Li-Metal Corp. (formerly Eurotin Inc.)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For the Three Months Ended June 30, 2022

Li-Metal Corp. (formerly Eurotin Inc.)

Introduction

The following interim Management Discussion & Analysis ("interim **MD&A**") of the financial condition and results of the operations of Li-Metal Corp. (the "**Company**" or "**Li-Metal**") has been prepared to provide material updates to the business operations, liquidity and capital resources of the Corporation since its last management discussion & analysis, being the Management Discussion & Analysis ("**Annual MD&A**") for the fiscal year ended March 31, 2022. This Interim MD&A does not provide a general update to the Annual MD&A, or reflect any non-material events since the date of the Annual MD&A.

This Interim MD&A has been prepared in compliance with the requirements of section 2.2.1 of Form 51-102F1, in accordance with National Instrument 51- 102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the Annual MD&A, the audited annual consolidated financial statements of the Company for the years ended March 31, 2022 and December 31, 2021 ("**FY 2022"** and **"FY 2021**', respectively) and the unaudited condensed interim consolidated financial statements for the three months ended June 30, 2021 ("**Q1 2023**"), together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. In the opinion of management, all adjustments (which consist only of normal recurring adjustments) considered necessary for a fair presentation have been included. The results for the three months ended June 30, 2021 are not necessarily indicative of the results that may be expected for any future period. Information contained herein is presented as of August 26, 2021 unless otherwise

The unaudited condensed interim consolidated financial statements for Q1 2023, have been prepared using International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board and interpretations of the IFRS Interpretations Committee.

For the purposes of preparing this MD&A, management, in conjunction with the Board of Directors, considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of Li-Metal's common shares; or (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board of Directors, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

Further information about the Company and its operations is available on SEDAR at www.li-metal.com and www.sedar.com.

Overview of the Company

This management's discussion and analysis provides an overview of the Company's operations, performance and financial condition for the period April 1, 2022 – June 30, 2022.

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

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

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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, refining 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. Li-Metal's aims to enable next generation battery technologies by providing lithium metal anodes which are compatible with various electrolyte configurations and can meet the high demands of next generation 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 several-fold expansion of lithium metal supply and the build-out of lithium metal-based anode production capacity. It is expected that this will take place alongside the 8-10-fold expansion of overall battery production capacity predicted to happen throughout the 2020s.

Trends

Management regularly monitors economic conditions and estimates their impact on the Company and incorporates these estimates in both short-term and longer-term strategic decisions. Other than the risk factors noted under the heading "Risks and Uncertainties", management is not aware of any other trends, commitments, events or uncertainties that would have a material effect on the Company's business, financial condition or results of operations. See "Risks and Uncertainties" below.

Highlights

- On April 1, 2022, the Company granted to an employee 400,000 incentive stock Options exercisable at a price of $1.31 per share for a period of five years, 133,333 Options vest in 33.3% instalments every 12 months, starting from the date of the grant.
- On April 4,2022, the Company announced that it has been approved to trade in the United States on the OTC Pink Market (the "**OTC Pink**"), a U.S. trading platform that is operated by the OTC Markets Group in NY. The Company trades on the OTC Pink under the symbol "LIMFF".
- On April 12, 2022, the Company provided a corporate and operational update, indicating that the major equipment installation at Li-Metal's lithium metal pilot facility, located in Markham, Ontario, had been completed and the plant achieved initial operating capability at the end of April 2022.

- On April 12, 2022, the Company announced that, having received independent legal advice, the marketing and investor relations contract with First Marketing GmbH ("**First Marketing**") concerning the provision of investor relations and marketing services in the German-speaking region (Germany, Austria and Switzerland) is terminated as of April 11, 2022. As a result, the final payment of €500,000 that was to be paid on April 1, 2022 will not be made.
- On April 12, 2022, the Company announced that it had signed a marketing agreement on April 11, 2022, retaining Hybrid Financial Ltd. ("**Hybrid**") to provide investor relations services to the Company. Hybrid has been engaged to heighten market and brand awareness for the Company and to broaden the Company's reach within the investment community both in Canada and the United States.
- On April 29,2022, the Company announced that it had been granted $1.9 million, as part of a $5.1 million joint project with Blue Solutions, awarded by Next Generation Manufacturing Canada (NGen), an industry-led organization supporting advanced manufacturing in Canada, to develop the Company's lithium metal anode technologies. The proceeds of the grant will support the commercialization of technologies for reprocessing lithium metal and the production of ultra-thin high-performance low-cost lithium metal anodes. The project commenced on Dec 1, 2021 and is expected to be completed by end of Q1 2023.
- On May 2, 2022, the Company granted to an employee 200,000 incentive stock options exercisable at a price of $0.96 per share for a period of five years, 50,000 Options vest in 25% instalments every 12 months, starting from the date of the grant.
- On May 2, 2022, the Company granted to a consultant 400,000 incentive stock options exercisable at a price of $1.00 per share for a period of five years, 200,000 Options vest in 50% instalments every 12 months, starting from the date of the grant.
- On May 6, 2022, 60,000 incentive stock options granted to an employee exercisable at a price of $0.31 were cancelled.
- On June 30, 2022, the Company granted to an employee 4,500 incentive stock options exercisable at a price of $0.62 per share for a period of five years, 1,500 Options vest in 33.33% instalments every 12 months, starting from the date of the grant.

