
LI-METAL CORP. (FORMERLY EUROTIN INC.)
CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS
THREE AND NINE MONTHS ENDED DECEMBER 31,
2022 AND 2021
(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED)

Notice to Reader

The accompanying unaudited condensed interim consolidated financial statements of the Corporation have been prepared by and are the responsibility of management. The unaudited condensed interim consolidated financial statements as at and for the three and nine months ended December 31, 2022 have not been reviewed by the Corporation's auditors.

Management's Responsibility for Financial Statements

The accompanying unaudited condensed interim consolidated financial statements of Li-Metal Corp. (formerly Eurotin Inc.) (the "Corporation") are the responsibility of management and the Board of Directors.

The unaudited condensed interim consolidated financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the consolidated financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the statement of financial position date. In the opinion of management, the unaudited condensed interim consolidated financial statements have been prepared within acceptable limits of materiality and are in compliance with all applicable International Financial Reporting Standards.

Management has established processes, which are in place to provide it with sufficient knowledge to support management representations that it has exercised reasonable diligence to ensure that (i) the unaudited condensed interim consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of, and for the periods presented by, the consolidated financial statements and (ii) the unaudited condensed interim consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the unaudited condensed interim consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the unaudited condensed interim consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited condensed interim consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited condensed interim consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

(signed) "Maciej Jastrzebski"

Chief Executive Officer

Toronto, Canada
February 28, 2023

(signed) "Carlos Pinglo"

Chief Financial Officer

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

	As at December 31, 2022	As at March 31, 2022
ASSETS		
Current assets		
Cash and cash equivalents	\$ 13,753,069	\$ 23,162,453
Sales tax receivables	213,752	516,849
Prepaid expenses	195,036	176,270
Total current assets	14,161,857	23,855,572
Non-current assets		
Restricted cash (note 5)	50,000	-
Property and equipment (note 6)	3,213,078	2,618,049
Right-of-use assets (note 7)	1,031,203	1,229,701
Total assets	\$ 18,456,138	\$ 27,703,322
EQUITY AND LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 483,282	\$ 447,412
Lease liability (note 11)	299,175	377,933
Government assistance (note 8)	40,000	40,000
Total current liabilities	822,457	865,345
Long-term liabilities		
Customer deposits	17,652	17,652
Lease liability (note 11)	817,206	902,875
Total liabilities	1,657,315	1,785,872
Equity		
Share capital (note 13)	43,188,196	43,188,196
Contributed surplus	6,099,904	5,097,618
Accumulated other comprehensive loss	16,202	-
Deficit	(32,505,479)	(22,368,364)
Total equity	16,798,823	25,917,450
Total equity and liabilities	\$ 18,456,138	\$ 27,703,322

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

Nature of operations and going concern (notes 1 and 2)

Approved on behalf of the Board:

(Signed) "Mark Wellings", Chairman _____

(Signed) "Maciej Jastrzebski ", Director _____

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

	Three months ended December 31,		Nine months ended December 31,	
	2022	2021	2022	2021
Operating expenses				
Research and development	\$ 1,938,399	\$ 327,251	\$ 4,345,266	\$ 1,049,429
Salaries and wages	356,568	231,621	796,108	572,991
Share-based compensation (notes 15 and 16)	454,153	1,254,767	1,002,286	1,254,767
Professional and consulting fees	527,765	1,983,335	1,519,029	3,029,860
Investor relations and reporting issuer cost	105,048	83,128	587,284	83,128
Office and general	462,675	620,736	1,295,720	896,030
Interest and bank charges	-	177,721	-	181,344
Foreign exchange loss (gain)	28,685	(62,883)	37,202	(161,305)
Amortization of property and equipment	290,048	101,324	586,060	262,746
Amortization of right-of-use assets	70,263	-	209,959	-
Operating loss before the following items	(4,233,604)	(4,717,000)	(10,378,914)	(7,168,990)
Interest and other income	154,375	3,464	326,944	5,998
Change in fair value of convertible debenture (note 10)	-	-	-	(242,605)
Gain on conversion of convertible debentures	-	191,180	-	191,180
RTO transaction costs (note 12)	-	(2,267,108)	-	(2,267,108)
Accretion of lease liability	(27,209)	-	(85,145)	-
Total loss and comprehensive loss for the period	\$ (4,106,438)	\$ (6,789,464)	\$ (10,137,115)	\$ (9,481,525)
Basic and diluted loss per share (note 18)	\$ (0.03)	\$ (0.07)	\$ (0.07)	\$ (0.13)
Weighted average number of common shares outstanding	154,953,828	102,596,979	154,953,828	70,616,815

