
LI-METAL CORP.
CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS
THREE AND SIX MONTHS ENDED SEPTEMBER 30,
2023
(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 six months ended September 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
November 28, 2023

(signed) "Richard Halka"

Chief Financial Officer

Li-Metal Corp.

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

	As at September 30, 2023	As at March 31, 2023
ASSETS		
Current assets		
Cash and cash equivalents	\$ 5,103,936	\$ 10,418,506
Sales tax and other receivables	463,105	655,946
Prepaid expenses	140,824	178,546
Total current assets	5,707,865	11,252,998
Non-current assets		
Restricted cash (note 5)	50,000	50,000
Property and equipment (note 6)	4,000,923	4,580,747
Right-of-use assets (note 7)	898,272	1,048,327
Total assets	\$ 10,657,060	\$ 16,932,072
EQUITY AND LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 577,863	\$ 1,386,135
Lease liability (note 12)	298,059	282,403
Government assistance (note 9)	40,000	40,000
Total current liabilities	915,922	1,708,538
Long-term liabilities		
Lease liability (note 12)	712,237	865,499
Total liabilities	1,628,159	2,574,037
Equity		
Share capital (note 13)	44,063,196	43,188,196
Warrants (note 14)	2,517,387	-
Contributed surplus	6,554,072	6,279,026
Accumulated other comprehensive loss	(55,907)	(184,062)
Deficit	(44,049,847)	(34,925,125)
Total equity	9,028,901	14,358,035
Total equity and liabilities	\$ 10,657,060	\$ 16,932,072

Nature of operations and going concern (notes 1 and 2)
Commitment (note 21)
Subsequent events (note 22)

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) "Anthony Tse", Chairman of the Board

(Signed) "Colin Farrell ", Director

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

	Three months ended September 30,		Six months ended September 30,	
	2023	2022	2023	2022
Revenue				
Service and shipping income (note 10)	\$ 127,195	\$ -	\$ 310,300	\$ -
Operating expenses				
Research and development (note 10)	750,463	1,436,748	1,700,279	2,790,595
Government assistance (note 9)	(550,869)	-	(643,952)	(383,728)
Salaries and wages	373,856	282,484	651,005	439,540
Share-based compensation (notes 15 and 16)	(202,112)	203,018	275,046	548,133
Professional and consulting fees	630,862	538,807	1,193,951	991,264
Investor relations and reporting issuer cost	388,382	287,058	580,700	482,236
Office and general	408,905	353,495	1,227,481	833,045
Interest and bank charges	1,776	3,201	3,801	5,304
Foreign exchange (gain) loss	(50,997)	6,511	183,328	8,517
Amortization of property and equipment (note 6)	30,981	150,510	894,838	296,012
Amortization of right-of-use assets (note 7)	74,804	69,937	149,627	139,696
Operating loss before the following items	(1,728,856)	(3,331,769)	(5,905,804)	(6,150,614)
Interest and other income	90,009	119,049	224,527	177,873
Business development expense (notes 8)	(3,392,387)	-	(3,392,387)	-
Accretion of lease liability (note 12)	(24,694)	(28,485)	(51,058)	(57,936)
Net loss for the period	(5,055,928)	(3,241,205)	(9,124,722)	(6,030,677)
Other comprehensive loss:				
Foreign currency translation adjustment	312,217	-	128,155	-
Total loss and comprehensive loss for the period	\$ (4,743,711)	\$ (3,241,205)	\$ (8,996,567)	\$ (6,030,677)
Basic and diluted loss per share (note 18)	\$ (0.03)	\$ (0.02)	\$ (0.06)	\$ (0.04)
Weighted average number of common shares outstanding	155,714,698	154,953,828	155,336,342	154,953,828

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)

