
LI-METAL CORP. (FORMERLY EUROTIN INC.)
CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS
THREE AND TWELVE MONTHS ENDED DECEMBER
31, 2021
(EXPRESSED IN CANADIAN DOLLARS)

(UNAUDITED)

Notice to Reader

The accompanying unaudited condensed interim consolidated financial statements of the Corporation have been prepared by and are the responsibility of management. These unaudited condensed interim consolidated financial statements as of and for the twelve months ended December 31, 2021 have not been reviewed by the Corporation's auditors.

Management's Responsibility for Financial Statements

The accompanying unaudited condensed interim consolidated financial statements of Li-Metal Corp. (formerly Eurotin Inc.) (the "Corporation") 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) "Maciej Jastrzebski"

Chief Executive Officer

Toronto, Canada
February 28, 2022

(signed) "Carlos Pinglo"

Chief Financial Officer

Li-Metal Corp. (Formerly Eurotin Inc.)**Condensed Interim Consolidated Statements of Financial Position****(Expressed in Canadian dollars)****(Unaudited)**

	As at December 31, 2021	As at December 31, 2020
ASSETS		
Current assets		
Cash	\$ 27,817,487	\$ 3,047,978
Sales tax receivables	454,992	74,796
Subscription receivable	-	192,843
Prepaid expenses	346,997	66,621
Total current assets	28,619,476	3,382,238
Non-current assets		
Property and equipment (note 7)	2,206,742	284,402
Total assets	\$ 30,826,218	\$ 3,666,640
EQUITY AND LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 489,568	\$ 113,824
Shareholder advances	1,743	-
Total current liabilities	491,311	113,824
Long-term liabilities		
Customer deposits	17,652	-
Government assistance	40,000	40,000
Total liabilities	548,963	153,824
Equity		
Share capital (note 11)	42,450,693	6,393,604
Contributed surplus	2,007,518	752,751
Deficit	(14,180,956)	(3,633,539)
Total equity	30,277,255	3,512,816
Total equity and liabilities	\$ 30,826,218	\$ 3,626,640

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

Nature of operations and going concern (note 1)

Commitments (note 16)

Subsequent events (note 17)

Approved on behalf of the Board:

(Signed) "Maciej Jastrzebski", Director

(Signed) "Mark Wellings", Director

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

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2021	2020	2021	2020
Operating expenses				
Research and development	\$ 327,251	\$ 445,838	\$ 1,410,864	\$ 860,379
Salaries and wages	231,621	189,871	737,756	309,420
Share-based compensation	1,254,767	752,751	1,254,767	752,751
Rent	184,803	-	267,540	-
Professional fees	1,983,335	866,924	3,256,900	906,941
Reporting issuer cost	83,128	-	83,128	-
Office and general	328,929	19,602	379,734	43,322
Shipping and delivery	62,065	-	166,568	-
Travel and accommodations	9,238	1,189	17,566	3,347
Insurance	17,937	559	25,463	6,972
Meals and entertainment	1,814	584	7,037	1,473
Dues and subscriptions	15,950	-	47,413	-
Interest and bank charges	177,721	1,535	182,558	2,511
Foreign exchange loss (gain)	(62,883)	39,263	(126,851)	39,263
Amortization of property and equipment	101,324	36,442	299,994	36,442
Operating loss before the following items	(4,717,000)	(2,353,134)	(8,010,437)	(2,961,397)
Interest and other income	3,464	(1,424)	7,351	(1,424)
Change in fair value of convertible debenture	-	-	(242,605)	-
Gain on conversion of convertible debentures	191,180	-	191,180	-
RTO transaction costs	(2,492,906)	-	(2,492,906)	-
Total loss and comprehensive loss for the period	\$ (7,015,262)	\$ (2,353,134)	\$ (10,547,417)	\$ (2,961,397)
Basic and diluted loss per share (note 15)	\$ (0.07)	\$ (0.06)	\$ (0.15)	\$ (0.07)
Weighted average number of common shares outstanding	102,596,979	42,267,502	70,616,815	42,267,502

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

Li-Metal Corp. (Formerly Eurotin Inc.)
Condensed Interim Statements of Cash Flows
(Expressed in Canadian dollars)
(Unaudited)