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

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

Nine months ended December 31,	2022	2021
Operating activities		
Net loss for the period	\$(10,137,115)	\$ (9,481,525)
Adjustments for:		
Amortization of property and equipment	586,060	262,746
Amortization of right-of-use assets	209,959	-
Accretion of lease liability (note 11)	85,145	-
Share-based compensation	1,002,286	1,254,767
RTO transaction cost	-	2,267,108
Shares issued in settlement of interest expense (note 10)	-	174,998
Change in fair value of convertible debentures	-	-
Shares issued for debt settlement	-	649,709
Shares issued for services	-	-
Non-cash working capital items:		
Sales tax receivables	303,097	(494,576)
Prepaid expenses	(18,766)	(320,051)
Accounts payable and accrued liabilities	35,872	264,570
Restricted cash	(50,000)	-
Customer deposits	-	17,652
Net cash used in operating activities	(7,983,462)	(5,404,602)
Investing activities		
Purchase of property and equipment	(1,157,556)	(1,393,996)
Cash obtained upon RTO with Eurotin	-	8,836
Repayment of lease liability	(261,459)	-
Net cash used in investing activities	(1,419,015)	(1,385,160)
Financing activities		
Proceeds from issuance of common shares, net of transaction costs	-	32,831,308
Proceeds from convertible debentures	-	-
Shareholder advances	-	(41,225)
Net cash provided by financing activities	-	32,790,083
Effect of foreign currency translation	(6,907)	-
Net change in cash and cash equivalents	(9,402,477)	26,000,321
Cash and cash equivalents, beginning of the period	23,162,453	1,817,166
Cash and cash equivalents, end of the period	\$ 13,753,069	\$ 27,817,487

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

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

	Number of shares	Share capital	Contributed surplus	Accumulated comprehensive loss	other Deficit	Total
Balance, December 31, 2020	59,064,124	\$ 6,393,604	\$ 752,751	\$ -	\$ (3,633,539)	\$ 3,512,816
Shares issued in private placement	2,201,472	797,538	-	-	-	797,538
Exercise of stock options	929,624	161,137	-	-	-	161,137
Elimination of 2555663 Ontario Limited shares	(62,097,760)	-	-	-	-	-
Conversion into Li-Metal shares per RTO	62,097,760	-	-	-	-	-
Shares issued from conversion of sub-receipts in private placement	30,000,000	9,285,225	-	-	-	9,285,225
Transaction costs in private placement	-	(13,562)	-	-	-	(13,562)
Shares issued in settlement of convertible debenture	12,000,000	3,713,700	-	-	-	3,713,700
Shares issued in settlement of interest on convertible debenture	565,468	174,998	-	-	-	174,998
Shares issued as consideration in the RTO	7,999,928	2,475,778	-	-	-	2,475,778
Shares issued upon exercise of warrants (note 14)	42,000,000	19,462,275	-	-	-	19,462,275
Share-based compensation	-	-	1,254,767	-	-	1,254,767
Net loss and comprehensive loss for the period	-	-	-	-	(10,547,417)	(10,547,417)
Balance, December 31, 2021 (note 13)	154,760,616	\$ 42,450,693	\$ 2,007,518	\$ -	\$ (14,180,956)	\$ 30,277,255
Balance, March 31, 2022	154,953,828	\$ 43,188,196	\$ 5,097,618	\$ -	\$ (22,368,364)	\$ 25,917,450
Share-based compensation	-	-	1,002,286	-	-	1,002,286
Net loss and comprehensive loss for the period	-	-	-	16,202	(10,137,115)	(10,120,913)
Balance, December 31, 2022 (note 13)	154,953,828	\$ 43,188,196	\$ 6,099,904	\$ 16,202	\$ (32,505,479)	\$ 16,798,823

