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**LI-METAL CORP.**  
**CONDENSED INTERIM CONSOLIDATED FINANCIAL**  
**STATEMENTS**  
**THREE MONTHS ENDED JUNE 30, 2023**  
**(EXPRESSED IN CANADIAN DOLLARS)**

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**(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 months ended June 30, 2023 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. (the "Corporation" or the "Company") are the responsibility of management and the Board of Directors.

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

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

Chief Executive Officer

Toronto, Canada  
August 29, 2023

(signed) "Richard Halka"

Chief Financial Officer

# Li-Metal Corp.

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

	As at June 30, 2023	As at March 31, 2023
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 6,719,059	\$ 10,418,506
Sales tax and other receivables	923,072	655,946
Prepaid expenses	153,370	178,546
<b>Total current assets</b>	<b>7,795,501</b>	<b>11,252,998</b>
<b>Non-current assets</b>		
Restricted cash (note 5)	50,000	50,000
Property and equipment (note 6)	4,020,830	4,580,747
Right-of-use assets (note 7)	968,387	1,048,327
<b>Total assets</b>	<b>\$ 12,834,718</b>	<b>\$ 16,932,072</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 774,837	\$ 1,386,135
Lease liability (note 12)	289,169	282,403
Government assistance (note 9)	40,000	40,000
<b>Total current liabilities</b>	<b>1,104,006</b>	<b>1,708,538</b>
<b>Long-term liabilities</b>		
Lease liability (note 12)	785,699	865,499
<b>Total liabilities</b>	<b>1,889,705</b>	<b>2,574,037</b>
<b>Equity</b>		
Share capital (note 13)	43,188,196	43,188,196
Contributed surplus	6,756,184	6,279,026
Accumulated other comprehensive loss	(5,448)	(184,062)
Deficit	(38,993,919)	(34,925,125)
<b>Total equity</b>	<b>10,945,013</b>	<b>14,358,035</b>
<b>Total equity and liabilities</b>	<b>\$ 12,834,718</b>	<b>\$ 16,932,072</b>

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

Subsequent events (note )

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

### Approved on behalf of the Board:

(Signed) "Mark Wellings", Chairman of the Board

(Signed) "Maciej Jastrzebski ", Director

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

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<b>Three months ended June 30,</b>	<b>2023</b>	<b>2022</b>
<b>Operating expenses</b>		
Research and development (notes 9 and 10)	\$ 673,628	\$ 970,119
Salaries and wages	277,149	157,056
Share-based compensation (notes 14 and 15)	477,158	345,115
Professional and consulting fees	563,089	452,457
Investor relations and reporting issuer cost	192,318	195,178
Office and general	818,576	479,550
Interest and bank charges	2,025	2,103
Foreign exchange loss	234,325	2,006
Amortization of property and equipment (note 6)	863,857	145,502
Amortization of right-of-use assets (note 7)	74,823	69,759
<b>Operating loss before the following items</b>	<b>(4,176,948)</b>	<b>(2,818,845)</b>
Interest and other income	134,518	58,824
Accretion of lease liability (note 12)	(26,364)	(29,451)
<b>Net loss for the period</b>	<b>(4,068,794)</b>	<b>(2,789,472)</b>
Other comprehensive loss:		
Foreign currency translation adjustment	(184,062)	-
<b>Total loss and comprehensive loss for the period</b>	<b>\$ (4,252,856)</b>	<b>\$ (2,789,472)</b>
<b>Basic and diluted loss per share (note 17)</b>	<b>\$ (0.03)</b>	<b>\$ (0.02)</b>
<b>Weighted average number of common shares outstanding</b>	<b>154,953,828</b>	<b>154,953,828</b>

