Li-Metal Corp. (formerly Eurotin Inc.)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For the Three and Twelve Months Ended December 31, 2021

Li-Metal Corp. (formerly Eurotin Inc.)

Introduction

The following Management's Discussion and Analysis ("**MD&A**") of the results of operations and financial condition for Li-Metal Corp. (Eurotin Inc.) (the "**Compan**y" or "**Li-Metal**") should be read in conjunction with the unaudited condensed consolidated interim financial statements for the three and twelve months ended December 31, 2021, as well as the audited consolidated financial statements for the years ended December 31, 2020 and 2019, and the related notes (the "**Financial Statements**"), which have been prepared in accordance with IAS 34, Interim Financial Statements, a standard within 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 and are available on Li-Metal's website at www.li-metal.com and under the Company's profile on the System for Electronic Document Analysis and Retrieval ("**SEDAR**") at www.sedar.com.

This MD&A was prepared as of February 28, 2022, and all information is current as of such date.

Management's Discussion and Analysis for Li-Metal is the responsibility of management, and the Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the MD&A.

This report was reviewed and approved by the Company's Board of Directors on February 28, 2022.

The information contained in this management discussion and analysis may contain some forward-looking statements. Forward-looking information may include but is not limited to information with respect to our future financial and operating performance, future development activities and adequacy of financial resources.

Cautionary statement on forward looking statements

Forward-looking information is based on the reasonable assumptions, estimates, analysis and opinions of management made in light of its experience. Our forward-looking statements are based on the reasonable beliefs, expectations and opinions of management on the date of this management analysis.

Although we have attempted to identify important factors that could cause actual results to differ from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. Accordingly, readers should not place undue reliance on forward-looking information.

Overview

This management's discussion and analysis provides an overview of the Company's operations, performance and financial condition for the period January 1, 2021 – December 31, 2021.

Li-Metal is a Canadian based technology company, specializing in the development of technologies for the next generation battery supply chain, focused on metallic lithium anode materials and their production.

In October 2021, the Company, which at the time was named Eurotin Inc. ("**Eurotin**"), completed the acquisition of 255663 Ontario Limited (DBA as Li-Metal) through a share exchange transaction (RTO

Transaction). Following completion of the RTO Transaction, the Company amalgamated with 2555663 Ontario Limited and changed its name to Li-Metal Corp.; its fiscal year remains to March 31. Since the Company holds all 2555663 Ontario Limited assets and liabilities and will continue with its operations the historical figures presented herein for the three and twelve months ended December 31, 2021 represent those of 2555663 Ontario Limited. Therefore, the next audited Financials of the Company as of March 31,2022 will show the comparative results of 2555663 Ontario Limited for the 15 months ended that date.

Eurotin was incorporated under the Ontario Business Corporation Act ("**OBCA**") as "**Natex Mineral Corp**" on July 31, 2008. On August 22, 2008, Eurotin filed articles of amendment changing its name to "**Eurotin Inc**.", and on November 4, 2008, Eurotin filed articles of amendment to remove the transfer and shareholder restrictions. On December 28, 2018, Eurotin amalgamated with its subsidiary, Stannico Resources Inc. On January 3, 2019, in connection with its plan of arrangement with Elementos Limited, Eurotin filed articles of arrangement.

2555663 Ontario Limited was incorporated under the OBCA on January 11, 2017. On May 7, 2019, 2555663 Ontario Limited filed articles of amendment under the OBCA to change the classes and maximum number of shares that Ontario Limited is authorized to issue.

On March 31,2021 the Company incorporated in Albany, New York USA its wholly owned subsidiary Li-Metal US inc.

The head office of the Company is located at 90 Riviera Drive, Markham, Ontario, L3R 5M1. The registered office of Li-Metal is located at 333 Bay Street, Suite 2400, Toronto, Ontario, M5H 2T6.

On October 25,2021 the Company changed its name to Li-Metal Corp. concurrent with the appointment of the new board of directors ("**Board**") and management team and the expansion of the corporate growth strategy.

