LI-METAL CORP.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

THREE AND NINE MONTHS ENDED DECEMBER 31, 2024

(EXPRESSED IN CANADIAN DOLLARS)

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"	(signed) "Richard Halka"
Chief Executive Officer	Chief Financial Officer

Toronto, Canada
February 27, 2025

Li-Metal Corp.

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

		As at December 31, 2024		As at March 31, 2024
ASSETS				
Current assets				
Cash and cash equivalents	**$**	**14,336,667**	$	1,648,430
Sales tax and other receivables (notes 8 and 11)		**696,115**		423,411
Prepaid expenses		**87,709**		114,597
Total current assets		**15,120,491**		2,186,438
Non-current assets				
Restricted cash (note 5)		**50,000**		50,000
Property and equipment (note 6)		**873,228**		4,627,415
Asset held for sale (notes 7 and 10)		**-**		-
Right-of-use assets (note 9)		**36,328**		748,878
Total assets	**$**	**16,080,047**	$	7,612,731
EQUITY AND LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	**$**	**369,927**	$	561,986
Lease liability (note 14)		**67,885**		317,022
Total current liabilities		**437,812**		879,008
Long-term liabilities				
Lease liability (note 14)		**-**		548,754
Total liabilities		**437,812**		1,427,762
Equity				
Share capital (note 15)		**44,707,984**		44,063,196
Warrants (note 16)		**4,285,927**		3,983,565
Contributed surplus		**6,858,271**		6,743,748
Accumulated other comprehensive loss		**(267,058)**		(192,801)
Deficit		**(39,942,889)**		(48,412,739)
Total equity		**15,642,235**		6,184,969
Total equity and liabilities	**$**	**16,080,047**	$	7,612,731

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) "Timothy Johnston", Chairman of the Board

(Signed) "David Delaney", Director

Li-Metal Corp.

Condensed Interim Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)
(Expressed in Canadian dollars)
(Unaudited)

	Three months ended December 31, 2024	Three months ended December 31, 2023	Nine months ended December 31, 2024	Nine months ended December 31, 2023
Revenue (note 12)	**$ 20,530**	$ 4,624	**$ 82,320**	$ 314,924
Operating expenses				
Research and development (note 11)	**301,833**	160,598	**813,544**	1,216,925
Salaries and wages	**91,055**	357,447	**523,290**	1,008,452
Share-based compensation (notes 17, 18 and 19)	**64,145**	117,884	**115,623**	392,930
Professional and consulting fees	**248,424**	435,776	**2,478,101**	1,629,727
Investor relations and reporting issuer cost	**7,453**	143,560	**75,449**	724,260
Office and general	**271,933**	491,434	**697,386**	1,718,915
Interest and bank charges	**912**	1,414	**2,481**	5,215
Foreign exchange (gain) loss	**(1,195,246)**	99,318	**(618,647)**	282,646
Amortization of property and equipment (note 6)	**141,435**	31,894	**648,865**	926,732
Amortization of right-of-use assets (note 9)	**(9,001)**	75,009	**140,920**	224,636
Operating loss before the following items	**97,587**	(1,909,710)	**(4,794,692)**	(7,815,514)
Interest and other income	**176,100**	53,711	**276,766**	278,238
Forgiveness of government assistance	-	10,000	**-**	10,000
Business development expense (notes 10)	**-**	-	**-**	(4,858,565)
Gain on assignment of lease (note 14)	**-**	-	**83,857**	-
Accretion of lease liability (note 14)	**(225)**	(23,079)	**(37,539)**	(74,137)
Gain (loss) on disposition of property and equipment (note 8)	**18,445**	-	**14,715,584**	-
Impairment of property and equipment (notes 6, 7 and 10)	**-**	-	**(1,774,126)**	-
Net income (loss) for the period	**291,907**	(1,869,078)	**8,469,850**	(12,459,978)
Other comprehensive loss:				
Foreign currency translation adjustment	**(274,339)**	(37,831)	**(74,257)**	90,324
Total income (loss) and comprehensive income (loss) for the period	**$ 17,568**	$ (1,906,909)	**$ 8,395,593**	$ (12,369,654)
Basic net income (loss)per share (note 21)	**$ 0.00**	$ (0.01)	**$ 0.05**	$ (0.08)
Diluted income (loss) per share (note 21)	**$ 0.00**	$ (0.01)	**$ 0.05**	$ (0.08)
Weighted average number of common shares outstanding - basic	**164,496,224**	159,328,828	**163,913,865**	156,672,010
Weighted average number of common shares outstanding - diluted	**164,496,224**	159,328,828	**164,106,598**	156,672,010