Six months ended September 30,	2023	2022
Operating activities		
Net loss for the period	\$ (9,124,722)	\$ (6,030,677)
Adjustments for:		
Amortization of property and equipment	894,838	296,012
Amortization of right-of-use assets	149,627	139,696
Accretion of lease liability (note 12)	51,058	57,936
Share-based compensation	275,046	548,133
Shares and warrants issued for business development expense	3,392,387	-
Unrealized foreign exchange loss	148,334	527
Non-cash working capital items:		
Sales tax and other receivables	192,792	(56,768)
Prepaid expenses	37,722	33,426
Accounts payable and accrued liabilities	(808,750)	110,150
Restricted cash	-	(50,000)
Net cash used in operating activities	(4,791,668)	(4,951,565)
Investing activities		
Purchase of property and equipment	(315,631)	(839,463)
Repayment of lease liability	(188,257)	(173,655)
Net cash used in investing activities	(503,888)	(1,013,118)
Effect of foreign currency translation	(19,014)	10,800
Net change in cash and cash equivalents	(5,314,570)	(5,964,683)
Cash and cash equivalents, beginning of the period	10,418,506	23,162,453
Cash and cash equivalents, end of the period	\$ 5,103,936	\$ 17,208,570

Supplemental cash flow information:Shares and warrants issued in settlement of business
development expense**\$ 3,392,387** **\$ -**

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 Changes in Equity****(Expressed in Canadian dollars)****(Unaudited)**

	Number of shares	Share capital	Warrant reserve	Contributed surplus	Accumulated other comprehensive loss	Deficit	Total
Balance, March 31, 2022	154,953,828	\$ 43,188,196	\$ -	\$ 5,097,618	\$ -	\$ (22,368,364)	\$ 25,917,450
Share-based compensation	-	-	-	548,133	-	-	548,133
Net loss and comprehensive loss for the period	-	-	-	-	32,753	(6,030,677)	(5,997,924)
Balance, September 30, 2022	154,953,828	\$ 43,188,196	\$ -	\$ 5,645,751	\$ 32,753	\$ (28,399,041)	\$ 20,467,659
Balance, March 31, 2023	154,953,828	\$ 43,188,196	\$ -	\$ 6,279,026	\$ (184,062)	\$ (34,925,125)	\$ 14,358,035
Shares and warrants issued for business development expense	4,375,000	875,000	2,517,387	-	-	-	3,392,387
Share-based compensation	-	-	-	275,046	-	-	275,046
Net loss and comprehensive loss for the period	-	-	-	-	128,155	(9,124,722)	(8,996,567)
Balance, September 30, 2023	159,328,828	\$ 44,063,196	\$ 2,517,387	\$ 6,554,072	\$ (55,907)	\$ (44,049,847)	\$ 9,028,901

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

September 30, 2023

(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.

Li-Metal Corp. (Formerly Eurotin Inc.)
Notes to Condensed Interim Consolidated Financial Statements
September 30, 2023
(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 six months ended September 30, 2023, the Company incurred a net loss of \$9,124,722 (six months ended September 30, 2022 - \$6,030,677) and had an accumulated deficit of \$44,049,847 as at September 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 November 28, 2023.

Li-Metal Corp. (Formerly Eurotin Inc.)

Notes to Condensed Interim Consolidated Financial Statements

September 30, 2023

(Expressed in Canadian dollars)

(Unaudited)

4. Summary of significant accounting policies

Adoption of new accounting standards

Revenue recognition

The core principle of IFRS 15 Revenue from Contracts with Customers (“IFRS 15”) is that an entity should recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard establishes a comprehensive five-step framework for the timing and measurement of revenue recognition. (1) identify the contract(s) with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when (or as) the entity satisfies a performance obligation. The Company's revenue of sample products is recognized upon transfer of control of promised goods to the customers in an amount that reflects the consideration the Company expects to receive in exchange for those goods.

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.

Reclassification

Certain amounts for the comparative periods have been reclassified to conform to the presentation for the three and six months ended September 30, 2023.

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.

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

4. Summary of significant accounting policies (continued)**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:

- 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"
- clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability
- 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.