On November 3, 2021, the common shares of the Company began trading on the Canadian Securities Exchange (the "**CSE**") under the ticker "**LIM**"

Li-Metal is developing innovative lithium battery technologies for the next generation batteries expected to power electric vehicles, electric aircraft, handheld devices, and many other applications starting in the mid-2020s. More specifically, Li-Metal is developing and scaling up innovative, patent-pending technology for production of lithium metal and metallic lithium battery anodes. The products and processes are engineered to provide a low-cost, technically-superior and environmentally friendly solution to one of the key hurdles facing next generation lithium batteries, including solid state batteries, advanced liquid electrolyte lithium-ion batteries, and lithium sulfur batteries.

Next generation batteries promise improved energy storage and safety characteristics allowing for longer range electric vehicles, practical electric flight, extended run times on portable devices, and new applications not possible with today's bulky and heavy batteries. In order to facilitate commercialization of next generation batteries, improved technology is needed to provide thinner, lower cost lithium metal anodes and the ability to produce lithium metal in an economic, safe and environmentally friendly manner. The present industry is structured to supply materials for the current generation of lithium-ion batteries, including graphite, lithium carbonate and lithium hydroxide, and various cathode metal oxides. The next generation of lithium batteries requires, a dramatic reshaping of the anode supply chain, including severalfold expansion of lithium metal supply and the build-out of lithium metal-based anode production capacity. It is expected that this will take place alongside the 8-10-fold expansion of overall battery production capacity predicted to happen throughout the 2020s.

Highlights

- On October 25,2021 the Company announced the completion of the reverse takeover transaction pursuant to which 2555663 Ontario Limited, doing business as Li-Metal acquired Eurotin Inc. Under the terms of an amalgamation agreement previously entered into between Eurotin, 2555663 Ontario Limited and 2848302 Ontario Inc., a wholly owned subsidiary of Eurotin ("**Subco**"), the RTO was completed by way of a three-cornered amalgamation under the laws of the Province of Ontario. Pursuant to the RTO, Subco amalgamated with 2555663 Ontario Limited, with 2555663 Ontario Limited surviving as a wholly owned subsidiary of Eurotin, known as Li-Metal North America Inc. In addition, Eurotin underwent a 124.72 to 1 share consolidation, entered into a settle for debt agreements with some creditors through the issuance of common shares of the capital of the company for the equivalent of approximately $2.14MM and changed its name to "**Li-Metal Corp**.". Immediately following the closing of the RTO, the Resulting Issuer and Li-Metal North America Inc. amalgamated by way of a short-form amalgamation under the laws of the Province of Ontario, with the Resulting Issuer surviving the amalgamation. The Resulting Issuer now holds all of 2555663 Ontario Limited assets and conducts the business of 2555663 Ontario Limited under the Li-Metal Corp. name.
- On October 25, 2021 after the reverse take over transaction completion indicated above, the Company converted into 3,000,000 common shares and 3,000,000 warrants the 3 million Convertible Debentures issued as per the Private Placement completed in May 2021. The Convertible Debentures carried a a 10% coupon rate that matured in May 2022 and were paid issuing 141,367 common shares as indicated below. Each warrant allowing to his holder to acquire one common share at the exercise price of $1.85355
- On October 25, 2021 after the reverse take over transaction completion indicated above, the Company converted into units (the "**Units**") the 7.5 million subscription-receipts issued as per the Private Placement completed on September 7th 2021 each Unit comprising one common share and one warrant, each warrant allowing to his holder to acquire one common share at the exercise price of $1.85355
- On October 26,2021 the Company granted 1,485,000 stock options to certain officers, directors, employees and consultants. The exercise price is $1.2357 and will expire October 1, 2026. The stock options were issued in accordance with the Company's stock option plan.
- On November 3, 2021, the common shares of the Company began trading on the Canadian Securities Exchange (the "**CSE**") under the ticker "**LIM".**
- On November 10,2021 announced that it has retained First Marketing GmbH (the "**Service Provider**"), a leading investor relations and marketing firm based in Heidelberg, Germany, to provide advertising, corporate communications and promotional services in Germany, Switzerland and Austria. Pursuant to the terms and conditions of this agreement, which commences on

November 12, 2021, the Service Provider is to provide content distribution, translation and advertising services in Europe.