Twelve months ended December 31,	2021	2020
Operating activities		
Net loss for the period	\$(10,547,417)	\$ (2,961,397)
Adjustments for:		
Amortization of property and equipment	299,994	36,442
Share-based compensation	1,254,767	752,751
RTO transaction cost	2,492,906	-
Shares issued in settlement of interest expense	174,998	-
Shares issued for debt settlement	649,709	-
	(5,675,043)	(2,172,204)
Non-cash working capital items:		
Other receivables	(316,890)	(61,125)
Prepaid expenses	(276,124)	(13,656)
Accounts payable and accrued liabilities	282,222	83,026
Shareholder advance	1,743	-
Customer deposit	17,652	-
Net cash used in operating activities	(5,966,440)	(2,163,959)
Investing activities		
Purchase of property and equipment	(2,222,334)	(266,067)
Cash obtained upon RTO with Eurotin	8,836	-
Net cash used in investing activities	(2,213,498)	(266,067)
Financing activities		
Proceeds from issuance of common shares, net of transaction costs	32,949,447	4,984,954
Government assistance	-	40,000
Net cash provided by financing activities	32,949,447	5,024,954
Net change in cash	24,769,509	2,594,928
Cash, beginning of the period	3,047,978	453,050
Cash, end of the period	\$ 27,817,487	\$ 3,047,978

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

Li-Metal Corp. (Formerly Eurotin Inc.)
Condensed Interim Statements of Changes in Equity
(Expressed in Canadian dollars)
(Unaudited)

	Number of shares	Share capital	Contributed surplus	Deficit	Total
Balance, December 31, 2019	30,592,400	\$ 1,217,670	\$ -	\$ (672,142)	\$ 545,528
Shares issued in private placement	28,471,724	5,175,934	-	-	5,175,934
Share-based compensation	-	-	1,254,767	-	1,254,767
Net loss and comprehensive loss for the period	-	-	-	(2,961,397)	(2,961,397)
Balance, December 31, 2020	59,064,124	\$ 6,393,604	\$ 1,254,767	\$ (3,633,539)	\$ 4,014,832
Balance, December 31, 2020	59,064,124	\$ 6,393,604	\$ 752,751	\$ (3,633,539)	\$ 3,512,816
Private placement - common shares	2,201,472	797,538	-	-	797,538
Exercise of stock options	929,624	161,137	-	-	161,137
Elimination of 2555663 Ontario Limited shares	(62,097,760)	-	-	-	-
Conversion into Li-Metal shares per RTO	62,097,760	-	-	-	-
Shares issued from conversion of sub-receipts in private placement	30,000,000	9,285,225	-	-	9,285,225
Transaction costs in private placement	-	(13,562)	-	-	(13,562)
Shares issued in settlement of convertible debenture	12,000,000	3,713,700	-	-	3,713,700
Shares issued in settlement of interest on convertible debenture	565,468	174,998	-	-	174,998
Shares issued as consideration in the RTO	7,999,928	2,475,778	-	-	2,475,778
Shares issued upon exercise of warrants	42,000,000	19,462,275	-	-	19,462,275
Share-based compensation	-	-	1,254,767	-	1,254,767
Net loss and comprehensive loss for the period	-	-	-	(10,547,417)	(10,547,417)
Balance, December 31, 2021	154,760,616	\$ 42,450,693	\$ 2,007,518	\$ (14,180,956)	\$ 30,277,255

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

Li-Metal Corp. (Formerly Eurotin Inc.)

Notes to Condensed Interim Consolidated Financial Statements

December 31, 2021

(Expressed in Canadian dollars)

(Unaudited)

1. Nature of operations

Nature of operations

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

On October 25, 2021, the reverse takeover transaction ("RTO") pursuant to which 2555663 Ontario Limited, acquired Eurotin Inc. was completed under the terms of an amalgamation agreement previously entered into between the Company, Eurotin and 2848302 Ontario Inc., a wholly owned subsidiary of Eurotin ("Subco"), the RTO was completed by way of a three-cornered amalgamation under the laws of the Province of Ontario. Pursuant to the RTO, Subco amalgamated with Li-Metal, with Li-Metal surviving as a wholly owned subsidiary of Eurotin, known as Li-Metal North America Inc. In addition, Eurotin underwent a 125 to 1 share consolidation and changed its name to "Li-Metal Corp.". Immediately following the closing of the RTO, the Resulting Issuer and Li-Metal North America Inc. amalgamated by way of a short-form amalgamation under the laws of the Province of Ontario, with the Resulting Issuer surviving the amalgamation. The Resulting Issuer now holds all of Li-Metal's assets, conducts the business of Li-Metal under the Li-Metal name and has its shares listed on the Canadian Securities Exchange (the "CSE") under the symbol "LIM". The Company changed its year end from December 31 to March 31 after the RTO. The Company operates from its head office located at 90 Riviera Drive, Markham, Ontario, L3R 5M1 Canada and also through its wholly owned subsidiary: Li-Metal US Inc. incorporated in Albany NY, USA. The address of the registered office is 333 Bay Street, Suite 2400, Toronto, Ontario, M5H 2T6.

