are as follows:

|  | US dollar    | British Pound | C\$Equivalent |
|--|--------------|---------------|---------------|
| Cash and cash equivalents                | \$ 1,386,135 | \$ -          | \$ 2,456,540  |
| Other receivables                        | 6,202        | -             | 8,393         |
| Accounts payable and accrued liabilities | (252,772)    | (12,000)      | (362,147)     |

The Company's sensitivity analysis suggests that a 10% depreciation or appreciation of the foreign currencies against the Canadian dollar would have resulted in an approximate \$214,000 decrease or increase in the Company's total comprehensive income or loss.

As at March 31, 2023, US dollar amounts have been translated at a rate of C\$1.3533 per US dollar and British Pound amounts have been translated at C\$1.6726 per British Pound.

#### 21. Net loss per common share

The calculation of basic and diluted loss per share for the year ended March 31, 2023 was based on the loss attributable to common shares of \$12,556,761 (fifteen months ended March 31, 2022 - \$18,734,825) and the weighted average number of common shares outstanding of 154,953,828 (fifteen months ended March 31, 2022 - 87,297,163).

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## Li-Metal Corp. (Formerly Eurotin Inc.)

### Notes to Consolidated Financial Statements

March 31, 2023

(Expressed in Canadian dollars)

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#### 22. Segmented information

Operating segments are reported in a manner consistent with internal reporting provided to the chief operating decision maker. The chief operating decision maker is responsible for allocating resources and assessing performance of the operating segments and has been identified as the Company's CEO. During the year ended March 31, 2023, the Company has one (2022 - one) business operating segment and two (2022 – one) geographical operating segments.

The Company's reportable segments are based on the geographic region for the Company's operations and include Canada and US.

|                        | US           | Canada        | Total         |
|------------------------|--------------|---------------|---------------|
| Current assets         | \$ 107,729   | \$ 11,145,269 | \$ 11,252,998 |
| Restricted cash        | -            | 50,000        | 50,000        |
| Property and equipment | 362,775      | 4,217,972     | 4,580,747     |
| Right-of-use assets    | -            | 1,048,327     | 1,048,327     |
| Total assets           | \$ 470,504   | \$ 16,461,568 | \$ 16,932,072 |
| Total liabilities      | \$ 44,911    | \$ 2,529,126  | \$ 2,574,037  |
| Total loss             | \$ 1,683,212 | \$ 10,873,549 | \$ 12,556,761 |

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#### 23. Capital risk management

The Company manages its capital with the following objectives:

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

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

The Company considers its capital to be equity, which comprises share capital, contributed surplus and deficit, which at March 31, 2023, totaled \$14,358,035 (March 31, 2022 - \$25,917,450).

The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. The forecast is updated based on activities related to its operations and research and development activities. Selected information is provided to the Board of Directors of the Company. The Company's capital management objectives, policies and processes have remained unchanged during the year ended March 31, 2023.

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**Li-Metal Corp. (Formerly Eurotin Inc.)****Notes to Consolidated Financial Statements****March 31, 2023****(Expressed in Canadian dollars)**

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**24. Income taxes**

The Company's provision for income tax differs from the amount computed by applying the combined Canadian federal and provincial income tax rates of 26.5% (2022 - 26.5%) to loss before income taxes as a result of the following:

|   | <b>Year<br/>Ended<br/>March 31,<br/>2023</b> | <b>Fifteen Months<br/>Ended<br/>March 31,<br/>2022</b> |
|---|--|--|
| Loss before income taxes                        | \$(12,556,761)<br>26.5%                      | \$(18,734,825)<br>26.5%                                |
| Expected income tax recovery at statutory rate: | (3,327,542)                                  | (4,964,729)  |
| Non-deductible expenses                         | 2,120  | 1,865  |
| Stock-based compensation                        | 313,073                                      | 1,233,395  |
| Benefit of deferred tax assets not recognized   | 3,012,349                                    | 3,729,469  |
| Provision for income taxes                      | \$ -   | \$ -   |

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

|   | <b>March 31,<br/>2023</b> | <b>March 31,<br/>2022</b> |
|---|---------------------------|---------------------------|
| Deferred tax asset arising from loss carryforwards Canada                 | \$ 27,999,111             | \$ 17,062,227             |
| Deferred tax asset arising from loss carryforwards US                     | 1,806,153                 | -                         |
| Deferred tax asset (liability) arising from property, plant and equipment | 934,924                   | (148,405)                 |
| Total   | \$ 30,740,188             | \$ 16,913,822             |

As at March 31, 2023, the Company has non-capital losses in Canada of \$27,999,111 (March 31, 2022 - \$17,062,227), the benefit of which has not been fully recognized. Non-capital losses may be carried forward and applied against taxable income of future years. Losses begin to expire in 2029. As at March 31, 2023, the Company has non-capital losses in the United States of \$1,806,153 (March 31, 2022 - \$nil), the benefit of which has not been fully recognized. Non-capital losses can be carried forward indefinitely.

**25. Subsequent events**

(i) On June 6, 2023, the Company announced that it was awarded \$1.4 million in grant funding from the Government of Ontario.

(ii) On April 17, 2023, the Company granted to five officers an aggregate of 2,830,000 RSUs, 700 500 RSUs will vest in 12, 24, 36 and 48 months starting from the date of the grant..

(iii) On April 17, 2023, the Company granted to twenty-two employees an aggregate of 602,981 RSUs, 200,994 RSUs will vest in 12, 24 and 36 months starting from the date of the grant.

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**LI-METAL CORP. (FORMERLY EUROTIN INC.)**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FIFTEEN MONTHS ENDED MARCH 31, 2022 AND**  
**YEAR ENDED DECEMBER 31, 2020**  
**(EXPRESSED IN CANADIAN DOLLARS)**

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**NOTICE TO READER**

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

## Independent auditor's report

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

### Opinion

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

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

### Basis for Opinion

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

### Material Uncertainty Related to Going Concern

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

*Grant Thornton LLP*

Toronto, Canada  
July 28, 2022

Chartered Professional Accountants  
Licensed Public Accountants

# Management's Responsibility for Financial Statements

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

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

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

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

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

(signed) "Maciej Jastrzebski"

Chief Executive Officer

Toronto, Canada  
July 28, 2022

(signed) "Carlos Pinglo"

Chief Financial Officer

# Li-Metal Corp. (Formerly Eurotin Inc.)

## Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

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

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

Nature of operations and going concern (note 1)

Subsequent events (note 22)

### Approved on behalf of the Board:

(Signed) "Mark Wellings", Chairman \_\_\_\_\_

(Signed) "Colin Farrell", Director \_\_\_\_\_

**Li-Metal Corp. (Formerly Eurotin Inc.)**  
**Consolidated Statements of Loss and Comprehensive Loss**  
**(Expressed in Canadian dollars)**

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

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

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

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

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

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

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

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

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# Li-Metal Corp. (Formerly Eurotin Inc.)

## Notes to Consolidated Financial Statements

March 31, 2022

(Expressed in Canadian dollars)

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### 1. Nature of operations

#### Nature of operations

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

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

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

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

#### **COVID-19**

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

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



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## **Li-Metal Corp. (Formerly Eurotin Inc.)**

### **Notes to Consolidated Financial Statements**

**March 31, 2022**

**(Expressed in Canadian dollars)**

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#### **2. Going concern**

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

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

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

#### **3. Basis of presentation and statement of compliance**

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

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

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

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# Li-Metal Corp. (Formerly Eurotin Inc.)

## Notes to Consolidated Financial Statements

March 31, 2022

(Expressed in Canadian dollars)

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### 4. Summary of significant accounting policies

#### Basis of measurement

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

#### Basis of consolidation

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

#### Foreign currency translation

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

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

#### Cash and cash equivalents

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

#### Property and equipment

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

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

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

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

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# Li-Metal Corp. (Formerly Eurotin Inc.)

## Notes to Consolidated Financial Statements

March 31, 2022

(Expressed in Canadian dollars)

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### 4. Summary of significant accounting policies (continued)

#### Impairment of long-lived assets

Long-lived assets, which comprise furniture and fixtures, equipment and computer hardware, are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is measured as the amount by which the carrying value of the long-lived asset exceeds its fair value. Fair value is determined as the higher of fair value less costs to sell and value in use for each item of property and equipment.

#### Financial instruments

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Company's designation of such instruments. The following summarizes the Company's classifications and measurements of financial instruments:

| <u>Measurement</u>        | <u>Classification</u>                      |
|---------------------------|--|
| Financial assets          |  |
| Cash and cash equivalents | Assets at amortized cost                   |
| Sales tax receivables     | Assets at amortized cost                   |
| Financial liabilities     |  |
| Accounts payable          | Liabilities at amortized cost              |
| Customer deposits         | Liabilities at amortized cost              |
| Shareholder advances      | Liabilities at amortized cost              |
| Convertible debentures    | Fair value through profit and loss (FVTPL) |

#### *Financial assets at amortized cost*

A financial asset is measured at amortized cost if it is held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and is not designated as FVTPL. Financial assets classified as amortized cost are measured subsequent to initial recognition at amortized cost using the effective interest method. Cash and certain other assets are classified as and measured at amortized cost.

#### *Financial liabilities*

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in net earnings when the liabilities are derecognized as well as through the amortization process. Borrowing liabilities are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date. Accounts payable and accrued liabilities are classified as and measured at amortized cost either directly (i.e. as prices) or indirectly (i.e. derived from prices).

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# Li-Metal Corp. (Formerly Eurotin Inc.)

## Notes to Consolidated Financial Statements

March 31, 2022

(Expressed in Canadian dollars)

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### 4. Summary of significant accounting policies (continued)

#### Financial instruments (continued)

##### *Fair value measurement*

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

Level 1 – financial instruments with quoted market price;

Level 2 – financial instruments which valuation technique is based on observable market inputs; and

Level 3 – financial instruments which valuation technique is based on non-observable market inputs.

##### *Convertible Debentures*

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

##### *Impairment of financial assets*

A loss allowance for expected credit losses is recognized in OCI for financial assets measured at amortized cost. At each balance sheet date, on a forward-looking basis, the Company assesses the expected credit losses associated with its financial assets carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The impairment model does not apply to investments in equity instruments.

The expected credit losses are required to be measured through a loss allowance at an amount equal to the 12-month expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date) or full lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument). A loss allowance for full lifetime expected credit losses is required for a financial instrument if the credit risk of that financial instrument has increased significantly since initial recognition.

##### *Derecognition of financial assets and liabilities*

A financial asset is derecognized when either the rights to receive cash flows from the asset have expired or the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party. If neither the rights to receive cash flows from the asset have expired nor the Company has transferred its rights to receive cash flows from the asset, the Company will assess whether it has relinquished control of the asset or not. If the Company does not control the asset then derecognition is appropriate.

A financial liability is derecognized when the associated obligation is discharged or canceled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in net earnings.

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# Li-Metal Corp. (Formerly Eurotin Inc.)

## Notes to Consolidated Financial Statements

March 31, 2022

(Expressed in Canadian dollars)

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### 4. Summary of significant accounting policies (continued)

#### Research and Development expenditures

Costs directly related to research and development expenditures are recognized as incurred. These direct expenditures include such costs as material used. Once the technical feasibility and commercial viability is determined, the project under development is to be capitalized in the Statement of Financial Position.

#### Income taxes

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

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

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

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

#### Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

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# Li-Metal Corp. (Formerly Eurotin Inc.)

## Notes to Consolidated Financial Statements

March 31, 2022

(Expressed in Canadian dollars)

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### 4. Summary of significant accounting policies (continued)

#### Share-based payments

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

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

#### Government assistance

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

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

#### Leases

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

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

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

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## Li-Metal Corp. (Formerly Eurotin Inc.)

### Notes to Consolidated Financial Statements

March 31, 2022

(Expressed in Canadian dollars)

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#### 4. Summary of significant accounting policies (continued)

##### Interest income

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

##### Loss per share

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

#### 5. Significant judgements and sources of estimation uncertainty

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

##### Critical Judgement in Applying Accounting Policies

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

##### Key Sources of Estimation Uncertainty

###### 1. Share price

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

###### 2. Stock-based compensation

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

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

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## Li-Metal Corp. (Formerly Eurotin Inc.)

### Notes to Consolidated Financial Statements

March 31, 2022

(Expressed in Canadian dollars)

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

##### Key Sources of Estimation Uncertainty (continued)

##### 3. Income taxes and deferred taxes

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

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

##### 4. Provisions and contingent liabilities

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

#### 6. Initial adoption and upcoming changes in accounting standards

##### Adoption of new accounting standards

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

##### New standards and interpretations not yet adopted

###### *IAS 16, Property plant and equipment ("IAS 16")*

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

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



## Li-Metal Corp. (Formerly Eurotin Inc.)

### Notes to Consolidated Financial Statements

March 31, 2022

(Expressed in Canadian dollars)

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

##### *Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)*

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

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

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

#### 7. Property and equipment

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

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

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

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**Li-Metal Corp. (Formerly Eurotin Inc.)****Notes to Consolidated Financial Statements****March 31, 2022****(Expressed in Canadian dollars)**

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**8. Right-of-use assets**

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|   |                     |
|---|---------------------|
| <b>Balance, January 1, 2020 and December 31, 2020</b> | <b>\$ -</b>         |
| Additions   | 1,427,112           |
| Amortization  | (196,042)           |
| Impact of foreign exchange                            | (1,369)             |
|   | <hr/>               |
| <b>Balance, March 31, 2022</b>                        | <b>\$ 1,229,701</b> |

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**9. Government assistance**

On April 16, 2020, the Company received the Canadian Emergency Business Account (CEBA) in the amount of \$40,000. CEBA is a government program providing interest-free loans to small businesses. No principal repayments will be required before December 31, 2022. If the loan remains outstanding after December 31, 2020, only interest payments will be required until full principal is due on December 31, 2025. If the outstanding principal, other than the amount of potential debt forgiveness at 25% of the principal balance of the loan, is repaid by December 31, 2022, the remaining principal will be forgiven. The eligibility of the program may be subject to audit and verification at which time the balance may become repayable.

**10. Subscriptions receivable**

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

**11. Related party balances and transactions**

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

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

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

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

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## Li-Metal Corp. (Formerly Eurotin Inc.)

### Notes to Consolidated Financial Statements

March 31, 2022

(Expressed in Canadian dollars)

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#### 12. Convertible debenture and financing

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

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

A summary of movement in the convertible debentures is as follows:

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

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

#### 13. Lease liability

---

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

#### Allocated as:

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|           |                     |
|-----------|---------------------|
| Current   | \$ 377,933          |
| Long-term | 902,875             |
|           | <b>\$ 1,280,808</b> |

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## Li-Metal Corp. (Formerly Eurotin Inc.)

### Notes to Consolidated Financial Statements

March 31, 2022

(Expressed in Canadian dollars)

#### 13. Lease liability (continued)

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

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

#### 14. Reverse takeover

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

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

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

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

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

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

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## Li-Metal Corp. (Formerly Eurotin Inc.)

### Notes to Consolidated Financial Statements

March 31, 2022

(Expressed in Canadian dollars)

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#### 14. Reverse takeover (continued)

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

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

#### Consideration

|                            |                     |
|----------------------------|---------------------|
| Common shares              | \$ 2,249,980        |
| <b>Total consideration</b> | <b>\$ 2,249,980</b> |

#### Identifiable assets acquired

|   |                 |
|---|-----------------|
| Cash                                      | \$ 8,836        |
| Sales tax receivable                      | 63,306          |
| Prepaid                                   | 4,252           |
| Accounts payable and accrued liabilities  | (93,522)        |
| <b>Total identifiable assets acquired</b> | <b>(17,128)</b> |

#### Unidentifiable assets acquired

|   |                     |
|---|---------------------|
| Transaction cost  | 2,267,108           |
| <b>Total net identifiable assets and transaction cost</b> | <b>\$ 2,249,980</b> |

#### 15. Share capital

##### a) Authorized share capital

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

## Li-Metal Corp. (Formerly Eurotin Inc.)

### Notes to Consolidated Financial Statements

March 31, 2022

(Expressed in Canadian dollars)

#### 15. Share capital (continued)

##### b) Common shares issued

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

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

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

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

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

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

#### 16. Warrants

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

# Li-Metal Corp. (Formerly Eurotin Inc.)

## Notes to Consolidated Financial Statements

March 31, 2022

(Expressed in Canadian dollars)

### 17. Stock options

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

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

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

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

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

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

The stock options were measured using the following inputs:

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

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# Li-Metal Corp. (Formerly Eurotin Inc.)

## Notes to Consolidated Financial Statements

March 31, 2022

(Expressed in Canadian dollars)

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### 18. Financial instruments

#### Fair Value

The fair value of cash and cash equivalents, receivables and payables approximate their carrying amounts due to their short-term nature. The convertible debenture is measured at fair value through profit and loss.

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

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

#### Credit Risk

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

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

#### Liquidity Risk

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

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

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

Please refer to note 13 for lease liability.



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## Li-Metal Corp. (Formerly Eurotin Inc.)

### Notes to Consolidated Financial Statements

March 31, 2022

(Expressed in Canadian dollars)

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#### 19. Net loss per common share

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

#### 20. Capital risk management

The Company manages its capital with the following objectives:

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

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

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

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

#### 21. Income taxes

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

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

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**Li-Metal Corp. (Formerly Eurotin Inc.)****Notes to Consolidated Financial Statements****March 31, 2022****(Expressed in Canadian dollars)**

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**21. Income taxes (continued)**

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

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

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

**22. Subsequent events**

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

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

**SCHEDULE C**

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF LI-METAL CORP.**

*[SEE ATTACHED]*

# Li-Metal Corp.

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*Scalable Technologies for Next-Generation Batteries*

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

**For the Three and Six Months Ended September 30, 2024**

# Li-Metal Corp.

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# Li-Metal Corp.

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## 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 subsidiary and includes the operating and financial results for the three and six months ending September 30, 2024 and September 30, 2023 and should be read in conjunction with the Company's interim financial statements for the period ended September 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 November 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 period ended September 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.

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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.

Having recently completed the asset sale transaction of its lithium metal production business, the Company is currently focusing on its anode technology business.

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## 2.2 Our Products

With the strategic sale of its metal production business in August 2024, the Company continues 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 commercial anode production process.

### 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 Company also signed a long-term supply agreement for lithium metal with Arcadium to support its anode production business.

The Company is currently evaluating its go forward strategy with respect to its remaining business, being the development and production of ultra-thin lithium anodes.

## 4. Recent Developments

On October 22, 2024 the Issuer announced that the Company would not be proceeding with its previously announced plan to delist its common shares from the Canadian Securities Exchange.



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

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

|                                | For the Quarter Ended<br>September 30, 2024 | For the Quarter Ended<br>September 30, 2023 |
|--------------------------------|---|---|
| Revenues                       | \$ 27,856                                   | \$ 127,195                                  |
| Net gain (loss) for the period | \$ 9,543,543                                | \$ (6,200,889)                              |
| Diluted gain (loss) per share  | \$ 0.06                                     | \$ (0.04)                                   |
| Current assets                 | \$ 14,590,993                               | \$ 5,707,865                                |
| Total assets                   | \$ 16,303,219                               | \$ 10,657,060                               |
| Current liabilities            | \$ 681,312                                  | \$ 915,922                                  |
| Cash and cash equivalents      | \$ 13,771,243                               | \$ 5,103,936                                |
| Property and equipment         | \$ 922,780                                  | \$ 4,000,923                                |
| Total equity                   | \$ 15,479,938                               | \$ 9,028,901                                |

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

|   | For the Quarter Ended<br>September 30, 2024 | For the Quarter Ended<br>September 30, 2023 |
|---|---|---|
| Revenues  | \$ 27,856                                   | \$ 127,195                                  |
| Research and development  | \$ 267,405                                  | \$ 199,594                                  |
| Salaries and wages  | \$ 191,336                                  | \$ 373,856                                  |
| Professional fees   | \$ 1,997,109                                | \$ 630,862                                  |
| Share based compensation  | \$ 2,370                                    | \$ (202,112)                                |
| Investor relations & reporting issuer costs                     | \$ 31,421                                   | \$ 388,382                                  |
| General and administration                                      | \$ 184,193                                  | \$ 408,905                                  |
| Interest & bank charges   | \$ 800                                      | \$ 1,776                                    |
| Amortization  | \$ 379,245                                  | \$ 105,785                                  |
| Foreign exchange loss (gain)                                    | \$ 491,475                                  | \$ (50,997)                                 |
| Operating loss  | \$ (3,517,498)                              | \$ (1,728,856)                              |
| Interest and other income                                       | \$ 80,491                                   | \$ 90,009                                   |
| Business development expense                                    | \$ -  | \$ (4,858,565)                              |
| Gain on assignment of lease                                     | \$ 82,135                                   | \$ -  |
| Accretion of lease liability                                    | \$ (17,653)                                 | \$ (24,694)                                 |
| Gain on disposition of property and equipment                   | \$ 14,618,267                               | \$ -  |
| Impairment of property and equipment                            | \$ (1,774,126)                              | \$ -  |
| Total loss and comprehensive loss for the quarter               | \$ 9,471,616                                | \$ (6,522,106)                              |
| Foreign currency translation adjustment                         | \$ 71,927                                   | \$ 321,217                                  |
| Total gain (loss) and comprehensive gain (loss) for the quarter | \$ 9,543,543                                | \$ (6,200,889)                              |

## 5.2 Discussions of Operations

### Revenues

During the quarters ended September 30, 2024 and 2023, the Company recorded \$27,856 and \$127,195 for service and shipping revenue, respectively. This income represents results from providing samples and R&D for 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.

### Research and Development

Research and Development expenditure for the quarters ended September 30, 2024 and 2023 was \$267,405 and \$199,594 respectively. Activities for lithium anode product and process development activities included development of advanced characterization techniques, quality improvements and product sampling to customers. 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. Research & Development includes salaries & wages for all employees involved directly in developing the Company's technologies. As part of the asset sale for the metal production business, Li-Metal employees involved in development of its metal production and refining technologies transitioned to Arcadium on August 5, 2024. The salaries, wages and statutory payments for the

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departing technical employees are included in this section. Overall gross R&D cost reduced compared to quarter ended September 30, 2023 due to the sale of its metal operations.

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

| R&D Cost Breakdown    | For the Quarter Ended<br>September 30, 2024 | For the Quarter Ended<br>September 30, 2023 |
|-----------------------|---|---|
| Government assistance | \$ -  | \$ (550,869)                                |
| Consumables           | \$ 36,675                                   | \$ 115,150                                  |
| Professional fees     | \$ -  | \$ 252,618                                  |
| Salary & wages        | \$ 230,730                                  | \$ 382,695                                  |
| Total R&D             | \$ 267,405                                  | \$ 199,594                                  |

## Salaries and Wages

Salaries and wages expenditures for the quarters ending September 30, 2024 and 2023 were \$191,336 and \$373,856 respectively. The decrease is due to the sale of the lithium metal business to Arcadium on August 2, 2024 and the transfer of the workforce in the operations team who were involved with supporting the lithium metal production business.

## Consulting and Professional Fees

Professional, legal and consulting fees expenditures for the quarters ending September 30, 2024 and 2023 were \$1,997,109 and \$630,862 respectively. The increase related primarily to consulting fees paid in connection with the termination of the advisory agreement with Blue Horizon Advisors LLC and professional fees associated with the asset sale of the lithium metal production business.

## Share Based Compensation

Share-based compensation expenses for the quarters ending September 30, 2024 and 2023 were \$2,370 and negative \$202,112 respectively. The gross decrease is due to the reduction in granting and the 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 quarters ending September 30, 2024 and 2023 were \$31,421 and \$388,382 respectively. The reduction represents reduced activity in this area as the management focused its resources on strategic transactions.

## General and Administrative

General and administrative expenditures for the quarters ending September 30, 2024 and 2023 were \$184,193 and \$408,905 respectively. General and administrative expenses include all expenses associated with the administration and general operations including executive and administrative

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wages, rent, insurance, travel and other costs associated to support the activities of the Company not specifically identifiable to other expense areas. The reduction is due to reduction in G&A activity resulting from the asset sale of the lithium metal business to Arcadium.

## **Interest and bank charges**

Interest and bank charges for the quarters ending September 30, 2024 and 2023 were \$800 and \$1,776 respectively.

## **Amortization**

Amortization for the quarters ending September 30, 2024 and 2023 were \$379,245 and \$105,785 respectively. The increase in amortization reflects the full rate depreciation on the opening property plant and equipment balance as at July 1, 2024 of \$5,742,649.

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

The foreign exchange loss (gain) for the quarters ending September 30, 2024 and 2023 were \$491,475 and (\$50,997) respectively. This increase in the loss reflects unfavorable exchange rate movements on transactions in US dollars.

## **Interest and Other Income**

Interest and other income for the quarters ending September 30, 2024 and 2023 were \$80,491 and \$90,009 respectively. The movement reflects the reduction of interest on cash deposits.

## **Business Development Expense**

The business development expense for the quarters ending September 30, 2024 and 2023 were nil and \$4,858,565 respectively. In the quarter ended September 30, 2023, the Company, as part of a strategic collaboration agreement, issued 4,375,000 common shares of the Company at an issue price of \$0.20 per share for a total of \$875,000 and 21,000,000 warrants, with a recorded value of \$3,983,565, for a total a business development expense of \$4,858,565.

## **Gain on assignment of lease**

During the three and six months ended September 30, 2024, the Company assigned the lease in Canada to Arcadium as part of the transaction for \$nil consideration and derecognized the right-of-use asset and lease liability, resulting a gain on assignment of lease of \$82,135.

## **Accretion of Lease Liability**

Accretion of lease liability for the quarters ending September 30, 2024 and 2023 were \$17,653 and \$24,694 respectively.

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## **Gain on Disposition of Property Plant and Equipment**

Gain on disposition of property plant and equipment expense for the quarters ending September 30, 2024 and 2023 were \$14,618,267 and nil respectively. On August 12, 2024 the Company announced that it had completed the sale of certain assets constituting its lithium metal productions Pursuant to a definitive Asset Purchase Agreement dated August 2, 2024. The Company sold the assets for aggregate cash consideration of \$15,470,558 (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 assets sold had a book value of \$852,291 for a gain on disposition of \$14,618,267.

## **Impairment of Property and Equipment**

Impairment of property plant and equipment expense for the quarters ending September 30, 2024 and 2023 were \$1,774,126 and nil, respectively. The impairment in 2024 relates to the termination of a contract production and strategic collaboration agreement. The initial payment under this agreement of USD 500,000 (\$684,711) was recorded as assets under production in fixed assets. This balance has been written off and expensed in the quarter ended September 30, 2024.

As well an impairment charge was recorded for an asset held for sale. The Company received purchase order for sale of a piece of equipment with a net asset value of \$1,663,123 for US\$425,000 (CDN \$573,708) which was received subsequent to September 30, 2024. The Company recorded an impairment for the equipment to its fair value based on its sale price of \$573,708 and recorded an impairment of equipment of \$1,089,415 and reclassified the equipment to asset held for sale bring the total impairment charge for the quarter to \$1,774,126.

## **Foreign Currency Translation Adjustment**

Foreign currency translation for the quarters ending September 30, 2024 and 2023 for gains of \$71,927 and \$321,217 is the result of the translation of Li-Metal's US subsidiary from USD functional currency to CAD reporting currency.