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)

Nine months ended December 31,	2024	2023
Operating activities		
Net income (loss) for the period	**$ 8,469,850**	$ (12,459,978)
Adjustments for:		
Amortization of property and equipment	**648,865**	926,732
Amortization of right-of-use assets (note 9)	**140,920**	224,636
Accretion of lease liability (note 14)	**37,539**	74,137
Share-based compensation (notes 17, 18 and 19)	**115,623**	392,930
Shares and warrants issued for business development expense (note 10)	**-**	4,858,565
Impairment of property and equipment (notes 6 and 7)	**1,774,126**	-
Gain on disposition of property and equipment (note 8)	**(14,715,584)**	-
Gain on assignment of lease	**(83,857)**	-
Forgiveness of government assistance (note 11)	**-**	(10,000)
Unrealized foreign exchange loss	**3,030**	83,903
Non-cash working capital items:		
Sales tax and other receivables	**132,266**	69,055
Prepaid expenses	**26,888**	(634,444)
Accounts payable and accrued liabilities	**(192,050)**	(818,900)
Restricted cash	**-**	-
Customer deposits	**-**	-
Net cash used in operating activities	**(3,642,384)**	(7,293,364)
Investing activities		
Purchase of property and equipment (note 6)	**-**	(315,631)
Proceeds from disposition of property and equipment (note 8)	**15,062,558**	-
Proceeds from disposition of assets held for sale (note 7)	**592,153**	-
Repayment of lease liability (note 14)	**(182,249)**	(282,935)
Net cash used in investing activities	**15,472,462**	(598,566)
Financing activities		
Proceeds from issuance of common shares and warrants, net of transaction costs	**946,050**	-
Repayment of loan payable (note 11)	**-**	(30,000)
Net cash provided by financing activities	**946,050**	(30,000)
Effect of foreign currency translation	**(87,891)**	10,311
Net change in cash and cash equivalents	**12,688,237**	(7,911,619)
Cash and cash equivalents, beginning of the period	**1,648,430**	10,418,506
Cash and cash equivalents, end of the period	**$ 14,336,667**	$ 2,506,887

Supplemental cash flow information:

Shares and warrants issued in settlement of business development expense	**$ -**	$ 3,392,387

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
Balance, March 31, 2023	**154,953,828**	**$ 43,188,196**	**$ -**	**$ 6,279,026**	**$ (184,062)**	**$ (34,925,125)**	**$ 14,358,035**
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)	-	-	-	392,930	-	-	392,930
Net loss and comprehensive loss for the period	-	-	-	-	90,324	(12,459,978)	(12,369,654)
Balance, December 31, 2023	**159,328,828**	**$ 44,063,196**	**$ 3,983,565**	**$ 6,671,956**	**$ (93,738)**	**$ (47,385,103)**	**$ 7,239,876**
Balance, March 31, 2024	**159,328,828**	**$ 44,063,196**	**$ 3,983,565**	**$ 6,743,748**	**$ (192,801)**	**$ (48,412,739)**	**$ 6,184,969**
Shares and warrants issued in private placement, net of costs (notes 10 and 16)	5,164,500	643,688	302,362	-	-	-	946,050
Shares issued in settlement of RSUs (notes 10 and 18)	2,896	1,100	-	(1,100)	-	-	-
Share-based compensation (notes 17, 18 and 19)	-	-	-	115,623	-	-	115,623
Net loss and comprehensive loss for the period	-	-	-	-	(74,257)	8,469,850	8,395,593
Balance, December 31, 2024	**164,496,224**	**$ 44,707,984**	**$ 4,285,927**	**$ 6,858,271**	**$ (267,058)**	**$ (39,942,889)**	**$ 15,642,235**

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

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 anode technology to provide low-cost and environmentally-friendly solutions for next generation lithium batteries. On December 2, 2024 Li-Metal announced its intention to transition from a lithium anode development and production company to an investment company.