- On November 23,2021 the Company announced that will be accelerating the expiry of all of its outstanding warrants, pursuant to the terms of the warrant indenture dated September 7, 2021. Li-Metal issued a total of 10,500,000 warrants with an expiry date of October 25th, 2023, (the "**Warrants**") which were exercisable at $1.85355
- On November 23,2021 the Company also announced that Company has issued 141,367 Common Shares to six prior debenture holders in satisfaction of interest owed by the Company on senior secured convertible debentures (the "**Debentures**") in the amount of US$141,369.87 (the "**Interest Paymen**t"). No fractional common shares were issued in satisfaction of the Interest Payment. The common shares issued in satisfaction of interest payable under the Debentures are subject to four-month hold period resale restrictions under Canadian securities laws.
- On November 25,2021 the Company announced that its advanced anode material development facility (the "**Facility**") in Markham, Ontario has reached initial operation capability. The Facility houses small-scale deposition equipment that can rapidly produce anode materials for evaluation and testing, which is a key piece of the strategy to develop Li-Metal's highly scalable, cost effective, sustainable lithium anode technology. These advanced anode materials will be produced at the Facility for evaluation and optimization, followed by initial industrialization at the roll-to-roll anode facility in Rochester, New York.
- On December 10,2021 24,365 stock options were exercised by a consultant at an exercise price of $0.903 for gross proceeds of $22,002.
- On December 23, 2021 the Company successfully completed the construction and installation of the pilot scale lithium anode production facility in Rochester, NY.
- On of December 23,2021. All the Company's Warrants indicated above were successfully exercised. Li-Metal raised CAD$19,462,275 from the exercise of 10,500,000 share warrants with an exercise price of CAD$ 1.85355 per warrant.
- On December 30, 2021 the Company announced it retained the services of Renmark Financial Communications Inc. to further support its investor relations activities.

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.

Quarterly Results	Quarter ended December 31, 2021	Quarter ended September 30, 2021	Quarter ended June 30, 2021	Quarter ended March 31, 2021
	Q4 2022	Q3 2022	Q2 2022	Q1 2022
	$	$	$	$
Revenue	Nil	Nil	Nil	Nil
Net Gain (Loss) for the period	- 7,015,262	- 1,621,031	- 1,068,571	- 842,553
Diluted Gain (Loss) per share	- 0.05	- 0.03	- 0.02	- 0.01
Current Assets	28,619,476	3,242,048	4,382,776	1,929,813
Total Assets	30,826,218	4,983,661	6,069,434	3,005,305
Current Liabilities	491,311	4,008,676	4,010,713	215,038
Cash and Cash Equivalent	27,817,487	2,916,066	4,115,004	1,817,166
Property and Equipment	2,206,742	1,741,613	1,686,658	1,075,492
Total equity	30,277,255	4,983,661	2,001,069	2,790,267

Quarterly Results	Twelve Months ended December 31, 2020 (audited)	Quarter ended December 31, 2020 (audited)	Twelve Months ended December 31, 2019 (audited)
		Q4 2021	
	$	$	$
Revenue	Nil	Nil	Nil
Net Gain (Loss) for the period	- 2,961,397	- 2,353,134	- 634,737
Diluted Gain (Loss) per share	- 0.05	- 0.04	- 0.02
Current Assets	3,382,238	3,382,238	576,326
Total Assets	3,666,640	3,666,640	521,549
Current Liabilities	113,824	113,824	30,798
Cash and Cash Equivalent	3,047,978	3,047,978	453,050
Property and Equipment	284,402	284,402	54,777
Total equity	3,512,816	3,512,816	545,528

The Company has experienced considerable fluctuation in its results over the preceding eight quarters. Such fluctuations are to be expected for a development stage company undertaking a technology development program as its sole focus, as the nature, scope and scale of activities and associated expenses vary considerably between different development stages.

