Li-Metal Corp.

Scalable Technologies for Next-Generation Batteries

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For the Three and Nine Months Ended December 31, 2024

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 nine months ending December 31, 2024 and December 31, 2023 and should be read in conjunction with the Company's interim financial statements for the period ended December 31, 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 February 27, 2025, 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

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 December 31, 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 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.

On December 2, 2024 Li-Metal announced its intention to transition from a lithium anode development and production company to an investment company. This change of business is designed to capitalize on emerging opportunities in high-growth sectors while leveraging the

Company's financial strength and market insights. The proposed change of business is subject to shareholder approval and approval of the CSE. The Company has been issued a trading halt by the CSE effective December 2, 2024 pending the review of the disclosure related to the Company's change of business from a lithium anode development and production company to an investment company. The Company has filed with the CSE an updated Listing Statement reflecting the proposed new business.

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 assets pertaining to the Company's lithium metal production technology, including all related patents, proprietary, know-how, and physical assets utilized in lithium metal production.

Strategic Transition

In a significant step forward, Li-Metal announced its intention to transition from a lithium anode development and production company to an investment company. This change of business is designed to capitalize on emerging opportunities in high-growth sectors while leveraging the Company's financial strength and market insights.

The decision to evolve into an investment company aligns with the Board's long-term vision to deliver sustainable value for stakeholders. While the next-generation battery industry remains critical, the current market dynamics present challenges that limit immediate returns. This new direction allows the Company to diversify and strategically deploy capital into areas where it can achieve meaningful impact and returns.

The proposed change of business is subject to shareholder approval and approval of the Canadian Securities Exchange.

4. Recent Developments

On December 2, 2024 the Company announced changes to its Board of Directors and that the Company intends to seek shareholder approval to change its business from an industrial issuer to an investment issuer. The changes to the Board of Directors includes the departure of Anthony Tse and Colin Farrell and the addition of Brad Morris and David Delaney. In addition, the role of Chairman of the Board, previously held by Anthony Tse, will transition to existing Board member Tim Johnston. With his extensive industry experience and proven leadership, Mr. Johnston is well-positioned to lead the Board in supporting the Company's evolving strategy.

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 December 31, 2024. Such information is derived from the interim financial statements.

Table 1. Selected Financial Information for the Quarters ending December 31, 2024 & 2023

	For the Quarter Ended December 31, 2024	For the Quarter Ended December 31, 2023
Revenues	$ 20,530	$ 4,624
Net gain (loss) for the period	$ 291,907	$ (1,869,078)
Diluted gain (loss) per share	$ -	$ (0.01)
Current assets	$ 15,120,491	$ 3,906,808
Total assets	$ 16,080,047	$ 8,738,749
Current liabilities	$ 437,812	$ 870,904
Cash and cash equivalents	$ 14,336,667	$ 2,506,887
Property and equipment	$ 873,228	$ 3,963,044
Total equity	$ 15,642,235	$ 7,239,876

Table 2. Operating Results for the Quarters ending December 31, 2024 & 2023

	For the Quarter Ended December 31, 2024	For the Quarter Ended December 31, 2023
Revenues	$ 20,530	$ 4,624
Research and development	$ 301,833	$ 160,598
Salaries and wages	$ 91,055	$ 357,447
Professional fees	$ 248,424	$ 435,776
Share based compensation	$ 64,145	$ 117,884
Investor relations & reporting issuer costs	$ 7,453	$ 143,560
General and administration	$ 271,933	$ 491,434
Interest & bank charges	$ 912	$ 1,414
Amortization	$ 132,434	$ 106,903
Foreign exchange loss (gain)	$ (1,195,246)	$ 99,318
Operating loss	$ 97,587	$ (1,909,710)
Interest and other income	$ 176,100	$ 53,711
Foregiveness of government assistance	$ -	$ 10,000
Accretion of lease liability	$ (225)	$ (23,079)
Gain on disposition of property and equipment	$ 18,445	$ -
Total loss and comprehensive loss for the quarter	$ 291,907	$ (1,869,078)
Foreign currency translation adjustment	$ (274,339)	$ (37,831)
Total gain (loss) and comprehensive gain (loss) for the quarter	$ 17,568	$ (1,906,909)