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 nine months ended December 31, 2024, the Company had a net income of $8,469,850 (nine months ended December 31, 2023 - net loss of $12,459,978) and had an accumulated deficit of $39,942,889 as at December 31, 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.

2. Going concern (continued)

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.

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 February 27 2025.

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.

(Expressed in Canadian dollars)

5. Restricted cash

The Company has a corporate credit card with a major financial institution with a credit limit of $50,000. As at December 31, 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)	(71,767)	-	(1,702,482)
Write-off	-	(1,089,415)	-	-	(684,711)	(1,774,126)
Reclassification to asset held for sale	-	(989,488)	-	-	-	(989,488)
Foreign exchange	-	20,831	-	8,957	-	29,788
Balance, December 31, 2024	$ -	$ 2,118,602	$ -	$ 153,607	$ -	$ 2,272,209

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)	(607,315)	(4,550)	(35,978)	-	(648,865)
Disposition (note 8)	9,945	858,106	17,921	43,091	-	929,063
Reclassification to asset held for sale	-	415,781	-	-	-	415,781
Foreign exchange	-	(9,192)	-	(4,666)	-	(13,858)
Balance, December 31, 2024	$ -	$(1,316,065)	$ -	$ (82,916)	$ -	$(1,398,981)

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, December 31, 2024	$ -	$ 802,537	$ -	$ 70,691	$ -	$ 873,228

7. Asset held for sale

During the nine months ended December 31, 2024, the Company received a purchase order for sale of equipment with a net asset value of $1,663,122 for USD of $425,000 (CDN$573,707 at the time of the receipt of the order). The Company recorded the impairment of the equipment to its fair value based on its sale price of $573,707, recorded an impairment of equipment charge of $1,089,415 and reclassified the equipment to asset held for sale. During the three and nine months ended December 31, 2024, the Company received the proceeds of USD of $425,000 (CDN$592,152 at the time of the receipt of the proceeds), and recorded a gain on disposition of property and equipment of $18,445 in the condensed interim consolidated statements of income (loss) and comprehensive income (loss).

(Expressed in Canadian dollars)

7. Asset held for sale (continued)

The Company also recorded an impairment of asset for the asset under construction in the amount of $684,711. This adds up to a total of impairment of property and equipment of $1,774,126 on the statement of income (loss) and comprehensive income (loss) (notes 6 and 10).

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:

Consideration received	**Amount ($)**
Cash	$ 15,470,558
Assets sold	
Equipment	$ 724,277
Computer hardware	6,060
Furniture and fixture	14,406
Leasehold improvement	28,676
	$ 773,419
Gain on disposition	$ 14,697,139

9. Right-of-use assets

Balance, March 31, 2024	**$ 748,878**
Amortization	(140,920)
Modification	(124,353)
Disposition on assignment (note 14)	(453,237)
Impact of foreign exchange	5,960
Balance, December 31, 2024	**$ 36,328**

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.

(Expressed in Canadian dollars)

11. Government assistance

The government assistance for the periods is as follows:

	Three months ended December 31,		Nine months ended December 31,	
	2024	**2023**	**2024**	**2023**
NGEN refunds	$ -	$ 275,950	$ -	$ 626,819
Government of Ontario grants	-	309,807	$ 114,415	$ 602,890
	$ -	$ 585,757	$ 114,415	$ 1,229,709

Forgiveness of government assistance:				
Forgiveness of CEBA loan	**$ -**	$ 10,000	**$ -**	$ 10,000

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 nine months ended December 31, 2024, the Company received refunds from NGEN $nil (three and nine months ended December 31, 2023 - $275,950 and $626,819, respectively) 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.