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

COVID-19

Since December 31, 2019, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide.

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

Li-Metal Corp. (Formerly Eurotin Inc.)
Notes to Condensed Interim Consolidated Financial Statements
December 31, 2021
(Expressed in Canadian dollars)
(Unaudited)

2. Going concern

The Company is in the early stages of operation and at present, its operations do not generate cash flow. For the twelve months ended December 31, 2021, the Company incurred a net loss of \$10,547,417 (twelve months ended December 31, 2020 - \$2,961,397) and accumulated deficit was \$14,180,956 (December 31, 2020 - \$3,633,539).

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

The accompanying 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 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 December 31, 2020.

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 financial statements for the year ended December 31, 2020.

These condensed interim consolidated financial statements are presented in Canadian dollars (“Cdn \$”), which is also the functional currency of the Company. These condensed interim consolidated financial statements were authorized for issuance by the Board of Directors of the Company on February 28, 2022.

Li-Metal Corp. (Formerly Eurotin Inc.)
Notes to Condensed Interim Consolidated Financial Statements
December 31, 2021
(Expressed in Canadian dollars)
(Unaudited)

4. Summary of significant accounting policies

Except as noted below, these interim financial statements follow the same accounting policies as the Company's annual audited financial statements for the year ended December 31, 2020. For a complete list of accounting policies applied by the Company, see note 4 of the Company's annual audited financial statements for the year ended December 31, 2020.

Convertible Debentures

Convertible debentures are a financial instrument which may contain multiple component which require consideration of whether they are liability or equity components. During the period ended December 31, 2021, the Company entered into convertible debentures which contain a host debt instrument and an embedded derivative liability representing the variability associated with an equity conversion feature in US dollars which is not the functional currency of the Company. The Company has designated the whole instruments to be measured at fair value through profit and loss. At initial recognition, the value of the convertible debenture is equal to the amount of proceeds. Subsequent to initial recognition, the convertible debenture including the host debt instrument and derivative features are measured at fair value through profit and loss using valuation techniques.

5. Significant judgements and sources of estimation uncertainty

1. Convertible debentures

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

2. Stock-based compensation

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

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

Li-Metal Corp. (Formerly Eurotin Inc.)

Notes to Condensed Interim Consolidated Financial Statements

December 31, 2021

(Expressed in Canadian dollars)

(Unaudited)

5. Significant judgements and sources of estimation uncertainty (continued)

3. Income taxes and deferred taxes

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

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

4. Provisions and contingent liabilities

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

6. Initial adoption and upcoming changes in accounting standards

Adoption of new accounting standards

New standards, amendments and interpretations adopted in the current year have not been disclosed as they did not have a material impact to the Company's financial statements.

New standards and interpretations not yet adopted

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, 2023. Earlier application is permitted. The extent of the impact of adoption of this amendment has not yet been determined.

Li-Metal Corp. (Formerly Eurotin Inc.)**Notes to Condensed Interim Consolidated Financial Statements****December 31, 2021****(Expressed in Canadian dollars)****(Unaudited)**

7. Property and equipment

Cost	Computer hardware	Equipment	Furniture & fixtures	Leasehold improvement	Total
Balance, January 1, 2020	\$ -	\$ 57,618	\$ -	\$ -	\$ 57,618
Additions	4,846	252,992	8,230	-	266,068
Balance, December 31, 2020	4,846	310,610	8,230	-	323,686
Additions	4,461	2,198,072	-	19,801	2,222,334
Balance, December 31, 2021	\$ 9,307	\$ 2,508,682	\$ 8,230	\$ 19,801	\$ 2,546,020