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## Summary of Quarterly Results for the Six Months Ended September 30, 2024 & 2023

|  | For the Six Months<br>Ended September 30,<br>2024 | For the Six Months<br>Ended September 30,<br>2023 |
|--|---|---|
| Revenues   | \$ 61,790   | \$ 310,300  |
| Research and development   | \$ 511,711  | \$ 1,056,327                                      |
| Salaries and wages   | \$ 432,235  | \$ 651,005  |
| Professional fees  | \$ 2,229,677                                      | \$ 1,193,951                                      |
| Share based compensation   | \$ 51,478   | \$ 275,046  |
| Investor relations & reporting issuer costs                          | \$ 67,996   | \$ 580,700  |
| General and administration   | \$ 425,453  | \$ 1,227,481                                      |
| Interest & bank charges  | \$ 1,569  | \$ 3,801  |
| Amortization   | \$ 657,351  | \$ 1,044,465                                      |
| Foreign exchange loss (gain)   | \$ 576,599  | \$ 183,328  |
| Operating loss   | \$ (4,892,279)                                    | \$ (5,905,804)                                    |
| Interest and other income  | \$ 100,666  | \$ 224,527  |
| Business development expense   | \$ -  | \$ (4,858,565)                                    |
| Gain on Lease Assignment   | \$ 82,135   | \$ -  |
| Accretion of lease liability   | \$ (37,314)                                       | \$ (51,058)                                       |
| Gain on disposition of property and equipment                        | \$ 14,618,267                                     | \$ -  |
| Impairment of property and equipment                                 | \$ (1,774,126)                                    | \$ -  |
| Total loss and comprehensive loss for the quarter                    | \$ 8,097,349                                      | \$ (10,590,900)                                   |
| Foreign currency translation adjustment                              | \$ 200,082  | \$ 128,155  |
| Total income (loss) and comprehensive gain (loss) for the six months | \$ 8,297,431                                      | \$ (10,462,745)                                   |

The total income for the six months ended September 30, 2024 was \$8,297,431 compared to a loss of \$10,462,745, a positive change of \$18,678,041. The swing was principally due to the gain in the six months ended September 30, 2024 of \$14,678,041 due to the sale of the Company's metal production business and no business development expense was incurred in the six months ended September 30, 2024 ended as compared to \$4,858,565 for a total of change \$19,536,606.

### 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.

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| For the Quarter Ending | Revenue    | Total Loss and Comprehensive Gain (Loss) for the Quarter | Basic and Fully Diluted Gain (Loss) per share |
|------------------------|------------|--|---|
| September 30, 2024     | \$ 27,856  | \$ 9,543,543   | \$ 0.06                                       |
| 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)                                     |

| For the Years Ending | Revenue    | Total Loss and Comprehensive Loss for the Year | Basic and Fully Diluted Gain (Loss) per share |
|----------------------|------------|--|---|
| March 31, 2024       | \$ 311,803 | \$ (13,496,353)                                | \$ (0.09)                                     |
| March 31, 2023       | \$ -       | \$ (12,740,823)                                | \$ -  |
| March 31, 2022       | \$ -       | \$ (18,734,825)                                | \$ (0.21)                                     |

## 6. Liquidity and Capital Resources

### 6.1 Operating Activities

Net cash used in operating activities for the quarters ended September 30, 2024 and 2023 was \$3,892,380 and \$4,791,668 respectively. The cash used reflects a continuing investment in research and development as well as professional fees to support its activities as Li-Metal further advanced its technology. The expenses also included the expenses incurred for completing the asset purchase agreement with Arcadium.

### 6.2 Investment Activities

Net cash provided (used) in investment activities for the quarters ending September 30, 2024 and 2023 was \$14,872,107 and (\$503,888) respectively. The cash provided (used) reflects the proceeds from disposition of property and equipment of \$15,062,558.

### 6.3 Financing Activities

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

# Li-Metal Corp.

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## 6.4 Liquidity

As of September 30, 2024, the Company had net working capital of \$13,909,681 which increased as compared to net working capital of \$1,307,430 as of March 31, 2024. As of September 30, 2024, Li-Metal had \$13,771,243 in cash and cash equivalents as compared to \$1,648,430 as of March 31, 2024. The Company utilizes its funds obtained from the sale of assets and equity financing and other financing transactions to maintain its capacity to continue its research and development efforts.

The funds raised by the asset sale of the Company's lithium metal production business allows 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 six months ended September 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 September 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 are mainly 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. The Company is currently evaluating its go forward strategy with respect to its remaining business, being the development and production of ultra-thin lithium anodes.

## 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.



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## 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 September 30, 2024, the Company's financial assets were \$13,771,243 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 September 30, 2024, the Company's financial liabilities were \$626,131 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.

# Li-Metal Corp.

## 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**

| Shares                         | Quarter Ended      |                    |                    |                    |                    |                    |                    |                    |
|--------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
|                                | September 30, 2024 | June 30, 2024      | March 31, 2024     | December 31, 2023  | September 30, 2023 | June 30, 2023      | March 31, 2023     | December 31, 2022  |
| Open                           | 164,496,224        | 159,328,828        | 159,328,828        | 159,328,828        | 154,953,828        | 154,953,828        | 154,953,828        | 154,953,828        |
| Issued                         | -                  | 5,167,396          | -                  | -                  | 4,375,000          | -                  | -                  | -                  |
| Close                          | 164,496,224        | 164,496,224        | 159,328,828        | 159,328,828        | 159,328,828        | 154,953,828        | 154,953,828        | 154,953,828        |
| Restricted Share Units ("RSU") | Quarter Ended      |                    |                    |                    |                    |                    |                    |                    |
|                                | September 30, 2024 | June 30, 2024      | March 31, 2024     | December 31, 2023  | September 30, 2023 | June 30, 2023      | March 31, 2023     | December 31, 2022  |
| Open                           | 1,429,768          | 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                      | (194,474)          | -                  | -                  | 3,383,346          | -                  | -                  | -                  | -                  |
| Close                          | 1,235,294          | 1,429,768          | 1,432,664          | 1,432,664          | 4,816,010          | 4,816,010          | 1,383,029          | 1,383,029          |
| Options                        | Quarter Ended      |                    |                    |                    |                    |                    |                    |                    |
|                                | September 30, 2024 | June 30, 2024      | March 31, 2024     | December 31, 2023  | September 30, 2023 | June 30, 2023      | March 31, 2023     | December 31, 2022  |
| Open                           | 12,871,030         | 12,893,530         | 12,983,697         | 14,459,523         | 14,459,523         | 14,459,523         | 15,079,523         | 11,771,089         |
| Issued                         | -                  | -                  | -                  | -                  | -                  | -                  | -                  | 3,391,029          |
| Exercised                      | -                  | -                  | -                  | -                  | -                  | -                  | -                  | -                  |
| Forfeited                      | (14,167)           | (22,500)           | 90,167             | 1,475,826          | -                  | -                  | 620,000            | 82,595             |
| Close                          | 12,856,863         | 12,871,030         | 12,893,530         | 12,983,697         | 14,459,523         | 14,459,523         | 14,459,523         | 15,079,523         |
| Warrants                       | Quarter Ended      |                    |                    |                    |                    |                    |                    |                    |
|                                | September 30, 2024 | June 30, 2024      | March 31, 2024     | December 31, 2023  | September 30, 2023 | June 30, 2023      | March 31, 2023     | December 31, 2022  |
| Open                           | 23,582,250         | 21,000,000         | 21,000,000         | 21,000,000         | -                  | -                  | -                  | -                  |
| Issued                         | -                  | 2,582,250          | -                  | -                  | 21,000,000         | -                  | -                  | -                  |
| Close                          | 23,582,250         | 23,582,250         | 21,000,000         | 21,000,000         | 21,000,000         | -                  | -                  | -                  |
| <b>Fully Diluted</b>           | <b>202,170,631</b> | <b>202,379,272</b> | <b>194,655,022</b> | <b>194,745,189</b> | <b>199,604,361</b> | <b>174,229,361</b> | <b>170,796,380</b> | <b>171,416,380</b> |

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

- 164,496,224 issued and outstanding shares.
- 12,856,863 stock options outstanding.
- 1,235,294 Restricted Shares Units.
- Total Fully Diluted Share Capital of 202,170,631.

## 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:

# Li-Metal Corp.

**Table 6. Related Party Transactions**

| Related Party                      | For the Three Months Ended<br>September 30, |                   | For the Six Months Ended<br>September 30, |                     |
|------------------------------------|---|-------------------|---|---------------------|
|                                    | 2024  | 2023              | 2024                                      | 2023                |
| Director fees                      | \$ 50,000                                   | \$ 71,500         | \$ 100,000                                | \$ 143,000          |
| Salaries and short-term employment | \$ 355,733                                  | \$ 290,550        | \$ 600,843                                | \$ 882,370          |
| Consulting fees                    | \$ -  | \$ -              | \$ -                                      | \$ -                |
| Share-based compensation           | \$ 32,010                                   | \$ 61,509         | \$ 69,123                                 | \$ 110,983          |
| <b>Total</b>                       | <b>\$ 437,743</b>                           | <b>\$ 423,559</b> | <b>\$ 769,966</b>                         | <b>\$ 1,136,353</b> |

## 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

# Li-Metal Corp.

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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.

## **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 September 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 the war in Ukraine, as well as the conflict in Israel, 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.

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## **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 believes

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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.

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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 and conflict in Israel**

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 as well as the ongoing conflict in Israel.

While the Company expects any direct impacts, from the conflict in Israel 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 September 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;
- 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

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

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- 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.

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*Scalable Technologies for Next-generation Batteries*

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

**For the Year Ended March 31, 2024**

# Li-Metal Corp.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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# Li-Metal Corp.

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## 1. Introduction

This Management's Discussion and Analysis of Operations and Financial Condition ("MD&A") of Li-Metal Corp. ("Li-Metal", "We", "Us", "Our" or the "Company") includes its wholly owned subsidiaries and includes the operating and financial results for the years ending March 31, 2024 and March 31, 2023 and should be read in conjunction with the Company's audited annual consolidated financial statements for the year ended March 31, 2024, including the notes thereon (the "Consolidated Financial Statements").

The Company's Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Unless otherwise stated, all amounts discussed herein are denominated in Canadian dollars. This MD&A was prepared as of August 1, 2024, and all information is current as of such date. Readers are encouraged to read the Company's public information filings on SEDAR at [www.sedar.com](http://www.sedar.com). The Company's Financial Statements are 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 can be found in Section 14 titled "Forward-Looking Statements".

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

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

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## 2. Overview of the Company

### 2.1 Our History

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

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

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

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

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

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

### 2.2 Our Products

Li-Metal Corp is developing three key technologies:

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

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

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

# Li-Metal Corp.

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existing lithium metal market or be used as the input for Li-Metal’s anode production process. The principal advantage of the LMPP is that it allows lithium carbonate, the most widely available lithium salt, to be used directly in the process, while eliminating the significant chlorine gas generation associated with conventional lithium metal production processes. Li-Metal’s process allows the costly step of converting lithium carbonate to lithium chloride to be eliminated. In May 2023, Li-Metal was granted a patent for production of refined lithium metal and the company likely became the first company in the world to successfully produce lithium metal directly from lithium carbonate at its pilot plant in Markham, Ontario.

**Photo 1. Lithium Metal**



**Li-Metal PVD Anodes (LAP)** – This technology comprises proprietary processes and products which use physical vapour deposition (PVD) to form ultra-thin lithium metal anode materials on a variety of metallic and polymer substrates. PVD offers the potential for low-cost production of these materials at scale, and at thickness that have not been commercially achievable by conventional foil rolling. Additionally, the flexibility of the production process allows alterations to material composition and structure to be made that improve the electrochemical performance of the materials relative to conventional foil anodes at modest incremental cost.

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



**Li-Metal Metal Reprocessing (LMRP)** – To enhance the sustainability of lithium metal anodes and to overcome the need to incinerate scrap lithium metal, Li-Metal developed its 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



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

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

**Photo 3 : Lithium Scrap Metal**



**Photo 4. Lithium ingot produced from scrap lithium**



## 3. Overview of Our Strategy and Progress

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## 4. Recent Developments

### 4.1 Highlights for the Year Ended March 31, 2024

- On April 4, 2023, the Company and Mustang Vacuum Systems Inc. announced their strategic partnership for the production of next-generation battery anodes.
- On April 17, 2023, the Company granted to five officers an aggregated of 2,830,000 Restricted Share Units ("RSU"), 707,500 RSU will vest in 12, 24, 36 and 48 months starting from the date of the grant.
- On April 17, 2023, the Company granted to twenty-two employees an aggregated of 602,981 Restricted Share Units ("RSU"), 200,994 RSU will vest in 12, 24 and 36 months starting from the date of the grant.
- On May 3, 2023, the Company announced the appointment of Dr. Srinu Godavarthy as Chief Executive Officer (CEO) effective May 15, 2023 and the appointment of Co-founder Maciej Jastrzebski as the newly formed role of Chief Technology Officer (CTO).
- On May 23, 2023, the Company announced that it became the first company to produce lithium metal from its patented lithium carbonate process.
- On June 6, 2023, the Company announced that it was awarded \$1.4 million in grant funding from the Government of Ontario.
- On August 1, 2023 the Company announced the appointment of Richard Halka as Chief Financial Officer (CFO) effective immediately and the retirement of the current CFO, Carlos Pinglo. The Company also announced that Kunal Phalpher will be stepping down from his role as President on August 10, 2023, to pursue other opportunities.
- On August 23, 2023, the Company announced the appointment of Nelson Moleiro to the role of Vice President, Capital Projects and Government Relations. Mr. Moleiro joined Li-Metal in 2022 as Capital Projects Manager overseeing the Company's Project Management Office and the development of its casting operations.
- On September 20, 2023, the Company announced the completion of the definitive agreements (the "Agreements") for its previously announced exclusive partnership with Mustang Vacuum Systems Inc. ("MVS"), a global developer and manufacturer of industrial scale physical vapour deposition (PVD) equipment. The signing of the Agreements relates to the parties' previously announced strategic collaboration agreement for the exclusive supply of high performance PVD machines and advanced battery anode materials for next-generation batteries (see news release dated April 4, 2023). In addition to the strategic collaboration agreement, Li-Metal and MVS have entered into a contract production agreement to share their respective proprietary technology to create a commercial-scale PVD machine to produce anode material at MVS's manufacturing facility in

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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.

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- On November 22, 2023, the Company announced that it had demonstrated its electrolyte reconditioning process. This process is a pivotal component supporting Li-Metal's patented and modular carbonate-to-metal (C2M) technology, an environmentally conscious approach to lithium metal production—a critical raw material used in next-generation batteries. The electrolyte reconditioning process plays a crucial role in the closed-loop operation of Li-Metal's C2M technology. This process facilitates the conversion of excess anolyte, located near the anode, into catholyte, situated near the cathode. This closed-loop operation enhances operational efficiencies and minimizes wastage of this valuable resource, marking a significant advancement in sustainable lithium metal production.
- On November 28, 2023, the Company announced the appointment of current Non-Executive Director and Board member Mr. Anthony Tse to the position of Chairman of the Board. Mr. Tse joined the initial Li-Metal board in 2021 and had been appointed to the Board of the predecessor private company in 2019. He is a veteran of the lithium industry and the battery value chain and brings close to 30 years of private and public corporate experience in numerous high-growth industries, spanning technology, natural resources and specialty chemicals. For well more than a decade, he has been actively engaged in various parts of the energy transition sector - he has managed businesses and operations across four continents, including Greater China/Asia, Australia, North and South America, and more recently has played an active role as a private equity investor, working with some of the leading financial institutions globally, investing across the sector ranging from cathode to anode materials, as well as lithium battery cell manufacturing.
- On January 17, 2024, the Company provided additional information on its project to develop next-generation battery materials critical to the shift to electrification, with support from the Ontario government through the Ontario Vehicle Innovation Network (OVIN). Earlier, Li-Metal announced the receipt of CAD\$930,826 in support from the Ontario government (see news release dated June 6, 2023) through the OVIN R&D Partnership Fund. Combined with an industry contribution from Lyten, an advanced materials company, this funding supports Li-Metal's ability to further advance and commercialize its lithium metal technology. Leveraging a total project value of \$2,820,684, Li-Metal aims to scale up its production and refining capabilities for battery-grade lithium metal, building on its recently announced production of lithium metal ingots using reprocessing technology (see news release dated November 8, 2023). In addition, the Company will use the funds to advance the piloting of new lithium metal products, such as specialty lithium alloy ingots for next-generation batteries. Li-Metal has completed approximately 25% of the project, which it aims to conclude in 2025.
- On February 7, 2024, the Company announced the completion of its previously announced concept study for a commercial North American lithium metal production facility with an annual capacity of up to 1,000 tonnes. As previously announced, Li-Metal engaged a leading global engineering, project management and professional services firm with extensive lithium and battery metals industry expertise, to conduct the concept study (see news release dated September 6, 2022). The envisioned 1,000 tonnes per year plant will leverage Li-Metal's patented and sustainable carbonate-to-metal (C2M) lithium metal technology. The concept study focused on a compact plant design and validates Li-Metal's assertion that the C2M technology holds promise for the development of a

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

## 4.2 Highlights Subsequent to Year-end March 31, 2024

- On April 9, 2024, the Company announced that it has been selected as a winner for the Bloomberg New Energy Finance (BNEF) Pioneers Award for 2024. Li-Metal was recognized by a BNEF Pioneers Award for its lithium metal and ultra-thin physical vapour deposition (PVD) anode production technologies. Li-Metal's patented lithium metal technology, which is the only technology capable of producing lithium metal directly from lithium carbonate, is significantly more cost effective than traditional processes and avoids producing harmful chlorine gas by-product. Li-Metal's PVD anode technology eliminates the need for graphite and produces ultra-thin, high performance lithium metal anodes, which minimizes excess lithium in the battery to improve safety and limit waste of a valuable resource. Combined together, Li-Metal's vertically integrated technologies and process can sustainably produce the critical materials and battery components required for lithium metal batteries, which are expected to be essential for future electric vehicles, and enabling advanced niches of transportation, including electric vertical take-off and landing (eVTOL).
- On May 1, 2024, the Company announced that it has Closed a financing for a US\$750,000 subscription (the "Subscription") for units of the Company from North Carolina-based Blue Horizon Advisors LLC ("Blue Horizon" or the "Subscriber"). In addition, the Company announces that it intends on completing a further equity financing for approximately US\$10 million (the "Subsequent Financing"). Pursuant to the terms of the Subscription, which is expected to close on April 25, 2024 (the "Closing Date"), Blue Horizon has agreed to subscribe for 5,164,500 units (the "Units") of the Company at an issue price of CDN\$0.20 per Unit for an aggregate subscription price of CDN\$1,032,300 (US\$750,000). Each Unit will be comprised of one common share (a "Common Share") and one-half of one share purchase warrant (each whole warrant, a "Warrant"). Each Warrant will entitle the holder to acquire one additional common share at an exercise price of \$0.63 per common share per common share) for a period of three years from the date of closing of the issue. Should the Company's Common Shares have a closing price on the Canadian Securities Exchange (the "CSE") (or such other securities exchange on which the Common Shares may be traded at such time) of \$1.60 or greater per Common Share for a period of 10 consecutive trading days at any time after the issuance of the Warrants, then the Company may accelerate the expiry date of the Warrants by giving notice to the holders thereof (by disseminating a news release advising of the acceleration of the expiry date of the Warrants) and, in such case, the Warrants will expire on the 30th day after the date of such notice.
- On June 12, 2024, the Company announced the initiation of a non-brokered private placement to raise gross proceeds of up to \$2,000,000, comprising 20,000,000 units (each a "Unit"), at \$0.10 per Unit (the "Offering"). The Company also announces that is currently in advanced discussions with an arm's length party for the potential sale of the Company's lithium production business. At this time, the parties have not agreed on terms or timing for the completion of a transaction and there is no certainty that an agreement will be reached or a transaction completed. The intention of the transaction would be to enhance the Company's balance sheet and provide capital to allow the Company to focus on lithium metal anode business.

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- On June 28, 2024, the Company announced that it has entered into a non-binding letter of intent (the "LOI") dated June 27, 2024, with an arm's length purchaser (the "Purchaser"), detailing a proposed acquisition (the "Sale Transaction") of Li-Metal's lithium metal business for an indicative purchase price of US\$11,000,000 (~C\$15,000,000) following the previously announced advanced discussions regarding the potential sale of the Company's lithium production business. The LOI grants the potential purchaser an exclusivity period of no less than 30 days for the parties to negotiate the potential transaction. At this time, the parties have not agreed to a definitive agreement and there is no certainty that an agreement will be reached at the indicative purchase price or that an agreement will be reached, or a transaction completed at all. The intention of the transaction would be to enhance the Company's balance sheet and provide capital to allow the Company to focus on its lithium metal anode business.
- July 8, 2024, the Company announced that Srini Godavarthy had notified the Company that he was resigning as Chief Executive Officer with immediate effect. Mr. Godavarthy has also resigned from the Company's Board of Directors. Keshav Kochhar, the Company's COO, will act as CEO on an interim basis.



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## 5. Selected Annual and Quarterly Financial Information

### 5.1 Selected Annual Information

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

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

The following table sets out selected historical financial information of Li-Metal Corp. Such information is derived from the audited financial statements.

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

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

The Company intends to generate revenue based on the sale of products currently under development. The Company is therefore focused on completing product development, process development, IP protection and commercialization. As with any product in development phases, value will be created by (a) proving acceptable performance with battery developers/other end users of lithium metal; (b) ensuring commercial viability of such products in specific markets through development of manufacturing capability that can give appropriate gross and net margins; and (c) securing reliable supply of key input materials; (d) protecting all IP generated by/within the Company.

The value ascribed to each product will increase as it moves through the development phase and is expected to reach maximum value at the point where it has completed product qualification trials with major battery developers/other customers and is being used in mass produced next generation batteries or other markets. Management currently anticipates LMPP and LAP products to obtain this status within approximately by 2028 and 2026 respectively.

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

## 5.2 Financial Instruments and Other Instruments

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

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

### Financial Assets

Financial assets not measured at fair value through profit or loss or fair value through other comprehensive income are measured at amortized cost using the effective interest method, less any impairment losses, with interest expense recognized on an effective yield basis. Assets in this category include cash and cash equivalents. As of March 31, 2024, the Company's cash and cash equivalents were \$1,648,430 compared with \$10,418,506 as of March 31, 2023.

### Other Financial Liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis. Any gains or losses arising from the realization of other financial liabilities are included in the statement of loss and comprehensive loss. Liabilities in this category include accounts payable, accrued liabilities and CEBA loan. As of March 31, 2024, the Company's financial liabilities were \$561,986 compared with \$1,426,135 as of March 31, 2023.

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

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## 5.3 Discussion of Operations Fiscal Year and Fourth Quarter

The Company reports operating results in a single operating segment being the development and scale-up of a patented process for the production of metallic lithium metal and lithium anode lithium-ion battery applications in electric vehicles, energy storage systems, and consumer electronics.

The following tables provide a summary of the operating results for the three months and year ended March 31, 2024 and for the three months and year ended March 31, 2023:

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

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

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

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

## Discussions of Operations

### Revenues

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

### Research and Development

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

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

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

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

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

R&D expenditure is captured in four categories:

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

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## Government Assistance

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

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

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

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

**NGEN refunds** - on March 1, 2022, Li-Metal was granted up to \$1.9 million grant, as part of a \$5.1 million joint project with Blue Solutions, awarded by Next Generation Manufacturing Canada (“NGEN”), an industry-led organization supporting advanced manufacturing in Canada, to develop the Company’s lithium metal anode technologies. NGEN grant was provided to assist Li-Metal in developing and advancing its lithium metal production, scrap lithium foil reprocessing operation and anode production process. The funds from the grant assisted Li-Metal in further developing its PVD technology to make ultra thin anodes at higher deposition rates and also allowed Li-Metal to enhance its internal battery & surface characterization capabilities. The grant covered part of the costs for technical/operations personnel, contractors, and consumables involved in the project. During the year ended March 31, 2024, the Company received refunds from NGEN \$626,819 (2023 - \$1,212,847).

**Government of Ontario grants** - on June 6, 2023, the Company was awarded over \$1,430,826 from the Government of Ontario to develop and commercialize its lithium metal production technology. The funding awarded to Li-Metal consists of a \$930,826 grant from the R&D Partnership Fund – Electric Vehicle, administered by the Ontario Vehicle Innovation Network (OVIN) and a \$500,000 grant from the Critical Minerals Innovation Fund (CMIF), funded by the Ontario Ministry of Mines. During the year ended March 31, 2024 the Company received refunds of \$485,064 (2023 - \$nil) from SMIF and \$429,584 (2023 - \$nil) from OVIN.

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

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## Salaries and Wages

Salaries and wages expenditures for the year ending March 31, 2024 and March 31, 2023 were \$1,310,950 and \$1,385,783 respectively. The expenses were fairly consistent. The operations team ensures the Company has the required resources and internal capability to support Li-Metal carrying out its process/equipment development and testing activities.

## Share Based Compensation

Share-based compensation expense for the year ending March 31, 2024 and March 31, 2023 was \$464,722 and \$1,181,408 respectively. The decrease is due to the reduction in granting and vesting of options to Officers, Employees and Consultants.

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

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

## Professional Fees

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

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

## Investor Relations & Reporting

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

## General and Administrative

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

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## **Interest and bank charges**

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

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

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

## **Amortization of property & equipment**

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

## **Interest and Other Income**

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

## **Business development expense**

On September 14, 2023, the Company signed a contract production agreement and a strategic collaboration agreement with MVS. According to the contract production agreement, MVS uses its resources to create a physical vapour deposition machine (the "PVD Machine") and set up a contract manufacturing facility for the manufacture of anodes at MVS facility in Sarasota, Florida. The Company agreed to pay USD \$2 million toward the machine which would be owned equally between the two parties. An initial payment of USD \$500,000 was made by the Company in October 2023, with the remaining payments due on a progress percentage of completion basis at 33%, 66% and 100%. In addition, according to the contract production agreement, MVS manufactures and sells anodes exclusively to the Company for further sale to the Company's customers. During the three and nine months ended December 31, 2023, the Company recorded the USD \$500,000 payment as asset under construction. According to the strategic collaboration agreement, MVS may not sell PVD machines for the battery market other than to the Company and the Company may not purchase PVD machines from any entities other than MVS. As consideration for the exclusivity, on September 14, 2023, the Company issued 4,375,000 common shares of the Company to MVS at a value of \$0.20 per share for a total of \$875,000 (note 15). The Company also issued to MVS 21,000,000 warrants with each warrant exercisable at a price of CDN \$0.627 until September 19, 2028 recorded at a value of \$3,983,565 (note 16). In addition, MVS has the right to participate in any future equity issues of the Company and has a right to a seat in the board of directors of the Company if MVS accumulates 10 million shares of the Company. During the year ended March 31, 2024, the Company recorded the fair value of the shares (\$875,000) and warrants (\$3,983,565) issued as business development expense for a total of \$4,858,565.



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## Forgiveness of government assistance

During the year ended March 31, 2024, the Company repaid \$30,000 of the CEBA loan and the remaining \$10,000 was recorded as forgiveness of government assistance for the year ended March 31, 2024.

## Accretion of Lease Liability

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

## Foreign Currency Translation Adjustment

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

## Summary of Quarterly and Annual Results

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

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

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

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

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

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

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## 6. Liquidity and Capital Resources

### Operating Activities

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

### Investment Activities

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

### Financing Activities

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

### Liquidity

As of March 31, 2024, the Company had a net working capital of \$1,307,430 which decreased as compared to a net working capital of \$9,544,460 as of March 31, 2023. As of March 31, 2024, Li-Metal had \$1,648,430 in cash and cash equivalents as compared to March 31, 2023 of \$10,418,506. The Company has minimal operating revenues and therefore must utilize its funds obtained from the equity financing and other financing transactions to maintain its capacity to continue its research and development efforts.