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

Li-Metal Corp. (Formerly Eurotin Inc.)
Notes to Condensed Interim Consolidated Financial Statements
December 31, 2022
(Expressed in Canadian dollars)
(Unaudited)

1. Nature of operations

Nature of operations

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

On October 25, 2021, the reverse takeover transaction ("RTO") pursuant to which 2555663 Ontario Limited, acquired Eurotin Inc. was completed under the terms of an amalgamation agreement previously entered into between the Company, Eurotin and 2848302 Ontario Inc., a wholly owned subsidiary of Eurotin ("Subco"), the RTO was completed by way of a three-cornered amalgamation under the laws of the Province of Ontario. Pursuant to the RTO, Subco amalgamated with Li-Metal, with Li-Metal surviving as a wholly owned subsidiary of Eurotin, known as Li-Metal North America Inc. In addition, Eurotin underwent a 124.72 to 1 share consolidation and changed its name to "Li-Metal Corp.". Immediately following the closing of the RTO, the Resulting Issuer and Li-Metal North America Inc. amalgamated by way of a short-form amalgamation under the laws of the Province of Ontario, with the Resulting Issuer surviving the amalgamation. The Resulting Issuer now holds all of Li-Metal's assets, conducts the business of Li-Metal under the Li-Metal name and has its shares listed on the Canadian Securities Exchange (the "CSE") under the symbol "LIM". The Company changed its year end from December 31 to March 31 after the RTO. The Company operates from its head office located at 90 Riviera Drive, Markham, Ontario, L3R 5M1 Canada and also through its wholly owned subsidiary: Li-Metal US Inc. incorporated in Albany NY, USA. The address of the registered office is 77 King Street West, TD North Tower Suite 700, Toronto, ON M5K 1G8.

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

On January 3, 2022, the Company announced the implementation of the split of its share capital on a four-for-one basis. Accordingly, the number of shares, stock options and exercise prices in these consolidated financial statements have been restated to reflect the share split.

COVID-19

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

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

Li-Metal Corp. (Formerly Eurotin Inc.)
Notes to Condensed Interim Consolidated Financial Statements
December 31, 2022
(Expressed in Canadian dollars)
(Unaudited)

2. Going concern

The Company is in the early stages of operation and at present, its operations do not generate cash flow from operations. For the nine months ended December 31, 2022, the Company incurred a net loss of \$10,137,115 (nine months ended December 31, 2021 - \$9,481,525) and had an accumulated deficit of \$32,505,479 as at December 31, 2022 (March 31, 2022 - \$22,368,364).

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

The accompanying consolidated financial statements do not include any adjustments relating to the recoverability of assets and to the reclassification of asset and liability amounts that might be necessary should the Company be unable to continue its operations. Such adjustments could be material.

3. Basis of presentation and statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 – “Interim Financial Reporting” (“IAS 34”) using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). Accordingly, certain disclosures included in annual financial statements prepared in accordance with IFRS have been condensed or omitted and these unaudited condensed interim financial statements should be read in conjunction with the Company’s audited financial statements for the period ended March 31, 2022.

The preparation of condensed interim consolidated financial statements in conformity with IAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The interim results are not necessarily indicative of results for a full year. The critical judgments and estimates applied in the preparation of the Company's condensed interim consolidated financial statements are consistent with those applied to the Company's financial statements for the period ended March 31, 2022.

These unaudited condensed interim consolidated financial statements were authorized for issuance by the Board of Directors of the Company on February 28, 2023.