5.2 Discussions of Operations

Revenues

During the quarters ended December 31, 2024 and 2023, the Company recorded $20,530 and $4,624 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 December 31, 2024 and 2023 was $301,833 and $160,598 respectively. The increase is primality due to no Government assistance being received this quarter as compared to $585,757 being received for the December 31,2023 quarter. These government receipts are recorded as a credit to the R&D costs.

Table 3. R&D Detail for the Quarters ending December 31, 2024 & 2023

R&D Cost Breakdown	For the Quarter Ended December 31, 2024	For the Quarter Ended December 31, 2023
Government assistance	$ -	$ (585,757)
Consumables	$ 54,802	$ 128,956
Professional fees	$ 74,531	$ 282,906
Salary & wages	$ 172,500	$ 334,493
Total R&D	$ 301,833	$ 160,598

Salaries and Wages

Salaries and wages expenditures for the quarters ending December 31, 2024 and 2023 were $91,055 and $357,447 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 December 31, 2024 and 2023 were $248,424 and $435,776 respectively. The decrease primarily reflects lower consulting and professional fees resulting from the sale of the lithium metal production business, which eliminated the fee component associated with that segment.

Share Based Compensation

Share-based compensation expenses for the quarters ending December 31, 2024 and 2023 were $64,145 and $117,884 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 December 31, 2024 and 2023 were $7,453 and $143,560 respectively. The reduction represents reduced activity in this area as the management focused its resources on strategic transition from industrial issuer to investment issuer.

General and Administrative

General and administrative expenditures for the quarters ending December 31, 2024 and 2023 were $271,933 and $491,434 respectively. General and administrative expenses include all expenses associated with the administration and general operations including executive and administrative wages, rent, insurance, travel and other costs associated to support the activities of the Company not specifically identifiable to other expense areas. The reduction is due to reduction in G&A activity resulting from the asset sale of the lithium metal business to Arcadium which included a reduction in the workforce and transfer of the lease for the Markham facility.

Interest and bank charges

Interest and bank charges for the quarters ending December 30, 2024 and 2023 were $912 and $1,414 respectively.

Amortization

Amortization for the quarters ending December 31, 2024 and 2023 were $132,434 and $106,903 respectively.

Foreign Exchange Loss (Gain)

The foreign exchange loss (gain) for the quarters ending December 31, 2024 and 2023 were ($1,195,246) and $99,318 respectively. This increase in the foreign exchange gain is due to increase in US denominated assets. The Company held USD cash balance at December 31, 2024 and 2023 of $9,736,297 and $133,598 respectively. It also reflects a favorable exchange rate movements in US dollars from December 31, 2023 rate of C$1.3226 per US dollar to December 31, 2024, US rate of C$1.4389 per US dollar.

Interest and Other Income

Interest and other income for the quarters ending December 31, 2024 and 2023 were $176,100 and $53,711 respectively. The movement reflects the increase in interest from the increase in cash deposits.

Accretion of Lease Liability

Accretion of lease liability for the quarters ending December 31, 2024 and 2023 were ($225) and ($23,079) respectively. Primarily due to the reduction in lease obligations.

Gain on Disposition of Property Plant and Equipment

Gain on disposition of property plant and equipment expense for the quarters ending December 31, 2024 and 2023 were $18,445 and nil respectively.

Foreign Currency Translation Adjustment

Foreign currency translation for the quarters ending December 31, 2024 and 2023 for losses of $274,339 and $37,831 is the result of the translation of Li-Metal's US subsidiary from USD functional currency to CAD reporting currency.