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 September 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

Cost	Computer hardware	Equipment	Furniture & fixtures	Leasehold improvement	Total
Balance, March 31, 2023	\$ 16,005	\$ 5,448,972	\$ 32,327	\$ 210,269	\$ 5,707,573
Additions	-	309,664	-	5,967	315,631
Foreign exchange	-	(323)	-	(139)	(462)
Balance, September 30, 2023	\$ 16,005	\$ 5,758,313	\$ 32,327	\$ 216,097	\$ 6,022,742

Accumulated depreciation	Computer hardware	Equipment	Furniture & fixtures	Leasehold improvement	Total
Balance, March 31, 2023	\$ (5,887)	\$(1,065,720)	\$ (8,632)	\$ (46,587)	\$(1,126,826)
Amortization	(3,036)	(866,243)	(4,740)	(20,819)	(894,838)
Foreign exchange	-	(109)	-	(46)	(155)
Balance, September 30, 2023	\$ (8,923)	\$(1,932,072)	\$ (13,372)	\$ (67,452)	\$(2,021,819)

Net book value	Computer hardware	Equipment	Furniture & fixtures	Leasehold improvement	Total
Balance, March 31, 2023	\$ 10,118	\$ 4,383,252	\$ 23,695	\$ 163,682	\$ 4,580,747
Balance, September 30, 2023	\$ 7,082	\$ 3,826,241	\$ 18,955	\$ 148,645	\$ 4,000,923

Li-Metal Corp. (Formerly Eurotin Inc.)

Notes to Condensed Interim Consolidated Financial Statements

September 30, 2023

(Expressed in Canadian dollars)

(Unaudited)

7. Right-of-use assets

Balance, March 31, 2023	\$ 1,048,327
Amortization	(149,627)
Impact of foreign exchange	(428)
Balance, September 30, 2023	\$ 898,272

8. Joint arrangements

Agreement with Blue Solutions

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 terminates at the earlier of August 16, 2023 or the date on which at least one lithium batteries anode product is first available for commercial exploitation. The development phase agreement has been terminated on August 16, 2023 and has not been extended. Each Party bears the costs of its activities including labor and materials.

Agreements with Mustang Vacuum Systems Inc. (“MVS”)

On September 14, 2023, the Company signed a contract production agreement and a strategic collaboration agreement with MVS.

According to the contract production agreement, MVS uses its resources to create a physical vapour deposition machine (the “PVD Machine”) and set up a contract manufacturing facility for the manufacture of anodes at MVS facility in Sarasota, Florida. The Company agreed to pay USD \$2 million toward the machine which would be owned equally between the two parties. An initial payment of USD \$500,000 was made by the Company in October 2023, with the remaining payments due on a progress percentage of completion basis at 33%, 66% and 100%. In addition, according to the contract production agreement, MVS manufactures and sells anodes exclusively to the Company for further sale to the Company’s customers. Subsequent to September 30, 2023, the Company recorded the USD \$500,000 payment as prepaid expense (note 22).

According to the strategic collaboration agreement, MVS may not sell PVD machines for the battery market other than to the Company and the Company may not purchase PVD machines from any entities other than MVS. As consideration for the exclusivity, on September 14, 2023, the Company issued 4,375,000 common shares of the Company to MVS at a value of \$0.20 per share for a total of \$875,000 (note 13). The Company also issued to MVS 21,000,000 warrants with each warrant exercisable at a price of CDN \$0.627 until September 19, 2028 recorded at a value of \$2,517,387 (note 14). In addition, MVS has the right to participate in any future equity issues of the Company and has a right to a seat in the board of directors of the Company if MVS accumulates 10 million shares of the Company. During the three and six months ended September 30, 2023, the Company recorded the fair value of the shares (\$875,000) and warrants (\$2,517,387) issued as business development expense for a total of \$3,392,387.

The Company has determined that the joint arrangements with Blue Solutions and MVS are both joint operations as they were not structured through a separate vehicle.

Li-Metal Corp. (Formerly Eurotin Inc.)

Notes to Condensed Interim Consolidated Financial Statements

September 30, 2023

(Expressed in Canadian dollars)

(Unaudited)

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. During the three and six months ended September 30, 2023, the Company received refunds from NGEN \$350,869 (three and six months ended September 30, 2022 - \$383,728) which 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 and six months ended September 30, 2023, the Company received refunds of \$200,000 and \$293,083, respectively (three and six months ended September 30, 2022 - \$nil) from OVIN that were credited to research and development expenses.