During Q2 2022 the company mainly focussed on assembly and testing of small scale metal production in Mississauga. Throughout Q3 – Q4 2022, the company was primarily engaged in the design and construction of its larger pilot scale metal production facility in Markham, ON and pilot scale anode production facility in Rochester, NY. The increased expenditure in Q3-Q4 2022 is associated with expansion of Li-Metal's process, new equipment purchase, increased staffing levels, further development of ongoing R&D expenses and increased contractor costs to assist with the setup of Li-Metal's two new facilities.

The bulk of large increase in G&A losses recorded for Q4 2022 are also associated with Li-Metal closing its RTO transaction to be listed on Canadian Securities Exchange (CSE). The increased expenditure covered legal closing costs, engagement of IR & PR firms and internal staffing to support IR and marketing costs. Li-Metal's anode development facility in Markham became operational in November, 2021 and its anode pilot facility in Rochester, NY finished construction in December, 2021 (commissioned in Jan, 2022). The above activities contributed to higher losses in Q4 2022.

Increased losses of $10,547,417 during the twelve months ended December 31,2021 compared with $2,961,397 for the twelve months ended December 31,2020 reflect higher expenses from expanded research and development activities for lithium metal production and refining, sample anode production, legal/closing costs for the RTO transaction and capital equipment purchases for Li-Metal's two new facilities.

Off-Balance Sheet Arrangements

There are no off-balance sheet arrangements for Li-Metal.

Changes in Accounting Policies including Initial Adoption

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.

These amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted. The extent of the impact of adoption of this amendment has not yet been determined.

Financial Instruments and Other 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 of December 31, 2021, the Company's current liabilities comprised accounts payable and accrued liabilities. The Company will require additional funding to maintain corporate and administrative functions and to fund its continuing activities and commitments.

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.)

Outstanding Share Data (December 31st, 2021) (1)

Shares Class A	Quarter ended December 31, 2021	Quarter ended September 30, 2021	Quarter ended June 30, 2021	Quarter ended March 31, 2021
Open	4,000,000	4,000,000	4,000,000	4,000,000
Issued	-	-	-	-
Converted	-	-	-	-
Voided	4,000,000	-	-	-
Close	**-**	**4,000,000**	**4,000,000**	**4,000,000**

Shares Class B	Quarter ended December 31, 2021	Quarter ended September 30, 2021	Quarter ended June 30, 2021	Quarter ended March 31, 2021
Open	13,184,236	12,924,112	12,540,152	12,540,152
Issued	92,662,856	260,124	383,960	-
Converted	62,097,760		-	-
Voided	13,184,236		-	-
Close	**154,760,616**	**13,184,236**	**12,924,112**	**12,540,152**

Warrants	Quarter ended December 31, 2021	Quarter ended September 30, 2021	Quarter ended June 30, 2021	Quarter ended March 31, 2021
Open	-	-	-	-
Issued	42,000,000	-	-	-
Exercised	42,000,000	-	-	-
Forfeited		-	-	-
Close	**-**	**-**	**-**	**-**

Options	Quarter ended December 31, 2021	Quarter ended September 30, 2021	Quarter ended June 30, 2021	Quarter ended March 31, 2021
Open	944,600	944,600	1,121,280	1,121,280
Issued	5,954,000	-	-	-
Converted	3,504,468	-	-	-
Exercised	97,460	-	176,680	-
Forfeited	-	-	-	-
Close	**10,305,608**	**944,600**	**944,600**	**1,121,280**

Fully Diluted	**165,066,224**	**18,128,836**	**17,868,712**	**17,661,432**

(1) The share data was adjusted to reflect the implementation of the split of its share capital on a four-for-one basis announced on January 31,2022.

Li-Metal Corp. (formerly Eurotin Inc.)

Selected Financial Data

The following table sets forth financial information relating to the Company as of December 31st, 2021 and should be read in conjunction with the unaudited condensed interim financial statements for the three and twelve months ended December 31, 2021 and 2020.