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

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

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The Company is in the early stages of operation and at present, its operations do not generate cash flow from operations. The Company's ability to continue as a going concern is dependent on its capacity to obtain adequate financing on reasonable terms from lenders, shareholders and other investors in order to develop its assets; and to commence profitable operations in the future. Although the Company has been successful in raising funds in the past, there is no assurance that it will be able to successfully complete financings in the future otherwise it may be unable to meet its obligations. These factors indicate the existence of material uncertainty which may cast significant doubt on its ability to continue as a going concern. After reviewing the current cash position and having considered the Company's ability to raise funds in the short term, the directors have adopted the going concern basis in preparing its financial statements. The accompanying consolidated financial statements do not include any adjustments relating to the recoverability of assets and to the reclassification of asset and liability amounts that might be necessary should the Company be unable to continue its operations. Such adjustments could be material.

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

## Financial Instruments and Other Instruments

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

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

## Financial Assets

Financial assets not measured at fair value through profit or loss or fair value through other comprehensive income are measured at amortized cost using the effective interest method, less any impairment losses, with interest expense recognized on an effective yield basis. Assets in this category include cash and cash equivalents and amounts receivable and other assets. As at March 31, 2024, the Company's financial assets were \$1,648,430 compared with \$10,418,506 as of March 31, 2023.

## Other Financial Liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis. Any gains or losses arising from the realization of other financial liabilities are included in the statement of loss and comprehensive loss. Liabilities in this category include amounts payable, other liabilities and Government assistance. As of March 31, 2023, the Company's financial liabilities were \$561,986 compared with \$1,426,135 as of March 31, 2023.

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

## 7. Outstanding Share Data

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

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

| Shares                                | Quarter Ended        |                    |                    |                    |                    |                    |                    |                    |
|---------------------------------------|----------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
|                                       | March 31, 2024       | December 31, 2023  | September 30, 2023 | June 30, 2023      | March 31, 2023     | December 31, 2022  | September 30, 2022 | June 30, 2022      |
| Open                                  | 159,328,828          | 159,328,828        | 154,953,828        | 154,953,828        | 154,953,828        | 154,953,828        | 154,953,828        | 154,953,828        |
| Issued                                | -                    | -                  | 4,375,000          | -                  | -                  | -                  | -                  | -                  |
| Close                                 | 159,328,828          | 159,328,828        | 159,328,828        | 154,953,828        | 154,953,828        | 154,953,828        | 154,953,828        | 154,953,828        |
| <b>Restricted Share Units ("RSU")</b> | <b>Quarter Ended</b> |                    |                    |                    |                    |                    |                    |                    |
|                                       | March 31, 2024       | December 31, 2023  | September 30, 2023 | June 30, 2023      | March 31, 2023     | December 31, 2022  | September 30, 2022 | June 30, 2022      |
| Open                                  | 1,432,664            | 4,816,010          | 4,816,010          | 1,383,029          | 1,383,029          | -                  | -                  | -                  |
| Issued                                | -                    | -                  | -                  | 3,432,981          | -                  | 1,383,029          | -                  | -                  |
| Forfeited                             | -                    | 3,383,346          | -                  | -                  | -                  | -                  | -                  | -                  |
| Close                                 | 1,432,664            | 1,432,664          | 4,816,010          | 4,816,010          | 1,383,029          | 1,383,029          | -                  | -                  |
| <b>Options</b>                        | <b>Quarter Ended</b> |                    |                    |                    |                    |                    |                    |                    |
|                                       | March 31, 2024       | December 31, 2023  | September 30, 2023 | June 30, 2023      | March 31, 2023     | December 31, 2022  | September 30, 2022 | June 30, 2022      |
| Open                                  | 12,983,697           | 14,459,523         | 14,459,523         | 14,459,523         | 15,079,523         | 11,771,089         | 11,266,089         | 10,321,589         |
| Issued                                | -                    | -                  | -                  | -                  | -                  | 3,391,029          | 505,000            | 1,004,500          |
| Exercised                             | -                    | -                  | -                  | -                  | -                  | -                  | -                  | -                  |
| Forfeited                             | 90,167               | 1,475,826          | -                  | -                  | 620,000            | 82,595             | -                  | 60,000             |
| Close                                 | 12,893,530           | 12,983,697         | 14,459,523         | 14,459,523         | 14,459,523         | 15,079,523         | 11,771,089         | 11,266,089         |
| <b>Warrants</b>                       | <b>Quarter Ended</b> |                    |                    |                    |                    |                    |                    |                    |
|                                       | March 31, 2024       | December 31, 2023  | September 30, 2023 | June 30, 2023      | March 31, 2023     | December 31, 2022  | September 30, 2022 | June 30, 2022      |
| Open                                  | 21,000,000           | 21,000,000         | -                  | -                  | -                  | -                  | -                  | -                  |
| Issued                                | -                    | -                  | 21,000,000         | -                  | -                  | -                  | -                  | -                  |
| Close                                 | 21,000,000           | 21,000,000         | 21,000,000         | -                  | -                  | -                  | -                  | -                  |
| <b>Fully Diluted</b>                  | <b>194,655,022</b>   | <b>194,745,189</b> | <b>199,604,361</b> | <b>174,229,361</b> | <b>170,796,380</b> | <b>171,416,380</b> | <b>166,724,917</b> | <b>166,219,917</b> |

As of March 31, 2024 Li-Metal has:

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

## 8. Off-Balance Sheet Arrangements

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

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

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## 9. Related Party Transactions

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

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

**Table 8. Related Party Transactions for Fiscal 2024 & 2023**

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

## 10. Critical Accounting Estimates

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

### Critical Judgement in Applying Accounting Policies

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

### Key Sources of Estimation Uncertainty

#### 1) Stock-based compensation

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

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

## **2) Income taxes and deferred taxes**

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

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

## **3) Provisions and contingent liabilities**

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

## **4) Functional currency**

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

## **5) Going concern risk assessment**

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

## **6) Intangible Capitalization**

IAS 38 Intangible assets gives guidance on the accounting treatment for intangible assets that are not dealt with specifically in another standard. It requires an entity to recognize an intangible asset upon fulfillment of certain recognition criteria. It also specifies how to measure the carrying amount of intangible assets and

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requires certain disclosures regarding intangible assets. Based in the above criteria it is the Management assessment as of March 31, 2024 that Li-Metal Corp. is in the research stage and expenditures are expensed.

## 11. Qualitative and Quantitative Disclosures about Risks and Uncertainties

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

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

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

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

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

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

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

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

Securities markets throughout the world are cyclical and, over time, tend to undergo high levels of price and volume volatility, and the market price of securities of many companies, can experience wide fluctuations which are not necessarily related to the operating performance, underlying asset values or

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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,



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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

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act honestly and in good faith with a view to the best interests of their respective company. Some of the directors and officers have either other full-time employment or other business or time restrictions placed on them and accordingly, the Company will not be the only business enterprise of these directors and officers. Further, any failure of the directors or officers of the Company to address these conflicts in an appropriate manner, or to allocate opportunities that they become aware of to the Company, could have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

## ***Global pandemic outbreak***

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

It is not possible to reliably estimate the duration and severity of the consequences of COVID-19, as well as the impact on the financial position and results of the Company for future periods. The impact of COVID-19 did not have a material impact on operations of the Company. Despite not being adversely affected and prior to being a public company, the Company was eligible to receive government assistance for the CEBA loans in the amount of \$40,000. During the year ended March 31, 2024, the Company repaid \$30,000 of the CEBA loan and the remaining \$10,000 was recorded as forgiveness of government assistance during the year ended March 31, 2024.

## ***Russia's military action against Ukraine***

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

## **Credit Risk**

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

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

## **Liquidity risk**

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due. The Company's liquidity and operating results may be adversely affected if its access to capital markets is

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hindered, whether as a result of a downturn in stock market conditions generally or matters specific to the Company. The Company has historically generated cash flow from its financing activities. The Company manages liquidity risk through the management of its capital structure and financial leverage. As of December 31, 2023, the Company's current liabilities comprised accounts payable and accrued liabilities. The Company will require additional funding to maintain corporate and administrative functions and to fund its continuing activities and commitments.

## 12. Forward Looking Statements

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

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

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

- Next generation batteries and the timeline for development;
- Being able to reach commercial-scale physical vapor deposition (PVD) capabilities and secure customers in 2025;
- That the value ascribed to each product will increase as it moves through the development phase;
- That the maximum value will be reached at the point where it has completed product qualification trials with major battery developers/other customers and is being used in mass produced next generation batteries or other markets;
- That the Company will be successful in achieving commercialization; including that the anticipated timeline and cost to achieve commercialization for anode production and lithium metal production will be achieved;
- That the collaboration with MVS will result in the successful anode production and PVS machine production;
- The market size and future growth of the market;
- Capital expenditure programs and development of resources, including our estimate of costs and timelines;
- Anticipated results of research and development and our plans regarding future R&D including our estimate of costs and timelines;
- Treatment under governmental and taxation regimes; and
- Expectations regarding the Company’s ability to raise capital.

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

- The Company's ability to meet the needs of next generation batteries;
- The ability to reach commercial-scale PVD capabilities and secure customers in 2025;
- That the Company will move through the development phase and the value of both anode, lithium metal and metal recycling will increase;
- That the maximum value will be achieved where it has completed product qualification trials with major battery developers/other customers and that such trials will be successful and that the Company products will be used in mass production of next generation batteries or other markets;
- That the testing and qualification of the anode will proceed on the anticipated timeline and cost to achieve commercialization for anode production will be achieved;
- That the testing and qualification of the lithium metal will proceed on the anticipated timeline and cost to achieve commercialization for lithium metal production will be achieved;
- That the Company will be able to complete development of its standard anode and lithium metal products 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.



*Scalable Technologies for Next-generation Batteries*

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

**For the Year Ended March 31, 2023**

# Li-Metal Corp. (formerly Eurotin Inc.)

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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# Li-Metal Corp. (formerly Eurotin Inc.)

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## 1. Introduction

This Management's Discussion and Analysis of Operations and Financial Condition ("MD&A") of Li-Metal Corp. ("Li-Metal", "We", "Us", "Our" or the "Company") includes its wholly owned subsidiaries and includes the operating and financial results for the year ending March 31, 2023 and the Fifteen Months ended March 31, 2022 and should be read in conjunction with the Company's audited annual consolidated financial statements for the year ended March 31, 2023, including the notes thereon (the "Consolidated Financial Statements").

The Company's Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Unless otherwise stated, all amounts discussed herein are denominated in Canadian dollars. This MD&A was prepared as of July 31, 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](http://www.sedar.com). The Company's Financial Statements are 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 14 titled "Forward-Looking Statements".

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

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

## 2. Overview of the Company

### 2.1 Our History

Li-Metal is a Canadian based technology company, specializing in the development of technologies for the next generation battery supply chain, focused on 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 255663

# Li-Metal Corp. (formerly Eurotin Inc.)

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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 two complementary technologies intended to function together in a vertically integrated battery materials production process that will accept lithium carbonate salt 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 and lithium anodes once the technologies are ready for commercialization. The overall process comprises two principal technologies:

***LiM Metal Production Process (LMPP)*** – This patent-pending 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 Corp. (formerly Eurotin Inc.)

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***LiM 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.



## 3. Overview of Our Strategy

### 3.1 Product Strategy

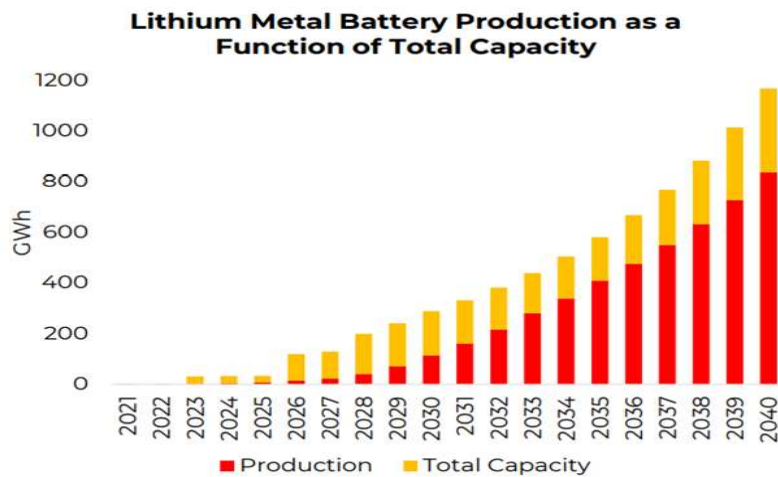
Li-Metal is developing innovative lithium battery technologies for the next generation batteries expected to power electric vehicles, electric aircraft, handheld devices, and many other applications starting in the mid-2020s. More specifically, Li-Metal is developing and scaling up innovative, patent-pending technology that will enable the Company to **produce metallic lithium battery anodes and lithium metal, refining lithium metal, and reprocessing of scrap lithium materials**. The products and processes are engineered to provide a low-cost, technically superior, and environmentally friendly solution to one of the key hurdles facing next generation lithium batteries, including solid state batteries, advanced liquid electrolyte lithium-ion batteries, and lithium sulfur batteries. The Company is currently in the research phase of its research and development (R&D) activities and accordingly has not capitalized costs associated with its R&D activities.

Next generation batteries promise improved energy storage and safety characteristics allowing for longer range electric vehicles, practical electric flight, extended run times on portable devices, and new applications which are not possible with today's bulky and heavy batteries. To facilitate commercialization of next generation batteries, improved technology is needed to provide thinner, lower cost lithium metal anodes and the ability to produce lithium metal in an economic, safe, and environmentally friendly manner. The present industry is structured to supply materials for the current generation of lithium-ion batteries, including graphite, lithium carbonate and lithium hydroxide, and various cathode metal oxides. The next generation of lithium batteries requires, a dramatic reshaping of the anode supply chain, including several-

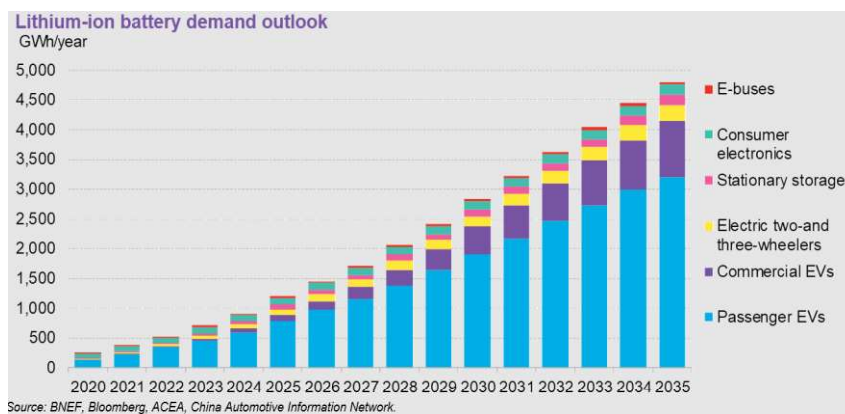
# Li-Metal Corp. (formerly Eurotin Inc.)

fold expansion of **lithium metal supply** and the build-out of **lithium metal-based anode** production capacity. It is expected that this will take place alongside the 8-10-fold expansion of overall battery production capacity predicted to happen throughout the 2020s. Additionally, as production of conventional lithium foils continues to increase; the amount of scrap generated from process has been on an upward trend as well. Li-Metal is developing a process to allow reprocessing of scrap lithium foil to reintroduce it back in the battery supply chain.

This is supported by data obtained from Benchmark Mineral Intelligence Q3 2022 Solid-state and Lithium Metal Batteries Executive Summary report. (see figure 1 below)



**Figure 1:** Expected lithium metal battery Production (Source: Benchmark Mineral Intelligence Q3 2022 Solid-state and Lithium Metal Batteries Executive Summary report)



**Figure 2:** Expected lithium-ion battery demand outlook

## 3.2 Update on Strategy & Progress to Date

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

### 1. 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 of this fiscal year, 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. In addition, LIM is also engaged in conversations with customers for sale of PVD equipment for in-house production of anodes by our customers. As we work towards commercial-scale PVD capabilities, which we expect we will achieve in 2024, we hope to conclude these conversations and convert them into a healthy order book and start to monetize our PVD process and technology.

### 2. 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<sup>1</sup> per annum. Our team has diligently been working to advance our modular lithium metal production technology which allows metal production capacity to be deployed incrementally to match market demand; an important milestone in this endeavor is the ongoing engineering study, which we are conducting in collaboration with our global engineering partner and expect to finalize this year.
- 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 is currently installing and commissioning a pilot scale lithium metal anode scrap reprocessing and casting facility and aims to demonstrate the process at pilot scale. The process will allow scrap lithium to be reintroduced in the battery supply chain industry and minimize lithium waste.

### 3. Strategic partnerships and new customer agreements

- Develop Partnership with Key Equipment Supplier: A key development for the commercial team was the entering of a non-binding agreement with Mustang Vacuum Systems ("MVS"), a seasoned PVD machine builder and technological leader, for the exclusive supply of high-performance PVD

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

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machines to produce battery materials for next-generation batteries. 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.

- Secure Long-Term Contracts with Customers: The Li-Metal commercial team also 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 Metal Plant: The Li-Metal commercial team has continued to receive inquiries from stakeholders throughout the lithium value chain who are interested in learning about our lithium metal production technology and forming a partnership for metal production. The team is currently exploring different business models with the goal of establishing a commercial lithium metal facility, either through a suitable strategic partner or independently.

## Key Milestones Achieved:

- The Li-Metal team has continued to make significant progress and achieved the following milestones: **Successful Pilot Production of Metal Directly from Lithium Carbonate:** In May 2023, the team accomplished a major milestone for our lithium metal business as we successfully produced lithium metal directly from lithium carbonate. This helps further demonstrate Li-Metal's patented lithium metal technology can produce this strategic next-generation battery material sustainably. Li-Metal's lithium metal business is positioned for long-term success as we advance our technology and aim to scale up production to full-scale capacity at our pilot plant. The full-scale pilot production of lithium metal will help prove the economics of the process and bring the technology one step closer to commercialization.
- **Anode Production in Rochester:** The Company continues to demonstrate its ability to produce high performance anode materials for production qualification using our roll-to-roll PVD technology, equipment and process. To-date in 2023, the team produced more than 5,787 metres of sample lithium metal anode material for its customers and internal R&D. Li-Metal continues to achieve high efficiency and process intensity metrics, which are important targets for PVD processes.
- **Non-Dilutive Grant Funding:** In June 2023, Li-Metal was awarded non-dilutive funding of more than CAD\$1.4 million in grants, from various programs sponsored by the Government of Ontario, to develop and commercialize our lithium metal production technology. The funding from the Ontario Vehicle Innovation Network (\$930,826) and the Critical Minerals Innovation Fund (\$500,000) further supports our efforts to advance our growth strategy for our lithium metal business. We believe receiving these grants also further validates our technology and endorses the role that Li-Metal plays in building a next-generation battery supply chain.
- **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 33 patents and patents pending.

# Li-Metal Corp. (formerly Eurotin Inc.)

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## 4. Recent Developments

### 4.1 Highlights FY 2023

- On April 4, 2022, the Company announced that it has been approved to trade in the United States on the OTC Pink Market (the “**OTC Pink**”), a U.S. trading platform that is operated by the OTC Markets Group in NY. The Company trades on the OTC Pink under the symbol “LIMFF”.
- On April 12, 2022, the Company provided a corporate and operational update, indicating that the major equipment installation at Li-Metal's lithium metal pilot facility, located in Markham, Ontario, had been completed and the plant achieved initial operating capability at pilot scale at the end of April 2022.
- On April 12, 2022, the Company announced that, having received independent legal advice, the marketing and investor relations contract with First Marketing GmbH (“**First Marketing**”) concerning the provision of investor relations and marketing services in the German-speaking region (Germany, Austria and Switzerland) is terminated as of April 11, 2022. As a result, the final payment of €500,000 that was to be paid on April 1, 2022 was not paid.
- On April 12, 2022, the Company announced that it had signed a marketing agreement on April 11, 2022, retaining Hybrid Financial Ltd. (“**Hybrid**”) to provide investor relations services to the Company. Hybrid has been engaged to heighten market and brand awareness for the Company and to broaden the Company's reach within the investment community both in Canada and the United States.
- On April 29, 2022, the Company announced that it had been granted \$1.9 million, as part of a \$5.1 million joint project with Blue Solutions, awarded by Next Generation Manufacturing Canada (NGen), an industry-led organization supporting advanced manufacturing in Canada, to develop the Company's lithium metal anode technologies. The proceeds of the grant will support the commercialization of technologies for reprocessing lithium metal and the production of ultra-thin high-performance low-cost lithium metal anodes. The project commenced on December 1, 2021 and is expected to be completed by the end of Q1 2024.
- On August 24, 2022, the Company announced that it has commenced trading on the OTCQB® Venture Market under the symbol “LIMFF.” Li-Metal's common shares will continue to trade on the Canadian Securities Exchange under the symbol “LIM” and the Frankfurt Stock Exchange under the ticker symbol “5ZO.”
- On September 6, 2022, the Company announced that it has engaged Hatch Ltd. (“**Hatch**”), a leading global engineering, project management and professional services firm, to undertake a Concept Study (“**Study**”) for Li-Metal's commercial scale metallic lithium production facility. Hatch's Study will focus on developing the Company's full-scale commercial lithium metal production facility.
- On October 11, 2022, the Company provided an operational update for its roll-to-roll anode pilot plant in Rochester, New York (“**the Facility**”). Since its commissioning earlier this year, the Facility

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has been steadily ramping up production of its high-performance, low-cost lithium metal anode sample materials using Li-Metal's roll-to-roll physical vapor deposition ("PVD") process. Li-Metal has recently completed an engineering scoping study for the development and build-out of a small commercial-scale anode production facility ("**Anode Demo Plant**"). The envisioned plant will demonstrate a PVD lithium anode production line at full-scale, while supplying up to a million metres per year (approximately 200-250 MWh) of large-format anodes for advanced product qualification and early-stage production to battery makers on a commercial basis - a key step on Li-Metal's roadmap to anode product commercialization.

- On October 17, 2022, the Company appointed Kunal Phalpher to the newly created role of President. Mr. Phalpher is a seasoned C-suite executive with proven public company experience, bringing nearly two decades of global experience in the clean technology, battery materials and electric vehicle ("**EV**") sectors to the role. Recently recognized by Business Insider as a Power Player in the EV industry, Mr. Phalpher has overseen and implemented global business development strategies, establishing a proven track record of driving rapid growth for multinational organizations
- On October 31, 2022, the Company granted to an officer 1,383,029 Restricted Share Units ("**RSU**"), 345,757 RSU will vest in 12, 24, 36 and 48 months starting from the date of the grant.
- During the year, the Company granted 2,100,529 stock options to employees and 2,800,000 stock options to consultants. The options have varying vesting conditions namely service and milestone indicators.

### 4.2 Highlights Subsequent to Year-end March 31, 2023

- On April 4, 2023, the Company and Mustang Vacuum Systems Inc. announced their strategic partnership for the production of next-generation battery anodes.
- On April 17, 2023, the Company granted to five officers an aggregated of 2,830,000 Restricted Share Units ("**RSU**"), 707,500 RSU will vest in 12, 24, 36 and 48 months starting from the date of the grant.
- On April 17, 2023, the Company granted to twenty-two employees an aggregated of 602,981 Restricted Share Units ("**RSU**"), 200,994 RSU will vest in 12, 24 and 36 months starting from the date of the grant.
- On May 3, 2023, the Company announced the appointment of Dr. Srinu Godavarthy as Chief Executive Officer (CEO) effective May 15, 2023 and the appointment of Co-founder Maciej Jastrzebski as the newly formed role of Chief Technology Officer (CTO).
- On May 23, 2023, the Company announced that it became the first company to produce lithium metal from patented lithium carbonate process.
- On June 6, 2023, the Company announced that it was awarded \$1.4 million in grant funding from the Government of Ontario.

## 4.3 Outlook

The Company's progress against our plan is summarized below:

**LMPP** – The Company is developing the LMPP technology by progressive scale-up, equipment optimization, and process development and optimization. The Company is focused on ensuring technology is economically sustainable and environmentally friendly production of lithium metal with lithium carbonate as main its feedstock.

As Li-Metal reaches technical milestones, it is in parallel carrying out engineering studies on a commercial-scale process plant to both provide useful feedback into the development process, and to shorten the timeframe between completion of technology development and the build-out of a commercial plant. Over the last quarter, the Company has focused on process equipment improvements to increase reliability and service life to allow piloting activities to be undertaken. The technical team designed pilot scale in-house molten salt equipment, heating/cooling systems and salt/metal separation system capable of withstanding and maintaining the process conditions necessary to support piloting activities. The team is now focused on conducting testing for various stage of the lithium metal production process and preparing to run pilot scale continuous metal production campaigns.

It is estimated it will cost \$2-2.5M to complete the piloting phase for lithium metal production process.

Expenditures for the LMPP project are expensed as research and development and totaled \$2.39M for the year ended March, 31 2023 this figure is included with the total research and development expense of \$5.06 million for year ended March 31, 2023. It is anticipated that the project will require \$3.5M expenditures over the next 2 years to progress to complete the piloting phase and pre feasibility studies. As with R&D projects of this nature, the time and cost to complete this stage are uncertain and subject to revision as further information is received such as the results of testing.

Management is pursuing the development of a lithium metal production technology that will have favorable CAPEX and OPEX characteristics under forecasted lithium unit / lithium metal price spread conditions. Li-Metal is working with a well reputed engineering firm to estimate the costs.

Based on performance parameters estimated from bench-scale test results, and cost estimates based in part on construction costs for the pilot plant, management believes that an economically attractive lithium metal production process is possible on the basis of its technology. This is to be confirmed by piloting and a third-party engineering study which is in progress.

The technology is environmentally friendly as it is based on the substitution of lithium chloride by lithium carbonate. This substitution eliminates chlorine gas as a waste product in the off-gas stream, which eliminates fugitive emissions of chlorine (a highly toxic respiratory irritant and oxidant) and the production of chlorine bleach as a waste product of chlorine scrubbing.

**LAP** – The Company was focussed on producing lithium anode test samples for various customers. The technical team was also focussed on improving the anode production rate by adjusting process parameters and making equipment design changes. The team was successfully able to achieve process throughput at 140% of equipment nameplate capacity and 80% of commercial-scale, production intensity targets. The Company also completed the proof-of-concept testing of silicon anode pre-lithiation. This development

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potentially opens opportunities for the Company in the silicon anode battery market, and could significantly broaden its customer base and expand its addressable market across the spectrum of new anode materials. The Company also significantly expanded its inhouse battery testing and analyzing capabilities by purchasing new surface characterization tools, cyclers and battery assembly tools. Li-Metal expects to spend ~ \$3M over the next 12 months to produce anode at commercially viable rates and carry on development of its advanced anode work.

Expenditures for the LAP project are expensed as research and development and totaled \$2.67M for the year ended March 31, 2023 this figure is included with the total research and development expense of \$5.06M for the year ended March 31, 2023. It is anticipated that the project will require \$10M expenditures over the next 2 years to progress to build and operate a commercial demonstration plant. As with R&D projects of this nature, the time and cost to complete this stage are uncertain and subject to revision as further information is received such as the results of testing.

Management is pursuing development of a physical vapour deposition (PVD) based process for producing metallic lithium anode materials which will result in low-cost production. The material costs are based on estimates of CAPEX and OPEX costs developed based on engineering concept studies carried out by third parties, estimated full-scale equipment costs, and operating costs assuming similar process intensity to that achieved in the issuer's pilot plant.

Management judges' performance of its materials across many dimensions, including unit volume and weight for a given area of anode, cycling performance, and rate capacity. Across many of these metrics, the issuer's products under development show comparable or better performance to commercially available lithium foils – the closest comparable product, which suffers from high costs.