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.

Li-Metal Corp. (formerly Eurotin Inc.)

Operating Expenses	Three Months Ended June 30 2022	Three Months Ended June 30 2021
Research and Development	**$970,119**	**$203,028**
Salaries and wages	**157,056**	**147,280**
Share-base compensation	**345,115**	**-**
Professional Fees	**37,256**	**375,885**
Legal Fees	**181,015**	**-**
Consulting Fees	**234,187**	**-**
Investor Relations	**175,098**	**-**
Reporting Issuer cost	**20,080**	**-**
Office and general	**479,550**	**43,566**
Interest and bank charges	**2,103**	**1,685**
Foreign exchange loss (gain)	**2,006**	**(16,923)**
Amortization of property and equipment	**145,501**	**72,649**
Amortization of right-of-use assets	**69,759**	**-**
Operating loss	**($2,818,844)**	**($827,170)**

Selected Financial Data

Quarterly Results	Quarter ended June 30, 2021	Fifteen Months encded March 31, 2022 (audited)	Quarter ended March 31,2022	Quarter ended December 31, 2021
	Q1 2023	FY 2022	Q5 2022	Q4 2022
	$	$	$	$
Revenue	Nil	Nil	Nil	Nil
Net Gain (Loss) for the period	(2,789,471)	(18,734,825)	(8,189,867)	(7,015,262)
Diluted Gain (Loss) per share	(0.02)	(0.12)	(0.05)	(0.05)
Current Assets	21,632,928	23,855,572	23,855,572	28,619,476
Total Assets	25,461,838	27,703,322	27,703,322	30,826,218
Current Liabilities	1,022,546	865,345	825,345	491,311
Cash and Cash Equivalent	21,017,722	23,162,453	23,162,453	27,817,487
Property and Equipment	2,616,104	2,618,049	2,618,049	2,206,742
Total equity	23,474,323	25,917,450	25,917,450	30,277,255

Quarterly Results	Quarter ended September 30, 2021	Quarter ended June 30, 2021	Quarter ended March 31, 2021	Twelve Months ended December 31, 2020 (audited)
	Q3 2022	Q2 2022	Q1 2022	FY 2021
	$	$	$	$
Revenue	Nil	Nil	Nil	Nil
Net Gain (Loss) for the period	(1,621,031)	(1,068,571)	(840,094)	(2,961,397)
Diluted Gain (Loss) per share	(0.03)	(0.02)	(0.01)	(0.05)
Current Assets	3,242,048	4,382,776	1,929,813	3,382,238
Total Assets	4,983,661	6,069,434	3,005,305	3,666,640
Current Liabilities	4,008,676	4,010,713	215,038	113,824
Cash and Cash Equivalent	2,916,066	4,115,004	1,817,166	3,047,978
Property and Equipment	1,741,613	1,686,658	1,075,492	284,402
Total equity	4,983,661	2,001,069	2,790,267	3,512,816

Discussions of Operations

The Company's activities consist of research & development and technology commercialization in the area of lithium metal production and metallic lithium anode production. The Company currently produces various volumes of sample products for distribution to battery developers for research and development purposes. It consequently has no revenue and does not foresee substantial revenue in the near term. All costs related to ongoing research and development activities have been presented as research expenses.