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

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

<b>Three months ended June 30,</b>	<b>2023</b>	<b>2022</b>
<b>Operating activities</b>		
Net loss for the period	\$ (4,068,794)	\$ (2,789,472)
Adjustments for:		
Amortization of property and equipment	863,857	145,502
Amortization of right-of-use assets	74,823	69,759
Accretion of lease liability (note 12)	26,364	29,451
Share-based compensation	477,158	345,115
Unrealized foreign exchange loss	193,211	71
Non-cash working capital items:		
Sales tax and other receivables	(267,126)	70,418
Prepaid expenses	25,176	7,495
Accounts payable and accrued liabilities	(611,298)	255,518
Restricted cash	-	(50,000)
<b>Net cash used in operating activities</b>	<b>(3,286,629)</b>	<b>(1,916,143)</b>
<b>Investing activities</b>		
Purchase of property and equipment	(311,535)	(136,233)
Repayment of lease liability	(93,836)	(86,259)
<b>Net cash used in investing activities</b>	<b>(405,371)</b>	<b>(222,492)</b>
<b>Effect of foreign currency translation</b>	<b>(7,447)</b>	<b>(6,096)</b>
<b>Net change in cash and cash equivalents</b>	<b>(3,699,447)</b>	<b>(2,138,635)</b>
<b>Cash and cash equivalents, beginning of the period</b>	<b>10,418,506</b>	<b>23,162,453</b>
<b>Cash and cash equivalents, end of the period</b>	<b>\$ 6,719,059</b>	<b>\$ 21,017,722</b>

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

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

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	Number of shares	Share capital	Contributed surplus	Accumulated other comprehensive loss	Deficit	Total
<b>Balance, March 31, 2022</b>	<b>154,953,828</b>	<b>\$ 43,188,196</b>	<b>\$ 5,097,618</b>	<b>\$ -</b>	<b>\$ (22,368,364)</b>	<b>\$ 25,917,450</b>
Share-based compensation	-	-	345,115	-	-	345,115
Net loss and comprehensive loss for the period	-	-	-	1,229	(2,789,472)	(2,788,243)
<b>Balance, June 30, 2022</b>	<b>154,953,828</b>	<b>\$ 43,188,196</b>	<b>\$ 5,442,733</b>	<b>\$ 1,229</b>	<b>\$ (25,157,836)</b>	<b>\$ 23,474,322</b>
<b>Balance, March 31, 2023</b>	<b>154,953,828</b>	<b>\$ 43,188,196</b>	<b>\$ 6,279,026</b>	<b>\$ (184,062)</b>	<b>\$ (34,925,125)</b>	<b>\$ 22,141,752</b>
Share-based compensation	-	-	477,158	-	-	477,158
Net loss and comprehensive loss for the period	-	-	-	178,614	(4,068,794)	(3,890,180)
<b>Balance, June 30, 2023</b>	<b>154,953,828</b>	<b>\$ 43,188,196</b>	<b>\$ 6,756,184</b>	<b>\$ (5,448)</b>	<b>\$ (38,993,919)</b>	<b>\$ 22,141,752</b>

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

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**Li-Metal Corp. (Formerly Eurotin Inc.)**  
**Notes to Condensed Interim Consolidated Financial Statements**  
**June 30, 2023**  
**(Expressed in Canadian dollars)**  
**(Unaudited)**

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**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.

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**Li-Metal Corp. (Formerly Eurotin Inc.)**  
**Notes to Condensed Interim Consolidated Financial Statements**  
**June 30, 2023**  
**(Expressed in Canadian dollars)**  
**(Unaudited)**

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**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 three months ended June 30, 2023, the Company incurred a net loss of \$4,068,794 (three months ended June 30, 2022 - \$2,789,472) and had an accumulated deficit of \$38,993,919 as at June 30, 2023 (March 31, 2023 - \$34,925,125).

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

**3. Basis of presentation and statement of compliance**

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 – “Interim Financial Reporting” (“IAS 34”) using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). Accordingly, certain disclosures included in annual financial statements prepared in accordance with IFRS have been condensed or omitted and these unaudited condensed interim financial statements should be read in conjunction with the Company's audited financial statements for the year ended March 31, 2023.