The anode products and production technologies should be considered a technology platform capable of satisfying the needs of several different next generation battery technologies. While the underlying technology is at a high level of maturity, investment is required to complete development and demonstration of full-scale production equipment. The Company is currently evaluating several options for implementing a full-scale anode production demonstration facility while it pursues anode piloting and sample production at its Rochester, NY pilot production plant, and metal production piloting at its Markham, ON facility. The Company has completed the concept study for its demonstration scale commercial anode plant and is working on a concept study for a commercial scale lithium metal production plant. Li-Metal realizes the importance of enabling a local supply chain for lithium metal, it continues to advance its lithium metal production piloting activities and move closer to commercialization. The Company continues to make significant progress in developing and commercializing the lithium metal and anode production technologies. The Company is working with various next generation battery developers to integrate its lithium metal anodes into their battery technology.

Li-Metal expects to make further expenditures of \$11.5M-\$13M over the next 12 months to develop further internal capabilities and advance its lithium metal and anode production technologies. These expenses include capital equipment purchase, expansion of the technical & operations team, increased raw material purchase to support larger scale operations, corporate and overhead expenses.



# Li-Metal Corp. (formerly Eurotin Inc.)

## 5. Selected Annual and Quarterly Financial Information

### 5.1 Selected Annual Information

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

The following table sets out selected historical financial information of Li-Metal Corp. Such information is derived from the audited financial statements.

|                                  | For the Year Ended<br>March 31, 2023 | Fifteen Months Ended<br>March 31, 2022 |
|----------------------------------|--------------------------------------|--|
| <b>Revenues</b>                  | \$ -                                 | \$ -                                   |
| <b>Net (Loss) for the period</b> | \$ (12,556,761)                      | \$ (18,734,825)                        |
| <b>Diluted (Loss) per share</b>  | \$ (0.08)                            | \$ (0.12)                              |
| <b>Current Assets</b>            | \$ 11,252,998                        | \$ 23,855,772                          |
| <b>Total Assets</b>              | \$ 16,932,072                        | \$ 27,703,322                          |
| <b>Current Liabilities</b>       | \$ 1,708,538                         | \$ 865,385                             |
| <b>Cash And Cash Equivalents</b> | \$ 10,418,506                        | \$ 23,162,453                          |
| <b>Property and Equipment</b>    | \$ 4,580,747                         | \$ 2,618,269                           |
| <b>Total Equity</b>              | \$ 14,358,035                        | \$ 25,917,450                          |

The Company intends to generate revenue based on the sale of products currently under development. The Company is therefore focused on completing product development, process development, IP protection and commercialization. As with any product in development phases, value will be created by (a) proving acceptable performance with battery developers/other end users of lithium metal; (b) ensuring commercial viability of such products in specific markets through development of manufacturing capability that can give appropriate gross and net margins; and (c) securing reliable supply of key input materials; (d) protect all IP generated by/within the Company.

The Company currently has sufficient expertise to manage the research and development process for each of the products. The value ascribed to each product will increase as it moves through the development phase and is expected to reach maximum value at the point where it has completed product qualification trials with major battery developers/other customers and is being used in mass produced next generation batteries or other markets. Management currently anticipates LMPP and LAP products to obtain this status within approximately 3 and 2 years respectively.

The Company has incurred a net loss over the last two years in part due to the growth of the Company's operations, personnel, and overall business activity to support its research and development activities. Total assets have decreased due to the use of cash resources to fund ongoing operations offset by additions to property, plant and equipment during 2023. Current liabilities have increased due to trade and other payables and are routine in nature and grew due to the increase in operating activities.

## 5.2 Financial Instruments and Other Instruments

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

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

### Financial Assets

Financial assets not measured at fair value through profit or loss or fair value through other comprehensive income are measured at amortized cost using the effective interest method, less any impairment losses, with interest expense recognized on an effective yield basis. Assets in this category include cash and cash equivalents and amounts receivable and other assets. As of March 31, 2023, the Company's financial assets were \$10,418,506 compared with \$23,162,453 as of March 31, 2022.

### 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 March 31, 2023, the Company's financial liabilities were \$1,426,135 compared with \$487,412 as of March 31, 2022.

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

## 5.3 Discussion of Operations Fiscal Year and Fourth Quarter

The Company reports operating results in a single operating segment being the development and scale-up of a patented process for the production of metallic lithium metal and lithium anode lithium-ion battery applications in electric vehicles, energy storage systems, and consumer electronics.

The following tables provide a summary of the operating results for the three months and year ended March 31, 2023 and for the three months and fifteen months ended March 31, 2022:

## Li-Metal Corp. (formerly Eurotin Inc.)

|   | For the Year Ended<br>March 31, 2023 | Fifteen Months Ended<br>March 31, 2022 |
|---|--------------------------------------|--|
| Revenues                                      | \$ -                                 | \$ -                                   |
| Research and Development                      | \$ 5,058,494                         | \$ 2,151,425                           |
| Salaries and Wages                            | \$ 1,385,783                         | \$ 1,295,621                           |
| Professional Fees                             | \$ 2,299,946                         | \$ 3,845,440                           |
| Share Based Compensation                      | \$ 1,181,408                         | \$ 4,654,322                           |
| Investor relations & reporting issuer costs   | \$ 775,986                           | \$ 1,884,626                           |
| General and Administration                    | \$ 2,105,896                         | \$ 1,022,103                           |
| Interest & bank charges                       | \$ 10,912                            | \$ 185,640                             |
| Amortization                                  | \$ 965,944                           | \$ 611,296                             |
| Foreign Exchange Loss (Gain)                  | \$ (851,692)                         | \$ (64,634)                            |
| Operating Loss Before Following items         | \$ (12,932,677)                      | \$ (15,585,839)                        |
| Interest and Other Income                     | \$ 495,553                           | \$ 40,707                              |
| Change in Fair Vale of Convertible Debentures | \$ -                                 | \$ (833,689)                           |
| RTO Transaction Costs                         | \$ -                                 | \$ (2,267,108)                         |
| Accretion of Lease Liability                  | \$ (119,637)                         | \$ (88,896)                            |
| Net Loss                                      | \$ (12,556,761)                      | \$ (18,734,825)                        |

|   | For the Quarter Ended<br>March 31, 2023 | For the Quarter Ended<br>March 31, 2022 |
|---|---|---|
| Revenues                                      | \$ -                                    | \$ -                                    |
| Research and Development                      | \$ 713,228                              | \$ 740,561                              |
| Salaries and Wages                            | \$ 589,675                              | \$ 557,865                              |
| Professional Fees                             | \$ 780,917                              | \$ 588,540                              |
| Share Based Compensation                      | \$ 179,122                              | \$ 3,399,555                            |
| Investor relations & reporting issuer costs   | \$ 188,702                              | \$ 1,801,498                            |
| General and Administration                    | \$ 810,176                              | \$ 110,782                              |
| Interest & bank charges                       | \$ 10,912                               | \$ 3,082                                |
| Amortization                                  | \$ 928,742                              | \$ 311,302                              |
| Foreign Exchange Loss (Gain)                  | \$ (1,647,711)                          | \$ 62,217                               |
| Operating Loss Before Following items         | \$ (2,553,763)                          | \$ (7,575,402)                          |
| Interest and Other Income                     | \$ 168,609                              | \$ 33,356                               |
| Change in Fair Vale of Convertible Debentures | \$ -                                    | \$ (551,172)                            |
| Gain on conversion of convertible debentures  | \$ -                                    | \$ (191,180)                            |
| RTO Transaction Costs                         | \$ -                                    | \$ 225,798                              |
| Accretion of Lease Liability                  | \$ (34,492)                             | \$ (88,896)                             |
| Net Loss                                      | \$ (2,419,646)                          | \$ (8,147,496)                          |

# Li-Metal Corp. (formerly Eurotin Inc.)

## Revenues

The Company's activities consist of research & development and technology commercialization in the area of lithium metal production and metallic lithium anode production. The Company currently produces various volumes of sample anode products for distribution to battery developers for research and development purposes. It consequently has no revenue and does not foresee substantial revenue in the near term.

## Research and Development

Research and Development expenditure for fourth quarter and year ending March 31, 2023 was \$713,228 and \$5,058,494 respectively, as compared to \$740,561 for Q4 2022 and \$2,151,425 for FY 2022. The increase for the year represents expansion of the scale of operations for Li-Metal as it expanded the scope of its efforts from bench to pilot scale for lithium metal and anode production technology. Additionally, the R&D costs increased as the quantity of raw materials required increased to support the larger scale research efforts. Li-Metal's internal R&D team has grown significantly to support its increasing scope and scale of technology development compared to full fiscal year 2022. Additionally, the team designed a new process to reprocess and cast scrap lithium metal into acceptable formats and reintroduce it back in the battery supply chain. Li-Metal is currently conducting testing for its pilot scale reprocessing operation and aim to commercialize the technology within the next 2 years.

| R&D Cost Breakdown | For the Year Ended<br>March 31, 2023 | Fifteen Months Ended<br>March 31, 2022 |
|--------------------|--------------------------------------|--|
| Consumables        | \$ 2,951,726                         | \$ 1,587,481.00                        |
| Professional Fees  | \$ 944,261                           | \$ 564,012.00                          |
| Salary & Wages (1) | \$ 1,162,507                         |  |

(1) Effective April 1, 2022, and along FY 2023 the Company implementing a new system to properly identify, account for, and allocate salary and wages for R&D, during FY 2023 the salary costs were accounted for and reported as Operating Expenses.

## Consumables

Li-Metal has various raw materials/consumables used for lithium metal and anode production testing.

## Professional Fees

Professional, legal and consulting fees expenditures for fourth quarter and year ending March 31, 2023 were \$780,917 and \$2,299,946, respectively, as compared to \$588,540 for Q4 2022 and \$3,845,440 for FY 2022. Li-Metal continues to work with various consultants and contractors to advance its technologies. Professional services include technical/operational experts, skilled trades – electrician, specialized fabricators etc. , laboratory testing services for purity analysis and surface characterization and engineering Consulting firms to conduct scoping level studies for a demonstration/commercial lithium metal and anode production facilities.

There was an increase of \$192,377 for Q4 2023 as from compared to Q4 2022 and a decrease of \$1,545,494 for FY 2023 from FY 2022. The decrease was mainly due to the reduction in legal fees expenses after the

# Li-Metal Corp. (formerly Eurotin Inc.)

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completion of the RTO. The Company retained its key technical, IP and operations consultants to advance its lithium metal and anode technologies, and protect all the IP generated by/within the company.

## **Salaries and Wages**

Salaries and wages expenditures for fourth quarter and year ending March 31, 2023 were \$589,675 and \$1,385,789, respectively, as compared to \$557,865 for Q4 2022 and \$1,295,621 for FY 2022. The R&D team consists 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. The increase reflects the growth in the operational team and the subsequent expansion of Li-Metal's operations. The operations team ensures the Company has the required resources and internal capability to support Li-Metal carrying out its process/equipment development and testing activities.

## **Share Based Compensation**

Share-based compensation expense for fourth quarter and year ending March 31, 2023 was \$179,122 and \$1,181,408 respectively, as compared to \$3,399,555 for Q4 2022 and \$4,654,322 for FY 2022. The decrease is in connection with the quarter and annual Stock Options granted to Officers, Employees and Consultants reflects the decrease is in connection with the 3,931,029 Stock Options granted to Officers, Employees and Consultants of 4,900,529 options granted in FY 2023 as compared with 6,163,195 options granted during FY 2022 as well as a decrease in the valuation of options under the Black-Scholes model from FY 2023 from FY 2022.

## **Investor Relations & Reporting Issuer Costs**

Investor relations & reporting issuer costs for fourth quarter and year ending March 31, 2023 were \$188,702 and \$775,986 respectively, as compared to \$1,801,498 for Q4 2022 and \$1,884,626 for FY 2022. The decrease reflects the reduction in costs that were associated with the initial listing of the company in November 2021.

## **General and Administrative**

General and administrative expenditures for fourth quarter and year ending March 31, 2023 were \$810,176 and \$2,105,896 respectively, as compared to \$110,782 for Q4 2022 and \$1,022,103 for FY 2022. The increase reflects the growth in the operational activity and expansion of Li-Metal's operations.

## **Interest & Bank Charges**

Interest & bank charges for fourth quarter and year ending March 31, 2023 were \$10,912, as compared to \$3,082 for Q4 2022 and \$185,640 for FY 2022. The decrease reflects the reduction in debt due to settlement of the convertible debentures completed in FY 2022.

## **Amortization**

Amortization for fourth quarter and year ending March 31, 2023 were \$928,742 and \$965,944, as compared to \$311,302 for Q4 2022 and \$611,296 for FY 2022. The increase in amortization reflects the \$2,686,931 of additions in property plant in fiscal 2023.

# Li-Metal Corp. (formerly Eurotin Inc.)

## Foreign Exchange Loss (Gain)

Foreign Exchange Loss (Gain) for fourth quarter was a gain of \$1,647,711 and for the fiscal year 2023 a gain of \$851,830, as compared to a loss of \$62,217 for Q4 2022 and a gain of \$64,634 for fiscal year 2022. The movement reflects the gains in the Company's US dollar balances coming for a favourable exchange rate movements and increased transactions in US dollars.

## 5.4 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:

| Period Ending      | Total Loss and Comprehensive Loss for the Quarter | Basic and Fully Diluted Gain (Loss) per share | Notes |
|--------------------|---|---|-------|
| March 31, 2023     | \$ (2,419,646)                                    |   |       |
| 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)                                     | 3     |

There are no significant seasonal variations in quarterly results as the Company is not subject to significant seasonality in its research and corporate activities. The Company is exposed to currency risk as it incurs certain transactions in United States dollar, and occasional transactions in the Euro, and the British Pound. However, the Company has assessed that the impact of a 10% fluctuation in foreign exchange rates relative to the Canadian dollar would have impacted the Company's results of operations by approximately \$250,000. Variations in loss and comprehensive loss for certain of the above periods were affected primarily by the following factors:

**Note 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 arising from 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.

## Li-Metal Corp. (formerly Eurotin Inc.)

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- Change in the fair value of convertible debentures - \$782,264; was due to the loss in the revaluation of the debenture after the valuation of the Li-Metal Share price using the first day of trading.
- Research and Development \$ 742,995; reflects Li-Metal successfully expanded activities for lithium metal production and refining, sample anode production.
- Salaries and wages \$557,865; the increase was due to the team expansion to support Li-Metal's growth and achieve the targets set for 2023-2025.

**Note 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.
- Research and Development \$ 327,251; the increase in cost reflects Li-Metal successfully expanded activities for lithium metal production and refining, sample anode production.
- Salaries and wages \$231,621; was due to the team expansion to support Li-Metal's growth and achieve the targets set for 2023-2025.
- Office and General \$328,929; are also associated with Li-Metal closing its RTO transaction to be listed on Canadian Securities Exchange (CSE) and Li-Metal's anode development facility in Markham became operational in November, 2021 and its anode pilot facility in Rochester, NY finished construction in December, 2021 (commissioned in Jan, 2022).

**Note 3.** The period ended June 30, 2022 covers a six-month period.

### Use of Proceeds from Financings

The Company currently is not generating revenue or positive cashflow. Essentially funds are raised to fund Research and Development, operating expenses and purchases of property plant and equipment. On November 2, 2021 the Company filed a CSE Listing Statement for the Reverse Take Over (RTO) of Eurotin Inc. the proposed transaction raised \$11,725,000. Subsequent to the RTO and up to March 31, 2023 the Company has raised further funds of approximately \$32 million to funds its research and development activities and operating expenses. Further funding has and will be required to support ongoing operations.

Please find below a table of the planned and actual use of proceeds and the variance from the CSE Listing Statement.

# Li-Metal Corp. (formerly Eurotin Inc.)

| All figures CDN \$1,000                      | Previously Disclosed in CSE Listing Statement - FORM 2A - November 2, 2021 | Expenditures for the Fifteen Months ended March 31, 2022 | Expenditures for the Year ended March 31, 2023 | Variance           | Notes    |
|--|--|--|--|--------------------|----------|
| <b>Research &amp; Development Activities</b> | \$ 5,505   | \$ 2,151   | \$ 5,058                                       | \$ (1,704)         | <b>1</b> |
| <b>Operating Expenses</b>                    | \$ 5,220   | \$ 8,233   | \$ 6,579                                       | \$ (9,591)         | <b>2</b> |
| <b>RTO Closing Costs</b>                     | \$ 1,000   | \$ -   | \$ -   | \$ 1,000           | <b>3</b> |
|  | <b>\$ 11,725</b>   | <b>\$ 10,384</b>   | <b>\$ 11,637</b>                               | <b>\$ (10,296)</b> |          |
| salary & wages                               |  | \$ 1,296   | \$ 1,386                                       |                    |          |
| professional fees                            |  | \$ 5,611   | \$ 3,076                                       |                    |          |
| Office & Admin.                              |  | \$ 1,326   | \$ 2,117                                       |                    |          |
|  |  | <b>\$ 8,233</b>  | <b>\$ 6,579</b>                                |                    |          |

**Note 1.** The R&D expense varies with the rate of expenditure on the projects. The negative variance of \$1.7 million is primarily due to accelerated ramping up of R&D activities to progress its lithium metal/anode technologies.

**Note 2.** The operating expense negative variance of \$9.6 million is primarily due to professional fees of \$5.6 million associated with the Company's closing of the RTO transaction to be listed on Canadian Securities Exchange (CSE). The increased expenditure covered legal closing costs, accounting/audit costs, engagement of Investor Relations ("IR") firms to support IR and marketing costs and engagement of consultants to assist with process development.

**Note 3.** The RTO closing costs were paid in shares as opposed to cash as anticipated in the Form 2A filing.

## 6. Liquidity and Capital Resources

### 6.1 Overview of cash and cash equivalents used

#### Operating Activities

Net cash used in operating activities for the year ending on March 31, 2023 totalled \$9,778,686 respectively, as compared to the fifteen month period ended on March 31, 2022 of \$9,718,774. The cash used reflects a continuing investment in research and development activities as Li-Metal scaled up its technology, expanded its R&D program and designed a new lithium scrap reprocessing and casting process.

#### Investment Activities

Li-Metal transitioned to a new location (Markham, ON) during the quarter ended December 31, 2021 to expand its internal R&D capability and run a larger pilot scale operation for lithium metal production. The new facility in Markham supports the development efforts and bench scale production of lithium metal anodes as well.



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The Company also expanded its anode production capability by building a pilot scale lithium anode production facility in Rochester, NY in December 2021. Various equipment was purchased/manufactured inhouse to further the Company's efforts in proving the technology out on a pilot scale and to develop internal analysis capabilities. The equipment included process vessels, heating equipment, equipment to maintain controlled environments, surface analysis equipment, battery performance testing tools, control systems and various coating equipment. In April 2022, The Company announced it had finished installation and commissioned its pilot metal production facility in Markham, ON. The Company purchased various ancillary equipment, cell assembly, testing and analysis testing tools in Q1 -Q3 2023 to expand its inhouse analytical/technical capabilities. In Q3- Q4 2023, The Company purchased surface characterization tools such as digital optical microscope and advanced scanning electron microscope to further expand its internal material characterization capability as well. In Q4 2023, the Company further enhanced its internal capability by commencing development of a cell testing laboratory in its Rochester facility. As a result, the property and equipment increased to \$4,580,747 as of March 31, 2023 from \$2,618,049 as of March 31, 2022.

The Company has not committed to any capital expenditures as at July 31, 2023.

The Company incurred capital costs for year ending on March 31, 2023 \$2,967,764, as compared to the fifteen month period ended on March 31, 2022, of \$2,973,867. The Increase is mainly due to the acquisition of additional equipment to assist with Li-Metal's R&D efforts and expand its capability to run more sophisticated in-house analysis on its products.

## Financing Activities

During the year ended March 31, 2023 the Company received \$ Nil as a Net Cash proceeds from financing activities, as compared received during the fifteen month period ended March 31, 2022 of \$32,807,116. This was due mainly to the proceeds from convertible debentures, private placements and warrant exercises.

## 6.2 Liquidity

As of March 31, 2023, the Company had a net working capital of \$9,544,460 which decreased as compared to a net working capital of \$22,990,227 as of March 31, 2022. As of March 31, 2023, Li-Metal had \$10,418,506 in cash and cash equivalents as compared to March 31, 2022 of \$23,162,453. The Company has no 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 audited consolidated financial statements for the year ended March 31, 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.

# Li-Metal Corp. (formerly Eurotin Inc.)

As of March 31, 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. The research and development activities will mainly be focussed 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. Management assesses its planned expenditures based on the Company's working capital resources, and the overall condition of the financial markets.

## 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                               | Period ended<br>March 31, 2023 | Quarter ended<br>December 31,<br>2022 | Quarter ended<br>September 30,<br>2022 | Quarter ended<br>June 30, 2022 | Period ended<br>March 31, 2022 |
|--------------------------------------|--------------------------------|---------------------------------------|--|--------------------------------|--------------------------------|
| Open                                 | 154,953,828                    | 154,953,828                           | 154,953,828                            | 154,953,828                    | 154,760,616                    |
| Issued                               | -                              | -                                     | -                                      | -                              | 193,212                        |
| <b>Close</b>                         | <b>154,953,828</b>             | <b>154,953,828</b>                    | <b>154,953,828</b>                     | <b>154,953,828</b>             | <b>154,953,828</b>             |
| Restricted<br>Share Units<br>("RSU") | Period ended<br>March 31, 2023 | Quarter ended<br>December 31,<br>2022 | Quarter ended<br>September 30,<br>2022 | Quarter ended<br>June 30, 2022 | Period ended<br>March 31, 2022 |
| Open                                 | 1,383,029                      | -                                     | -                                      | -                              | -                              |
| Issued                               | -                              | 1,383,029                             | -                                      | -                              | -                              |
|                                      | <b>1,383,029</b>               | <b>1,383,029</b>                      | -                                      | -                              | -                              |
| Options                              | Period ended<br>March 31, 2023 | Quarter ended<br>December 31,<br>2022 | Quarter ended<br>September 30,<br>2022 | Quarter ended<br>June 30, 2022 | Period ended<br>March 31, 2022 |
| Open                                 | 15,079,521                     | 11,771,087                            | 11,266,087                             | 10,321,587                     | 10,305,604                     |
| Issued                               | -                              | 3,391,029                             | 505,000                                | 1,004,500                      | 209,195                        |
| Exercised                            | -                              | -                                     | -                                      | -                              | 193,212                        |
| Forfeited                            | 420,000                        | 82,595                                | -                                      | 60,000                         | -                              |
| <b>Close</b>                         | <b>14,659,521</b>              | <b>15,079,521</b>                     | <b>11,771,087</b>                      | <b>11,266,087</b>              | <b>10,321,587</b>              |
| <b>Fully Diluted</b>                 | <b>170,996,378</b>             | <b>171,416,378</b>                    | <b>166,724,915</b>                     | <b>166,219,915</b>             | <b>165,275,415</b>             |

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

- 154,953,828 issued and outstanding shares.

# Li-Metal Corp. (formerly Eurotin Inc.)

- 14,459,523 stock options outstanding, 10,184,697 of which are exercisable at a weighted average price of \$0.29.
- 4,816,010 unvested Restricted Shares Units.

## 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 will terminate at the of earlier of August 16, 2023 or the date on which at least one lithium batteries anode product is first available for commercial exploitation. 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”) and The Chief Financial Officer (“CFO”). Key management personnel remuneration includes the following payments:

| <b>Related Party</b>                     | <b>Twelve Months<br/>Ended March 31<br/>2023</b> | <b>Fifteen Months<br/>Ended March 31<br/>2022</b> |
|--|--|---|
| Director Fees                            | \$259,000  | \$130,630   |
| Officers Compensation (1)                | 854,830  | 337,500   |
| Consulting and Professional fees (2) (3) | 61,000   | 305,863   |
| Share-based compensation                 | 66,560   | 157,865   |
| Share capital issued                     | -  | 825,153   |

(1) The Officers Compensation are related to Maciej Jastrzebski CEO from April 1,2019 to March 31 2023, Carlos Pinglo, CFO from November 1,2022 to March 31,2023 and Kunal Phalpher, President from October 17, 2022 to March 31,2023.

(2) During the twelve month ended March 31 2023 the Company paid to ZCR Corp. \$61,000 in Consulting fees, ZCR Corp is controlled by Mark Wellings Chairman and Director of the Company ( fifteen months ended March 31,2022 Nil)

(3) The Company is related to Li-Cycle Corp. through some shareholders having common ownership. During the year ended March 31, 2023, the two companies have no shared services or personnel costs (fifteen months ended March 31, 2022 - Nil).

## 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 as 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.

# Li-Metal Corp. (formerly Eurotin Inc.)

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## 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 March 31, 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 on the Company and its share price.

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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 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 to be 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

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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 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.

***Global pandemic outbreak***

Despite not being adversely affected by Covid-19 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



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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 manages liquidity risk through the management of its capital structure and financial leverage. As of March 31, 2023, the Company's current liabilities comprised accounts payable and accrued liabilities. The Company will require additional funding to maintain corporate and administrative functions and to fund its continuing activities and commitments.

## 12. Forward Looking Statements

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

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

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

- Next generation batteries and the timeline for development;
- Being able to reach commercial-scale physical vapor deposition (PVD) capabilities and secure customers in 2024;
- That the value ascribed to each product will increase as it moves through the development phase;

## Li-Metal Corp. (formerly Eurotin Inc.)

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- 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 2 years;
- 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;
- 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 and lithium metal 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 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 products 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;

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- 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;
- Anticipated timeline and cost to achieve commercialization lithium metal 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.



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

**For the Fifteen Month Period Ended March 31, 2022**

**(Expressed in Canadian Dollars)**

# Li-Metal Corp. (formerly Eurotin Inc.)

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## Introduction

The following Management's Discussion and Analysis ("**MD&A**") of the results of operations and financial condition for Li-Metal Corp. (formerly Eurotin Inc.) (the "**Company**" or "**Li-Metal**") 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 audited consolidated financial statements for the fifteen months ended March 31, 2022 ("**FY 2022**"), as well as the audited consolidated financial statements for the year ended December 31, 2020 ("**FY 2021**") and the related notes (the "**Financial Statements**"). Unless otherwise stated, all amounts discussed herein are denominated in Canadian dollars.

The Company's Financial Statements are available on Li-Metal's website at [www.li-metal.com](http://www.li-metal.com) and under the Company's profile on the System for Electronic Document Analysis and Retrieval ("**SEDAR**") at [www.sedar.com](http://www.sedar.com).

The audited consolidated financial statements for FY 2022 and FY 2021, have been prepared using International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board and interpretations of the IFRS Interpretations Committee.

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

This MD&A was prepared as of July 28, 2022, and all information is current as of such date.

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.

This MD&A was reviewed and approved by the Company's Board of Directors on July 28, 2022.

The information contained in this management discussion and analysis may contain some forward-looking statements. Forward-looking information may include but is not limited to information with respect to our future financial and operating performance, future development activities and adequacy of financial resources.

## Overview of the Company

This MD&A provides an overview of the Company's operations, performance and financial condition for the period January 1, 2021 – March 31, 2022.

## Li-Metal Corp. (formerly Eurotin Inc.)

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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 anode materials and their production.

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. Therefore, audited financials of the Company as of March 31, 2022 shows the comparative results of 2555663 Ontario Limited for the 12 months ended that date.