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

The Company currently has sufficient expertise to manage the research and development process for each of the products. The value ascribed to each product will increase as it moves through the development phase and will reach maximum value at the point where it has completed product qualification trials with major battery developers and its products are being used in mass produced next generation batteries. Management currently anticipates the first products to obtain this status within ~ 2 years. During Q1 2023, the company was mainly focussed on production of anode samples for its customers and internal product development from its Rochester facility, performing shakeout tests for the pilot scale metal production operation at its Markham facility, and other technology and business development activities. The Company's technical team expanded further in Q1 2023 to support the growing research and development efforts. Li-Metal continues to make significant strides towards commercialization

Li-Metal's total loss for Q1 2023 was $2,789,471 with basic and diluted loss per share of $0.02. This compares with a net loss for Q2 2022 of $1,068,571 with basic and diluted loss per share of $0.02.

The total loss in during Q1 2023 (Apr 2022 – June 2022) increased by $1,720,899 compared with the net loss during Q2 2022 (Apr 2021 – June 2021), the increase was principally because:

- During Q1 2023 Research and Development increased to $970,091 from $203,028. The $767,091 increase 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 represent an expansion of the scale of operations for Li-Metal as it transitioned its lithium metal and anode production technology from bench scale to pilot scale. The R&D costs increased as the quantity of raw materials required increased to support the larger scale research efforts. Additionally, Li-Metal expanded its R&D team to develop further internal capability as the scale of its operations grew which attributed to higher R&D costs.

- During Q1 2023 Office and General Expenses increased to $479,550 from $43,566. The $435,984 increase expenses were related to expansion of the team and expansion of general scope of activities. The cost also reflects the expansion of Li-Metal's internal G&A team to assist with logistics, office management and accounting.

- During Q1 2023 Share Base Compensation increased to $345,115 from $Nil in connection with the 1,004,500 Stock Options granted to Officers, Employees and Consultants.

- During Q1 2023, Professional Fees expenses increased to $452,457 from $375,885. The $76,572 increase was mainly due to the growth in Legal Fees expenses. The remaining cost is largely attributed to Li-Metal retaining various technical consultants and laboratory testing centers to advance its lithium metal and anode production technology.
- During Q1, 2023 the salaries and wages increased to $157,056 from $147,280. In Q3 2023 The Company adopted a more accurate payroll system allocating the salaries by Cost center: Operating Expenses, Research & Development and Office and General. During the previous quarters all the Salaries were allocated in Operating Expenses. The salaries and wages reflect the operations team salaries.

- During Q1 2023, Investor Relations expenses increased to $195,178 from $Nil. Li-Metal has retained various IR firms and continues to showcase its progress to commercialization at industry conferences to support its investor related activities. This attributed to the increased Investor Relations expense in 2021.

Financial Instruments and Other Instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

IFRS 9 requires financial assets to be classified into three measurement categories on initial recognition: those measured at fair value through profit and loss, those measured at fair value through other comprehensive loss and those measured at amortized cost. Measurement and classification of financial assets is dependent on the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

Financial Assets

Financial assets not measured at fair value through profit or loss or fair value through other comprehensive income are measured at amortized cost using the effective interest method, less any impairment losses, with interest expense recognized on an effective yield basis. Assets in this category include cash and cash equivalents and amounts receivable and other assets. As of June 30, 2022, the Company's financial assets were $21,017,722 compared with $23,162,453 as of March 31, 2022.

Other Financial Liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis. Any gains or losses arising from the realization of other financial liabilities are included in the statement of loss and comprehensive loss. Liabilities in this category include amounts payable and other liabilities. As of June 30, 2022, the Company's financial liabilities were $1,022,546 compared with $865,345 as of March 31, 2022.

Liquidity and Financial Position

As of June 30, 2022, the Company had a net working capital of $20,610,382 which decreased as compared to a net working capital of $22,990,227 as of March 31, 2022. The rate of capital spend will continue to increase as Li-Metal continues to grow and scale up its technologies. The Company will be required to raise additional capital to continue development and commercialization activities, including the buildout and commissioning of its commercial scale facilities.

As of June 30, 2022, Li-Metal had $21,017,722 in cash (March 31, 2022 - $23,162,453).

The Company has no operating revenues and therefore must utilize its funds obtained from the equity financing and other financing transactions to maintain its capacity to continue its research and development efforts.

The Company's interim unaudited consolidated financial statements for the three months ended June 30, 2023 have been presented on the basis that the Company will continue as a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of the business.

As of June 30, 2022, the Company's credit and interest rate risk remains minimal. Accounts payable and accrued liabilities are short-term and non-interest bearing.