Li-Metal Corp. (Formerly Eurotin Inc.)
Notes to Condensed Interim Consolidated Financial Statements
December 31, 2022
(Expressed in Canadian dollars)
(Unaudited)

4. Initial adoption and upcoming changes in accounting standards

Adoption of new accounting standards

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

New standards and interpretations not yet adopted

IAS 16, Property plant and equipment ("IAS 16")

The IASB has issued an amendment to IAS 16 to prohibit the deducting from property plant and equipment amounts received from selling items produced while preparing an asset for its intended use. Instead, sales proceeds and its related costs must be recognized in profit or loss. The amendment will require companies to distinguish between costs associated with producing and selling items before the item of property plant and equipment is available for use and costs associated with the making of the item of property plant and equipment available for items intended use.

The adoption of this amendment did not have any significant impact on the Company's unaudited condensed interim consolidated financial statements for the three and nine months ended December 31, 2022.

Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)

The IASB has published Classification of Liabilities as Current or Non-Current (Amendments to IAS 1) which clarifies the guidance on whether a liability should be classified as either current or non-current. The amendments:

- a. clarify that the classification of liabilities as current or non-current should only be based on rights that are in place "at the end of the reporting period"
- b. clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability
- c. make clear that settlement includes transfers to the counterparty of cash, equity instruments, other assets or services that result in extinguishment of the liability.

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

5. Restricted cash

The Company has a corporate credit card with a major financial institution with an average credit limit of \$50,000. As at December 31, 2022, the financial institution holds \$50,000 in a Guaranteed Investment Certificate (March 31, 2022 - \$nil) as collateral on the credit card amount as long as the credit card is alive. The restricted cash amount would change if there was any change in the credit limit on the card.

Li-Metal Corp. (Formerly Eurotin Inc.)

Notes to Condensed Interim Consolidated Financial Statements

December 31, 2022

(Expressed in Canadian dollars)

(Unaudited)

6. Property and equipment

Cost	Computer hardware	Equipment	Furniture & fixtures	Leasehold improvement	Total
Balance, March 31, 2022	9,307	3,022,793	20,686	19,801	3,072,587
Reclassification	-	(113,598)	-	113,598	-
Additions	-	1,092,706	-	64,850	1,157,556
Foreign exchange	-	17,379	-	11,188	28,567
Balance, December 31, 2022	\$ 9,307	\$ 4,019,280	\$ 20,686	\$ 209,437	\$ 4,258,710

Accumulated depreciation	Computer hardware	Equipment	Furniture & fixtures	Leasehold improvement	Total
Balance, March 31, 2022	(4,062)	(443,148)	(5,255)	(2,073)	(454,538)
Amortization	(1,574)	(547,873)	(3,086)	(33,525)	(586,058)
Foreign exchange	-	(3,943)	-	(1,093)	(5,036)
Balance, December 31, 2022	\$ (5,636)	\$ (994,964)	\$ (8,341)	\$ (36,691)	\$ (1,045,632)

Net book value	Computer hardware	Equipment	Furniture & fixtures	Leasehold improvement	Total
Balance, March 31, 2022	\$ 5,245	\$ 2,579,645	\$ 15,431	\$ 17,728	\$ 2,618,049
Balance, December 31, 2022	\$ 3,671	\$ 3,024,316	\$ 12,345	\$ 172,746	\$ 3,213,078

7. Right-of-use assets

Balance, March 31, 2022	\$ 1,229,701
Additions	-
Amortization	(209,959)
Impact of foreign exchange	11,461
Balance, December 31, 2022	\$ 1,031,203

8. Government assistance

On April 16, 2020, the Company received the Canadian Emergency Business Account (CEBA) in the amount of \$40,000. CEBA is a government program providing interest-free loans to small businesses. No principal repayments will be required before December 31, 2023. If the loan remains outstanding after December 31, 2020, only interest payments will be required until full principal is due on December 31, 2025. If the outstanding principal, other than the amount of potential debt forgiveness at 25% of the principal balance of the loan, is repaid by December 31, 2023, the remaining principal will be forgiven. The eligibility of the program may be subject to audit and verification at which time the balance may become repayable.