(Expressed in Canadian dollars)

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 nine months ended December 31, 2024, the Company recognized $nil and $114,415, respectively (three and nine months ended December 31, 2023 - $309,807 and $602,890, 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 December 31, 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 nine months ended December 31, 2024, the Company recognized revenue of $20,530 and $82,320, respectively (three and nine months ended December 31, 2023 - $4,624 and $314,924, 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 December 31, 2024	Three months ended December 31, 2023	Nine months ended December 31, 2024	Nine months ended December 31, 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

(Expressed in Canadian dollars)

14. Lease liability

Balance, March 31, 2024	**$**	**865,776**
Accretion		37,539
Lease payments		(182,249)
Modification [i]		(124,353)
Disposition on assignment of lease [ii]		(537,094)
Impact of foreign exchange		8,266
Balance, December 31, 2024	**$**	**67,885**

[i] During the nine months ended December 31, 2024, the Company modified its lease in US and after the modification the Company is obligated to pay monthly rent of US$4,460 until end of November 2025.

[ii] During the nine months ended December 31, 2024, the Company assigned the lease in Canada to a third party for $nil consideration and derecognized the right-of-use asset and lease liability, resulting a gain on assignment of lease of $83,857.

Allocated as:		
Current	$	67,885
	$	**67,885**

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

Maturity analysis		**December 31, 2024**
Less than one year	$	77,003
Total undiscounted lease liabilities		77,003
Amount representing implicit interest		(9,118)
Lease liabilities	$	67,885

(Expressed in Canadian dollars)

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 December 31, 2024, the issued share capital amounted to $44,707,984. The changes in issued share capital for the periods were as follows:

	Number of common 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, December 31, 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, December 31, 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.

(Expressed in Canadian dollars)

16. Warrants

	Number of warrants		Weighted average exercise price
Balance, March 31, 2023	-	$	-
Issued (note 10)	21,000,000		0.627
Balance, December 31, 2023 and March 31, 2024	21,000,000	$	0.627
Issued (note 15)	2,582,250		0.630
Balance, December 31, 2024	23,582,250	$	0.630

As at December 31, 2024, the warrants outstanding are as follows:

Remaining Contractual Life (years)	Number of Warrants	Exercise Price ($)	Expiry Date
3.72	21,000,000	0.627	September 19, 2028
2.34	2,582,250	0.630	May 1, 2027
3.57	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.

(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, March 31, 2023	14,459,522	0.33
Forfeited	(1,475,826)	0.43
Balance, December 31, 2023	12,983,696	0.32
Balance, March 31, 2024	12,893,529	0.31
Forfeited	(7,971,763)	0.37
Balance, December 31, 2024	4,921,766	$ 0.22

As at December 31, 2024, the stock options outstanding are as follows:

Remaining Contractual Life (years)	Exercisable Options	Number of Options	Exercise Price ($)	Expiry Date
0.79	1,345,780	1,345,780	0.08	October 15, 2025
0.96	2,343,658	2,343,658	0.23	December 17, 2025
1.25	546,360	546,360	0.23	April 1, 2026
1.75	585,968	585,968	0.31	October 1, 2026
2.22	66,667	100,000	1.43	March 21, 2027
1.07	4,888,433	4,921,766	0.22	

During the three and nine months ended December 31, 2024, the Company recognized a total share-based payments expense of $3,003 and $17,608, respectively (three and nine months ended December 31, 2023 – $230,571 and $299,231, 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).