The Company's current and future uses of cash are principally in two areas; namely, funding of its Research and development activities and funding its general and administrative expenditures. Management assesses its planned expenditures based on the Company's working capital resources, and the overall condition of the financial markets.

Off-Balance Sheet Arrangements

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

Risks and Uncertainties

The Company's Research and Development activities and related results are subject to a number of different risks at any given time. These factors, include but are not limited to disclosure regarding uncertainty due to COVID-19, the war in Ukraine, receiving required permits in Canada and the USA, process/product test results, additional financing, project delay, market fluctuations and share price volatility, inflation, supply chain problems, operating hazards, insurable risks and limitations of insurance, management, foreign country and regulatory requirements, currency fluctuations and environmental regulations risks.

The cost of conducting programs may be substantial and the likelihood of success is difficult to assess.

A summary of the Company's financial instruments risk exposure was provided in Note 4 of the Company's consolidated financial statements for the period ended March 31, 2022. The following are additional risk factors which the Company's management believes are most important in the context of the Company's business. It should be noted that this list is not exhaustive and that other risk factors may apply.

Metals (Lithium/Copper) and commodities (energy) price volatility may affect the future production, profitability, and financial condition of the Company. Metal prices are subject to significant fluctuation and are affected by several factors which are beyond the control of the Company. Such factors include, but are not limited to, interest rates, exchange rates, inflation or deflation, global supply and demand, and political economic conditions of major metal consuming countries throughout the world.

Li-Metal Corp may need substantial additional financing in the future and cannot assure that such financing will be available

To meet its operating costs and to finance its respective research &development program, operating activities and pilot and demostration plant construction; the Company will require financing from external sources, including from the sale of equity and debt securities, getting funds from Government grants or subsidies, entering into joint ventures or seeking other means to meet its financing requirements. There can be no assurance that additional funding will be available to the Company or, if available, that such funding will be offered on terms acceptable to the Company. If additional financing is raised through the issuance of equity or convertible debt securities, control of the Company may change and the interests of shareholders in the net assets of the respective Company may be diluted.

If unable to secure financing on acceptable terms, the Company may have to cancel or postpone certain of its planned research and development, testing activities, pilot and demostration plant construction and may not be able to take advantage of new opportunities.

The volatility of the capital markets may affect the Company's access to and cost of capital

Securities markets throughout the world are cyclical and, over time, tend to undergo high levels of price and volume volatility, and the market price of securities of many companies, can experience wide fluctuations which are not necessarily related to the operating performance, underlying asset values or prospects of such companies. Increased levels of volatility and resulting market turmoil may adversely impact the Company and its share price.

If the Company is required to access credit markets to carry out their respective development objectives, the state of domestic and international credit markets and other financial systems could affect their respective access to, and cost of, capital. If these credit markets were significantly disrupted, as they were in 2007 and 2008, such disruptions could make it more difficult for the Company to obtain or increase its cost of obtaining capital and financing for its operations. Such capital may not be available on terms acceptable to the Company or at all, which may have a material adverse impact on its business, financial condition and results of operations.

Early Stage of Development

There is limited financial, operational and other information available with which to evaluate the prospects of the Company. There can be no assurance that the Company's operations will be profitable in the future or will generate sufficient cash flow to satisfy its working capital requirements.

The Company's prospects depend on its ability to attract and retain qualified personnel

Recruiting and retaining qualified personnel will be critical to the Company's success. The Company believes that it will have the necessary personnel to meet its corporate objectives but, as its business activities grow, it will require additional key financial, administrative, technological and public relations personnel as well as additional staff on the operations side. Although the Company believes that it will be successful in attracting and retaining qualified personnel, there can be no assurance of such success.

The costs of complying with applicable laws and governmental regulations may have an adverse impact on the Company's business

The Company's operations activities will be subject to laws and regulations governing various matters. These include without limitation laws and regulations relating to transfer pricing, intercompany loans, presumed interest, repatriation of capital and exchange controls, taxation, labour standards and occupational health and safety

Amendments to current laws, could have a material adverse effect on the Company's business, financial condition, results of operations by increasing operation expenses, future capital expenditures or future production costs or by reducing the future level of production, or cause the abandonment of or delays in the development of the Plants.

Competition may adversely affect the Company

The industry is intensely competitive. The Company will compete with other companies in the metal production and electrification industry.