Li-Metal Corp. (Formerly Eurotin Inc.)
Notes to Condensed Interim Consolidated Financial Statements
December 31, 2022
(Expressed in Canadian dollars)
(Unaudited)

9. Related party balances and transactions

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

Related party transactions conducted in the normal course of operations are measured at the exchange value (the amount established and agreed to by the related parties) and approved by the Board of Directors in strict adherence to conflict of interest laws and regulations.

	Three months ended December 31,		Nine months ended December 31,	
	2022	2021	2022	2021
Salaries and short-term employment	\$ 224,060	\$ 118,125	\$ 533,060	\$ 193,125
Consulting fees	-	15,625	-	305,863
Share-based compensation	20,979	825,153	110,667	825,153

The Company is related to Li-Cycle Corp. through some shareholders having common ownership. During the three and nine months ended December 31, 2022, the two companies have no shared services or personnel costs (three and nine months ended December 31, 2021 - Nil).

10. Convertible debenture and financing

In May 2021, the Company issued US\$3,000,000 of convertible debentures with a 10% coupon rate which mature in May 2022. The principal of each convertible debenture is automatically convertible into common shares and warrants on completion of the reverse takeover. The conversion would occur on a fixed USD share price of \$4.74 and a two-year warrant at US\$1.50 convertible when the share price of the resulting reporting entity trades at or above US\$3.50. The accrued interest on the convertible debenture is payable in cash. The warrants were subsequently exercised during the period ended March 31, 2022 when the share price traded at or above US\$3.50.

The instrument is a compound instrument consisting of a host debt instrument and embedded derivatives including the foreign exchange variability associated with a conversion feature in a currency other than the Company's functional currency and the fair value associated with the warrant option. The entire financial instrument is classified and measured at fair value through profit and loss. See note 18 for summary of inputs into the fair value.

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

	As at December 31, 2022	As at March 31, 2022
Opening balance	\$ -	\$ -
Issuance of convertible debentures	-	3,662,136
Change in fair value	-	833,689
Foreign exchange	-	(15,475)
Settlement of convertible debentures	-	(4,480,350)
Ending balance	\$ -	\$ -

On October 25, 2021, upon completion of the RTO, all of the outstanding balance of the convertible debentures, accrued interest of \$174,998 on the convertible debentures and sub-receipts were converted into common shares and warrants of the Company such that \$4,655,498 was converted; where \$3,549,998 was allocated to share capital and \$1,105,489 allocated to warrants.

Li-Metal Corp. (Formerly Eurotin Inc.)
Notes to Condensed Interim Consolidated Financial Statements
December 31, 2022
(Expressed in Canadian dollars)
(Unaudited)

11. Lease liability

Balance, March 31, 2022	\$ 1,280,808
Accretion	85,145
Lease payments	(261,459)
Impact of foreign exchange	11,887

Balance, December 31, 2022 **\$ 1,116,381**

Allocated as:

Current	\$ 299,175
Long-term	817,206

\$ 1,116,381

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

Maturity analysis	December 31, 2022
Less than one year	\$ 352,937
One to three years	721,420
Four to five years	249,118
Total undiscounted lease liabilities	1,323,475
Amount representing implicit interest	(207,094)
Lease liabilities	\$ 1,116,381

12. Reverse takeover

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

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

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

Li-Metal Corp. (Formerly Eurotin Inc.)
Notes to Condensed Interim Consolidated Financial Statements
December 31, 2022
(Expressed in Canadian dollars)
(Unaudited)

12. Reverse takeover (continued)

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

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

The equity consideration given by the accounting acquirer to the former shareholder of Eurotin are measured at fair value and the value in excess of the net assets received, the difference is recognized in the consolidated statement of loss and comprehensive loss as a RTO transaction cost. The amount assigned to the transaction cost of \$2,492,906 is the difference between the fair value of the consideration and the net identifiable assets of Eurotin acquired by Li-Metal and included in the consolidated statement of loss and comprehensive loss.