The preparation of condensed interim consolidated financial statements in conformity with IAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The interim results are not necessarily indicative of results for a full year. The critical judgments and estimates applied in the preparation of the Company's condensed interim consolidated financial statements are consistent with those applied to the Company's consolidated financial statements for the year ended March 31, 2023.

These unaudited condensed interim consolidated financial statements were authorized for issuance by the Board of Directors of the Company on August 29, 2023.



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## Li-Metal Corp. (Formerly Eurotin Inc.)

### Notes to Condensed Interim Consolidated Financial Statements

June 30, 2023

(Expressed in Canadian dollars)

(Unaudited)

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#### 4. Summary of significant accounting policies

##### Adoption of new accounting standards

###### IAS 12 Income Taxes

In May 2021, the IASB issued amendments to IAS 12, Income Taxes. The amendments to IAS 12 narrow the scope of the initial recognition exemption so that it no longer applies to transactions which give rise to equal amounts of taxable and deductible temporary differences. The Company is to recognize a deferred tax asset and deferred tax liability for temporary differences arising on initial recognition for certain transactions, including leases and reclamation provisions. The Company adopted this amendments on April 1, 2023 and the adoption of this amendment had no significant impact on the Company's unaudited condensed interim consolidated financial statements.

###### Amendments to IAS 8 - Definition of Accounting Estimates

These amendments clarify how companies distinguish changes in accounting policies from changes in accounting estimates, with a primary focus on the definition of and clarifications on accounting estimates. The distinction between the two is important because changes in accounting policies are applied retrospectively, whereas changes in accounting estimates are applied prospectively. Further, the amendments clarify that accounting estimates are monetary amounts in the financial statements subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. The Company adopted this amendments on April 1, 2023 and the adoption of this amendment had no significant impact on the Company's unaudited condensed interim consolidated financial statements.

###### Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies

These amendments continue the IASB's clarifications on applying the concept of materiality. These amendments help companies provide useful accounting policy disclosures, and they include: requiring companies to disclose their material accounting policies instead of their significant accounting policies; clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and do not need to be disclosed; and clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material. The IASB also amended IFRS Practice Statement 2 to include guidance and examples on applying materiality to accounting policy disclosures. These amendments are effective for reporting periods beginning on or after January 1, 2023. The Company adopted this amendments on April 1, 2023 and the adoption of this amendment had no significant impact on the Company's unaudited condensed interim consolidated financial statements.

##### New standards and interpretations not yet adopted

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

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

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

This amendment is effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted. The extent of the impact of adoption of this amendment has not yet been determined.

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**Li-Metal Corp. (Formerly Eurotin Inc.)****Notes to Condensed Interim Consolidated Financial Statements****June 30, 2023****(Expressed in Canadian dollars)****(Unaudited)**

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**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 June 30, 2023, the financial institution holds \$50,000 in a Guaranteed Investment Certificate (March 31, 2023 - \$50,000) as collateral on the credit card amount as long as the credit card is alive. The restricted cash amount would change if there was any change in the credit limit on the card.

**6. Property and equipment**

<b>Cost</b>	<b>Computer hardware</b>	<b>Equipment</b>	<b>Furniture &amp; fixtures</b>	<b>Leasehold improvement</b>	<b>Total</b>
Balance, March 31, 2023	\$ 16,005	\$ 5,448,972	\$ 32,327	\$ 210,269	\$ 5,707,573
Additions	-	303,910	-	7,625	311,535
Foreign exchange	-	(7,275)	-	(3,128)	(10,403)
Balance, June 30, 2023	\$ 16,005	\$ 5,745,607	\$ 32,327	\$ 214,766	\$ 6,008,705