Accumulated depreciation	Computer hardware	Equipment	Furniture & fixtures	Leasehold improvement	Total
Balance, January 1, 2020	\$ -	\$ (2,842)	\$ -	\$ -	\$ (2,842)
Additions	(181)	(36,055)	(206)	-	(36,442)
Balance, December 31, 2020	(181)	(38,897)	(206)	-	(39,284)
Additions	(3,713)	(291,543)	(4,738)	-	(299,994)
Balance, December 31, 2021	\$ (3,894)	\$ (330,440)	\$ (4,944)	\$ -	\$ (339,278)

Net book value	Computer Equipment	& fixtures	Furniture improvement	Leasehold Total	
Balance, December 31, 2020	\$ 4,665	\$ 271,713	\$ 8,024	\$ -	\$ 284,402
Balance, December 31, 2021	\$ 5,413	\$ 2,178,242	\$ 3,286	\$ 19,801	\$ 2,206,742

Li-Metal Corp. (Formerly Eurotin Inc.)
Notes to Condensed Interim Consolidated Financial Statements
December 31, 2021
(Expressed in Canadian dollars)
(Unaudited)

8. 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,		Twelve Months Ended December 31,	
	2021	2020	2021	2020
Salaries and short-term employment	\$ 118,125	\$ 33,500	\$ 193,125	\$ 96,500
Consulting fees	15,625	13,710	305,863	25,483
Share-based compensation	825,153	752,751	825,153	752,751
Share capital issued	-	327,911	157,865	327,911

The Company is related to Li-Cycle Corp. through some shareholders having common ownership. During the year ended December 31, 2020 the two companies have no shared services or personnel costs (December 31, 2019 - Nil).

9. Convertible debenture and financing

In May 2021, the Company issued USD \$3,000,000 of convertible debentures with a 10% coupon rate and mature in May 2022. The principal of each convertible debenture is automatically convertible into common shares and warrant on completion of the reverse takeover. The conversion would occur on a fixed USD share price of \$4.74 and a two-year warrant at \$1.50 convertible when the share price of the resulting reporting entity trades at or above \$3.50. The accrued interest on the convertible debenture is payable in cash.

The instrument is a compound instrument consisting of a host debt instrument and all the embedded derivatives including the foreign exchange variability associated with a conversion feature in a currency other than the Company's functional currency and the fair value associated with the warrant option. The financial instrument is classified and measured at fair value through profit and loss.

A summary of movement in the convertible debentures is as follows:

	As at December 31,, 2021	As at December 31, 2020
Opening balance	\$ -	\$ -
Issuance of convertible debentures	3,662,136	-
Foreign exchange	139	-
Settlement of convertible debentures	(3,662,275)	-
Ending balance	\$ -	\$ -

On September 7th, 2021, the Company completed a private placement of US\$7.5 million subscription-receipts (the "Sub-receipts"), which sub-receipts if converted pursuant to the Transaction, will convert into units of the Resulting Issuer (the "Units") each unit comprising one common share of the resulting issuer (the "Resulting Issuer Shares") and one warrant (the "Resulting Issuer Warrants"), each Resulting Issuer Warrant allowing its holder to acquire one Resulting Issuer share.

On October 25, 2021, upon completion of the RTO, all of the outstanding balance of the convertible debentures, accrued interest of \$174,998 on the convertible debentures and sub-receipts were converted into common shares of the Company.

Li-Metal Corp. (Formerly Eurotin Inc.)
Notes to Condensed Interim Consolidated Financial Statements
December 31, 2021
(Expressed in Canadian dollars)
(Unaudited)

10. Reverse takeover

The share capital of each company prior to the RTO was as follows:

Eurotin	Number of Common Shares	Amount (\$)
Balance, September 30, 2021	106,741,332	31,495,696
Debt conversion	142,702,034	2,140,531
Conversion to Li-Metal shares per RTO	(241,443,438)	-
Balance, October 25, 2021 before RTO	7,999,928	33,636,227

2555663 Ontario Limited (operating as "Li-Metal Corp.")	Number of Common Shares	Amount (\$)
Balance, September 30, 2021	62,097,760	7,330,277
Elimination of 2555663 Ontario Limited shares	(62,097,760)	-
Conversion to Li-Metal shares	62,097,760	-
Balance, October 25, 2021 before RTO	62,097,760	7,330,277

On October 25, 2021, 2555663 Ontario Limited ("Li-Metal") completed a reverse take over (the "RTO") of Eurotin Inc. pursuant to the terms of the amalgamation agreement, as amended on October 8, 2021 between Eurotin, Li-Metal and 2848302 Ontario Inc., a wholly owned subsidiary of Eurotin ("Eurotin Subco"). Upon the completion of the RTO, Eurotin (following the RTO, the "Resulting Issuer"), changed its name to Li-Metal Corp.