(Expressed in Canadian dollars)

18. Restricted share units

Balance, March 31, 2023	1,383,029
Granted	3,432,981
Forfeited	(3,383,346)
Balance, December 31, 2023	1,432,664
Forfeited	-
Balance, March 31, 2024	1,432,664
Settled	(2,896)
Granted	10,000,000
Forfeited	(194,474)
Balance, December 31, 2024	11,235,294

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 nine months ended December 31, 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 nine months ended December 31, 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 nine months ended December 31, 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 nine months ended December 31, 2024, the Company granted to certain officers and directors of the Company an aggregate of 10,000,000 RSUs with vesting over a three year period with one third vesting in each period in 12, 24 and 36 months starting from the date of the grant. The RSU’s also vest on a Change of Business Use or a Change of Control.

During the three and nine ended December 31, 2024, the Company recognized as share-based payment expense of $61,142 and $98,015, respectively (three and nine months ended December 31, 2023 - ($112,687) and $93,699, respectively).

(Expressed in Canadian dollars)

19. Share-based compensation

The share-based compensation is as follows:

	Three months ended December 31, 2024	Three months ended December 31, 2023	Nine months ended December 31, 2024	Nine months ended December 31, 2023
Stock options	**$ 3,003**	$ 230,571	**$ 17,608**	$ 299,231
RSUs	**61,142**	(112,687)	**98,015**	93,699
	$ 64,145	$ 117,884	**$ 115,623**	$ 392,930

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 December 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 December 31, 2024:

	Total	Less than 1 year	1 to 2 years	Beyond 2 years
Accounts payable and accrued liabilities	$ 369,927	$ 369,927	$ -	$ -

Please refer to note 14 for lease liability.

(Expressed in Canadian dollars)

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 December 31, 2024 are as follows:

	US dollar	C$Equivalent
Cash and cash equivalents	$ 9,736,297	$14,009,558
Other receivables	21,070	31,003
Accounts payable and accrued liabilities	(8,333)	(17,588)

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 $1,396,000 decrease or increase in the Company's total comprehensive income or loss.

As at December 31, 2024, US dollar amounts have been translated at a rate of C$1.4389 per US dollar.

21. Net loss per common share

The calculation of basic income per share for the three and nine months ended December 31, 2024 was based on the income attributable to common shares of $291,907 and $8,469,850, respectively (three and nine months ended December 31, 2023 - loss of $1,869,078 and $12,459,978, respectively) and the weighted average number of common shares outstanding of 164,496,224 and 163,913,865, respectively (three and nine months ended December 31, 2023 - 159,328,828 and 156,672,010, respectively).

The calculation of diluted income per share for the three and nine months ended December 31, 2024 was based on the income attributable to common shares of $291,907 and $8,469,850, respectively (three and nine months ended December 31, 2023 - loss of $1,869,078 and $12,459,978, respectively) and the weighted average number of common shares outstanding of 164,496,224 and 164,106,598, respectively (three and nine months ended December 31, 2023 - 159,328,828 and 156,672,010, respectively).

(Expressed in Canadian dollars)

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 nine months ended December 31, 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.

As at December 31, 2024	US	Canada	Total
Current assets	$ 115,448	$ 15,005,043	$ 15,120,491
Restricted cash	-	50,000	50,000
Property and equipment	266,850	606,378	873,228
Asset held for sale	-	-	-
Right-of-use assets	-	36,328	36,328
Total assets	$ 382,298	$ 15,697,749	$ 16,080,047
Total liabilities	$ 33,427	$ 404,385	$ 437,812

As at March 31, 2024	US	Canada	Total
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

	US	Canada	Total
Nine months ended December 31, 2024			
Net (loss) income for the period	$ (679,710)	$ 9,149,560	$ 8,469,850
Three months ended December 31, 2024			
Total (loss) income for the period	$ (206,966)	$ 498,873	$ 291,907
Nine months ended December 31, 2023			
Net loss for the period	$(1,596,998)	$ (10,862,980)	$(12,459,978)
Three months ended December 31, 2023			
Net loss for the period	$ (542,175)	$ (1,326,903)	$ (1,869,078)

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 December 31, 2024, totaled $15,642,235 (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 nine months ended December 31, 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.