Eurotin was incorporated under the Ontario Business Corporation Act (“**OBCA**”) as “**Natex Mineral Corp**” on July 31, 2008. On August 22, 2008, Eurotin filed articles of amendment changing its name to “**Eurotin Inc.**”, and on November 4, 2008, Eurotin filed articles of amendment to remove the transfer and shareholder restrictions. On December 28, 2018, Eurotin amalgamated with its subsidiary, Stannico Resources Inc. On January 3, 2019, in connection with its plan of arrangement with Elementos Limited, Eurotin filed articles of arrangement.

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.

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 333 Bay Street, Suite 2400, Toronto, Ontario, M5H 2T6.

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**”

Li-Metal is developing innovative lithium battery technologies for the next generation batteries expected to power electric vehicles, electric aircraft, handheld devices, and many other applications starting in the mid-2020s. More specifically, Li-Metal is developing and scaling up innovative, patent-pending technology for production of lithium metal and metallic lithium battery anodes. The products and processes are engineered to provide a low-cost, technically-superior and environmentally friendly solution to one of the key hurdles facing next generation lithium batteries, including solid state batteries, advanced liquid electrolyte lithium-ion batteries, and lithium sulfur batteries.

Next generation batteries promise improved energy storage and safety characteristics allowing for longer range electric vehicles, practical electric flight, extended run times on portable devices, and new

## Li-Metal Corp. (formerly Eurotin Inc.)

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applications not possible with today's bulky and heavy batteries. In order to facilitate commercialization of next generation batteries, improved technology is needed to provide thinner, lower cost lithium metal anodes and the ability to produce lithium metal in an economic, safe and environmentally friendly manner. The present industry is structured to supply materials for the current generation of lithium-ion batteries, including graphite, lithium carbonate and lithium hydroxide, and various cathode metal oxides. The next generation of lithium batteries requires, a dramatic reshaping of the anode supply chain, including several-fold expansion of lithium metal supply and the build-out of lithium metal-based anode production capacity. It is expected that this will take place alongside the 8-10-fold expansion of overall battery production capacity predicted to happen throughout the 2020s.

### Highlights

- On October 25, 2021, the Company announced the completion of the reverse takeover transaction pursuant to which 2555663 Ontario Limited, doing business as Li-Metal acquired Eurotin Inc. Under the terms of an amalgamation agreement previously agreed between Eurotin, 2555663 Ontario Limited and 2848302 Ontario Inc., a wholly owned subsidiary of Eurotin ("**Subco**"), the RTO was completed by way of a three-cornered amalgamation under the laws of the Province of Ontario. Pursuant to the RTO, Subco amalgamated with 2555663 Ontario Limited, with 2555663 Ontario Limited surviving as a wholly owned subsidiary of Eurotin, known as Li-Metal North America Inc. In addition, Eurotin underwent a 124.72 to 1 share consolidation, entered into a settlement of debt agreements with some creditors through the issuance of common shares of the capital of the Company for the equivalent of approximately \$2.14 million and changed its name to "**Li-Metal Corp.**". Immediately following the closing of the RTO, the Resulting Issuer and Li-Metal North America Inc. amalgamated by way of a short-form amalgamation under the laws of the Province of Ontario, with the Resulting Issuer surviving the amalgamation. The Resulting Issuer now holds all of 2555663 Ontario Limited assets and conducts the business of 2555663 Ontario Limited under the Li-Metal Corp. name.
- On October 25, 2021, after the RTO completion indicated above, the Company converted into 3,000,000 common shares and 3,000,000 warrants the \$3 million Convertible Debentures issued as per the Private Placement completed in May 2021. The Convertible Debentures carried a 10% coupon rate that matured in May 2022. On November 23, 2021 the interest was paid by issuing 141,367 common shares as indicated below. Each warrant allows its holder to acquire one common share at the exercise price of \$1.85355.
- On October 25, 2021, after the RTO completion as indicated above, the Company converted 7.5 million subscription-receipts issued as per the Private Placement completed on September 7, 2021 into 7,500,000 shares and 7,500,000 warrants. Each warrant allows its holder to acquire one common share at the exercise price of \$1.85355.
- On October 26, 2021, the Company granted 1,485,000 stock options to certain officers, directors, employees and consultants. The exercise price is \$1.2357 and will expire October 1, 2026. The stock options were issued in accordance with the Company's stock option plan. After the split of its share capital on a four-for-one basis implemented on January 31, 2022, those stock options granted become 5,940,000 and the strike price became \$0.31

## Li-Metal Corp. (formerly Eurotin Inc.)

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- On November 3, 2021, the common shares of the Company began trading on the Canadian Securities Exchange (the “CSE”) under the ticker “LIM”.
- On November 10, 2021, the Company announced it had retained First Marketing GmbH (the “Service Provider”), a leading investor relations and marketing firm based in Heidelberg, Germany, to provide advertising, corporate communications and promotional services in Germany, Switzerland and Austria. Pursuant to the terms and conditions of this agreement, which commenced on November 12, 2021, the Service Provider was to provide content distribution, translation and advertising services in Europe.
- On November 23, 2021, the Company announced it will be accelerating the expiration of all its outstanding warrants, pursuant to the terms of the warrant indenture dated September 7, 2021. Li-Metal issued a total of 10,500,000 warrants with an expiration date of October 25th, 2023, (the “Warrants”) which were exercisable at \$1.85355
- On November 23, 2021, the Company also announced that had issued 141,367 common Shares to six prior debenture holders in satisfaction of interest owed by the Company on senior secured convertible debentures (the “Debentures”) in the amount of US\$141,369 (the “Interest Payment”). No fractional common shares were issued in satisfaction of the Interest Payment. The common shares issued in satisfaction of interest payable under the Debentures are subject to four-month hold period resale restrictions under Canadian securities laws.
- On November 25, 2021, the Company announced that its advanced anode material development facility (the “Facility”) in Markham, Ontario has reached initial operation capability. The Facility houses small-scale deposition equipment that can rapidly produce anode materials for evaluation and testing, which is a key piece of the strategy to develop Li-Metal’s highly scalable, cost effective, sustainable lithium anode technology. These advanced anode materials will be produced at the Facility for evaluation and optimization, followed by initial industrialization at the roll-to-roll anode facility in Rochester, NY.
- On December 6, 2021, the Company granted an employee 3,500 incentive stock options exercisable at a price of \$10.75 per share for a period of five years, 1,750 options vest in 12 months and 1,750 options vest in 24 months, starting from the date of the grant. After the split of its share capital on a four-for-one basis implemented on January 31, 2022, those stock options granted become 14,000 and the strike price became \$2.69
- On December 10, 2021, 24,365 stock options were exercised by a consultant at an exercise price of \$0.903 for gross proceeds of \$22,002.
- On December 23, 2021, the Company successfully completed the construction and installation of the pilot scale lithium anode production facility in Rochester, NY.
- As of December 23, 2021, all the Company’s warrants indicated above were exercised. Li-Metal raised \$19,462,275 from the exercise of 10,500,000 share warrants with an exercise price of \$ 1.85355 per warrant.
- On December 30, 2021, the Company announced it retained the services of Renmark Financial Communications Inc. to further support its investor relations activities.
- On January 4, 2022, 8,303 stock options were exercised by an employee at an exercise price of \$0.903 for gross proceeds of \$7,494.
- On January 4, 2022, 40,000 stock options were exercised by an officer at an exercise price of \$1.236 for gross proceeds of \$49,428.



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- On January 13, 2022, the Company announced that its roll-to-roll anode pilot plant (the “Facility in Rochester, NY has been commissioned and has produced its first batch of lithium metal anode product. The Facility represents a greater than tenfold expansion in the Company’s ability to supply lithium anode samples to next-generation battery makers and enable the Company to produce anode in the quantities needed for product qualification. The Facility establishes key infrastructure for the North American next-generation battery ecosystem, establishing capacity to produce thousands of large pouch cells per year.
- On January 26, 2022, the Company held a special meeting of shareholders (the “**Special Meeting**”). During the Special Meeting Li-Metal’s shareholders granted to the Company’s Board of Directors (the “**Board**”) the authority to split the Company’s issued and outstanding common shares on a 4-for-1 basis allowing for a more accessible trading range for investors, to enhance liquidity and to increase investor interest in Li-Metal and its business. This share split did not affect the market value of Li-Metal’s shares or a shareholder’s proportionate ownership stake in the Company. Any authority proposed to be granted by the Board to split the shares was conditional upon the prior approval of the Canadian Securities Exchange. Board size was the second matter considered by the Board at the Special Meeting. Shareholders approved a resolution authorizing the board to determine the number of directors on the Board from time to time within the minimum and maximum number set in the articles of the Corporation. In addition to this, the Special Meeting approved to increase the number of directors to six and elected Colin Farrell to the Board.
- On January 31, 2022, the Company announced the implementation of the split of its share capital on a four-for-one basis increasing its issued and outstanding shares to 154,953,828 (the “**Share Split**”). The Share Split was approved by a special resolution on the Company’s Special Meeting held on January 26, 2022.
- On January 31, 2022, the Company announced a new timetable for the release of the Company’s escrowed securities. The new schedule was confirmed by the Canadian Security Exchange due to Li-Metal’s strengthened position, which has allowed the Company to meet higher financial and operating standards. The new timetable allows for 15% of escrowed securities to be released immediately, with an additional 25% of escrowed securities to be released every six (6) months. Ten percent of the original number of escrowed securities were released upon commencement of trading in November.
- On February 8, 2022, the Company announced that it has shipped its first batch of lithium metal anode product to a next generation battery developer customer. This batch of product was produced at the Company’s newly commissioned Facility.
- On February 14, 2022, the Company granted to certain employees an aggregate of 64,000 incentive stock options exercisable at a price of \$2.04 per share for a period of five years, 40,000 options vest in 25% instalments every 12 months, starting from the date of the grant and 24,000 options vest in 50% instalments every 12 months, starting from the date of the grant.
- On February 28, 2022, the Company announced that it has 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 marked a strategic milestone

## Li-Metal Corp. (formerly Eurotin Inc.)

for Li-Metal as it moves toward product testing and qualification, ensuring the adoption of its anode technologies in next-generation batteries.

- On February 28, 2022, the Company granted to an employee 9,900 incentive stock options exercisable at a price of \$1.60 per share for a period of five years, 3,300 options vest in 33.3% instalments every 12 months, starting from the date of the grant.
- On March 7, 2022, the Company granted to an employee 35,295 incentive stock options exercisable at a price of \$1.60 per share for a period of five years, 11,765 Options vest in 33.3% instalments every 12 months, starting from the date of the grant.
- On March 21, 2022, the Company granted to an officer 100,000 incentive stock options exercisable at a price of \$1.43 per share for a period of five years, 33,333 Options vest in 33.3% instalments every 12 months, starting from the date of the grant.
- On March 22, 2022, the Company announced the appointment of Keshav Kochhar to the role of Chief Operating Officer (COO), effective immediately.

### Summary of Annual and 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.

| Operating Expenses                               | Fifteen Months Ended<br>March 31<br>2021 | Year Ended<br>December 31<br>2020 |
|--|--|-----------------------------------|
| Research and Development                         | \$ 2,151,425                             | \$ 860,379                        |
| Salaries and wages                               | 1,295,621                                | 309,420                           |
| Share-base compensation                          | 4,654,322                                | 752,751                           |
| Professional Fees                                | 159,787                                  | 35,967                            |
| Legal Fees                                       | 1,794,788                                | 65,447                            |
| Consulting Fees                                  | 1,890,865                                | 805,527                           |
| Investor Relations                               | 1,765,881                                | -                                 |
| Reporting Issuer cost                            | 118,745                                  | -                                 |
| Office and general                               | 1,022,103                                | 55,114                            |
| Interest and bank charges                        | 185,640                                  | 2,511                             |
| Foreign exchange loss (gain)                     | (64,634)                                 | 39,263                            |
| Amortization of property and equipment           | 415,254                                  | 36,442                            |
| Amortization of right-of-use assets              | 196,042                                  | -                                 |
| <b>Operating loss before the following items</b> | <b>(15,585,839)</b>                      | <b>(2,962,821)</b>                |

# Li-Metal Corp. (formerly Eurotin Inc.)

## Selected Financial Data

| Quarterly Results              | Fifteen Months ended March 31, 2022 (audited) | Quarter ended March 31, 2022 | Quarter ended December 31, 2021 | Quarter ended September 30, 2021 |
|--------------------------------|---|------------------------------|---------------------------------|----------------------------------|
|                                | FY 2022                                       | Q5 2022                      | Q4 2022                         | Q3 2022                          |
|                                | \$  | \$                           | \$                              | \$                               |
| Revenue                        | Nil   | Nil                          | Nil                             | Nil                              |
| Net Gain (Loss) for the period | (18,734,825)                                  | (8,189,867)                  | (7,015,262)                     | (1,621,031)                      |
| Diluted Gain ( Loss) per share | (0.12)  | (0.05)                       | (0.05)                          | (0.03)                           |
| Current Assets                 | 23,855,572                                    | 23,855,572                   | 28,619,476                      | 3,242,048                        |
| Total Assets                   | 27,703,322                                    | 27,703,322                   | 30,826,218                      | 4,983,661                        |
| Current Liabilities            | 865,345                                       | 825,345                      | 491,311                         | 4,008,676                        |
| Cash and Cash Equivalent       | 23,162,453                                    | 23,162,453                   | 27,817,487                      | 2,916,066                        |
| Property and Equipment         | 2,618,049                                     | 2,618,049                    | 2,206,742                       | 1,741,613                        |
| Total equity                   | 25,917,450                                    | 25,917,450                   | 30,277,255                      | 4,983,661                        |

| Quarterly Results              | Quarter ended June 30, 2021 | Quarter ended March 31, 2021 | Twelve Months ended December 31, 2020 (audited) | Quarter ended December 31, 2020 |
|--------------------------------|-----------------------------|------------------------------|---|---------------------------------|
|                                | Q2 2022                     | Q1 2022                      | FY 2021   | Q4 2021                         |
|                                | \$                          | \$                           | \$  | \$                              |
| Revenue                        | Nil                         | Nil                          | Nil   | Nil                             |
| Net Gain (Loss) for the period | (1,068,571)                 | (840,094)                    | (2,961,397)                                     | (2,353,134)                     |
| Diluted Gain ( Loss) per share | (0.02)                      | (0.01)                       | (0.05)  | (0.04)                          |
| Current Assets                 | 4,382,776                   | 1,929,813                    | 3,382,238                                       | 3,382,238                       |
| Total Assets                   | 6,069,434                   | 3,005,305                    | 3,666,640                                       | 3,666,640                       |
| Current Liabilities            | 4,010,713                   | 215,038                      | 113,824   | 113,824                         |
| Cash and Cash Equivalent       | 4,115,004                   | 1,817,166                    | 3,047,978                                       | 3,047,978                       |
| Property and Equipment         | 1,686,658                   | 1,075,492                    | 284,402   | 284,402                         |
| Total equity                   | 2,001,069                   | 2,790,267                    | 3,512,816                                       | 3,512,816                       |

The Company has experienced considerable fluctuation in its results over the preceding five quarters. Such fluctuations are to be expected for a development stage company undertaking a technology development program as its sole focus; as the nature, scope and scale of activities and associated expenses vary considerably between different development stages.

The Company's activities consist of research & development and technology commercialization in the area of lithium metal production and metallic lithium anode production. The Company currently produces various volumes of sample products for distribution to battery developers for research and development

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purposes. It consequently has no revenue and does not foresee substantial revenue in the near term. All costs related to ongoing research and development activities have been presented as research expenses.

The Company intends to generate revenue based on the sale of products currently under development. The Company is therefore focused on completing product development, process development, IP protection and commercialization. As with any product in development phases, value will be created by (a) proving acceptable performance with battery developers; (b) ensuring commercial viability of such products in specific markets through development of manufacturing capability that can give appropriate gross and net margins; and (c) securing reliable supply of key input materials; (d) protect all IP generated by/within the Company.

The Company currently has sufficient expertise to manage the research and development process for each of the products. The value ascribed to each product will increase as it moves through the development phase and will reach maximum value at the point where it has completed product qualification trials with major battery developers and its products are being used in mass produced next generation batteries. Management currently anticipates the first products to obtain this status within ~ 2 years.

During Q1-Q2 2022, the Company mainly focused on assembly and testing of its bench scale metal production in Mississauga. Throughout Q3 – Q5 2022, the Company was primarily engaged in the design, construction and commissioning of its larger pilot scale metal production facility in Markham, ON and pilot scale anode production facility in Rochester, NY. The facility in Markham also houses Li-Metal's anode development R&D facility. The increased expenditure in Q3-Q5 2022 is associated with expansion of Li-Metal's process, new equipment purchase, increased staffing levels, further development of ongoing R&D expenses and increased contractor costs to assist with the setup of Li-Metal's two new facilities.

The bulk of the increase in G&A losses recorded for Q4 2022 are also associated with Li-Metal closing its RTO transaction to be listed on Canadian Securities Exchange (CSE). The increased expenditure covered legal closing costs, engagement of Investor Relations ("IR") firms to support IR and marketing costs and engagement of consultants to assist with process development. Additionally, Li-Metal's anode development facility in Markham became operational in November 2021 and its anode pilot facility in Rochester, NY finished construction in December 2021 (commissioned in January 2022) which contributed to higher losses in Q4 2022.

Increased losses of \$18,734,825 during the fifteen months ended March 31,2022 ("FY 2022") compared with \$2,961,397 for the twelve months ended December 31,2020 ("FY 2021") largely related to a larger number of months during FY 2022. Other factors include:

- Share based compensation - \$4,654,322 ( \$752,751- FY 2021); in connection with the expense revaluation arising from 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.
- Research and Development expanded activities for lithium metal production and refining, sample anode production - \$2,151,425 (\$860,379 – FY 2021); The R&D costs increased more than two folds in FY 2022 from FY 2021. The increase in cost reflects Li-Metal successfully completing its bench

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scale campaigns for its lithium metal and lithium anode technologies and progressing to larger-scale piloting activity.

- Cost associated with the acquisition of the securities listing (RTO transaction) - \$2,267,108 (\$Nil FY 2021).
- Consulting fees \$1,890,865 (\$805,527 – FY 2021) additional consultants included some senior officers were retained for the RTO completion and to help the Company getting to the next step of development.
- Legal fees \$1,794,788 (\$65,447 – FY 2021) includes substantial one-time legal fees associated with the RTO transaction, subsequent warrant acceleration and share split, as well as increased patent drafting and filing costs.
- Investor Relations \$1,765,881 (\$Nil – FY 2021) Additional on-going costs include fees paid to investor relations firms to promote the Company activities and keep the shareholders and investors informed after the RTO.
- Salaries and wages due to the expansion of team - \$1,295,621 (\$309,420-FY 2021); the team is rapidly expanding to support Li-Metal's growth and achieve the targets set for 2023-2025 FY.
- Office and General Expenses - \$1,022,103 (\$455,114 – FY 2021) due to the increase of the activities after the RTO. The expenses were related to setting up office & administrative spaces in the two new facilities, insurance, travel and accommodation, expansion of the team and expansion of general scope of activities.
- Change in the fair value of convertible debentures -\$833,689 (\$Nil-FY 2021); was due to the loss in the revaluation of the debenture after the valuation of the Li-Metal Share price using the first day of trading.

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 arising from 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 in connection with the warrants acceleration.
- Change in the fair value of convertible debentures - \$782,264 was due to the loss in the revaluation of the debenture after the valuation of the Li-Metal Share price using the first day of trading.

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- Research and Development \$ 742,995. The increase in cost reflects Li-Metal successfully expanded activities for lithium metal production and refining, sample anode production.
- Salaries and wages \$557,865. The increase was due to the team expansion to support Li-Metal's growth and achieve the targets set for 2023-2025.

## Changes in Accounting Policies including Initial Adoption

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

### **New standards and interpretations not yet adopted**

#### Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)

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

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

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

Property, Plant and Equipment ("IAS 16") was amended.

The amendments introduce new guidance, such that the proceeds from selling items before the related property, plant and equipment is available for its intended use can no longer be deducted from the cost. Instead, such proceeds are to be recognized in profit or loss, together with the costs of producing those items. The amendments are effective for annual periods beginning on January 1, 2022.

## 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

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assets is dependent on the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

The Company's financial instruments as of March 31, 2022, and December 31, 2020 are as follows:

|  | March 31, 2022       | December 31, 2020   |
|--|----------------------|---------------------|
| <b>Financial assets</b>                  |                      |                     |
| Cash and Cash equivalents                | \$ 23,162,453        | \$ 3,047,978        |
| <b>Total financial assets</b>            | <b>\$ 23,162,453</b> | <b>\$ 3,047,978</b> |
| <b>Financial liabilities</b>             |                      |                     |
| Accounts payable and accrued liabilities | \$ 447,412           | \$ 113,824          |
| Lease liabilities                        | 377,933              |                     |
| Government Assistance                    | 40,000               |                     |
| <b>Total financial liabilities</b>       | <b>\$ 865,345</b>    | <b>\$ 113,824</b>   |

Additional financial instruments disclosure, including an analysis of risks associated with financial instruments, is contained in Note 4 of the Company's audited consolidated financial statements for the fifteen months ended March 31, 2022 and the twelve months ended December 31 2020.

## Liquidity and Capital Resources

### (a) Liquidity

The Company's working capital as of March 31, 2022, was \$22,990,227 as compared to working capital of \$3,268,414 on December 31, 2020. Included in working capital was cash and cash equivalents of \$23,162,453 (December 31, 2020 - \$3,047,978).

The Company is in the early stages of operation and at present its operations do not generate cash flow. For the fifteen months ended March 31, 2022, the Company incurred a net loss of \$18,734,825 (twelve months ended September 31, 2020 - \$2,961,397) and accumulated deficit was \$22,325,993 (December 31, 2020 - \$3,633,539).

The Company completed the RTO transaction on October 25, 2021, and began trading on the Canadian Securities Exchange (CSE: LIM) on November 3, 2021. This transaction ensured The Company has sufficient financial resources to meet its financial obligations and keep driving its technological developmental efforts forward. Through the RTO transaction and exercise of its warrants, Li-Metal was able to continue build out and commission the pilot scale production facilities for lithium metal and lithium anodes.

Except as disclosed, the Company does not know of any trends, demands, commitments, events or uncertainties that will result in, or that are reasonably likely to result in, its liquidity either materially increasing or decreasing at present or in the foreseeable future. Material increases or decreases in liquidity are substantially determined by the success or failure of the Company's investigation and development programs and the Company's ability to raise additional capital as required.

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The Company is not now and does not expect in the future, to be engaged in currency hedging to offset any risk of currency fluctuations.

## (b) Capital Resources

The Company's focus for the recently completed fiscal period and going forward is the advancement and development of its research and development projects. The major expenses that will be incurred by the Company in the next twelve months will be costs associated with its development activities and general and administrative activities. The Company believe its current working capital is sufficient to maintain its core operations for the next twelve months, and additional funding will be required by the Company to complete its strategic and long-term objectives.

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

## (c) Off-Balance Sheet Arrangements

There are no off-balance sheet arrangements for Li-Metal.

## 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.

A summary of the Company's financial instruments risk exposure was provided in Note 4 of the Company's consolidated financial statements for the period ended March 31, 2022. 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



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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 certain 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.

***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 will have 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.

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***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, labour 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 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.

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## ***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 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.

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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 March 31, 2022, 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.

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## Outstanding Share Data (March 31st, 2022) <sup>(1)</sup>

| Shares Class A | Quarter ended<br>March 31, 2022 | Quarter ended<br>December 31, 2021 | Quarter ended<br>September 30, 2021 | Quarter ended<br>June 30, 2021 | Quarter ended<br>March 31, 2021 | Quarter ended<br>December 31, 2020 |
|----------------|---------------------------------|------------------------------------|-------------------------------------|--------------------------------|---------------------------------|------------------------------------|
| Open           | -                               | 4,000,000                          | 4,000,000                           | 4,000,000                      | 4,000,000                       | 4,000,000                          |
| Issued         | -                               | -                                  | -                                   | -                              | -                               | -                                  |
| Converted      | -                               | -                                  | -                                   | -                              | -                               | -                                  |
| Forfeited      | -                               | 4,000,000                          | -                                   | -                              | -                               | -                                  |
| <b>Close</b>   | -                               | -                                  | <b>4,000,000</b>                    | <b>4,000,000</b>               | <b>4,000,000</b>                | <b>4,000,000</b>                   |

| Shares Class B | Quarter ended<br>March 31, 2022 | Quarter ended<br>December 31, 2021 | Quarter ended<br>September 30, 2021 | Quarter ended<br>June 30, 2021 | Quarter ended<br>March 31, 2021 | Year ended<br>December 31, 2020 |
|----------------|---------------------------------|------------------------------------|-------------------------------------|--------------------------------|---------------------------------|---------------------------------|
| Open           | 154,760,616                     | 13,184,236                         | 12,924,112                          | 12,540,152                     | 12,540,152                      | 6,495,200                       |
| Issued         | 193,212                         | 92,662,856                         | 260,124                             | 383,960                        | -                               | 6,044,952                       |
| Converted      | -                               | 62,097,760                         | -                                   | -                              | -                               | -                               |
| Forfeited      | -                               | 13,184,236                         | -                                   | -                              | -                               | -                               |
| <b>Close</b>   | <b>154,953,828</b>              | <b>154,760,616</b>                 | <b>13,184,236</b>                   | <b>12,924,112</b>              | <b>12,540,152</b>               | <b>12,540,152</b>               |

| Warrants     | Quarter ended<br>March 31, 2021 | Quarter ended<br>December 31, 2021 | Quarter ended<br>September 30, 2021 | Quarter ended<br>June 30, 2021 | Quarter ended<br>March 31, 2021 | Quarter ended<br>December 31, 2020 |
|--------------|---------------------------------|------------------------------------|-------------------------------------|--------------------------------|---------------------------------|------------------------------------|
| Open         | -                               | -                                  | -                                   | -                              | -                               | -                                  |
| Issued       | -                               | 42,000,000                         | -                                   | -                              | -                               | -                                  |
| Exercised    | -                               | 42,000,000                         | -                                   | -                              | -                               | -                                  |
| Forfeited    | -                               | -                                  | -                                   | -                              | -                               | -                                  |
| <b>Close</b> | -                               | -                                  | -                                   | -                              | -                               | -                                  |

| Options      | Quarter ended<br>March 31, 2021 | Quarter ended<br>December 31, 2021 | Quarter ended<br>September 30, 2021 | Quarter ended<br>June 30, 2021 | Quarter ended<br>March 31, 2021 | Quarter ended<br>December 31, 2020 |
|--------------|---------------------------------|------------------------------------|-------------------------------------|--------------------------------|---------------------------------|------------------------------------|
| Open         | 10,305,604                      | 944,600                            | 944,600                             | 1,121,280                      | 1,121,280                       | -                                  |
| Issued       | 209,195                         | 5,954,000                          | -                                   | -                              | -                               | 1,121,280                          |
| Converted    | -                               | 3,504,464                          | -                                   | -                              | -                               | -                                  |
| Exercised    | 193,212                         | 97,460                             | -                                   | 176,680                        | -                               | -                                  |
| Forfeited    | -                               | -                                  | -                                   | -                              | -                               | -                                  |
| <b>Close</b> | <b>10,321,587</b>               | <b>10,305,604</b>                  | <b>944,600</b>                      | <b>944,600</b>                 | <b>1,121,280</b>                | <b>1,121,280</b>                   |

|                      |                    |                    |                   |                   |                   |                   |
|----------------------|--------------------|--------------------|-------------------|-------------------|-------------------|-------------------|
| <b>Fully Diluted</b> | <b>165,275,415</b> | <b>165,066,220</b> | <b>18,128,836</b> | <b>17,868,712</b> | <b>17,661,432</b> | <b>17,661,432</b> |
|----------------------|--------------------|--------------------|-------------------|-------------------|-------------------|-------------------|

(1) The share data was adjusted to reflect the split of its share capital on a four-for-one basis implemented on January 31, 2022.