<b>Accumulated depreciation</b>	<b>Computer hardware</b>	<b>Equipment</b>	<b>Furniture &amp; fixtures</b>	<b>Leasehold improvement</b>	<b>Total</b>
Balance, March 31, 2023	\$ (5,887)	\$(1,065,720)	\$ (8,632)	\$ (46,587)	\$(1,126,826)
Amortization	(3,036)	(845,715)	(4,739)	(10,367)	(863,857)
Foreign exchange	-	1,907	-	901	2,808
Balance, June 30, 2023	\$ (8,923)	\$(1,909,528)	\$ (13,371)	\$ (56,053)	\$(1,987,875)

<b>Net book value</b>	<b>Computer hardware</b>	<b>Equipment</b>	<b>Furniture &amp; fixtures</b>	<b>Leasehold improvement</b>	<b>Total</b>
Balance, March 31, 2023	\$ 10,118	\$ 4,383,252	\$ 23,695	\$ 163,682	\$ 4,580,747
Balance, June 30, 2023	\$ 7,082	\$ 3,836,079	\$ 18,956	\$ 158,713	\$ 4,020,830

**7. Right-of-use assets**

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<b>Balance, March 31, 2023</b>	<b>\$ 1,048,327</b>
Amortization	(74,823)
Impact of foreign exchange	(5,117)
<b>Balance, June 30, 2023</b>	<b>\$ 968,387</b>

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## Li-Metal Corp. (Formerly Eurotin Inc.)

### Notes to Condensed Interim Consolidated Financial Statements

June 30, 2023

(Expressed in Canadian dollars)

(Unaudited)

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#### 8. Joint arrangement

On February 16, 2022, the Company signed a Joint Development and Commercialization Agreement (“JD/CA”) with Blue Solutions, the largest producer of solid-state lithium metal batteries. The JD/CA will help advance the development of Li-Metal’s high-performance low-cost lithium metal anode technologies and Blue Solutions’ solid-state batteries to be used in passenger electric vehicles (EVs).

The JD/CA has two phases: Joint Development and Commercialization. The joint development phase has not been completed yet and the agreement will terminate at the of earlier of August 16, 2023 or the date on which at least one lithium batteries anode product is first available for commercial exploitation. Each party bears the costs of its activities including labor and materials.

#### 9. Government assistance

##### CEBA

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.

##### NGEN refunds

On March 1, 2022, Li-Metal was granted up to \$1.9 million grant, as part of a \$5.1 million joint project with Blue Solutions, awarded by Next Generation Manufacturing Canada (“NGEN”), an industry-led organization supporting advanced manufacturing in Canada, to develop the Company’s lithium metal anode technologies.

NGEN grant was provided to assist Li-Metal in developing and advancing its scrap lithium foil reprocessing operation and anode production process. The funds from the grant assisted Li-Metal in further developing its PVD technology to make ultra thin anodes at higher deposition rates and also allowed Li-Metal to enhance its internal battery & surface characterization capabilities. The grant covered part of the costs for technical/operations personnel, contractors, and consumables involved in the project.

From the year ended March 31, 2023, the Company received refunds from NGEN \$1,212,847 that were credited to research and development expenses. There are no unfilled conditions nor other contingencies related to the government assistance received.

##### Government of Ontario grants

On June 6, 2023, the Company was awarded over \$1,430,826 from the Government of Ontario to develop and commercialise its lithium metal production technology. The funding awarded to Li-Metal consists of a \$930,826 grant from the R&D Partnership Fund – Electric Vehicle, administered by the Ontario Vehicle Innovation Network (OVIN) and a \$500,000 grant from the Critical Minerals Innovation Fund (CMIF), funded by the Ontario Ministry of Mines. There are no unfilled conditions nor other contingencies related to the government assistance received.

During the three months ended June 30, 2023, the Company received refunds of \$93,083 from OVIN that were credited to research and development expenses.