10. Revenue

During the three and six months ended September 30, 2023, the Company recorded \$127,195 and \$310,300 service and shipping income respectively. This income represents results from providing samples to customers. Previous to the three and six month period ended September 30, 2023, any revenue from providing samples to customers was regarded as a recovery of research and development expense.

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

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.

	Three months ended September 30,		Six months ended September 30,	
	2023	2022	2023	2022
Director fees	\$ 71,500	\$ 62,500	\$ 143,000	\$ 134,000
Salaries and short-term employment	290,550	87,500	882,370	175,000
Share-based compensation	61,509	42,867	110,983	89,688
Total	\$ 423,559	\$ 192,867	\$ 1,136,353	\$ 398,688

12. Lease liability

Balance, March 31, 2023	\$ 1,147,902
Accretion	51,058
Lease payments	(188,257)
Impact of foreign exchange	(407)

Balance, September 30, 2023	\$ 1,010,296
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Allocated as:

Current	\$ 298,059
Long-term	712,237
	\$ 1,010,296

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

Maturity analysis	September 30, 2023
Less than one year	\$ 379,127
One to three years	700,416
Four to five years	84,411
Total undiscounted lease liabilities	1,163,954
Amount representing implicit interest	(153,658)
Lease liabilities	\$ 1,010,296

Li-Metal Corp. (Formerly Eurotin Inc.)
Notes to Condensed Interim Consolidated Financial Statements
September 30, 2023
(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 September 30, 2023, the issued share capital amounted to \$44,063,196. The changes in issued share capital for the periods were as follows:

	Number of common shares	Amount
Balance, March 31, 2022, September 30, 2022, March 31, 2023	154,953,828	\$ 43,188,196
Shares issued for business development expense (note 8)	4,375,000	875,000
Balance, September 30, 2023	159,328,828	\$ 44,063,196

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 September 30, 2023, nil (March 31, 2023 - 7,786,737) common shares of the Company were in escrow.

14. Warrants

	Number of warrants	Weighted average exercise price
Balance, March 31, 2022, September 30, 2022 and March 31, 2023	-	\$ -
Issued (note 8)	21,000,000	0.63
Balance, September 30, 2023	21,000,000	\$ 0.63

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

Remaining Contractual Life (years)	Number of Options	Exercise Price (\$)	Expiry Date
4.98	21,000,000	0.627	September 19, 2028

The fair value of the warrants issued to MVS (note 8) was estimated to be \$2,517,387 using the Black Scholes valuation model on the following assumptions: volatility of 100% based on comparable companies, risk-free rate of 3.96%, share price of \$0.20 on the valuation date of September 14, 2023.

Li-Metal Corp. (Formerly Eurotin Inc.)**Notes to Condensed Interim Consolidated Financial Statements****September 30, 2023****(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, March 31, 2022	10,321,589	\$	0.29
Granted	1,509,500		0.97
Forfeited	(60,000)		0.31
Balance, September 30, 2022	11,771,089	\$	0.36
Balance, March 31, 2023	14,459,522	\$	0.33
Forfeited	(1,469,226)		0.43
Balance, September 30, 2023	12,990,296	\$	0.32

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

Remaining Contractual Life (years)	Exercisable Options	Number of Options	Exercise Price (\$)	Expiry Date
2.04	1,345,780	1,345,780	0.08	October 15, 2025
2.22	2,343,658	2,343,658	0.23	December 17, 2025
2.50	546,360	546,360	0.23	April 1, 2026
3.01	5,480,000	5,670,000	0.31	October 1, 2026
3.19	7,000	14,000	2.69	December 6, 2026
3.38	12,000	44,000	2.04	February 14, 2027
3.42	3,300	9,900	1.60	February 28, 2027
3.44	11,765	11,765	1.60	March 7, 2027
3.47	33,333	100,000	1.43	March 21, 2027
3.59	200,000	400,000	1.00	May 2, 2027
3.75	1,500	4,500	0.62	June 30, 2027
3.79	2,666	8,000	0.72	July 14, 2027
3.86	200,000	400,000	0.72	August 10, 2027
3.87	22,500	90,000	0.60	August 12, 2027
3.93	833	833	0.73	September 3, 2027
3.96	1,500	1,500	0.65	September 15, 2027
4.19	2,000,000	2,000,000	0.28	December 9, 2027
2.98	12,212,195	12,990,296	0.32	

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15. Stock options (continued)

During the three and six months ended September 30, 2023, the Company recognized a total share-based payments expense of \$(18,160) and \$252,611, respectively (three and six months ended September 30, 2022 – \$203,018 and \$548,133, respectively).