In accordance with IFRS 3, Business Combination, the substance of the transaction is a reverse takeover of a non-operating company. The transaction does not constitute a business combination as Eurotin does not meet the definition of a business under the standard. As a result, the transaction is accounted for as a capital transaction with 2555663 Ontario Limited being identified as the acquirer and the equity consideration being measured at fair value. The resulting consolidated statement of financial position is presented as a continuance of 2555663 Ontario Limited and comparative figures presented in the consolidated financial statements after the reverse takeover are those of 2555663 Ontario Limited.

IFRS 2, Share-based Payment, applies to transactions where an entity grants equity instruments and cannot identify specifically some or all of the goods or services received in return. Because 2555663 Ontario Limited would have issued shares with a value in excess of the net assets received, the difference is recognized in comprehensive loss as a RTO transaction cost. The amount assigned to the transaction cost of \$2,492,906 is the difference between the fair value of the consideration and the net identifiable assets of Eurotin acquired by 2555663 Ontario Limited and included in the consolidated statement of loss and comprehensive loss.

The fair value of the consideration is determined based on the percentage of ownership the legal parent's shareholders have in the combined entity after the transaction. This represents the fair value of the shares that 2555663 Ontario Limited would have had to issue for the ratio of ownership interest in the combined entity to be the same, if the transaction had taken the legal form of 2555663 Ontario Limited acquiring 100% of the shares in Eurotin. The fair value of the consideration in the RTO is equivalent to the fair value of the 7,999,928 Li-Metal shares controlled by original Eurotin shareholders. The fair value of the shares controlled by original Eurotin shareholders was estimated to be \$2,475,778 based on the fair market value of US\$0.25 per share in the private placement of 2555663 Ontario Limited in September 2021.

Based on the statement of financial position of Eurotin at the time of the RTO, the net liability at estimated fair value that were acquired by 2555663 Ontario Limited were \$17,128 and the resulting transaction cost charged to the consolidated statement of loss and comprehensive loss is as follows:

Li-Metal Corp. (Formerly Eurotin Inc.)
Notes to Condensed Interim Consolidated Financial Statements
December 31, 2021
(Expressed in Canadian dollars)
(Unaudited)

10. Reverse takeover (continued)

Consideration

Common shares	\$ 2,475,778
Total consideration	\$ 2,475,778

Identifiable assets acquired

Cash	\$ 8,836
Sales tax receivable	63,306
Prepaid	4,252
Accounts payable and accrued liabilities	(93,522)
Total identifiable assets acquired	(17,128)

Unidentifiable assets acquired

Transaction cost	2,492,906
Total net identifiable assets and transaction cost	\$ 2,475,778

11. 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, 2021, the issued share capital amounted to \$42,450,693. The changes in issued share capital for the periods were as follows:

	Number of common shares	Amount
Balance, January 1, 2020	30,592,400	\$ 1,217,670
Private placement - common shares (i)	28,471,724	5,175,934
Balance, December 31, 2020	59,064,124	6,393,604
Private placement - common shares (ii)	2,201,472	797,538
Exercise of stock options	929,624	161,137
Elimination of 2555663 Ontario Limited shares	(62,097,760)	-
Conversion into Li-Metal shares per RTO (note 10)	62,097,760	-
Shares issued from conversion of sub-receipts in private placement (note 9)	30,000,000	9,285,225
Transaction costs in private placement (note 9)	-	(13,562)
Shares issued in settlement of convertible debentures (note 9)	12,000,000	3,713,700
Shares issued in settlement of interest on convertible debentures (note 9)	565,468	174,998
Shares issued as consideration in the RTO (note 10)	7,999,928	2,475,778
Shares issued upon exercises of warrants	42,000,000	19,462,275
Balance, December 31, 2021	154,760,616	\$ 42,450,693

Li-Metal Corp. (Formerly Eurotin Inc.)
Notes to Condensed Interim Consolidated Financial Statements
December 31, 2021
(Expressed in Canadian dollars)
(Unaudited)

11. Share capital (continued)

(i) During the year ended December 31, 2020 at various dates, 28,471,724 class B common shares were issued for proceeds of \$5,175,934.