**Li-Metal Corp. (Formerly Eurotin Inc.)**  
**Notes to Condensed Interim Consolidated Financial Statements**  
**June 30, 2023**  
**(Expressed in Canadian dollars)**  
**(Unaudited)**

**10. Revenue recognized against research and development**

During the three months ended June 30, 2023, the Company recorded \$183,105 service and shipping income against research and development. This income represents results from providing samples to customers and the Company's approach is to regard this income as a recovery of the research and development expenses as the Company has not reached a commercial level of production.

**11. 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.

<b>Three months ended June 30,</b>	<b>2023</b>	<b>2022</b>
Director fees	\$ 71,500	\$ 71,500
Salaries and short-term employment	591,820	87,500
Share-based compensation	127,554	46,821

**12. Lease liability**

<b>Balance, March 31, 2023</b>	<b>\$ 1,147,902</b>
Accretion	26,364
Lease payments	(93,836)
Impact of foreign exchange	(5,562)
<b>Balance, June 30, 2023</b>	<b>\$ 1,074,868</b>

**Allocated as:**

Current	\$ 289,169
Long-term	785,699
	<b>\$ 1,074,868</b>

**Li-Metal Corp. (Formerly Eurotin Inc.)**  
**Notes to Condensed Interim Consolidated Financial Statements**  
**June 30, 2023**  
**(Expressed in Canadian dollars)**  
**(Unaudited)**

**12. Lease liability (continued)**

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

<b>Maturity analysis</b>	<b>June 30, 2023</b>
Less than one year	\$ 376,853
One to three years	774,854
Four to five years	100,376
Total undiscounted lease liabilities	1,252,083
Amount representing implicit interest	(177,215)
Lease liabilities	\$ 1,074,868

**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 June 30, 2023, the issued share capital amounted to \$43,188,196. The changes in issued share capital for the periods were as follows:

	<b>Number of common shares</b>	<b>Amount</b>
Balance, March 31, 2022, June 30, 2022, March 31, 2023 and June 30, 2023	154,953,828	\$ 43,188,196

(ii) On September 7, 2021, the Company completed a private placement of US\$7.5 million subscription-receipts (the "Sub-receipts"), which sub-receipts if converted pursuant to the Transaction, will convert into units of the Resulting Issuer (the "Units") each unit comprising one common share of the resulting issuer (the "Resulting Issuer Shares") and one warrant (the "Resulting Issuer Warrants"), each Resulting Issuer Warrant allowing its holder to acquire one Resulting Issuer share. Total proceeds were \$9,267,750 whereby \$6,504,029 was allocated to share capital and \$2,763,721 to warrants.

As at June 30, 2023, nil (March 31, 2023 - 7,756,737) common shares of the Company were in escrow.

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**Li-Metal Corp. (Formerly Eurotin Inc.)****Notes to Condensed Interim Consolidated Financial Statements****June 30, 2023****(Expressed in Canadian dollars)****(Unaudited)**

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**14. Stock options**

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

	Number of options	Weighted average exercise price
Balance, March 31, 2022	10,321,589	\$ 0.29
Granted	1,004,500	1.11
Forfeited	(60,000)	0.31
Balance, June 30, 2022	11,266,089	\$ 0.36
Balance, March 31, 2023 and June 30, 2023	14,459,522	\$ 0.33

As at June 30, 2023, the stock options outstanding are as follows:

Remaining Contractual Life (years)	Exercisable Options	Number of Options	Exercise Price (\$)	Expiry Date
2.30	1,345,780	1,345,780	0.08	October 15, 2025
2.47	2,343,658	2,343,658	0.23	December 17, 2025
2.76	546,360	546,360	0.23	April 1, 2026
3.26	5,480,000	5,720,000	0.31	October 1, 2026
3.44	7,000	14,000	2.69	December 6, 2026
3.63	12,000	44,000	2.04	February 14, 2027
3.67	3,300	9,900	1.60	February 28, 2027
3.69	11,765	35,295	1.60	March 7, 2027
3.73	33,333	100,000	1.43	March 21, 2027
3.84	200,000	400,000	1.00	May 2, 2027
4.00	1,500	4,500	0.62	June 30, 2027
4.04	-	8,000	0.72	July 14, 2027
4.12	200,000	400,000	0.72	August 10, 2027
4.12	-	90,000	0.60	August 12, 2027
4.18	-	2,500	0.73	September 3, 2027
4.21	-	4,500	0.65	September 15, 2027
4.34	-	1,391,029	0.41	October 31, 2027
4.45	-	2,000,000	0.28	December 9, 2027
3.34	10,184,696	14,459,522	0.33	

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**14. Stock options (continued)**

During the three months ended June 30, 2023, the Company recognized a total share-based payments expense of \$270,771 (three months ended June 30, 2022 – \$145,502).

The Company amortizes the estimated grant date fair value of stock options to expense over the vesting period (generally three years). The grant date fair value of outstanding stock options was determined using the Black-Scholes option pricing model and the following assumptions in the year of the grant: risk-free interest rate (based on Canadian government bond yields), expected volatility of the market price of the Company's shares (estimated based on industry average), and the expected option life (in years) (based on historical option holder behavior).

The following tables summarizes the assumptions used with the Black-Scholes valuation model for the determination of the stock-based compensation costs for the stock options granted during the three months ended June 30, 2023 and 2022:

<b>Three months ended June 30,</b>	<b>2023</b>	<b>2022</b>
Share price	N/A	\$0.62 - \$1.31
Exercise price	N/A	\$0.62 - \$1.31
Risk free rate	N/A	2.46% - 3.10%
Expected option life	N/A	5 years
Volatility	N/A	100%
Forfeiture rate	N/A	0%

**15. Restricted share units**

On October 31, 2022, the Company granted to an officer 1,383,029 RSUs, 345,757 RSUs will vest in 12, 24, 36 and 48 months starting from the date of the grant.

On April 17, 2023, the Company granted to five officers an aggregate of 2,830,000 RSUs, 700 500 RSUs will vest in 12, 24, 36 and 48 months starting from the date of the grant..

On April 17, 2023, the Company granted to twenty-two employees an aggregate of 602,981 RSUs, 200,994 RSUs will vest in 12, 24 and 36 months starting from the date of the grant.

Balance, March 31, 2022 and June 30, 2022	-
Granted	1,383,029
Balance, March 31, 2023	1,383,029
Granted	3,432,981
Balance, June 30, 2023	4,816,010

During the three months ended June 30, 2023, the Company recognized a total share-based payments expense of \$206,387 (fifteen months ended June 30, 2022 – \$nil). The fair value of the RSUs was determined based on share price of the Company of \$0.4 per share on the date of grant on October 31, 2022 and \$0.38 on the date of grant of April 17, 2023.

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## Li-Metal Corp. (Formerly Eurotin Inc.)

### Notes to Condensed Interim Consolidated Financial Statements

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## 16. 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.

### 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 June 30, 2023, the Company's current liabilities 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 June 30, 2023:

	Total	Less than 1 year	1 to 2 years	Beyond 2 years
Accounts payable and accrued liabilities	\$ 774,837	\$ 774,837	\$ -	\$ -
Government assistance	40,000	40,000	-	-

Please refer to note 12 for lease liability.

### Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market factors. Market risk comprises three types of risk: price risk, interest rate risk and currency risk.

#### Price risk

Price risk is the risk that the fair value of future cash flows of the Company's financial instruments will fluctuate because of changes in market prices. The Company is not exposed to price risks.

#### Interest rate risk

Interest rate risk is the risk that the fair values and future cash flows of the Company will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk to the extent that the cash and cash equivalents and term deposits, if any, maintained at financial institutions is subject to a floating rate of interest. The interest rate risk on cash is not considered significant.