The Company's insurance coverage may not cover all of its potential losses, liabilities and damages related to its business and certain risks are uninsured or uninsurable

The Company's business will be subject to a number of risks and hazards (as further described herein). Although the Company will maintain insurance to protect against certain risks in such amounts as it considers being reasonable, such insurance will likely not cover all the potential risks associated with its activities. The Company may also be unable to maintain insurance to cover its risks at economically feasible premiums, or at all. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards as a result of the new technologies may not be available to the Company on acceptable or any terms. Losses from these events may cause the Company to incur significant costs which could have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

Research and Development of new Technologies is inherently dangerous and subject to factors or events beyond the Company's control

The Company's business will involve various types of risks and hazards typical of companies engaged in Research and Development of new Technologies.

Such risks include but are not limited to industrial accidents; environmental hazards; failure of processing and mechanical equipment and other performance problems; labor disputes or slowdowns; and force majeure events, or other unfavorable operating conditions.

These risks, conditions and events could result in damage to, or destruction of, the value of, the Company's facilities; personal injury or death; environmental damage to the properties of others; delays or prohibitions to operate; monetary losses; and potential legal liability. Any of the foregoing could have a material adverse effect the Company's business, financial condition, results of operation or prospects.

Directors and officers may be subject to conflicts of interest

Certain directors and officers of the Company are or may become associated with other research development companies which may give rise to conflicts of interest. Directors who have a material interest in any person who is a party to a material contract or a proposed material contract with the company with which they serve are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve such a contract. In addition, directors and officers are required to act honestly and in good faith with a view to the best interests of their respective company. Some of the directors and officers have either other full-time employment or other business or time restrictions placed on them and accordingly, the Company will not be the only business enterprise of these directors and officers. Further, any failure of the directors or officers of the Company to address these conflicts in an appropriate manner, or to allocate opportunities that they become aware of to the Company, could have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

Global pandemic outbreak

Since January 2020 there has been a global pandemic outbreak of COVID-19. The actual and threatened spread of the virus globally has had a material adverse effect on the global economy and specifically, the regional economies in which the Company operates. The pandemic could continue to have a negative impact on the stock market, including trading prices of the Company's shares and its ability to raise new capital. These factors, among others, could have a significant impact on the Company's operations.

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

Russia's military action against Ukraine

The Company's business financial condition and results of operations may be further negatively affected by economic and other consequences from Russia's military action against Ukraine and the sanctions imposed in response to that action in late February 2022. While the Company expects any direct impacts, of the pandemic and the war in the Ukraine, to the business to be limited, the indirect impacts on the economy and on the industries in general could negatively affect the business and may make it more difficult for it to raise equity or debt financing. There can be no assurance that the Company will not be impacted by adverse consequences that may be brought about on its business, results of operations, financial position and cash flows in the future.

Credit Risk

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

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

Liquidity risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due. The Company's liquidity and operating results may be adversely affected if its access to capital markets is hindered, whether as a result of a downturn in stock market conditions generally or matters specific to the Company. The Company has historically generated cash flow from its financing activities. The Company manages liquidity risk through the management of its capital structure and financial leverage. As of June 30, 2022, the Company's current liabilities comprised accounts payable and accrued liabilities. The Company will require additional funding to maintain corporate and administrative functions and to fund its continuing activities and commitments.

Outstanding Share Data (June 30, 2022) (1) (2)

Shares	Quarter ended June 30, 2022	Period ended March 31, 2022
Open	154,953,828	154,760,616
Issued		193,212
Close	**154,953,828**	**154,953,828**
Options	**Quarter ended June 30, 2022**	**Period ended March 31, 2022**
Open	10,321,587	10,305,604
Issued	1,004,500	209,195
Exercised		193,212
Forfeited	60,000	-
Close	**11,266,087**	**10,321,587**
Fully Diluted	**166,219,915**	**165,275,415**

(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.

(2) As of August 25,2022, Li-Metal has 154,953,828 Issued and outstanding shares and 11,764,089 Options with a weighted average exercise price of $0.366.