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

- 154,953,828 issued and outstanding shares.
- 11,274,088 stock options outstanding, 8,913,388 of which are exercisable.

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## Capital Equipment

Li-Metal transitioned to a new location (Markham, ON) in Q4, 2022 to expand its internal R&D capability. The facility includes offices, process development space suitable for pilot scale operation of Li-Metal's lithium metal production process, and an advanced anode materials research lab (facility commissioned in November 2021) in to support the development efforts and bench scale R&D of lithium metal anodes. The Company also expanded its anode production capability by building a pilot scale lithium anode production facility in Rochester, NY; this facility is used to produce lithium anode samples for customers for product sampling and qualification. Various types of equipment were purchased or manufactured inhouse to support the Company's development and commercialization efforts. The equipment includes process vessels, heating equipment, equipment to maintain controlled environments, vacuum equipment, surface analysis equipment, battery performance testing tools, control systems, coating machines and other ancillary equipment to support its operations. As a result, the capital assets increased to \$2,618,049 as of March 31, 2022.

## Operating activities

Net cash used in operating activities totalled \$9,718,774 for fifteen months ending on March 31, 2022 compared to \$2,163,959 for twelve months ending on December 31, 2020. Increased net losses reflect a significant increase in research and development activities and the RTO transaction costs as noted above. Other operating costs were incurred as a result of supporting the development of the metal and anode technologies; including increased quantities of raw materials needed for piloting operation and setting up & commissioning of two new facilities (Rochester, NY and Markham, ON). Net-changes in non-cash working capital include payments on research agreements signed during FY 2022, deposits on anode production for customer orders, deposit paid for the new facility and additions to accounts payable.

## Investment activities

The Company incurred costs of \$2,973,867 for fifteen months ending on March 31, 2022 compared to \$266,067 for twelve months ending on December 31, 2020. The increase is due to progress payments made to design, manufacture, install and commission pilot scale anode production equipment, purchase of quality/performance specs testing to build further internal capability, upgrade of pilot scale metal production equipment and bench scale refining equipment to progress to the next stage of technology development.

# Li-Metal Corp. (formerly Eurotin Inc.)

## Financing activities

During the fifteen months ended March 31, 2022 the Company received \$ 32,807,116 compared to \$5,024,954 for twelve months ending on December 31, 2020 as a net cash proceeds provided by financing activities described in the Highlights section.

## Outlook

Although significant progress has been made in advancing Li-Metal's technologies to commercial readiness, additional investment is needed before they can be commercialized.

The anode products and production technologies should be considered a technology platform capable of satisfying the needs of a number of different next generation battery technologies. While the underlying technology is at a high level of maturity, investment is required to complete development and demonstration of full-scale production equipment. The Company is currently evaluating several options for implementing a full-scale anode production demonstration facility while it pursues anode piloting and sample production at its Rochester, NY pilot production plant, and metal production piloting at its Markham, ON facility.

On-going anode and metal production research and development activities, including piloting work and pilot-scale production are expected to require between \$5 - \$6M in expenditures over the next 12 months. With corporate and overhead expenses requiring \$5.5 – \$6.5M over the same period.

## Transactions with Related Parties

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

|                                    | <b>Fifteen Months Ended<br/>December 31<br/>2021</b> | <b>Year Ended<br/>December 31<br/>2020</b> |
|------------------------------------|--|--|
| Salaries and short-term employment | \$ 468,130   | \$ 96,500                                  |
| Consulting and professional fees   | 305,863  | 25,483                                     |
| Share-based compensation           | 825,153  | 752,751                                    |
| Share capital issued               | 157,865  | 327,911                                    |

## Financial Risk Management

The Company's activities expose it to financial risks: market risk specifically to cash flow and fair value interest rate risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of the financial market and seeks to minimize potential adverse effects on the Company's financial performance. The Company does not use derivative financial instruments to hedge these risks.

# Li-Metal Corp. (formerly Eurotin Inc.)

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## Commitments

- Li-Metal signed a 5-year lease contract with 1692317 Ontario Inc. for its head office and R&D center at Markham. The lease commenced on July 1, 2021, and will end on June 30, 2026 with option to extend if needed. The Lease liabilities and the right to use assets are described and disclosed in the Notes 4 and 8 of Li-Metal Consolidated Financial Statements.
- Li-Metal signed a 3-year lease contract with Kodak Realty Inc. for its pilot scale anode production facility in Rochester, NY. The lease commenced on August 1, 2021, and will end on November 30, 2024, with option to extend if needed. The Lease liabilities and the right to use assets are described and disclosed in the Notes 8 and 13 of Li-Metal Consolidated Financial Statements.
- On February 28, 2022 the Company entered into a Joint Development and Commercialization Agreement (“**JD/CA**”) with Blue Solutions, the largest producer of solid-state lithium metal batteries. The JD/CA commits both parties to joint development and commercialization of an ultra-thin anode product adapted for Blue Solutions’ battery technologies and based on Li-Metal’s anode production technology. The agreement grants certain non-exclusive preferential commercial rights to any new intellectual property developed during the course of the agreement.

## Significant Judgements and Sources of Estimation Uncertainty

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

### Critical Judgement in Applying Accounting Policies

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

### Key Sources of Estimation Uncertainty

#### 1) Stock-based compensation

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



# Li-Metal Corp. (formerly Eurotin Inc.)

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free rate of interest. Stock-based compensation incorporates an expected forfeiture rate and is estimated based on historical forfeitures and expectations of future forfeitures and is adjusted if the actual forfeiture rate differs from the expected rate.

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

## **2) Income taxes and deferred taxes**

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

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

## **3) Provisions and contingent liabilities**

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

## **4) Functional currency**

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

## **5) Going concern risk assessment**

The assessment of the Company's ability to continue as a going concern involves significant judgment. Refer to our discussion in Note 2 of the consolidated financial statements for the period ended March 31, 2022.

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## 6) Impairment of Assets

IAS 36 Impairment of Assets seeks to ensure that Li-Metal's assets or CGU are not carried at more than their recoverable amount (the higher of fair value less costs of disposal and value in use). The management have reviewed and evaluated the Internal and external Impairment indicators. There are not impairment indicators present as of March 31,2022. As of March 31,2022, the assets are currently at fair market value. The Management will continue reviewing the internal and external indicators in the regular basis to assess the fair value and will run Value in Use procedure once the design and qualification are finished and the Company will be able to complete a future cash flow.

## 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 March 31,2022 that Li-Metal Corp. is in the Research Cost stage and didn't achieve yet the Development stage.

## Forward Looking Statements

Certain of the statements made and information contained herein are considered "forward-looking information" within the meaning of the British Columbia Securities Act. 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, pertaining to the following: capital expenditure programs, development of resources, treatment under governmental and taxation regimes, expectations regarding the Company's ability to raise capital, expenditures to be made by the Company on its properties and work plans to be conducted by the Company. With respect to forward-looking statements listed above and contained in the MD&A, the Company has made assumptions regarding, among other things:

## Li-Metal Corp. (formerly Eurotin Inc.)

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- the impact of currency fluctuations in the United States of America;
- unpredictable changes to the market prices for energy, lithium and copper;
- research and development costs;
- availability of additional financing or joint-venture partners;
- anticipated results of research and development ; and
- the Company's ability to obtain additional financing on satisfactory terms.

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, uncertainty due to COVID-19, volatility in the market price for minerals; fluctuations in currencies and interest rates; incorrect assessments of the value of equipment acquisitions and or design; unanticipated results research and development activities; competition for, amongst other things, capital, and skilled personnel; lack of availability of additional financing and/or joint venture partners.

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.

### Subsequent Events

- On April 1, 2022, the Company granted to an employee 400,00 incentive stock Options exercisable at a price of \$1.31 per share for a period of five years, 133,333 Options vest in 33.3% instalments every 12 months, starting from the date of the grant.
- On April 4, 2022, the Company announced that it has been approved to trade in the United States on the OTC Pink Market (the "**OTC Pink**"), a U.S. trading platform that is operated by the OTC Markets Group in NY. The Company trades on the OTC Pink under the symbol "LIMFF".
- On April 12, 2022, the Company provided a corporate and operational update, indicating that the major equipment installation at Li-Metal's lithium metal pilot facility, located in Markham, Ontario, had been completed. and the plant achieved initial operating capability at the end of April 2022.
- On April 12, 2022, the Company announced that, having received independent legal advice, the marketing and investor relations contract with First Marketing GmbH ("**First Marketing**") concerning the provision of investor relations and marketing services in the German-speaking region (Germany, Austria and Switzerland) is terminated as of April 11, 2022. As a result, the final payment of €500,000 that was to be paid on April 1, 2022 will not be made.
- On April 12, 2022, the Company announced that it had signed a marketing agreement on April 11, 2022, retaining Hybrid Financial Ltd. ("**Hybrid**") to provide investor relations services to the Company. Hybrid has been engaged to heighten market and brand awareness for the Company and

## Li-Metal Corp. (formerly Eurotin Inc.)

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to broaden the Company's reach within the investment community both in Canada and the United States.

- On April 29, 2022, the Company announced that it had been granted \$1.9 million, as part of a \$5.1 million joint project with Blue Solutions, awarded by Next Generation Manufacturing Canada (NGen), an industry-led organization supporting advanced manufacturing in Canada, to develop the Company's lithium metal anode technologies.
- On May 2, 2022, the Company granted to an employee 200,000 incentive stock options exercisable at a price of \$0.96 per share for a period of five years, 50,000 Options vest in 25% instalments every 12 months, starting from the date of the grant.
- On May 2, 2022, the Company granted to a consultant 400,00 incentive stock options exercisable at a price of \$1.00 per share for a period of five years, 200,000 Options vest in 50% instalments every 12 months, starting from the date of the grant.
- On May 6, 2022, 60,000 incentive stock options granted to an employee exercisable at a price of \$0.31 were cancelled.
- On June 30, 2022, the Company granted to an employee 4,500 incentive stock options exercisable at a price of \$0.62 per share for a period of five years, 1,500 Options vest in 33.33% instalments every 12 months, starting from the date of the grant.
- On July 14, 2022, the Company granted to two employees a total of 8,000 incentive stock options exercisable at a price of \$0.72 per share for a period of five years, 2,666 Options will vest in 12 and 24 months, and 2,668 will vest in 36 months starting from the date of the grant.

**SCHEDULE D**  
**AUDIT COMMITTEE CHARTER**  
*[SEE ATTACHED]*

## **Audit Committee Charter**

**LI-METAL CORP.**

**(The “Company”)**

### **CHARTER OF THE AUDIT COMMITTEE**

#### **1. Purpose**

The Audit Committee (the “Audit Committee”) is a committee of directors appointed by the Board of Directors of the Company (the “Board”). The Audit Committee’s mandate is to provide assistance to the Board in fulfilling its financial reporting and control responsibility to the shareholders and the investment community. The Committee is, however, independent of the Board and the Company and in carrying out their role shall have the ability to determine its own agenda and any additional activities that the Audit Committee shall carry out.

#### **2. Composition**

The Committee will be comprised of at least three directors of the Company, all of whom, subject to any exemptions set out in Multilateral Instrument 52-110 *Audit Committees* (“MI 52-110”) will be independent and financially literate. In addition, at least one member of the Audit Committee shall have accounting or related financial expertise as such qualifications are interpreted by the Board. An “independent” director is a director who has no direct or indirect material relationship with the Company. A “material relationship” is a relationship which could, in the view of the Board of Directors, be reasonably expected to interfere with the exercise of the director’s independent judgement or a relationship deemed to be a material relationship pursuant to Sections 1.4 and 1.5 of MI 52-110, as set out in Appendix “A” hereto. A “financially literate” director is a director who has the ability to read and understand a set of financial instruments that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the financial statements of the Company.

#### **3. Responsibilities**

Responsibilities of the Audit Committee generally include, but are not limited to, the undertaking of the following tasks:

- Selecting and determining the compensation of the external auditors, subject to approval of the shareholders of the Company, to be nominated for the purpose of preparing or issuing an auditor’s report or performing other audit, review or attest services for the Company. In making such determination and recommendation to the shareholders, the Audit Committee will:
  - confirm the independence of the auditors and report to the Board its conclusions on the independence of the auditors and the basis for these conclusions;
  - meet with the auditors and financial management to review the scope of the proposed audit for the current year, and the audit procedures to be used; and
  - obtain from the external auditors confirmation that they are participants in good standing in the Canadian Public Accountability Board oversight program and, if applicable, in compliance with the provisions of the Sarbanes-Oxley Act of 2002

(U.S.) and other legal or regulatory requirements with respect to the audit of the financial statements of the Company.

- Overseeing the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Company, including the resolution of disagreements between management and the external auditor regarding financial reporting. In overseeing such work, the Audit Committee will:
  - review with the external auditors any audit problems or difficulties and management's response;
  - at least annually obtain and review a report prepared by the external auditors describing (i) the auditors' internal quality-control procedures; and (ii) any material issues raised by the most recent internal quality-control review, or peer review, of the auditors, and reviewing any steps taken to deal with such issues;
  - serve as an independent and objective party to monitor the Company's financial reporting process and internal control system and overseeing management's reporting on internal control;
  - provide open lines of communication among the external auditors, financial and senior management, and the Board for financial reporting and control matters;
  - make inquires of management and the external auditors to identify significant business, political, financial and control risks and exposures and assess the steps management has taken to minimize such risks to the Company;
  - establish procedures to ensure that the Audit Committee meets with the external auditors on a regular basis in the absence of management;
  - ensure that the external auditors prepare and deliver annually a detailed report covering (i) critical accounting policies and practices to be used; (ii) material alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the external auditors; (iii) other material written communications between the external auditors and management such as any management letter or schedule of unadjusted differences; and (iv) such other aspects as may be required by the Audit Committee or legal or regulatory requirements;
- consider any reports or communications (and management's responses thereto) submitted to the Audit Committee by the external auditors, including reports and communications related to:
  - deficiencies noted following the audit of the design and operation of internal controls;
  - consideration of fraud in the audit of the financial statement;
  - detection of illegal acts;
  - the external auditors responsibility under generally accepted auditing standards;
  - significant accounting policies;

- management judgements and accounting estimates;
  - adjustments arising from the audit;
  - the responsibility of the external auditors for other information in documents containing audited financial statements;
  - disagreements with management;
  - consultation by management with other accountants;
  - major issues discussed with management prior to retention of the external auditors;
  - difficulties encountered with management in performing the audit;
  - the external auditors judgements about the quality of the entity's accounting principles; and
  - any reviews of unaudited interim financial information conducted by the external auditors;
  - review the form of opinion the external auditors propose to render to the Audit Committee, the Board and shareholders; and
  - discuss significant changes to the Company's auditing and accounting principles, policies, controls, procedures and practices proposed or contemplated by the external auditors or management, and the financial impact thereof.
- Pre-approving all non-audit services to be provided to the Company or its subsidiaries by the Company's external auditor, subject to any exemptions set out in MI 52-110. Notwithstanding the pre-approval process, the Audit Committee will ensure that the external auditors are prohibited from providing the following non-audit services and will determine which other non-audit services the external auditors are prohibited from providing:
    - bookkeeping or other services related to the accounting records or financial statements of the Company;
    - financial information systems design and implementation;
    - appraisal or valuation services, fairness opinions, or contribution-in-kind reports;
    - actuarial services;
    - internal audit outsourcing services;
    - management functions or human resources;
    - broker, dealer, investment adviser or investment banking services;
    - legal services and expert services unrelated to the audit; and
    - any other service that the Audit Committee determines to be impermissible.



- Ensuring that the external auditors submit annually to the Company and the Audit Committee a formal written statement of the fees billed for each of the following categories of services rendered by the external auditors: (i) the audit of the Company's annual financial statements for the most recent fiscal year and, if applicable, the reviews of the financial statements included in the Company's Quarterly Reports for that fiscal year; and (ii) all other services rendered by the external auditors for the most recent fiscal year, in the aggregate and by each service.
- Reviewing the Company's financial statements, Management's Discussion and Analysis and annual and interim earnings press releases before the Company publicly discloses the information. In connection with such review, the Audit Committee will ensure that:
  - management has reviewed the financial statements with the Audit Committee, including significant judgments affecting the financial statements;
  - the members of the Audit Committee have discussed among themselves, without management or the external auditors present, the information disclosed to the Audit Committee; and
  - the Audit Committee has received the assurance of both financial management and the external auditors that the Company's financial statements are fairly presented in conformity with Canadian GAAP in all material respects.
- Ensuring that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements, other than the public disclosure referred to above, and periodically assessing the adequacy of those procedures.
- Reviewing, evaluating and monitoring any risk management program implemented by the Company, including any revenue protection program. This function should include:
  - risk assessment;
  - quantification of exposure;
  - risk mitigation measures; and
  - risk reporting.
- Reviewing the adequacy of the resources of the finance and accounting group, along with its development and succession plans.
- Establishing procedures for:
  - the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and
  - the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.
- Reviewing and approving the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the Company.
- Annually reviewing and revising this Charter as necessary with the approval of the Board and the text relating to this Charter which is required to appear in the Annual Information

Form of the Company, as more specifically set out in Form 52-110FI *Audit Committee Information Required in an AIF*.

- Reviewing and assessing the adequacy of the Code of Business Conduct and Ethics governing the officers, directors and employees of the Company and the Code of Ethics governing Financial Reporting Officers at least annually or otherwise, as it deems appropriate, and propose recommended changes to the Board.
- Reporting its activities to the Board on a regular basis and making such recommendations with respect to the above and other matters as the Audit Committee may deem necessary or appropriate.
- Reviewing and discussing with management, and approving all related party transactions.

#### 4. Authority

The Audit Committee has the authority to:

- Engage independent counsel and other advisors as the Audit Committee determines necessary to carry out its duties;
- Set and pay the compensation for any advisors employed by the Audit Committee, in accordance with applicable corporate statutes; and
- Communicate directly with the external auditors.

#### 5. Administrative Procedures

- The Audit Committee will meet regularly and whenever necessary to perform the duties described above in a timely manner, but not less than four times a year. Meetings may be held at any time deemed appropriate by the Audit Committee and by means of conference call or similar communications equipment by means of which all persons participating in the meeting can hear each other.
- A quorum for the transaction of business at any meeting of the Committee shall be a majority of the number of members of the Committee or such greater number as the Committee shall by resolution determine.
- Meetings of the shall be held from time to time as the Committee or the Chairman shall determine upon 48 hours notice to each of its members. The notice period may be waived by a quorum of the Committee.
- At the discretion of the Audit Committee, meetings may be held with representatives of the external auditors and appropriate members of management.
- The external auditors will have direct access to the Audit Committee at their own initiative.
- The Chairman of the Audit Committee will report periodically to the Board.

## Appendix "A"

### Multilateral Instrument 52-110 *Audit Committees* ("MI 52-110")

#### Meaning of Independence (section 1.4 of MI 52-110):

1. An audit committee member is independent if he or she has no direct or indirect material relationship with the issuer.
2. For the purposes of subsection (1), a "material relationship" is a relationship which could, in the view of the issuer's board of directors, be reasonably expected to interfere with the exercise of a member's independent judgment.
3. Despite subsection (2), the following individuals are considered to have a material relationship with an issuer:
  - (a) an individual who is, or has been within the last three years, an employee or executive officer of the issuer;
  - (b) an individual whose immediate family member is, or has been within the last three years, an executive officer of the issuer;
  - (c) an individual who:
    - (i) is a partner of a firm that is the issuer's internal or external auditor,
    - (ii) is an employee of that firm, or
    - (iii) was within the last three years a partner or employee of that firm and personally worked on the issuer's audit within that time;
  - (d) an individual whose spouse, minor child or stepchild, or child or stepchild who shares a home with the individual:
    - (i) is a partner of a firm that is the issuer's internal or external auditor,
    - (ii) is an employee of that firm and participates in its audit, assurance or tax compliance (but not tax planning) practice, or
    - (iii) was within the last three years a partner or employee of that firm and personally worked on the issuer's audit within that time;
  - (e) an individual who, or whose immediate family member, is or has been within the last three years, an executive officer of an entity if any of the issuer's current executive officers serves or served at that same time on the entity's compensation committee; and
  - (f) an individual who received, or whose immediate family member who is employed as an executive officer of the issuer received, more than \$75,000 in direct compensation from the issuer during any 12 month period within the last three years.
4. Despite subsection (3), an individual will not be considered to have a material relationship with the issuer solely because

- (a) he or she had a relationship identified in subsection (3) if that relationship ended before March 30, 2004; or
  - (b) he or she had a relationship identified in subsection (3) by virtue of subsection (8) if that relationship ended before June 30, 2005.
5. For the purposes of clauses (3)(c) and (3)(d), a partner does not include a fixed income partner whose interest in the firm that is the internal or external auditor is limited to the receipt of fixed amounts of compensation (including deferred compensation) for prior service with that firm if the compensation is not contingent in any way on continued service.
6. For the purposes of clause (3)(f), direct compensation does not include:
- (a) remuneration for acting as a member of the board of directors or of any board committee of the issuer, and
  - (b) the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the issuer if the compensation is not contingent in any way on continued service.
7. Despite subsection (3), an individual will not be considered to have a material relationship with the issuer solely because the individual or his or her immediate family member
- (a) has previously acted as an interim chief executive officer of the issuer, or
  - (b) acts, or has previously acted, as a chair or vice-chair of the board of directors or of any board committee of the issuer on a part-time basis.
8. For the purpose of section 1.4, an issuer includes a subsidiary entity of the issuer and a parent of the issuer.

**Additional Independence Requirements for Audit Committee Members (section 1.5 of MI 52-110):**

1. Despite any determination made under section 1.4 of MI 52-110, an individual who
- (a) accepts, directly or indirectly, any consulting, advisory or other compensatory fee from the issuer or any subsidiary entity of the issuer, other than as remuneration for acting in his or her capacity as a member of the board of directors or any board committee, or as a part-time chair or vice-chair of the board or any board committee; or
  - (b) is an affiliated entity of the issuer or any of its subsidiary entities, is considered to have a material relationship with the issuer.
2. For the purposes of subsection (1), the indirect acceptance by an individual of any consulting, advisory or other compensatory fee includes acceptance of a fee by
- (a) an individual's spouse, minor child or stepchild, or a child or stepchild who shares the individual's home; or
  - (b) an entity in which such individual is a partner, member, an officer such as a managing director occupying a comparable position or executive officer, or occupies a similar position (except limited partners, non-managing members and those occupying similar positions who, in each case, have no active role in providing services to the entity) and

which provides accounting, consulting, legal, investment banking or financial advisory services to the issuer or any subsidiary entity of the issuer.

3. For the purposes of subsection (1), compensatory fees do not include the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the issuer if the compensation is not contingent in any way on continued service.

**SCHEDULE E**  
**EQUITY INCENTIVE PLAN**  
*[SEE ATTACHED]*

## New Equity Compensation Plan

### LI-METAL CORP.

#### 1. PURPOSE; ELIGIBILITY.

##### 1.1 General Purpose.

The name of this plan is the Li-Metal Corp. Equity Incentive Plan (the “**Plan**”). The purposes of the Plan are to (a) enable Li-Metal Corp., an Ontario corporation (the “**Company**”), and any Affiliate to attract and retain the types of Employees, Consultants and Directors who will contribute to the Company’s long term success, (b) provide incentives that align the interests of Employees, Consultants and Directors with those of the security holders of the Company, and (c) promote the success of the Company’s business.

##### 1.2 Eligible Award Recipients.

The persons eligible to receive Awards are the Employees, Consultants and Directors of the Company and its Affiliates and such other individuals designated by the Committee who are reasonably expected to become Employees, Consultants and Directors after the receipt of Awards.

##### 1.3 Available Awards.

Options may be granted under the Plan.

#### 2. DEFINITIONS.

“**Affiliate**” means any entity that is an “affiliate” for the purposes of National Instrument 45-106 - Prospectus Exemptions, as amended from time to time.

“**Applicable Laws**” means the applicable laws and regulations and the requirements or policies of any governmental or regulatory authority, securities commission or stock exchange having authority over the Company or the Plan.

“**Applicable Withholding Taxes**” means any and all taxes and other source deductions or other amounts that an Employer is required by law to withhold from any amounts to be paid or credited hereunder. Applicable Withholding Taxes shall be denominated in the currency in which the Award is denominated.

“**Award**” means any Option, Deferred Share Units (or DSUs), Performance Share Units (or PSUs), Restricted Share Units (or RSUs) and Stock Appreciation Rights (or SARs) granted under the Plan.

“**Award Agreement**” means a written agreement, contract, certificate or other instrument or document evidencing the terms and conditions of an individual Award granted under the Plan that may, in the discretion of the Company, be transmitted electronically to any Participant. Each Award Agreement shall be subject to the terms and conditions of the Plan.

“**Bank of Canada Rate**” means the exchange rate for the applicable currency published by the Bank of Canada on the relevant date.

“**Beneficial Owner**” means any Person who, directly or indirectly, through a contract or other arrangement, has (or shares in) the rights to securities that typically occur with the ownership of securities, such as voting, dividend, distribution or transfer rights. A person or entity may be the beneficial owner of a security even though title to the security may be in another name (commonly referred to as securities held in street form). More than one Person or Persons can be the beneficial

owner of a single security. A Person is an indirect beneficial owner of securities if the securities are owned through a corporation, affiliated corporation, a trust of which the Person is a beneficial owner or some other legal entity. A Person will be deemed to beneficially own securities that are owned by a corporation controlled by the Person or an Affiliate of such corporation. The terms “Beneficially Owns” and “Beneficially Owned” have a corresponding meaning.

“**Beneficiary**” means, subject to applicable law, any Person designated by a Participant by written instrument filed with the Company, in such form as may be approved from time to time by the Company, to receive the benefits under this Plan in the event of a Participant’s death or, failing any such effective designation, the Participant’s estate.

“**Blackout Period**” means, with respect to any person, the period of time when, pursuant to any policies or determinations of the Company, securities of the Company may not be traded by such person, including any period when such person has material undisclosed information with respect to the Company, but excluding any period during which a regulator has halted trading in the Company’s securities.

“**Board**” means the Board of Directors of the Company, as constituted at any time.

“**Business Day**” means any day other than a Saturday, Sunday or any other day on which the principal chartered banks located in Toronto, Ontario or the Canadian Securities Exchange are not open for business.

“**Cause**” means:

With respect to any Participant, unless the applicable Award Agreement states otherwise:

- (a) if the Participant is a party to an employment or service agreement with the Company or its Affiliates and such agreement provides for a definition of Cause, the definition contained therein; or
- (b) if no such agreement exists, or if such agreement does not define Cause, any act or omission that would entitle the Company to terminate the Participant’s employment without notice or compensation under the common law for just cause, including, without in any way limiting its meaning under the common law: (i) the indictment for or conviction of an indictable offence or any summary offence involving material dishonesty or moral turpitude; (ii) material fiduciary breach with respect to the Company or an Affiliate; (iii) fraud, embezzlement or similar conduct that results in or is reasonably likely to result in harm to the reputation or business of the Company or any of its Affiliates; (iv) gross negligence or willful misconduct with respect to the Company or an Affiliate; (v) material violation of Applicable Laws; or (vi) the willful failure of the Participant to properly carry out their duties on behalf of the Company or to act in accordance with the reasonable direction of the Company.

With respect to any Director, unless the applicable Award Agreement states otherwise, a determination by a majority of the disinterested Board members that the Director has engaged in any of the following:

- (a) gross misconduct or neglect;
- (b) willful conversion of corporate funds;
- (c) false or fraudulent misrepresentation inducing the director’s appointment;
- (d) repeated failure to participate in Board meetings on a regular basis despite having received proper notice of the meetings in advance.