The fair value of the consideration is determined based on the percentage of ownership the legal parent's shareholders have in the combined entity after the transaction. This represents the fair value of the shares that 2555663 Ontario Limited would have had to issue for the ratio of ownership interest in the combined entity to be the same, if the transaction had taken the legal form of 2555663 Ontario Limited acquiring 100% of the shares in Eurotin. The fair value of the consideration in the RTO is equivalent to the fair value of the 7,999,928 Li-Metal shares controlled by original Eurotin shareholders. The fair value of the shares controlled by original Eurotin shareholders was estimated to be \$2,249,980 based on the fair market value of \$1.25 per share in the private placement of 2555663 Ontario Limited in September 2021.

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

Consideration

Common shares	\$ 2,249,980
Total consideration	\$ 2,249,980

Identifiable assets acquired

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

Unidentifiable assets acquired

Transaction cost	2,267,108
Total net identifiable assets and transaction cost	\$ 2,249,980

Li-Metal Corp. (Formerly Eurotin Inc.)
Notes to Condensed Interim Consolidated Financial Statements
December 31, 2022
(Expressed in Canadian dollars)
(Unaudited)

13. Share capital

a) Authorized share capital

The authorized share capital consisted of an unlimited number of common shares. The common shares do not have a par value. All issued shares are fully paid.

b) Common shares issued

At December 31, 2022, the issued share capital amounted to \$43,188,196. The changes in issued share capital for the periods were as follows:

	Number of common shares	Amount
Balance, December 31, 2020	59,064,124	\$ 6,393,604
Shares issued in private placement	2,201,472	797,538
Exercise of stock options	929,624	161,137
Elimination of 2555663 Ontario Limited shares (note 12)	(62,097,760)	-
Conversion into Li-Metal shares per RTO (note 12)	62,097,760	-
Shares issued from conversion of sub-receipts in private placement	30,000,000	9,285,225
Transaction costs in private placement (note 10)	-	(13,562)
Shares issued in settlement of convertible debentures	12,000,000	3,713,700
Shares issued in settlement of interest on convertible debentures	565,468	174,998
Shares issued as consideration in the RTO (note 12)	7,999,928	2,475,778
Shares issued upon exercises of warrants (note 14)	42,000,000	19,462,275
Balance, December 31, 2021	154,760,616	\$ 42,450,693
Balance, March 31, 2022 and December 31, 2022	154,953,828	\$ 43,188,196

As at December 31, 2022, 7,786,737 common shares of the Company were in escrow.

14. Warrants

The 12,000,000 warrants issued upon conversion of the convertible debentures and the 30,000,000 warrants issued upon conversion of the sub-receipts in the private placement on September 7, 2021 were all exercised into 42,000,000 common shares of the Company during the year ended December 31, 2021. The fair value of these warrants was estimated to be \$3,869,210 using the binomial tree valuation model on the following assumptions: volatility of 90.6% based on comparable companies, risk-free rate of 0.86%, share price range of \$0.76 to \$1.19 with a mid point of \$1.13 on the valuation date of October 25, 2021. As at December 31, 2022, nil warrants were outstanding.

Li-Metal Corp. (Formerly Eurotin Inc.)

Notes to Condensed Interim Consolidated Financial Statements

December 31, 2022

(Expressed in Canadian dollars)

(Unaudited)

15. Stock options

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

	Number of options		Weighted average exercise price
Balance, December 31, 2020	5,281,229	\$	0.17
Exercised	(929,623)		0.18
Granted	5,954,000		0.31
Balance, December 31, 2021	10,305,606	\$	0.26
Balance, March 31, 2022	10,321,589	\$	0.29
Granted	4,900,529		0.53
Cancelled	(142,596)		0.26
Balance, December 31, 2022	15,079,522	\$	0.36

As at December 31, 2022, the stock options outstanding are as follows:

Remaining Contractual Life (years)	Exercisable Options	Number of Options	Exercise Price (\$)	Expiry Date
2.79	1,345,780	1,345,780	0.08	October 15, 2025
2.96	2,246,202	2,343,658	0.23	December 17, 2025
3.25	452,160	546,360	0.23	April 1, 2026
3.75	5,480,000	5,720,000	0.31	October 1, 2026
3.93	7,000	14,000	2.69	December 6, 2026
4.13	-	64,000	2.04	February 14, 2027
4.16	-	9,900	1.60	February 28, 2027
4.18	-	35,295	1.60	March 7, 2027
4.22	-	100,000	1.43	March 21, 2027
4.25	-	400,000	1.31	April 1, 2027
4.34	-	400,000	1.00	May 2, 2027
4.34	-	200,000	0.96	May 2, 2027
4.50	-	4,500	0.62	June 30, 2027
4.54	-	8,000	0.72	July 14, 2027
4.61	200,000	400,000	0.72	August 10, 2027
4.62	-	90,000	0.60	August 12, 2027
4.68	-	2,500	0.73	September 3, 2027
4.71	-	4,500	0.65	September 15, 2027
4.84	-	1,391,029	0.41	October 31, 2027
4.94	-	2,000,000	0.28	December 9, 2027
3.86	9,731,142	15,079,522	0.36	

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15. Stock options (continued)

During the three and nine months ended December 31, 2022, the Company recognized a total share-based payments expense of \$402,871 and \$951,004, respectively (three and nine months ended December 31, 2021 – \$1,254,767 and 1,254,767, respectively).

The stock options granted during the nine months ended December 31, 2022 were measured using the following inputs:

Share price	\$0.28 - \$1.31
Exercise price	\$0.28 - \$1.31
Risk free rate	2.46% - 3.43%
Expected option life	5 years
Volatility	100%
Forfeiture rate	0%

16. Restricted share units

On October 31, 2022, the Company granted to an officer 1,383,029 Restricted Share Units (“RSU”), 345,757 RSU will vest in 12, 24, 36 and 48 months starting from the date of the grant.

Balance, March 31, 2022	-
Granted	1,383,029
Balance, December 31, 2022	1,383,029

During the three and nine months ended December 31, 2022, the Company recognized a total share-based payments expense of \$51,282 (three and nine months ended December 31, 2021 – \$nil).

17. Financial instruments

Fair Value

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

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.

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17. Financial instruments (continued)

Liquidity Risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due. The Company's liquidity and operating results may be adversely affected if its access to capital markets is hindered, whether as a result of a downturn in stock market conditions generally or matters specific to the Company. The Company has historically generated cash flow from its financing activities. The Company manages liquidity risk through the management of its capital structure and financial leverage. As at December 31, 2022, the Company's current liabilities which comprise accounts payable and accrued liabilities. The Company will require additional funding to maintain corporate and administrative functions and to fund its continuing development and commercialization activities and commitments.

The following table shows the maturity date of the Company's financial liabilities as at December 31, 2022:

	Total	Less than 1 year	1 to 2 years	Beyond 2 years
Accounts payable and accrued liabilities	\$ 483,282	\$ 483,282	\$ -	\$ -
Customer deposits	17,652	-	17,652	-
Government assistance	40,000	40,000	-	-

Please refer to note 11 for lease liability.

18. Net loss per common share

The calculation of basic and diluted loss per share for the three and nine months ended December 31, 2022 was based on the loss attributable to common shares of \$4,106,438 and \$10,137,115, respectively (three and nine months ended December 31, 2021 - \$6,789,464 and \$9,481,525, respectively) and the weighted average number of common shares outstanding of 154,953,828 (three and nine months ended December 31, 2021 - 102,596,979 and 70,616,815, respectively).

19. Capital risk management

The Company manages its capital with the following objectives:

- to ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities, and pursuit of accretive acquisitions; and
- to maximize shareholder return through enhancing the share value.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company may manage its capital structure by issuing new shares, repurchasing outstanding shares, adjusting capital spending, or disposing of assets. The capital structure is reviewed by management and the Board of Directors on an ongoing basis.

The Company considers its capital to be equity, which comprises share capital, contributed surplus and deficit, which at December 31, 2022, totaled \$16,798,823 (March 31, 2022 - \$25,917,450).

The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. The forecast is updated based on activities related to its operations and research and development activities. Selected information is provided to the Board of Directors of the Company. The Company's capital management objectives, policies and processes have remained unchanged during the period ended December 31, 2022.