Capital Equipment

Li-Metal transitioned to a new location (Markham, ON) during the quarter ended December 31,2021 to expand its internal R&D capability and run a larger pilot scale operation for lithium metal production. The new facility in Markham supports the development efforts and bench scale production of lithium metal anodes as well. The Company also expanded its anode production capability by building a pilot scale lithium anode production facility in Rochester, NY in December 2021. Various equipment was purchased/manufactured inhouse to further the company's efforts in proving the technology out on a pilot scale and develop internal analysis capabilities. The equipment included process vessels, heating equipment, equipment to maintain controlled environments, surface analysis equipment, battery performance testing tools, control systems and various coating equipment. In April 2021, The Company announced it had finished installation and commissioned its pilot metal production facility in Markham, ON. The Company also purchased various ancillary equipment and battery testing tools in Q1 2023 to expand its inhouse analytical/technical capabilities. As a result, the property and equipment increased to $2,616,104 in Q1 2023.

Operating Activities

Net cash used in operating activities totalled $1,916,143for three months ending on June 30,2022 compared to $962,603 for three months ending on June 30, 2021. Increased net losses reflect a significant increase in research and development activities as Li-Metal scaled up its technology and expanded its R&D program. Net-changes in non-cash working capital include government funding received as part of the NGEN rewarded to Li-Metal, increased payments to raw material suppliers as Li-Metal scales up its process, expansion of the technical team and payments made to third party consultants and research institutions.

Investment Activities

The Company incurred costs of $222,492 for three months ending on June 30, 2022 compared to $683,814for three months ending on June 30, 2021. The reduction is due to completion of various engineering activities and the completion of activities related to installation of its pilot-scale metal and anode production plants

Financing Activities

During the three months ended June 30,2022 the Company received $ Nil as a Net Cash proceeds provided by financing activities compared to $3,944,255 received during the three months ended June 30,2021 mainly by the proceeds from convertible debentures.

Outlook

Although significant progress has been made in advancing Li-Metal's technologies to commercial readiness, additional investment is needed before they can be commercialized. Li-Metal is developing two principal technologies:

- Economically sustainable and environmentally friendly production of lithium metal with lithium carbonate as main its feedstock
- Low-cost production of high-performance ultra-thin lithium metal anodes

The anode products and production technologies should be considered a technology platform capable of satisfying the needs of a number of different next generation battery technologies. While the underlying technology is at a high level of maturity, investment is required to complete development and demonstration of full-scale production equipment. The Company is currently evaluating several options for implementing a full-scale anode production demonstration facility while it pursues anode piloting and sample production at its Rochester, NY pilot production plant, and metal production piloting at it's Markham, ON facility. The Company continues to make significant progress in developing and commercializing the lithium metal and anode production technologies . The Company is working with various next generation battery developers to integrate its lithium metal anodes into their battery technology.

Li-Metal expects to have an expenditure of $13.5M-$15M over the next 12 months to develop further internal capabilities and advance its lithium metal and anode production technologies. These expenses include capital equipment purchase, expansion of the technical & operations team, increased raw material purchase to support larger scale operations, corporate and overhead expenses.

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 June 30 2022		Three Months Ended June 30 2021
Salaries and Director Fees	**$**	**159,000**	$	37,500
Consulting and proffesional fees		**-**		105,908
Share-based compensation		**46,821**		-
	$	205,821	$	143,408

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

The Company's activities are subject to various laws and regulations, including foreign tax laws including tax laws on value added tax and laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

As of June 30, 2022, the Company has the following Commitments:

- Li-Metal signed a 5-year lease contract with 1692317 Ontario Inc. for its head office and R&D center at Markham. The lease commenced on July 1, 2021, and will end on June 30, 2026 with option to extend if needed. The Lease liabilities and the right to use assets are described and disclosed in the Notes 4 and 8 of Li-Metal Consolidated Financial Statements.
- Li-Metal signed a 3-year lease contract with Kodak Realty Inc. for its pilot scale anode production facility in Rochester, NY. The lease commenced on August 1, 2021, and will end on November 30, 2024, with option to extend if needed. On March 1 ,2022 additional space was added to the existing agreement. The Lease liabilities and the right to use assets are described and disclosed in the Notes 7 and 11 of Li-Metal Consolidated Financial Statements.
- On February 28, 2022 the Company entered into a Joint Development and Commercialization Agreement ("**JD/CA**") with Blue Solutions, the largest producer of solid-state lithium metal batteries. The JD/CA commits both parties to joint development and commercialization of an ultra-thin anode product adapted for Blue Solutions' battery technologies and based on Li-Metal's anode production technology. The agreement grants certain non-exclusive preferential commercial rights to any new intellectual property developed during the course of the agreement.
- On April 29,2022, the Company announced that it had been granted $1.9 million, as part of a $5.1 million joint project with Blue Solutions, awarded by Next Generation Manufacturing Canada (NGen), an industry-led organization supporting advanced manufacturing in Canada, to develop the Company's lithium metal anode technologies. The proceeds of the grant will support the commercialization of technologies for reprocessing lithium metal and the production of ultra-thin high-performance low-cost lithium metal anodes. The project commenced on Dec 1, 2021 and is expected to be completed by end of Q1 2023.