(ii) During the period ended December 31, 2021 and before the RTO, 2,201,472 class B common shares were issued for proceeds of \$797,538.

As at December 31, 2021, 28,032,252 common shares of the Company were in escrow.

12. Warrants

The 12,000,000 warrants issued upon conversion of the convertible debentures and the 30,000,000 warrants issued upon conversion of the sub-receipts in the private placement on September 7, 2021 were all exercised into 42,000,000 common shares of the Company during the period ended December 31, 2021. As at December 31, 2021, nil warrants were outstanding.

13. Stock options

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

	Number of options	Weighted average exercise price
Balance, January 1, 2020	-	\$ -
Granted	5,281,229	0.17
Balance, December 31, 2020	5,281,229	\$ 0.17
Exercised	(832,164)	0.17
Granted	5,954,000	0.31
Exercised	(97,460)	\$ 0.23
Balance, December 31, 2021	10,305,605	\$ 0.26

As at December 31, 2021, the stock options outstanding are as follows:

Remaining Contractual Life (years)	Exercisable Options	Number of Options	Exercise Price (\$)	Weighted Average Expiry Date
3.79	1,345,780	1,345,780	0.08	October 15, 2025
3.96	2,172,424	2,459,464	0.23	December 17, 2205
4.25	188,400	546,360	0.23	April 1, 2026
4.75	5,400,000	5,940,000	0.31	October 1, 2026
4.93	-	14,000	2.69	December 6, 2026
4.41	9,106,604	10,305,604	0.26	

Li-Metal Corp. (Formerly Eurotin Inc.)

Notes to Condensed Interim Consolidated Financial Statements

December 31, 2021

(Expressed in Canadian dollars)

(Unaudited)

13. Stock options (continued)

During the three- and twelve-month periods ended December 31, 2021, the Company recognized a share-based payments expense of \$1,254,767 (December 31, 2020 – \$Nil).

As at December 31, 2021, 3,041,320 stock options of the Company were in escrow.

14. Financial instruments

Fair Value

The fair value of cash and cash equivalents, receivables, payables and convertible debenture liability approximate their carrying amounts due to their short-term nature. The convertible debenture is measured at fair value through profit and loss.

The convertible debentures including the conversion feature is measured at fair value through profit and loss at each reporting period and is a Level 3 measurement as the inputs in its valuation are not based on observable market data.

The convertible debenture was measured using a complex model where inputs included the following:

As at December 31, 2021

Class B share price	\$4.71
Risk free rate	0.23% - 0.28%
Credit spread	CCC+, CCC, CC-
Discount for lack of marketability	22%
Volatility	90% - 91%
Probability of transaction	95%

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, 2021, the Company's current liabilities which comprise accounts payable and accrued liabilities. The Company will require additional funding to maintain corporate and administrative functions and to fund its continuing development and commercialization activities and commitments.

15. Net loss per common share

The calculation of basic and diluted loss per share for the three and six months ended December 31, 2021 was based on the loss attributable to common shares of \$7,015,262 and \$10,547,417, respectively (three and six months ended December 31, 2020 - \$2,353,134 and \$2,961,397, respectively) and the weighted average number of common shares outstanding of 102,596,979 and 70,616,815, respectively (three and six months ended December 31, 2020 - 42,267,502).

Li-Metal Corp. (Formerly Eurotin Inc.)
Notes to Condensed Interim Consolidated Financial Statements
December 31, 2021
(Expressed in Canadian dollars)
(Unaudited)

16. Commitments

The Company has the following commitments:

	2022	2023	Years ended March 31,		2026
			2024	2025	
Rent	\$ 66,557	\$ 256,994	\$ 268,654	\$ 273,627	\$ 279,924

17. Subsequent events

Subsequent to December 31, 2022, 193,212 stock options were exercised for proceeds of \$56,921.

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.

On February 14, 2022 the Company granted to certain employees an aggregate of 64,000 incentive stock Options exercisable at a price of \$2.04 per share for a period of five years, 40,000 Options vest in 25% instalments every 12 months, starting from the date of the grant and 24,000 Options vest in 50% instalments every 12 months, starting from the date of the grant.