	December 31, 2021 $	December 31, 2020 $
Assets		
Current assets		
Cash and cash equivalents	**27,817,487**	3,047,978
Sales tax receivables	**454,992**	74,796
Subscriptions receivable	**-**	192,843
Prepaid expenses	**346,997**	66,621
Total current assets	**28,619,476**	3,382,238
Non-current assets		
Property and equipment	**2,206,742**	284,402
Total Assets	**30,826,218**	3,666,640
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
Shareholders' Equity		
Share capital	**42,450,693**	6,393,604
Contributed surplus	**2,007,518**	752,751
Retained deficit	**(14,180,956)**	(3,633,539)
Total Shareholders' Equity	**30,277,255**	3,512,816
Total Liabilities and Shareholders' Equity	**30,826,218**	3,666,640

The Company's activities consist of research and development and technology commercialization in the area of lithium metal production and metallic lithium anode production. The Company currently produces various volumes of sample products for distribution to battery developers for research and development purposes. It consequently has minimal revenue and it does not foresee substantial revenue in the near term. All costs related to ongoing research and development activities have been presented as research expenses.

The Company intends to generate revenue based on the sale of products currently under development. The Company is therefore focused on completing product development, production process development IP protection and commercialization. As with any product in development phases, value will be created by (a) proving acceptable performance with battery developers; (b) ensuring commercial viability of such products in specific markets through development of manufacturing capability that can give appropriate gross and net margins; and (c) securing reliable supply of key input materials.

The Company currently has sufficient expertise to manage the research and development process for each of the products. The value ascribed to each product will increase significantly as it moves through the development phase and will reach maximal value at the point where it has completed product qualification trials with major automakers and enters use in a mass-produced vehicle. Management currently anticipates the first products to obtain this status within ~ 2 years.

Operating Expenses

	Three months ended December 31, 2021	2020	Twelve months ended December 31, 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 (Includes R&D Consultants)	**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)

Total business expenses for twelve months ended on December 31, 2021 is $10,547,417 vs $2,961,397 for the twelve months ended December 31, 2020. This represents expanded development activities, particularly increased investment in development of Li-Metal's R&D and pilot facilities for production of lithium metal and lithium anodes. The additional expenses include increased third party contractors to assist with setup of Li-Metal's new facilities, expansion of in-house development & pilot-scale development activities, leasing of new R&D facility in Markham and anode piloting facility in Rochester, the legal costs incurred to complete the RTO transaction to be listed on the CSE and IR & PR contractors to support Li-Metal's investor related activities. There is a notable increase in salaries in wages from $309,420 for twelve months ending on December 31, 2020 to $737,756 for twelve months ending on December 31, 2021. The 138% increase in salary and wages reflects the growth of Li-Metal's technical and management team to further its efforts in expanding the in-house research and development capability. The professional fees for Q3 2022 were $1,983,335 compared to $866,924. The professional fees were higher in Q3 2022 as Li-Metal had contracts with various contractors to design and build the head R&D facility in Markham and the anode pilot production facility in Rochester. Additionally, Li-Metal continued to carry out third party research and development activities using consultants and other service providers

Office and general cost increased from $ 43,322 for twelve months ending on Dec 31, 2020 to $379,734 for twelve months ending on Dec 31, 2021. $328,929 was spent on office and administrative expenses in Q4 2022. The expenses were related to setting up office & admin spaces in the two new facilities, expansion of the team and expansion of general scope of activities.

Capital Equipment

Li-Metal transitioned to a new location (Markham, ON) in Q4, 2022 to expand its internal R&D capability and run a larger pilot scale operation for lithium metal production. The new facility in Markham will support the development efforts and bench scale production of lithium metal anodes as well. The Company also expanded its anode production capability by building a pilot scale lithium anode production facility in Rochester, NY. Various equipment was purchased/manufactured inhouse to further the company's efforts in proving the technology out on a pilot scale and develop internal analysis capabilities. The equipment included process vessels, heating equipment, equipment to maintain controlled environments, surface analysis equipment, battery performance testing tools, control systems and various coating equipment. As a result the capital assets increased to $2,206,742 in Q4 2022.