The Committee, in its absolute discretion, shall determine the effect of all matters and questions relating to whether a Participant has been discharged for Cause.



**“Change in Control”** means, unless otherwise defined in the Participant’s employment or service agreement or in the applicable Award Agreement, the occurrence of any of the following:

- (a) any transaction at any time and by whatever means pursuant to which any Person or any group of two or more Persons acting jointly or in concert (other than the Company or any wholly owned subsidiary of the Company) thereafter acquires the direct or indirect “beneficial ownership” (as defined in the *Business Corporations Act* (Ontario)) of, or acquires the right to exercise control or direction over, securities of the Company representing 50% or more of the then issued and outstanding voting securities of the Company in any manner whatsoever, including, without limitation, as a result of a Take-over Bid, an issuance or exchange of securities, an amalgamation of the Company with any other Person, an arrangement, a capital reorganization or any other business combination or reorganization;
- (b) the sale, assignment or other transfer of all or substantially all of the assets of the Company to a Person or any group of two or more Persons acting jointly or in concert (other than a wholly-owned subsidiary of the Company);
- (c) the date which is 10 business days prior to the consummation of a complete dissolution or liquidation of the Company, except in connection with the distribution of assets of the Company to one or more Persons which were wholly-owned subsidiaries of the Company prior to such event;
- (d) the occurrence of a transaction requiring approval of the Company’s security holders whereby the Company is acquired through consolidation, merger, exchange of securities, purchase of assets, amalgamation, statutory arrangement or otherwise by any Person or any group of two or more Persons acting jointly or in concert (other than an exchange of securities with a wholly-owned subsidiary of the Company);
- (e) the Board passes a resolution to the effect that an event comparable to an event set forth in this definition has occurred; or
- (f) a majority of the members of the Board are replaced during any 12-month period by directors whose appointment or election is not endorsed by a majority of the Board before the date of appointment or election;

*provided that* an event described in this definition shall not constitute a Change in Control where such event occurs as a result of a Permitted Reorganization.

**“Clawback Policy”** has the meaning ascribed thereto in Section 13.2.

**“Committee”** means a committee of one or more members of the Board appointed by the Board to administer the Plan in accordance with Section 3.3 and Section 3.4; provided, however, if such a committee does not exist, all references in the Plan to “Committee” shall at such time be in reference to the Board.

**“Common Share”** means a common share in the capital of the Company, or such other security of the Company as may be designated by the Committee from time to time in substitution thereof.

**“Company”** means Li-Metal Corp., and any successor thereto.

**“Company Group”** means the Company and its subsidiaries and Affiliates.

**“Constructive Dismissal”**, unless otherwise defined in the Participant’s employment agreement or in the applicable Award Agreement, has the meaning ascribed thereto pursuant to the common law and shall include, without in any way limiting its meaning under the common law, any material

change (other than a change that is clearly consistent with a promotion) imposed by the Employer without the Participant's consent to the Participant's title, responsibilities or reporting relationships, or a material reduction of the Participant's compensation except where such reduction is applicable to all officers, if the Participant is an officer, or all employees, if the Participant is an employee of the Employer; *provided that* the termination of any Participant shall be considered to arise as a result of Constructive Dismissal only if such termination occurs due to such Participant resigning from employment within 30 days of the occurrence of the event described as giving rise to such Constructive Dismissal.

**"Consultant"** means any individual or entity engaged by the Company or any Affiliate to render consulting or advisory services, other than as an Employee or Director, and whether or not compensated for such services.

**"Continuing Entity"** has the meaning ascribed thereto in Section 11.2.

**"Continuous Service"** means that the Participant's service with the Company or an Affiliate, whether as an Employee, Consultant or Director, is not interrupted or terminated. The Participant's Continuous Service shall not be deemed to have terminated merely because of a change in the capacity in which the Participant renders service to the Company or an Affiliate as an Employee, Consultant or Director, or a change in the entity for which the Participant renders such service; *provided that* there is no interruption or termination of the Participant's Continuous Service. For example, a change in status from an Employee of the Company to a Director of an Affiliate will not constitute an interruption of Continuous Service. The Committee or its delegate, in its sole discretion, may determine whether Continuous Service shall be considered interrupted in the case of any leave of absence approved by that party, including sick leave, military leave or any other personal or family leave of absence other than a Leave of Absence that is not considered a termination pursuant to Section 9.4. The Committee or its delegate, in its sole discretion, may determine whether a Company transaction, such as a sale or spin-off of a division or subsidiary that employs a Participant, shall be deemed to result in a Termination of Continuous Service for purposes of affected Awards, and such decision shall be final, conclusive and binding.

**"Control Period"** means the period commencing on the date of the Change in Control and ending 180 days after the date of the Change in Control.

**"Deferred Share Unit"** or **"DSU"** means a right granted to a Participant by the Company as compensation for employment or consulting services or services as a Director or officer, to receive, for no additional cash consideration, securities of the Company on a deferred basis (which is typically after the earliest of the retirement, termination of employment or death of the Participant), and which may provide that, upon vesting, the award may be paid in cash or Common Shares.

**"Director"** means a member of the Board.

**"Disability"** means, unless an employment agreement or the applicable Award Agreement provides otherwise, that the Participant:

- (a) is to a substantial degree unable, due to illness, disease, affliction, mental or physical disability or similar cause, to fulfill their obligations as an officer or Employee of the Employer either for any consecutive 12-month period or for any period of 18 months (whether or not consecutive) in any consecutive 24-month period; or
- (b) is declared by a court of competent jurisdiction to be mentally incompetent or incapable of managing their affairs.

The determination of whether an individual has a Disability shall be determined under procedures established by the Committee. The Committee may rely on any determination that a Participant is

disabled for purposes of benefits under any long-term disability plan maintained by the Company or any Affiliate in which a Participant participates.

**“Effective Date”** shall mean the date as of which this Plan is adopted by the Board.

**“Eligible Person”** means any Director, officer, Employee or Consultant of the Company or any of its Affiliates.

**“Employee”** means any person, including an officer or Director, employed by the Company or an Affiliate. Mere service as a Director or payment of a director’s fee by the Company or an Affiliate shall not be sufficient to constitute “employment” by the Company or an Affiliate.

**“Employer”** means, with respect to an Employee, the entity in the Company Group that employs the Employee or that employed the Employee immediately prior to their Termination of Continuous Service.

**“Exchange”** means the Canadian Securities Exchange.

**“Expiry Date”** has the meaning ascribed thereto in Section 6.2.

**“Fair Market Value”** means, as of any particular date, the value of the Common Shares as determined by the Committee in accordance with the following: (a) if the Common Shares are listed on the Exchange, the Fair Market Value shall be the greater of the closing market prices of the underlying securities on (i) the trading day prior to the date of grant of the stock options; and (ii) the date of grant of the stock options; provided, however, that (b) if the Common Shares are not then listed and posted for trading on the Exchange, then the Fair Market Value shall mean the weighted average trading price of a Common Share on such stock exchange in Canada or the United States on which the Common Shares are then listed and posted for trading during the last five trading days prior to that particular date (and, if in United States dollars, converted to Canadian dollars using the Bank of Canada Rate); or (c) if the Common Shares are not then listed and posted for trading on any stock exchange in Canada or the United States, then the Fair Market Value shall mean the fair market value per Common Share (in Canadian dollars) as determined in good faith by the Committee in its sole discretion, and such determination shall be conclusive and binding on all persons.

**“Fiscal Year”** means the Company’s fiscal year.

**“Grant Date”** means the date on which the Committee adopts a resolution, or takes other appropriate action, expressly granting an Award to a Participant that specifies the key terms and conditions of the Award or, if a later date is set forth in such resolution, then such date as is set forth in such resolution.

**“Insider”** means “reporting insiders” as defined in National Instrument 55-104 – Insider Reporting Requirements and Exemptions.

**“Investor Relations Activities”** has the meaning ascribed thereto in the Exchange Policy 1 Interpretation and General Provisions.

**“ITA”** means the *Income Tax Act* (Canada), including the regulations promulgated thereunder, as amended from time to time.

**“Leave of Absence”** means any period during which, pursuant to the prior written approval of the Participant’s Employer or by reason of Disability, the Participant is considered to be on an approved leave of absence or on Disability and does not provide any services to their Employer or any other entity in the Company Group.

**“Notice of Exercise”** means a notice substantially in the form set out as an attachment to the Award Agreement or as stipulated by the Company from time to time.

**“NSO Approved Grants”** means Awards other than Stock Options.

**“Option”** means a Stock Option granted to a Participant pursuant to the Plan.

**“Option Exercise Price”** means the price at which a Common Share may be purchased upon the exercise of an Option.

**“Optionholder”** means a Participant to whom an Option is granted pursuant to the Plan or, if applicable, such other Person who holds an outstanding Option in accordance with this Plan.

**“Participant”** means an Eligible Person to whom an Award is granted pursuant to the Plan or, if applicable, such other Person who holds an outstanding Award in accordance with this Plan.

**“Participant Information”** has the meaning set forth in Section 13.15(a).

**“Performance Share Unit”** or **“PSU”** means a right granted to a Participant by the Company as compensation for employment or consulting services or services as a Director or officer, to receive, for no additional cash consideration, securities of the Company upon specified vesting criteria being satisfied (which are typically performance based) and which may provide that, upon vesting, the award may be paid in cash or Common Shares.

**“Permitted Reorganization”** means a reorganization of the Company Group in circumstances where the shareholdings or ultimate ownership remains substantially the same upon the completion of the reorganization.

**“Person”** means any individual, sole proprietorship, partnership, firm, entity, unincorporated association, unincorporated syndicate, unincorporated organization, trust, body corporate, agency and, where the context requires, any of the foregoing when they are acting as trustee, executor, administrator or other legal representative.

**“Plan”** means this Li-Metal Corp. Stock Option Plan, as amended and/or amended and restated from time to time.

**“Retirement”** or **“Retire”** means, unless otherwise defined in the Participant’s employment agreement, executive agreement or in the applicable Award Agreement, the normal retirement age of the Participant pursuant to the applicable regulations of the jurisdiction of their employment or such earlier retirement age, with consent of the Employer, if applicable.

**“Restricted Share Unit”** or **“RSU”** means a right granted to a Participant by the Company as compensation for employment or consulting services or services as a Director or Officer, to receive, for no additional cash consideration, securities of the Company upon specified vesting criteria being satisfied (which are typically time based) and which may provide that, upon vesting, the award may be paid in cash or Common Shares.

**“Sale”** means the sale of all or substantially all of the assets of the Company as an entirety or substantially as an entirety to any person or entity (other than a wholly owned subsidiary of the Company) under circumstances such that, following the completion of such sale, the Company will cease to carry on an active business, either directly or indirectly through one or more subsidiaries.

**“Stock Appreciation Right”** or **“SAR”** means a right granted to a Participant by the Company as compensation for employment or consulting services or services as a Director or Officer, to receive

cash or Common Shares based wholly or in part on appreciation in the trading price of the Common Shares.

“**Stock Option**” means an Option that is designated by the Committee as a stock option that meets the requirements set out in the Plan.

“**Subsidiary**” means any entity that is a “subsidiary” for the purposes of National Instrument 45-106 - Prospectus Exemptions, as amended from time to time.

“**Substitute Awards**” has the meaning set forth in Section 4.4.

“**Substitution Event**” means a Change in Control pursuant to which the Common Shares are converted into, or exchanged for, other property, whether in the form of securities of another Person, cash or otherwise.

“**Take-over Bid**” means a take-over bid as defined in National Instrument 62-104 –Take-over Bids and Issuer Bids, as amended from time to time.

“**Termination of Continuous Service**” means the date on which a Participant ceases to be an Eligible Person as a result of a termination of employment or retention with the Company or an Affiliate for any reason, including death, retirement, or resignation with or without cause. For the purposes of the Plan, a Participant’s employment or retention with the Company or an Affiliate shall be considered to have terminated effective on the last day of the Participant’s actual and active employment or retention with the Company or Affiliate, whether such day is selected by agreement with the individual, or unilaterally by the Participant or the Company or Affiliate, and whether with or without advance notice to the Participant. For the avoidance of doubt, and except as required by applicable employment standards legislation, no period of notice or pay in lieu of notice that is given or that ought to have been given under applicable law in respect of such termination of employment or retention that follows or is in respect of a period after the Participant’s last day of actual and active employment or retention shall be considered as extending the Participant’s period of employment or retention for the purposes of determining their entitlement under the Plan. A Participant’s transfer of employment to another Employer within the Company Group will not be considered a Termination of Continuous Service.

“**Total Share Reserve**” has the meaning set forth in Section 4.1.

“**Vesting Date**” means the date or dates set out in the Award Agreement on which an Award will vest, or such earlier date as is provided for in the Plan or is determined by the Committee.

### 3. ADMINISTRATION.

#### 3.1 Authority of Committee.

The Plan shall be administered by the Committee or, in the Board’s sole discretion, by the Board. Subject to the terms of the Plan, the Committee’s charter and Applicable Laws, and in addition to other express powers and authorization conferred by the Plan, the Committee shall have the authority:

- (a) to construe and interpret the Plan and apply its provisions;
- (b) to promulgate, amend, and rescind rules and regulations relating to the administration of the Plan;
- (c) to authorize any person to execute, on behalf of the Company, any instrument required to carry out the purposes of the Plan;
- (d) to determine when Awards are to be granted under the Plan and the applicable Grant Date;

- (e) from time to time to select, subject to the limitations set forth in this Plan, to determine those Participants to whom Awards shall be granted;
- (f) to determine the number of Common Shares to be made subject to each Award;
- (g) to prescribe the terms and conditions of each Award, including, without limitation, the exercise price and medium of payment and vesting provisions, and to specify the provisions of the Award Agreement relating to such grant;
- (h) to amend any outstanding Awards, including for the purpose of modifying the time or manner of vesting, or the term of any outstanding Award; provided, however, that if any such amendment impairs a Participant's rights or increases a Participant's obligations under their Award or creates or increases a Participant's income tax liability with respect to an Award, such amendment shall also be subject to the Participant's consent;
- (i) to determine the duration and purpose of leaves of absences that may be granted to a Participant without constituting termination of their employment for purposes of the Plan, which periods shall be no shorter than the periods generally applicable to Employees under the Company's employment policies;
- (j) to make decisions with respect to outstanding Awards that may become necessary upon a change in control or an event that triggers anti-dilution adjustments;
- (k) to interpret, administer, reconcile any inconsistency, correct any defect and/or supply any omission in the Plan and any instrument or agreement relating to, or Award granted under, the Plan;
- (l) subject to Applicable Laws, to delegate to any Director or Employee such duties and powers relating to the Plan as it may see fit;
- (m) to seek recommendations from the Chairman or from the Chief Executive Officer of the Company;
- (n) to appoint or engage a trustee, custodian or administrator to administer or implement the Plan; and
- (o) to exercise discretion to make any and all other determinations that it determines to be necessary or advisable for the administration of the Plan.

The Committee also may modify the purchase price or the exercise price of any outstanding Award; *provided that* if the modification effects a repricing, security holder approval shall be required before the repricing is effective.

### **3.2 Committee Decisions Final.**

All decisions made by the Committee pursuant to the provisions of the Plan shall be conclusive and binding on the Company and the Participants.

### **3.3 Delegation.**

The Committee or, if no Committee has been appointed, the Board, may delegate administration of the Plan to a committee or committees of one or more members of the Board, and the term "Committee" shall apply to any person or persons to whom such authority has been delegated. The Committee shall have the power to delegate to a subcommittee any of the administrative powers the Committee is authorized to exercise (and references in this Plan to the Board or the Committee shall thereafter be to the committee or subcommittee), subject, however, to such resolutions, not inconsistent with the provisions of the Plan, as may be adopted from time to time by the Board. The Board may abolish the Committee at any time and re-vest in the Board the administration of the Plan. The members of the

Committee shall be appointed by and serve at the pleasure of the Board. From time to time, the Board may increase or decrease the size of the Committee, add additional members to, remove members (with or without cause) from, appoint new members in substitution therefor, and fill vacancies, however caused, in the Committee. The Committee shall act pursuant to a vote of the majority of its members or, in the case of a Committee comprised of only two members, the unanimous consent of its members, whether present or not, or by the written consent of the majority of its members, and minutes shall be kept of all of its meetings and copies thereof shall be provided to the Board. Subject to the limitations prescribed by the Plan and the Board, the Committee may establish and follow such rules and regulations for the conduct of its business as it may determine to be advisable.

**3.4 Committee Composition.**

Except as otherwise determined by the Board, the Committee shall consist solely of two or more non-Employee Directors. Within the scope of such authority, the Board or the Committee may delegate to a committee of one or more members of the Board who are not non-Employee Directors the authority to grant Awards to Eligible Persons. Nothing herein shall create an inference that an Award is not validly granted under the Plan in the event Awards are granted under the Plan by a compensation committee of the Board that does not at all times consist solely of two or more non-Employee Directors.

**3.5 Indemnification.**

In addition to such other rights of indemnification as they may have as Directors or members of the Committee, and to the extent allowed by Applicable Laws, the Committee shall be indemnified by the Company against the reasonable expenses, including attorney's fees, actually incurred in connection with any action, suit or proceeding, or in connection with any appeal therein, to which the Committee may be party by reason of any action taken or failure to act under or in connection with the Plan or any Award granted under the Plan, and against all amounts paid by the Committee in settlement thereof (provided, however, that the settlement has been approved by the Company, which approval shall not be unreasonably withheld) or paid by the Committee in satisfaction of a judgment in any such action, suit or proceeding, except in relation to matters as to which it shall be adjudged in such action, suit or proceeding that such Committee did not act in good faith and in a manner that such person reasonably believed to be in the best interests of the Company or, in the case of a criminal proceeding, had no reason to believe that the conduct complained of was unlawful; provided, however, that within 60 days after the institution of any such action, suit or proceeding, such Committee shall, in writing, offer the Company the opportunity at its own expense to handle and defend such action, suit or proceeding.

**4. SHARES SUBJECT TO THE PLAN.**

- 4.1** Subject to adjustment in accordance with Section 10, a combination of; (i) no more than 10% of the Common Shares, less the number of Common Shares issuable on exercise of any award outstanding under the prior Rolling Stock Option Plan of Eurotin Inc., and (ii) the maximum aggregate number of Common Shares issuable under this Plan in respect of Deferred Share Units, Restricted Share Units, Stock Appreciation Rights and Performance Share Units shall not exceed 15,495,383 at any point in time, representing 10% of the issued and outstanding Common Shares at the effective date of the Plan, shall be available for the grant of Awards under the Plan (the "**Total Share Reserve**"). Any Common Shares granted in connection with Options shall be counted against this limit as one share for every one Option awarded. During the terms of the Awards, the Company shall keep available at all times the number of Common Shares required to satisfy such Awards.
- 4.2** Common Shares available for distribution under the Plan may consist, in whole or in part, of authorized and unissued shares, treasury shares or shares reacquired by the Company in any manner.
- 4.3** Any Common Shares subject to an Award that expires or is canceled, forfeited, or terminated without issuance of the full number of Common Shares to which the Award related will again be available for issuance under the Plan. Notwithstanding anything to the contrary contained herein, shares subject to an Award under the Plan shall not again be made available for issuance or delivery under the Plan if such shares are (a) shares tendered in payment of an Option, or (b) shares delivered

or withheld by the Company to satisfy any tax withholding obligation. In addition, if the Common Shares are listed on the Exchange, if an Option is cancelled prior to its Expiry Date, the Company shall not grant new Options to the same person until 30 days have elapsed from the date of cancellation.

- 4.4** Awards may, in the sole discretion of the Committee, be granted under the Plan in assumption of, or in substitution for, outstanding awards previously granted by an entity acquired by the Company or with which the Company combines (“**Substitute Awards**”). Substitute Awards shall not be counted against the Total Share Reserve. Subject to applicable stock exchange requirements, available shares under a securityholder approved plan of an entity directly or indirectly acquired by the Company or with which the Company combines (as appropriately adjusted to reflect such acquisition or transaction) may be used for Awards under the Plan and shall not count toward the Total Share Reserve.

**5. ELIGIBILITY.**

**5.1 Eligibility for Specific Awards.**

Awards may be granted to Employees, Consultants and Directors and those individuals whom the Committee determines are reasonably expected to become Employees, Consultants and Directors following the Grant Date.

**5.2 Participation Limits.**

The grant of Awards under the Plan is subject to the following limitations:

- (a) no more than 5% of the outstanding Common Shares may be issued under the Plan to any one Participant in any one-year period;
- (b) no more than 2% of the outstanding Common Shares may be issued under the Plan to any one Consultant in any one-year period;
- (c) no more than 1% of the outstanding Common Shares may be issued under the Plan to all Participants in the aggregate as compensation for providing Investor Relations Activities in any one-year period; and
- (d) the number of Common Shares that may be:
  - (i) issued to Insiders within any one-year period, or
  - (ii) issuable to Insiders at any time, in each case, under this Plan, alone or when combined with all other security-based compensation arrangements of the Company,

cannot exceed 10% of the outstanding Common Shares.

**6. OPTION PROVISIONS.**

**6.1 Award Agreement.**

Each Option granted under the Plan shall be evidenced by an Award Agreement. Each Option so granted shall be subject to the conditions set forth in this Section 6, and to such other conditions not inconsistent with the Plan as may be reflected in the applicable Award Agreement. The provisions of separate Options need not be identical, but each Option shall include (through incorporation of provisions hereof by reference in the Option or otherwise) the substance of each of the provisions in this Section 6.



**6.2 Term.**

No Stock Option shall be exercisable after the expiration of 10 years from the Grant Date or such shorter period as set out in the Optionholder's Option Agreement ("Expiry Date"), at which time such Option will expire. Notwithstanding any other provision of this Plan, each Option that would expire during or within 10 Business Days immediately following a Blackout Period shall expire on the date that is 10 Business Days immediately following the end of the Blackout Period.

**6.3 Exercise Price of a Stock Option.**

The Option Exercise Price of each Stock Option shall be fixed by the Committee on the Grant Date and will not be less than the Fair Market Value of the Common Shares as of the Grant Date, subject to all applicable regulatory requirements. The Exercise Price shall be stated and payable in Canadian dollars.

**6.4 Manner of Exercise.**

A vested Option or any portion thereof may be exercised by the Optionholder delivering to the Company a Notice of Exercise signed by the Optionholder or (in the event of the death or Disability of the Optionholder) their legal personal representative, accompanied by payment in full of the aggregate Exercise Price and any Applicable Withholding Taxes in respect of the Option or portion thereof being exercised, payable, to the extent permitted by Applicable Laws, either:

- (a) in cash or by certified cheque, bank draft or money order payable to the Company or by such other means as might be specified from time to time by the Committee; or
- (b) in the discretion of the Committee, upon such terms as the Committee shall approve, pursuant to a broker-assisted cashless exercise, whereby the Optionholder shall elect on the Notice of Exercise to receive:
  - (i) an amount in cash equal to the cash proceeds realized upon the sale in the capital markets of the Common Shares underlying the Option (or portion thereof being exercised) by a securities dealer designated by the Company, less the aggregate Exercise Price, any Applicable Withholding Taxes, and any transfer costs charged by the securities dealer to sell the Common Shares;
  - (ii) an aggregate number of Common Shares that is equal to the number of Common Shares underlying the Option (or portion thereof being exercised) minus the number of Common Shares sold in the capital markets by a securities dealer designated by the Company as required to realize cash proceeds equal to the aggregate Exercise Price, any Applicable Withholding Taxes and any transfer costs charged by the securities dealer to sell the Common Shares;
  - (iii) a combination of (i) and (ii); or
  - (iv) in any other form of legal consideration that may be acceptable to the Committee. Subject to Section 8, upon receipt of payment in full, the number of Common Shares in respect of which the Option is exercised will be duly issued to the Optionholder as fully paid and non-assessable, following which the Optionholder shall have no further rights, title or interest with respect to such Option or portion thereof.

**6.5 Surrender of Option.**

As an alternative to the exercise of an Option pursuant to Section 6.4, an Optionholder may elect to surrender for cancellation, unexercised, any vested Option that is otherwise then exercisable and, in consideration for such surrender for cancellation, to receive a cash payment in an amount equal to the positive difference, if any, obtained by subtracting the aggregate Exercise Price of the surrendered Option from the then current Fair Market Value of the Common Shares subject to the surrendered Option, less Applicable Withholding Taxes. The Committee has the sole discretion to consent to or disapprove

of the election of the Optionholder to surrender any vested Option pursuant to this Section 6.5. If the Committee disapproves of the election, the Optionholder may (i) exercise the Option under Section 6.4, or (ii) retract the request to surrender such Option and retain the Option. If the Committee consents to the election, the Company shall make the cash payment to the Optionholder in respect of the surrendered Option within 30 days. Any cash payment in accordance with this Section 6.5 shall be payable in Canadian dollars.

**6.6 Transferability of a Stock Option.**

A Stock Option shall not be transferable except by will or by the laws of descent and distribution and shall be exercisable during the lifetime of the Optionholder only by the Optionholder. Notwithstanding the foregoing, the Optionholder may, by delivering written notice to the Company, in a form satisfactory to the Company, designate a third party who, in the event of the death or disability of the Optionholder, shall thereafter be entitled to exercise the Option.

**6.7 Vesting of Options.**

Each Option may, but need not, vest and, therefore, become exercisable in periodic installments that may, but need not, be equal. The Option may be subject to such other terms and conditions on the time or times when it may be exercised (which may be based on performance or other criteria) as the Committee may deem appropriate. The vesting provisions of individual Options may vary. No Option may be exercised for a fraction of a Common Share. The Committee may, but shall not be required to, provide for an acceleration of vesting and exercisability in the terms of any Award Agreement upon the occurrence of a specified event. Notwithstanding any of the other provisions of this Plan, the vesting provisions of an Option must be sufficient to meet any applicable hold period required by the Exchange.

**6.8 Termination of Continuous Service.**

Unless otherwise determined by the Committee, in its discretion, or as provided in this Section 6 or pursuant to the terms provided in an Award Agreement or in an employment agreement the terms of which have been approved by the Committee, all rights to purchase Common Shares pursuant to an Option or to surrender such Option shall expire and terminate immediately upon the Optionholder's Termination of Continuous Service, whether or not such termination is with or without notice, adequate notice or legal notice; provided that if employment of the Optionholder is terminated for Cause, such rights shall expire and terminate immediately upon notification being given to the Optionholder of such termination for Cause by the Company.

**6.9 Extension of Options.**

An Optionholder's Award Agreement may also provide that if the exercise of the Option following the Termination of Continuous Service for any reason would be prohibited at any time because the issuance of Common Shares would violate Applicable Laws, then the Option shall terminate on the earlier of (a) the expiration of the term of the Option in accordance with Section 6.2, or (b) the expiration of a period after the Termination of Continuous Service that is 30 days after the end of the period during which the exercise of the Option would be in violation of such Applicable Laws.

**6.10 Disability or Leave of Absence.**

Unless otherwise provided in an Award Agreement, in the event that an Optionholder's Continuous Service terminates as a result of Disability or the Optionholder is on a Leave of Absence, any Option held by the Optionholder shall continue to vest in accordance with its terms and may be exercised or surrendered in accordance with Section 6.4 or Section 6.5 at any time until the Option's Expiry Date.

**6.11 Death.**

Unless otherwise provided in an Award Agreement, in the event an Optionholder's Continuous Service terminates as a result of the Optionholder's death, any Option held by the Optionholder shall become fully vested and may be exercised or surrendered by the Beneficiary in accordance with Section 6.4 or Section 6.5 at any time during the period that terminates on the earlier of the Option's Expiry Date and the first anniversary of the Optionholder's Termination of Continuous Service. Any Option that remains

unexercised or has not been surrendered shall be immediately forfeited upon the termination of such period.