Table 4. Summary of Quarterly Results for the Nine Months Ended December 31, 2024 & 2023

	For the Nine Months Ended December 31, 2024	For the Nine Months Ended December 31, 2023
Revenues	$ 82,320	$ 314,924
Research and development	$ 813,544	$ 1,216,925
Salaries and wages	$ 523,290	$ 1,008,452
Professional fees	$ 2,478,101	$ 1,629,727
Share based compensation	$ 115,623	$ 392,930
Investor relations & reporting issuer costs	$ 75,449	$ 724,260
General and administration	$ 697,386	$ 1,718,915
Interest & bank charges	$ 2,481	$ 5,215
Amortization	$ 789,785	$ 1,151,368
Foreign exchange loss (gain)	$ (618,647)	$ 282,646
Operating loss	$ (4,794,692)	$ (7,815,514)
Interest and other income	$ 276,766	$ 278,238
Business development expense	$ -	$ (4,858,565)
Foregiveness of government assistance	$ -	$ 10,000
Gain on assignment of lease	$ 83,857	$ -
Accretion of lease liability	$ (37,539)	$ (74,137)
Gain on disposition of property and equipment	$ 14,715,584	$ -
Impairment of property and equipment	$ (1,774,126)	$ -
Total loss and comprehensive loss for the quarter	$ 8,469,850	$ (12,459,978)
Foreign currency translation adjustment	$ (74,257)	$ 90,324
Total income (loss) and comprehensive gain (loss) for the six months	$ 8,395,593	$ (12,369,654)

The total income (loss) for the nine months ended December 31, 2024 and 2023 was $8,395,593 and ($12,369,654) respectively, a positive change of $20,765,247. The swing was principally due to the gain in the nine months ended December 30, 2024 of $14,715,584 due to the sale of the Company's metal production business and no business development expense was incurred in the nine months ended December 31, 2024 ended as compared to $4,858,565 for December 31, 2023, for a total of change $19,574,149.

Summary of Quarterly and Annual Results

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

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

For the Quarter Ending	Revenue	Total Comprehensive Gain (Loss) for the Quarter	Basic and Fully Diluted Gain (Loss) per share
December 31, 2024	$ 20,530	$ 17,568	$ -
September 30, 2024	$ 27,856	$ 9,543,543	$ 0.06
June 30, 2024	$ 33,934	$ (1,285,506)	$ (0.01)
March 31, 2024	$ (3,121)	$ (2,592,877)	$ (0.02)
December 31, 2023	$ 4,624	$ (1,906,909)	$ (0.01)
September 30, 2023	$ 127,195	$ (4,743,711)	$ (0.03)
June 30, 2023	$ 183,105	$ (4,252,856)	$ (0.03)
March 31, 2023	$ -	$ (2,603,708)	$ (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)
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 December 31, 2024 and 2023 was $3,642,384 and $7,293,364 respectively. The cash used reflected a continuing 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 December 31, 2024 and 2023 was $15,472,462 and ($598,566) 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 December 31, 2024 and 2023 was $946,050 and ($30,000), respectively. During the nine months ended December 31, 2024 the Company received $946,050 as the net cash proceeds from financing activities.

6.4 Liquidity

As of December 31, 2024, the Company had net working capital of $14,682,679 which increased as compared to net working capital of $1,307,430 as of March 31, 2024. As of December 31, 2024, Li-Metal had $14,336,667 in cash and cash equivalents as compared to $1,648,430 as of March 31, 2024.

On December 2, 2024 Li-Metal announced its intention to transition from a lithium anode development and production company to an investment company. The funds raised by the asset sale of the Company’s lithium metal production business allows for the Company to make suitable investments.

The Company's interim unaudited consolidated financial statements for the nine months ended December 31, 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 December 31, 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 and potential investments. The Company intends to seek shareholder approval to change its business from an industrial issuer to an investment issuer. The proposed change of business is subject to shareholder approval and approval of the Canadian Securities.

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.