Operating activities

Net cash used in operating activities totalled $5,966,440 for twelve months ending on December 31,2021 compared to $2,163,959 for twelve months ending on December 31, 2020. Increased net losses reflect a significant increase in research and development activities and the RTO transaction costs. The RTO transaction costs include legal fees, closing costs and all necessary applications costs. Net-changes in non-cash working capital include payments on research agreements signed in the quarter, deposits on anode production for customer orders, deposit paid for the new facility and additions to accounts payable.

Investment activities

The Company incurred costs of $2,213,498 for twelve months ending on December 31, 2021 compared to $266,067 for twelve months ending on December 31, 2020. The increase is due to progress payments made to design and manufacture pilot scale anode production equipment, upgrade of pilot scale metal production equipment and bench scale refining equipment.

Financing activities

During the twelve months ended December 31,2021 the Company received $ 32,949,447 as a Net Cash proceeds provided by financing activities described in the Highlights section, including $19,462,275 for the exercise of 42,000,000 warrants and $ 161,137 for the exercise of 929,624 stock options.

Liquidity and Capital Resource

Liquidity and Capital Resource	31-Dec-21	30-Sep-21	30-Jun-21	31-Mar-21	December 31, 2020 (audited)
	Q4 2022	Q3 2022	Q2 2022	Q1 2022	
	$	$	$	$	$
Cash and Cash Equivalent	27,817,487	2,916,066	4,115,004	1,817,166	3,047,978
Receivables and Prepaid	801,989	325,982	267,772	112,647	334,260
Current Assets	28,619,476	3,242,048	4,382,776	1,929,813	3,382,238
Current Liabilities	419,311	4,008,676	4,010,713	215,038	113,824
Working Capital	28,200,165	- 766,628	372,063	1,714,775	3,268,414

The Company completed the RTO transaction on October 25, 2021 and began trading on the Canadian Securities Exchange (CSE: LIM) on November 3, 2021. This transaction ensured The Company has sufficient financial resources to meet its financial obligations and keep driving its technological developmental efforts forward. Through the RTO transaction and exercise of its warrants, Li-Metal was able to continue build out of pilot scale production facilities for lithium metal and lithium anodes.

To secure the additional capital necessary to fund the development projects, including build-out of commercial scale facility, the Company is actively exploring opportunities to raise funds through the issuance of equity or by securing strategic partners.

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 September 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 complete any future offerings otherwise it may be unable to meet its obligations. These factors indicate the existence of material uncertainty which may cast significant doubt on its ability to continue as a going concern. After reviewing the current cash position and having considered the Company's ability to raise funds in the short term, the directors have adopted the going concern basis in preparing its financial statements.

Discussion of Operation Cash Requirements

All technologies in the Company’s portfolio require significant investment to increase their value and reach commercial readiness. We currently estimate that an investment of $20-25 million will be required over time to complete the research and development, including validation at scale.

The anode products and production technologies should be considered a technology platform capable of satisfying the needs of a number of different next generation battery technologies. While the underlying technology is at a high level of maturity, considerable investment is required to complete development and demonstration of full-scale production equipment. Establishment of pilot scale production is largely completed and is not expected to be a significant on-going cost.

Engineering and design of the commercial scale prototype equipment is nearing completion. Development of a commercial scale demonstration plant will require plant engineering, permitting and other studies to be completed, activities which are expected to require $500,000 – $1,000,000 to complete. Once built, which is currently anticipated to be in 2023, the demonstration plant will serve to satisfy initial production volumes needed for customers’ product qualification sample runs. The equipment will also serve as a development platform for further products, thereby fulfilling a key role in the early commercialization of the Company’s technology. This is the largest expenditure anticipated over the next 18 months, and total associated costs are expected to be in the range of $12 - $17 million. Ongoing third-party development and anode sample production costs of approximately $275,000- $350,000 per quarter will be largely eliminated as of January 2022 due to in-house anode production.