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**16. Financial instruments (continued)**

**Market Risk (continued)**

Currency risk

Currency risk is the risk that the fair values or future cash flows of the Company's financial instruments will fluctuate because of changes in foreign currency exchange rates. The Company is exposed to currency risk through financial assets and liabilities denominated in currencies other than the Canadian dollar, the Company's presentation currency. The Company's financial instruments denominated in currencies that are not the Canadian dollar as at June 30, 2023 are as follows:

	US dollar	British Pound	C\$Equivalent
Cash and cash equivalents	\$ 820,794	\$ -	\$ 1,076,493
Other receivables	63,027	-	83,448
Accounts payable and accrued liabilities	261,463	20,000	379,811

The Company's sensitivity analysis suggests that a 10% depreciation or appreciation of the foreign currencies against the Canadian dollar would have resulted in an approximate \$78,000 decrease or increase in the Company's total comprehensive income or loss.

As at June 30, 2023, US dollar amounts have been translated at a rate of C\$1.342 per US dollar and British Pound amounts have been translated at C\$1.6817 per British Pound.

**17. Net loss per common share**

The calculation of basic and diluted loss per share for the three months ended June 30, 2023 was based on the loss attributable to common shares of \$4,068,794 (three months ended June 30, 2022 - \$2,789,472) and the weighted average number of common shares outstanding of 154,953,828 (three months ended June 30, 2022 - 154,953,828).

**18. Segmented information**

Operating segments are reported in a manner consistent with internal reporting provided to the chief operating decision maker. The chief operating decision maker is responsible for allocating resources and assessing performance of the operating segments and has been identified as the Company's CEO. During the three months ended June 30, 2023, the Company has one (three months ended June 30, 2022 - one) business operating segment and two (three months ended June 30, 2022 - one) geographical operating segments.

The Company's reportable segments are based on the geographic region for the Company's operations and include Canada and US.

<b>As at June 30, 2023</b>	<b>US</b>	<b>Canada</b>	<b>Total</b>
Current assets	\$ 178,484	\$ 7,617,017	\$ 7,795,501
Restricted cash	-	50,000	50,000
Property and equipment	336,824	3,684,006	4,020,830
Right-of-use assets	-	968,387	968,387
<b>Total assets</b>	<b>\$ 515,308</b>	<b>\$ 12,319,410</b>	<b>\$ 12,834,718</b>
<b>Total liabilities</b>	<b>\$ 63,256</b>	<b>\$ 711,581</b>	<b>\$ 774,837</b>

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**Li-Metal Corp. (Formerly Eurotin Inc.)****Notes to Condensed Interim Consolidated Financial Statements****June 30, 2023****(Expressed in Canadian dollars)****(Unaudited)**

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**18. Segmented information (continued)**

<b>As at March 31, 2023</b>	<b>US</b>	<b>Canada</b>	<b>Total</b>
Current assets	\$ 107,729	\$ 11,145,269	\$ 11,252,998
Restricted cash	-	50,000	50,000
Property and equipment	362,775	4,217,972	4,580,747
Right-of-use assets	-	1,048,327	1,048,327
Total assets	\$ 470,504	\$ 16,461,568	\$ 16,932,072
Total liabilities	\$ 44,911	\$ 2,529,126	\$ 2,574,037

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**Three months ended June 30, 2023**

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Total loss	\$ 635,317	\$ 3,433,477	\$ 4,068,794
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**Three months ended June 30, 2022**

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Total loss	\$ 290,703	\$ 2,498,769	\$ 2,789,472
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**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 June 30, 2023, totaled \$10,945,013 (March 31, 2023 - \$14,358,035).

The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. The forecast is updated based on activities related to its operations and research and development activities. Selected information is provided to the Board of Directors of the Company. The Company's capital management objectives, policies and processes have remained unchanged during the three months ended June 30, 2023.