**6.12 Retirement.**

Unless otherwise provided in an Award Agreement, in the event an Optionholder's Continuous Service terminates as a result of the Optionholder's Retirement, any Option held by the Optionholder shall continue to vest in accordance with its terms and may be exercised or surrendered in accordance with Section 6.4 or Section 6.5 at any time during the period that terminates on the earlier of: (a) the Option's Expiry Date; and (b) the third anniversary of the Optionholder's Termination of Continuous Service. Any Option that remains unexercised or has not been surrendered shall be immediately forfeited upon the termination of such period.

**6.13 Resignation.**

Unless otherwise provided in an Award Agreement, in the event an Optionholder's Continuous Service terminates as a result of the Optionholder's voluntary resignation, then:

- (a) the unvested part of any Option held by the Optionholder shall expire and terminate immediately on the Optionholder's Termination of Continuous Service; and
- (b) the vested part of any Option held by the Optionholder may be exercised or surrendered in accordance with Section 6.4 or Section 6.5 at any time during the period that terminates on the earlier of: (i) the Option's Expiry Date; and (ii) the 30<sup>th</sup> day after the Optionholder's Termination of Continuous Service. Any Option that remains unexercised or has not been surrendered shall be immediately forfeited upon the termination of such period.

**6.14 Termination Without Cause.**

Unless otherwise provided in an Award Agreement, in the event an Optionholder's Continuous Service is terminated by the Employer for any reason other than for Cause, any Option held by the Optionholder shall continue to vest in accordance with its terms and may be exercised or surrendered in accordance with Section 6.4 or Section 6.5 at any time during the period that terminates on the earlier of: (a) the Option's Expiry Date; and (b) the 30<sup>th</sup> day after the Optionholder's Termination of Continuous Service. Any Option that remains unexercised or has not been surrendered shall be immediately forfeited upon the termination of such period.

**6.15 Termination Following Change in Control.**

Unless otherwise provided in an Award Agreement, if a Change in Control occurs and the Optionholder's employment with the Company Group is terminated by the:

- (a) Employer or by the entity that has entered into a valid and binding agreement with the Company and/or other members of the Company Group to effect the Change in Control at any time after such agreement is entered into or during the Control Period and such termination was for any reason other than for Cause; or
- (b) Optionholder as a result of Constructive Dismissal, provided the event giving rise to the Constructive Dismissal occurs during the Control Period;

any Option held by the Optionholder shall become fully vested and may be exercised or surrendered in accordance with Section 6.4 or Section 6.5 at any time during the period that terminates on the earlier of: (i) the Option's Expiry Date; and (ii) the 30<sup>th</sup> day after the Optionholder's Termination of Continuous Service. Any Option that remains unexercised or has not been surrendered shall be immediately forfeited upon the termination of such period.

**7. NSO APPROVED GRANTS**

**Purpose and Grants of NSO Approved Grants**

- 7.1 Under this Plan, the Board may grant NSO Approved Grants to any Participant, subject to applicable laws.
- 7.2 The Board shall determine the type and number of NSO Approved Grants that a Participant is entitled to receive, the term of such NSO Approved Grants and the vesting conditions, if applicable, of such NSO Approved Grants.

#### **Terms and Conditions**

- 7.3 Each NSO Approved Grant granted to a Participant shall be governed by this Plan and shall be evidenced by an Award Agreement certificate setting out the terms and conditions governing the NSO Approved Grant (in addition to the terms and conditions of this Plan), which terms and conditions as reflected in the Award Agreement need not be the same in each case and which terms and conditions may be changed from time to time by the Board in accordance with applicable laws.
- 7.4 The term or duration of each NSO Approved Grant will be determined by the Board in its discretion, provided that no NSO Approved Grant shall have a term a term expiring after the date that is 10 years from the Effective Date for the NSO Approved Grant, subject to Sections 4.18 and 4.20.

#### **Deferred Shares Units**

- 7.5 The Board may grant Deferred Share Units to Participants, in all cases in such amounts and subject to such vesting and other terms and conditions as the Board shall determine in its discretion, subject to this Plan and applicable laws. The conditions applicable to DSUs can include, among other things, the dates upon which, or the duration or period during which, DSUs will vest or be settled, as well as any conditions to be satisfied in order for vesting to occur.

#### **Performance Share Units**

- 7.6 The Board may grant Performance Share Units to Participants, in all cases in such amounts and subject to such vesting and other terms and conditions as the Board shall determine in its discretion, subject to this Plan and applicable laws. The conditions applicable to PSUs can include, among other things, conditions as to performance, milestones that must be achieved in order for the corresponding PSUs to vest, other internal or external conditions that must be satisfied in order for the PSUs to vest, or as to the length of time during which a Participant must be employed by, or otherwise provide services to, the Company in order for vesting to occur.

#### **Restricted Share Units**

- 7.7 The Board may grant Restricted Share Units to Participants, in all cases in such amounts and subject to such vesting and other terms and conditions as the Board shall determine in its discretion, subject to this Plan and applicable laws. The conditions applicable to RSUs shall relate to the length of time during which a Participant must be employed by, or otherwise provide services to, the Company in order for vesting to occur.

#### **Stock Appreciation Rights**

- 7.8 The Board may grant Stock Appreciation Rights to Participants, in all cases in such amounts and subject to such vesting and other terms and conditions as the Board shall determine in its discretion, subject to this Plan and applicable laws. The conditions applicable to SARs shall relate to the length of time during which a Participant must be employed by, or otherwise provide services to, the Company in order for vesting to occur, the timing and conditions for payment, and the reference price against which the appreciation in value of Common Shares shall be measured in determining

the value payable to the applicable Participant when the conditions for vesting or settlement have been satisfied, provided that such reference price shall not be less than the Fair Market Value.

#### **No Rights as Shareholders**

- 7.9 A DSU, PSU, RSU or SAR will not entitle its holder to voting or other rights appurtenant to Common Shares. Except as may otherwise be set forth in the corresponding Award Agreement, if and when dividends are declared and paid upon the Common Shares at any time prior to vesting of the NSO Approved Grant, no adjustment shall be made to the NSO Approved Grant or its value.

#### **No Rights as Creditors**

- 7.10 A Participant who is granted a NSO Approved Grant will have only the rights of a general unsecured creditor of the Company until payment of Common Shares, cash or other securities or property is made upon the NSO Approved Grant.

#### **Payment and Settlement**

- 7.11 The Board has full authority to, and shall, determine whether payment under NSO Approved Grants will be made in Common Shares, cash, securities or other property, or a combination thereof, and for greater clarity the Board shall be authorized to make such a determination at any time before or after vesting, until payment is actually made. When the conditions for vesting and payment, if any, applicable to a NSO Approved Grant have been satisfied, the holder of the NSO Approved Grant shall be entitled to receive the corresponding number of Common Shares, the cash value of the corresponding number of Common Shares at that time, other securities of the Company or other property, as the case may be. Unless otherwise specified in the applicable Award Agreement for a NSO Approved Grant, the cash value of Common Shares referred to in the preceding sentence shall be the Fair Market Value as of a date selected in good faith by the Board, in compliance with applicable laws and policies of the Exchange, such date to be no earlier than the date when all pre-conditions to payment of or in respect of the NSO Approved Grant have been satisfied.

#### **Reservation of Shares from Total Share Reserve**

- 7.12 If payment upon any NSO Approved Grant granted under this Article 7 may be made in Common Shares, then at the time of grant the Board shall (a) determine or estimate the number of Common Shares that may be issued in payment of such NSO Approved Grant upon its payment by the Company and then (b) reserve and allot from the Total Share Reserve the corresponding number of Common Shares, and (c) from time to time while the NSO Approved Grant remains outstanding and unvested the Board shall be authorized to adjust the number of Common Shares so reserved and allotted to reflect changes in the number of Common Shares issuable thereunder, in all cases subject to applicable laws and Exchange policies.

#### **Transfer and Assignment**

- 7.13 No NSO Approved Grant granted under this Plan may be sold, exchanged, transferred, assigned, pledged, hypothecated or otherwise disposed of (including through the use of any cash-settled instrument) other than by will or by the laws of descent and distribution in accordance with Section 7.18.

#### **NSO Approved Grants Granted Under this Plan**

- 7.14 All NSO Approved Grants granted under this Plan will be evidenced by an Award Agreement in the form approved from time to time by the Board, setting forth the terms and conditions applicable to

the corresponding NSO Approved Grant. The Company will cause an Award Agreement to be delivered to the applicable Participant in due course.

- 7.15** Subject to specific variations approved in accordance with this Plan, all terms and conditions set out herein will be deemed to be incorporated into and form part of an Award Agreement.

**Vesting of NSO Approved Grants**

- 7.16** Vesting of NSO Approved Grants shall be in accordance with the vesting and exercise conditions determined in the discretion of the Board.
- 7.17** Notwithstanding Section 7.16, in the event of a Change in Control or Take-over Bid, all NSO Approved Grants shall vest in full pursuant to the provisions of Article 10.

**Holder of NSO Approved Grant Ceasing to be a Participant**

- 7.18** For any NSO Approved Grant held by a Participant, and any right to payment in respect thereof, that has not vested when the Participant ceases to be a Participant, such NSO Approved Grant and the right to any settlement or payment thereunder will be forfeited on the date the Participant ceases to be a Participant. The circumstances under which a Participant shall not forfeit his, her or its NSO Approved Grants upon termination of service to the Company are outlined in sections 6.8 to 6.15, above.

**Adjustment of Payment on NSO Approved Grants During Blackout Period**

- 7.19** Should the vesting, payment or other settlement date for a NSO Approved Grant fall within a Blackout Period, such date shall be automatically adjusted without any further act or formality to that day which is the tenth (10th) Business Day after the end of the Blackout Period.

**8. COMPLIANCE WITH APPLICABLE LAWS.**

The Company's obligation to issue and deliver Common Shares under any Award is subject to: (i) the completion of such qualification of such Common Shares or obtaining approval of such regulatory authority as the Company shall determine to be necessary or advisable in connection with the authorization, issuance or sale thereof; (ii) the admission of such Common Shares to listing on any stock exchange on which such Common Shares may then be listed; and (iii) the receipt from the Participant of such representations, agreements and undertakings as to future dealings in such Common Shares as the Company determines to be necessary or advisable in order to safeguard against the violation of the securities laws of any jurisdiction. The Company shall take all reasonable steps to obtain such approvals, registrations and qualifications as may be necessary for the issuance of such Common Shares in compliance with Applicable Laws and for the listing of such Common Shares on any stock exchange on which such Common Shares are then listed. Awards may not be granted with a Grant Date or effective date earlier than the date on which all actions required to grant the Awards have been completed.

**9. MISCELLANEOUS.**

**9.1 Acceleration of Exercisability and Vesting.**

The Committee shall have the power to accelerate the time at which an Award may first be exercised or the time during which an Award or any part thereof will vest in accordance with the Plan, notwithstanding the provisions in the Award stating the time at which it may first be exercised or the time during which it will vest.

**9.2 Shareholder Rights.**

Except as provided in the Plan or an Award Agreement, no Participant shall be deemed to be the holder of, or to have any of the rights of a holder with respect to, any Common Shares subject to such Award unless and until such Participant has satisfied all requirements for exercise of the Award pursuant to its terms, and no adjustment shall be made for dividends (ordinary or extraordinary, whether in cash, securities or other property) or distributions of other rights for which the record date is prior to the date such Common Share certificate is issued, except as provided in Section 10 hereof.

**9.3 No Employment or Other Service Rights.**

Nothing in the Plan or any instrument executed or Award granted pursuant thereto shall confer upon any Participant any right to continue to serve the Company or an Affiliate in the capacity in effect at the time the Award was granted or shall affect the right of the Company or an Affiliate to terminate: (a) the employment of an Employee with or without notice and with or without Cause; or (b) the service of a Director pursuant to the by-laws of the Company or an Affiliate, and any applicable provisions of the corporate law of the jurisdiction in which the Company or the Affiliate is incorporated, as the case may be.

**9.4 Transfer; Leave of Absence.**

For purposes of the Plan, no termination of employment by an Employee shall be deemed to result from either: (a) a transfer of employment to the Company from an Affiliate or from the Company to an Affiliate, or from one Affiliate to another; or (b) a Leave of Absence, if the Employee's right to reemployment is guaranteed either by a statute or by contract or under the policy pursuant to which the Leave of Absence was granted or if the Committee otherwise so provides in writing.

**9.5 Withholding Obligations.**

It is the responsibility of the Participant to complete and file any tax returns that may be required under Canadian or other applicable jurisdiction's tax laws within the periods specified in those laws as a result of the Participant's participation in the Plan. Notwithstanding any other provision of this Plan, a Participant shall be solely responsible for all Applicable Withholding Taxes resulting from their receipt of Common Shares or other property pursuant to this Plan. In connection with the issuance of Common Shares pursuant to this Plan, a Participant shall, at the Participant's discretion:

- (a) pay to the Company an amount as necessary so as to ensure that the Company is in compliance with the applicable provisions of any federal, provincial, local or other law relating to the Applicable Withholding Taxes in connection with such issuance;
- (b) authorize a securities dealer designated by the Company, on behalf of the Participant, to sell in the capital markets a portion of the Common Shares issued hereunder to realize cash proceeds to be used to satisfy the Applicable Withholding Taxes; or
- (c) make other arrangements acceptable to the Company to fund the Applicable Withholding Taxes.

**10. ADJUSTMENTS UPON CHANGES IN CAPITAL.**

In the event of any stock dividend, stock split, combination or exchange of shares, merger, amalgamation, arrangement, consolidation, reclassification, spin-off or other distribution (other than normal cash dividends) of the Company's assets to shareholders, or any other change in the capital of the Company affecting Common Shares, the Board will make such proportionate adjustments, if any, as the Board in its discretion deems appropriate to reflect such change (for the purpose of preserving the value of the Awards), with respect to: (i) the maximum number of Common Shares subject to all Awards stated in Section 4; (ii) the maximum number of Common Shares with respect to which any one person may be granted Awards during any period stated in Section 4; (iii) the number or kind of shares or other securities subject to any outstanding Awards; and (iv) the Exercise Price of any outstanding Options provided, however, that no adjustment will obligate the Company to issue or sell fractional securities. Notwithstanding anything in this Plan to the contrary, all adjustments made pursuant to this Section 10

shall be made in compliance with section 7(1.4)(c) of the ITA and subject to the rules of the Exchange, to the extent applicable. The Company shall give each Participant notice of an adjustment hereunder and, upon notice, such adjustment shall be conclusive and binding for all purposes.

**11. EFFECT OF CHANGE IN CONTROL.**

**11.1** Unless otherwise provided in an Award Agreement, notwithstanding any provision of the Plan to the contrary, in the event of a Change in Control that is not a Substitution Event or Permitted Reorganization, all outstanding Options shall become immediately exercisable with respect to 100% of the shares subject to such Options.

**11.2 Substitution Event or a Permitted Reorganization.**

Upon the occurrence of a Substitution Event or a Permitted Reorganization, the surviving or acquiring entity (the “**Continuing Entity**”) shall, to the extent commercially reasonable, take all necessary steps to continue the Plan and to continue the Awards granted hereunder or to substitute or replace similar options for the Options outstanding under the Plan on substantially the same terms and conditions as the Plan. For greater certainty, no consideration other than Continuing Entity options shall be received, and the amount that the aggregate fair market value of the securities of the Continuing Entity subject to the Continuing Entity options immediately after the substitution or replacement exceeds the aggregate exercise price of such securities under the Continuing Entity options shall not be greater than the amount the aggregate Fair Market Value of the Common Shares subject to the outstanding Options immediately before such substitution or replacement exceeds the aggregate Exercise Price of such Common Shares. Any such adjustment, substitution or replacement in respect of options shall, at all times, be made in compliance with the provisions of section 7(1.4) of the ITA.

In the event that:

- (a) the Continuing Entity does not (or, upon the occurrence of the Substitution Event or Permitted Reorganization, will not) comply with the provisions of this Section 11.2;
- (b) the Board determines, acting reasonably, that such substitution or replacement is not practicable;
- (c) the Board determines, acting reasonably, that such substitution or replacement would give rise to adverse tax results, under the ITA; or
- (d) the securities of the Continuing Entity are not (or, upon the occurrence of the Substitution Event or Permitted Reorganization, will not be) listed and posted for trading on a recognizable stock exchange;

the outstanding Options shall become fully vested and may be exercised or surrendered by the Participant at any time after the Participant receives written notice from the Board of such accelerated vesting and prior to the occurrence of the Substitution Event or Permitted Reorganization; provided, however, that such vesting, exercise or surrender shall be, unless otherwise determined in advance by the Board, effective immediately prior to, and shall be conditional on, the consummation of such Substitution Event or Permitted Reorganization. Any Options that have not been exercised or surrendered pursuant to this Section 11.2 shall be forfeited and cancelled without compensation to the holder thereof upon the consummation of such Substitution Event or Permitted Reorganization.

**11.3** The obligations of the Company under the Plan shall be binding upon any successor corporation or organization resulting from the merger, consolidation or other reorganization of the Company, or upon any successor corporation or organization succeeding to all or substantially all of the assets and business of the Company and its Affiliates, taken as a whole.

**11.4** In addition, in the event of a Change in Control, the Committee may in its discretion and upon at least 10 days’ advance notice to the affected persons, cancel any outstanding Awards and pay to the



holders thereof, in cash or stock, or any combination thereof, the value of such Awards based upon the price per Common Share received or to be received by other shareholders of the Company in the event. In the case of any Option with an exercise price that equals or exceeds the price paid for a Common Share in connection with the Change in Control, the Committee may cancel the Option without the payment of consideration for it.

## **12. AMENDMENT OF THE PLAN AND AWARDS.**

### **12.1 Amendment of Plan and Awards.**

The Board at any time, and from time to time, may amend or suspend any provision of an Award or the Plan, or terminate the Plan, subject to those provisions of Applicable Laws (including, without limitation, the rules, regulations and policies of the Exchange), if any, that require the approval of security holders or any governmental or regulatory body regardless of whether any such amendment or suspension is material, fundamental or otherwise, and notwithstanding any rule of common law or equity to the contrary.

- (a) Without limiting the generality of the foregoing, the Board may make the following types of amendments to this Plan or any Awards without seeking security holder approval:
  - (i) amendments of a “housekeeping” or administrative nature, including any amendment for the purpose of curing any ambiguity, error or omission in this Plan, or to correct or supplement any provision of this Plan that is inconsistent with any other provision of this Plan;
  - (ii) amendments necessary to comply with the provisions of applicable law (including, without limitation, the rules, regulations and policies of the Exchange);
  - (iii) amendments necessary for Awards to qualify for favourable treatment under applicable tax laws;
  - (iv) amendments to the vesting provisions of this Plan or any Award;
  - (v) amendments to include or modify a cashless exercise feature, payable in cash or Common Shares, which provides for a full deduction of the number of underlying Common Shares from the Plan maximum;
  - (vi) amendments to the termination or early termination provisions of this Plan or any Award, whether or not such Award is held by an Insider, provided such amendment does not entail an extension beyond the original expiry date of the Award; and
  - (vii) amendments necessary to suspend or terminate this Plan.
- (b) Security holder approval will be required for the following types of amendments:
  - (i) any amendment to increase the maximum number of Common Shares issuable under this Plan, other than pursuant to Section 10;
  - (ii) any amendment to this Plan that increases the length of the period after a Blackout Period during which Options may be exercised;
  - (iii) any amendment that would result in the Exercise Price for any Option granted under this Plan being lower than the Fair Market Value at the Grant Date of the Option;

- (iv) any amendment to remove or to exceed the Insider participation limit set out in Section 5.2(d);
- (v) any amendment that reduces the Exercise Price of an Option or permits the cancellation and reissuance of an Option or other Award or entitlement, in each case, other than pursuant to Section 10, Section 11.1, or Section 11.2;
- (vi) any amendment extending the term of an Option beyond the original Expiry Date, except as provided in Section 6.2;
- (vii) any amendment to the amendment provisions;
- (viii) any amendment that would allow for the transfer or assignment of Awards under this Plan, other than for normal estate settlement purposes; and
- (ix) amendments required to be approved by security holders under applicable law (including the rules, regulations and policies of the Exchange).

**12.2 No Impairment of Rights.**

Except as expressly set forth herein or as required pursuant to Applicable Laws, no action of the Board or security holders may materially adversely alter or impair the rights of a Participant under any Award previously granted to the Participant unless (a) the Company requests the consent of the Participant, and (b) the Participant consents in writing.

**12.3 No Amendment After Grant Date**

Notwithstanding any other provisions in this Plan, if the Common Shares are listed on the Exchange, the terms of an Option may not be amended after the Grant Date.

**13. GENERAL PROVISIONS.**

**13.1 Forfeiture Events.**

The Committee may specify in an Award Agreement that the Participant's rights, payments and benefits with respect to an Award shall be subject to reduction, cancellation, forfeiture or recoupment upon the occurrence of certain events, in addition to applicable vesting conditions of an Award. Such events may include, without limitation, breach of non-competition, non-solicitation, confidentiality, or other restrictive covenants that are contained in the Award Agreement or otherwise applicable to the Participant, a termination of the Participant's Continuous Service for Cause, or other conduct by the Participant that is detrimental to the business or reputation of the Company and/or its Affiliates.

**13.2 Clawback.**

Notwithstanding any other provisions in this Plan, the Company may cancel any Award, require reimbursement of any Award by a Participant, and effect any other right of recovery or recoupment of equity or other compensation provided under the Plan under Applicable Laws or stock exchange listing requirements that may be adopted and/or modified from time to time ("**Clawback Policy**"). In addition, a Participant may be required to repay to the Company previously paid compensation, whether provided pursuant to the Plan or an Award Agreement, in accordance with the Clawback Policy. By accepting an Award, the Participant is agreeing to be bound by the Clawback Policy, as in effect or as may be adopted and/or modified from time to time by the Company in its discretion (including, without limitation, to comply with Applicable Laws or stock exchange listing requirements).

**13.3 Other Compensation Arrangements.**

Nothing contained in this Plan shall prevent the Board from adopting other or additional compensation arrangements, subject to any required regulatory or security-holder approval if such approval is required; and such arrangements may be either generally applicable or applicable only in specific cases.

**13.4 Sub-Plans.**

The Committee may from time to time establish sub-plans under the Plan for purposes of satisfying Applicable Laws of various jurisdictions in which the Company intends to grant Awards. Any sub-plans shall contain such limitations and other terms and conditions as the Committee determines are necessary or desirable. All sub-plans shall be deemed a part of the Plan, but each sub-plan shall apply only to the Participants in the jurisdiction for which the sub-plan was designed.

**13.5 Unfunded Plan.**

The Plan shall be unfunded. Neither the Company, the Board nor the Committee shall be required to establish any special or separate fund or to segregate any assets to assure the performance of its obligations under the Plan.

**13.6 Recapitalizations.**

Each Award Agreement shall contain provisions required to reflect the provisions of Section 10.

**13.7 Delivery.**

Upon exercise of a right granted under this Plan, the Company shall issue Common Shares or pay any amounts due within a reasonable period of time thereafter. Subject to any statutory or regulatory obligations the Company may otherwise have, for purposes of this Plan, 30 days shall be considered a reasonable period of time.

**13.8 No Fractional Shares.**

No fractional Common Shares shall be issued or delivered pursuant to the Plan. The Committee shall determine whether cash, additional Awards or other securities or property shall be issued or paid in lieu of fractional Common Shares or whether any fractional shares should be rounded, forfeited or otherwise eliminated.

**13.9 Other Provisions.**

The Award Agreements authorized under the Plan may contain such other provisions not inconsistent with this Plan, including, without limitation, restrictions upon the exercise of the Awards, as the Committee may deem advisable.

**13.10 Beneficiary Designation.**

Each Participant under the Plan may from time to time name any beneficiary or beneficiaries by whom any right under the Plan is to be exercised in case of such Participant's death. Each designation will revoke all prior designations by the same Participant, shall be in a form reasonably prescribed by the Committee and shall be effective only when filed by the Participant in writing with the Company during the Participant's lifetime.

**13.11 Expenses.**

The costs of administering the Plan shall be paid by the Company.

**13.12 Severability.**

The invalidity or unenforceability of any provision of the Plan shall not affect the validity or enforceability of any other provision and any invalid or unenforceable provision shall be severed from the Plan.

**13.13 Plan Headings.**

The headings in the Plan are for purposes of convenience only and are not intended to define or limit the construction of the provisions hereof.

**13.14 Non-Uniform Treatment.**

The Committee's determinations under the Plan need not be uniform and may be made by it selectively among persons who are eligible to receive, or actually receive, Awards. Without limiting the generality

of the foregoing, the Committee shall be entitled to make non-uniform and selective determinations, amendments and adjustments, and to enter into non-uniform and selective Award Agreements.

**13.15 Participant Information.**

- (a) As a condition of participating in the Plan, each Participant agrees to comply with all such Applicable Laws and agrees to furnish to the Company all information and undertakings as may be required to permit compliance with such Applicable Laws. Each Participant shall provide the Company with all information (including personal information) required in order to administer the Plan (the “Participant Information”).
- (b) The Company may from time to time transfer or provide access to Participant Information to a third-party service provider for purposes of the administration of the Plan, provided that such service providers will be provided with such information for the sole purpose of providing services to the Company in connection with the operation and administration of the Plan. The Company may also transfer and provide access to Participant Information to the Employer for purposes of preparing financial statements or other necessary reports and facilitating payment or reimbursement of Plan expenses. By participating in the Plan, each Participant acknowledges that Participant Information may be so provided and agrees and consents to its provision on the terms set forth herein. The Company shall not disclose Participant Information except (i) as contemplated above in this Section 13.15(b), (ii) in response to regulatory filings or other requirements for the information by a governmental authority or regulatory body, or (iii) for the purpose of complying with a subpoena, warrant or other order by a court, Person or body having jurisdiction over the Company to compel production of the information.

**13.16 Priority of Agreements.**

In the event of any inconsistency or conflict between the provisions of the Plan and any Award Agreement, the provisions of the Plan shall prevail. In the event of any inconsistency or conflict between the provisions of the Plan or any Award Agreement, on the one hand, and a Participant’s employment agreement with the Employer, on the other hand, the provisions of the employment agreement shall prevail.

**14. EFFECTIVE DATE OF PLAN.**

The Plan shall become effective as of the Effective Date. This Plan applies to Awards granted hereunder on and after the Effective Date.

**15. GOVERNING LAW.**

The Plan shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.

As adopted by the Board of Directors of Li-Metal Corp. on August 26, 2022.

As approved by the security holders of Li-Metal Corp. on \_\_\_\_\_, 2022.

**CERTIFICATE OF THE COMPANY**

Dated: [January 31, 2025]

This Listing Statement constitutes full, true and plain disclosure of all material facts relating to the securities previously issued by the Company as required by the securities legislation of the Province of Ontario.

signed: “[**Keshav Kochhar**]”

signed: “[**Richard Halka**]”

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**KESHAV KOCHHAR**  
Chief Executive Officer

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**RICHARD HALKA**  
Chief Financial Officer

On Behalf of the Board of Directors:

signed: “[**•**]”

signed: “[**•**]”

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[**•**]  
Director

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[**•**]  
Director

## CERTIFICATE OF THE PROMOTER

Dated: [January 31, 2025]

This Listing Statement constitutes full, true and plain disclosure of all material facts relating to the securities previously issued by the Company as required by the securities legislation of the Province of Ontario.

signed: [*Brad Morris*]

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**BRAD MORRIS**

Promoter