On-going anode and metal production research and development activities, including piloting work and pilot-scale production are expected to require between $4 - $5M in expenditures over the next 12 months. With corporate and overhead expenses requiring $4.5 – $5.5M over the same period.

Transactions with Related Parties

Key management of the Company are its Board of Directors and members of executive management. Key management personnel remuneration includes the following payments:

	Three Months Ended December 31, 2021	2020	Twelve Months Ended December 31, 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

Financial Risk Management

The Company's activities expose it to financial risks: market risk specifically to cash flow and fair value interest rate risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of the financial market and seeks to minimize potential adverse effects on the Company's financial performance. The Company does not use derivative financial instruments to hedge these risks.

Commitments

- Li-Metal signed a 5-year lease contract with 1692317 Ontario Inc. for its head office and R&D center at Markham. The lease commenced on July 1, 2021 and will end on June 30, 2026 with option to extend if needed.
- Li-Metal signed a 3-year lease contract with Kodak Realty Inc. for its pilot scale anode production facility in Rochester, NY. The lease commenced on August 1, 2021 and will end on November 30, 2024 with option to extend if needed.

Significant Judgements and Sources of Estimation Uncertainty

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

Critical Judgement in Applying Accounting Policies

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

Key Sources of Estimation Uncertainty

1) Stock-based compensation

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

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

2) Income taxes and deferred taxes

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

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

3) Provisions and contingent liabilities

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

Subsequent Events

- On January 6,2022 the Company announced that it will hold a special meeting of shareholders (the "**Special Meeting**") on January 26, 2022 at 11:00 a.m. (Eastern Time). The record date for this Special Meeting was December 20, 2021. The purpose of the Special Meeting is to ask shareholders to grant Li-Metal's Board of Directors (the "Board") the authority to split the Company's issued and outstanding common shares on a 4-for-1 basis to allow for a more accessible trading range for investors, to enhance liquidity and to increase investor interest in Li-Metal and its business. This share split does not affect the market value of Li-Metal's shares or a shareholder's proportionate ownership stake in the Company. Any authority proposed to be granted to the Board to split the shares is conditional upon the prior approval of the Canadian Securities Exchange. Board size is the second matter to be considered by the Board at the Special Meeting. Shareholders will be asked to consider passing a resolution authorizing the board to determine the number of directors on the Board from time to time within the minimum and maximum number set in the articles of the Corporation. In addition to this, the Special Meeting will consider increasing the number of directors to six and electing Colin Farrell to the Board.

- On January 13, 2022 the Company announced that its roll-to-roll anode pilot plant (the "**Facility**") in Rochester, New York has been commissioned and has produced its first batch of lithium metal anode product. The Facility represents a greater than tenfold expansion in the Company's ability to supply lithium anode samples to next-generation battery makers and will be able to produce anode in the quantities needed for product qualification.

- On January 31,2022 the Company announced the implementation of the split of its share capital on a four-for-one basis increasing its issued and outstanding shares to 154,953,828 (the "**Share Split**" The Share Split was approved by a special resolution on the Company's Special Meeting held on January 26,2022.

- On January 31,2022 the Company announced a new timetable for the release of the Company's escrowed securities. The new schedule was confirmed by the Exchange due to Li-Metal's strengthen position, which has allowed the Company to meet higher financial and operating standards. The new timetable allows for 15% of escrowed securities to be released immediately, with an additional 25% of escrowed securities to be released every six (6) months. Ten percent of the original number of escrowed securities were released upon commencement of trading in November.

- On January 31,2022 the Company also announced the appointment of Mr. Colin Farrell to the board of directors. Mr. Farrell's nomination was also approved by shareholders during the January 26, 2022 special meeting of shareholders.

- On February 8,2022 the Company announced that it has shipped its first batch of lithium metal anode product to a battery developer customer. This batch of product was produced at the Company's newly commissioned roll-to roll anode plant in Rochester, New York, which produces lithium anode materials for next-generation battery makers.

- 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.

- Subsequent to December 31,2021 an aggregate of 193,212 Options were exercised