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.

4) Functional currency

In accordance with IAS 21 "*The Effects of Changes in Foreign Exchange Rates*", management determined that the functional currency of Li-Metal US Inc is the United States Dollar

5) Going concern risk assessment

The assessment of the Company's ability to continue as a going concern involves significant judgment. Refer to our discussion in Note 2 of the consolidated financial statements for the period ended June 30, 2022.

6) Impairment of Assets

IAS 36 Impairment of Assets seeks to ensure that Li-Metal's assets or CGU are not carried at more than their recoverable amount (the higher of fair value less costs of disposal and value in use). The management have reviewed and evaluated the Internal and external Impairment indicators. There are not impairment indicators present as of June 30,2022. As of June 30,2022, the assets are currently at fair market value. The Management will continue reviewing the internal and external indicators in the regular basis to assess the fair value and will run Value in Use procedure once the design and qualification are finished and the Company will be able to complete a future cash flow.

7) Intangible Capitalization

IAS 38 Intangible assets gives guidance on the accounting treatment for intangible assets that are not dealt with specifically in another standard. It requires an entity to recognize an intangible asset upon fulfillment of certain recognition criteria. It also specifies how to measure the carrying amount of intangible assets and requires certain disclosures regarding intangible assets. Based in the above criteria it is the Management assessment as of June 30,2022 that Li-Metal Corp. is in the Research Cost stage and didn't achieve yet the Development stage.

Forward Looking Statements

Certain of the statements made and information contained herein are considered "forward-looking information" within the meaning of the British Columbia Securities Act. These statements relate to future events or the Company's future performance. All statements, other than statements of historical fact, may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "propose", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements.

The Company believes that the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should not be unduly relied upon by investors as actual results may vary. These statements speak only as of the date of this MD&A and are expressly qualified, in their entirety, by this cautionary statement.

In particular, this MD&A contains forward-looking statements, pertaining to the following: capital expenditure programs, development of resources, treatment under governmental and taxation regimes, expectations regarding the Company's ability to raise capital, expenditures to be made by the Company on its properties and work plans to be conducted by the Company. With respect to forward-looking statements listed above and contained in the MD&A, the Company has made assumptions regarding, among other things:

- the impact of currency fluctuations in the United States of America;
- unpredictable changes to the market prices for energy, lithium and copper;
- research and development costs;
- availability of additional financing or joint-venture partners;
- anticipated results of research and development ; and
- the Company's ability to obtain additional financing on satisfactory terms.

The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth above and elsewhere in this MD&A including, uncertainty due to COVID-19, volatility in the market price for minerals; fluctuations in currencies and interest rates; incorrect assessments of the value of equipment acquisitions and or design; unanticipated results research and development activities; competition for, amongst other things, capital, and skilled personnel; lack of availability of additional financing and/or joint venture partners.

Investors should not place undue reliance on forward-looking statements as the plans, intentions or expectations upon which they are based might not occur. Readers are cautioned that the foregoing lists of factors are not exhaustive. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement. The Company does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by law.

Subsequent Events

- On July 14, 2022, the Company granted to two employees a total of 8,000 incentive stock options exercisable at a price of $0.72 per share for a period of five years, 2,666 stock options will vest in 12 and 24 months, and 2,668 will vest in 36 months starting from the date of the grant.
- On August 10, 2022, the Company granted to a consultant 400,000 incentive stock options exercisable at a price of $0.72 per share for a period of five years, 200,000 stock options vested on the date of the grant and 200,000 stock options will vest in 24 months starting from the date of the grant.
- On August 12, 2022, the Company granted to an employee 90,000 incentive stock options exercisable at a price of $0.60 per share for a period of five years, 22,500 stock options will vest in 12, 24, 36 and 48 months starting from the date of the grant.
- On August 24, 2022 the Company announced that it has commenced trading on the OTCQB® Venture Market under the symbol “LIMFF.” Li-Metal’s common shares will continue to trade on the Canadian Securities Exchange under the symbol "LIM" and the Frankfurt Stock Exchange under the ticker symbol “5ZO.”