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 December 31, 2024, the Company's financial assets consisting of cash were $ 14,336,667 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 December 31, 2024, the Company's financial liabilities were $369,927 compared with $561,986 as of March 31, 2024.

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

7. Outstanding Share Data

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

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

Shares	Quarter Ended							
	December 31, 2024	September 30, 2024	June 30, 2024	March 31, 2024	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023
Open	164,496,224	164,496,224	159,328,828	159,328,828	159,328,828	154,953,828	154,953,828	154,953,828
Issued	-	-	5,167,396	-	-	4,375,000	-	-
Close	**164,496,224**	**164,496,224**	**164,496,224**	**159,328,828**	**159,328,828**	**159,328,828**	**154,953,828**	**154,953,828**
Restricted Share Units ("RSU")	**Quarter Ended**							
	December 31, 2024	September 30, 2024	June 30, 2024	March 31, 2024	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023
Open	1,235,294	1,429,768	1,432,664	1,432,664	4,816,010	4,816,010	1,383,029	1,383,029
Issued	10,000,000	-	(2,896)	-	-	-	3,432,981	-
Forfeited	-	(194,474)	-	-	3,383,346	-	-	-
Close	**11,235,294**	**1,235,294**	**1,429,768**	**1,432,664**	**1,432,664**	**4,816,010**	**4,816,010**	**1,383,029**
Options	**Quarter Ended**							
	December 31, 2024	September 30, 2024	June 30, 2024	March 31, 2024	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023
Open	12,856,863	12,871,030	12,893,530	12,983,697	14,459,523	14,459,523	14,459,523	15,079,523
Issued	-	-			-	-	-	-
Excercised	-	-			-	-	-	-
Forfeited	(7,935,095)	(14,167)	(22,500)	90,167	1,475,826	-	-	620,000
Close	**4,921,768**	**12,856,863**	**12,871,030**	**12,893,530**	**12,983,697**	**14,459,523**	**14,459,523**	**14,459,523**
Warrants	**Quarter Ended**							
	December 31, 2024	September 30, 2024	June 30, 2024	March 31, 2024	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023
Open	23,582,250	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**	**23,582,250**	**21,000,000**	**21,000,000**	**21,000,000**	**-**	**-**
Fully Diluted	**204,235,536**	**202,170,631**	**202,379,272**	**194,655,022**	**194,745,189**	**199,604,361**	**174,229,361**	**170,796,380**

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

- 164,496,224 issued and outstanding shares.
- 4,921,768 stock options outstanding.
- 11,235,294 Restricted Shares Units.
- 23,582,250 warrants
- Total Fully Diluted Share Capital of 204,235,536.

8. Off-Balance Sheet Arrangements

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

9. Related Party Transactions

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

Key management of the Company are its Board of Directors and the senior officers, including the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"). Key management personnel remuneration includes the following payments:

Table 6. Related Party Transactions

Related Party	For the Three Months Ended December 31,		For the Nine Months Ended December 31,	
	2024	2023	2024	2023
Director fees	$ 152,364	$ 54,040	$ 252,364	$ 197,040
Salaries and short-term employment	$ 137,150	$ 242,730	$ 737,993	$ 1,125,100
Consulting fees	$ -	$ -	$ -	$ -
Share-based compensation	$ 61,142	$ 61,509	$ 130,265	$ 250,572
Total	$ 350,656	$ 358,279	$ 1,120,622	$ 1,572,712

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

Stock-based compensation

The determination of the fair value of stock-based compensation is not based on historical cost but is derived based on subjective assumptions input into an option pricing model. The model requires that management make forecasts as to future events, including estimates of the average future hold period of issued stock options before exercise, expiry or cancellation; future volatility of the Company's share price in the expected hold period (using historical volatility as a reference); and the appropriate risk-free rate of interest. Stock-based compensation incorporates an expected 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 December 31, 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

Following receipt of shareholder approval and final approval of the CSE to the Company's change of business to an investment company, the following are 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.

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.

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.

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. 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.