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 and six months ended September 30, 2023 and 2022:

Three and six months ended September 30,	2023	2022
Share price	N/A	\$0.60 - \$1.31
Exercise price	N/A	\$0.60 - \$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%

During the quarter ended September 30, 2023 1,469,226 of options were forfeited.

16. 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 September 30, 2022	-
Granted	1,383,029
Balance, March 31, 2023	1,383,029
Granted	3,432,981
Forfeited	(3,153,869)
Balance, September 30, 2023	1,662,141

During the three and six months ended September 30, 2023, the Company recognized a total share-based payments expense of \$(183,952) and \$22,435, respectively (three and six months ended September 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.

During the quarter ended September 30, 2023 3,153,869 of RSUs were forfeited.

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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.

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 September 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 September 30, 2023:

	Total	Less than 1 year	1 to 2 years	Beyond 2 years
Accounts payable and accrued liabilities	\$ 577,863	\$ 577,863	\$ -	\$ -
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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17. 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 September 30, 2023 are as follows:

	US dollar	C\$Equivalent
Cash and cash equivalents	\$ 145,651	\$ 196,920
Other receivables	8,170	11,045
Accounts payable and accrued liabilities	(79,681)	(107,729)

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 \$10,000 decrease or increase in the Company's total comprehensive income or loss.

As at September 30, 2023, US dollar amounts have been translated at a rate of C\$1.352 per US dollar.

18. Net loss per common share

The calculation of basic and diluted loss per share for the three and six months ended September 30, 2023 was based on the loss attributable to common shares of \$5,055,928 and \$9,124,722, respectively (three and six months ended September 30, 2022 - \$3,241,205 and \$6,030,677, respectively) and the weighted average number of common shares outstanding of 155,714,698 and 155,336,342, respectively (three and six months ended September 30, 2022 - 154,953,828).

19. 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 and six months ended September 30, 2023, the Company has one (three and six months ended September 30, 2022 - one) business operating segment and two (three and six months ended September 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.

As at September 30, 2023	US	Canada	Total
Current assets	\$ 155,614	\$ 5,552,251	\$ 5,707,865
Restricted cash	-	50,000	50,000
Property and equipment	325,404	3,675,519	4,000,923
Right-of-use assets	-	898,272	898,272
Total assets	\$ 481,018	\$ 10,176,042	\$ 10,657,060
Total liabilities	\$ 79,036	\$ 1,549,122	\$ 1,628,158

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19. Segmented information (continued)

As at March 31, 2023	US	Canada	Total
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

Six months ended September 30, 2023

Total loss	\$ 1,054,823	\$ 8,069,899	\$ 9,124,722
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Three months ended September 30, 2023

Total loss	\$ 419,506	\$ 4,636,422	\$ 5,055,928
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Six months ended September 30, 2022

Total loss	\$ 632,823	\$ 5,397,854	\$ 6,030,677
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Three months ended September 30, 2022

Total loss	\$ 342,120	\$ 2,899,085	\$ 3,241,205
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Notes to Condensed Interim Consolidated Financial Statements

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20. 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 September 30, 2023, totaled \$9,028,901 (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 and six months ended September 30, 2023.

21. Commitment

As per the contract production agreement with MVS (note 8), the Company agreed to pay USD \$2 million toward the machine which would be owned equally between the two parties. An initial payment of USD \$500,000 was made by the Company in October 2023, with the remaining payments due on a progress percentage of completion basis at 33%, 66% and 100%.

22. Subsequent event

Subsequent to September 30, 2023, the Company paid \$500,000 relating to the MVS agreement.