



May 07, 2024

Dear Li3 Group Valued Shareholders:

## Management Discussion and Analysis (MD&A)

**Overview:** Li3 Group is an early-stage fintech and physical commodities company operating in the mining and supply chain sectors, addressing global demand for raw materials. Our mission is to revolutionize these industries through innovative technologies addressing capital needs and strategic partnerships. While we have yet to generate revenue, our focus remains on advancing research and development, enhancing operational efficiency, and establishing ourselves as a leader in our target markets.

Li3 Group is an American company, with veteran professional representation globally. We currently have joint venture partnerships and operative employees in both Colombia and Indonesia. These include licensed and permitted mineral rights owners and operators in the energy mining space, for raw materials such as a variety of petroleum-based products and both thermal and metallurgical coals, in addition to a portfolio access to battery metals, including lithium, copper, cobalt, nickel, and graphite.

Li3 Group is observant of the risk reward factors that dictate arbitrage spreads and overall profitable opportunities, versus the some of the more mature markets, such as those in the U.S., whereby a competitive entry point leaves little to such early-stage, less capitalized firms such as Li3 Group, but recognize that risk mitigation through proper due diligence may lead to an achievable and sustainable revenue model over time, by developing such supply chains, allowing for trade finance opportunities to foster over time.

**Financial Position:** The financial statements were prepared using Generally Accepted Accounting Principles (GAAP). As of the end of the previous fiscal year, Li3 Group's financial position remains reflective of our early-stage status. The majority of our capital has been raised privately from friends and family through our private placement offering for a limited time. These funds have primarily been allocated towards research and development, corporate legal expenses, and day-to-day operational costs. Li3 Group's company management is observant to identify any known trends, events, commitments, demands, or uncertainties that are likely to result in material changes in liquidity or capital resources, and therefore, after surviving the recent pandemic conditions in 2022-2023, events like COVID-19 or the recent Russia's invasion of Ukraine may have materially affected the business anticipated timeframes. Yet, we at Li3 Group remain committed in a best efforts basis to continue to adjust to new conditions, by active attempts in capital raising campaigns, both internally via our own sourcing as well as engaging with crowdfunding platforms, like NetCapital for example.

**Results of Operations:** Despite the recent downturn in the global pricing of certain commodities, particularly in the energy and battery metals space, the future demand exceeds supply over the next several decades. Without such solutions as we are attempting to bring to market, the entire mining ecosystem for electric vehicle, smartphone, and power storage markets are difficult to meet expectations





predicted by industry experts. The risks and timeframes anticipated in the scheme of energy transition, are being proven to take much longer in assimilation to clean energy from the current existing fossil fuel model. For the foreseeable future, a proper mix of the two seems more likely, than anticipated by industry analysts.

The impact of rising costs and continued inflation may impact business operations, but Li3 Group will continue efforts of forging forward with efforts to raise the necessary capital in a variety of structures and jurisdictions as needed to comply with investor sentiment, taxing authority considerations, ever-changing regulatory structure environments, and cost of capital. Due to impact on research and development, the unclear regulatory environment, and capital structures necessary to align properly our business model, we have not yet generated any revenues to date. The capital raised to date has been crucial in funding our initiatives. These include software and blockchain development, as well as hardware investments. However, it's important to note that our expenditures have exceeded initial projections, primarily due to unforeseen costs associated with legal fees, corporate filings, operational expenses, regulatory jurisdictional licensing expenses, and the time and funding needed to both bring to market our dedicated P2P Marketplace and initial trade finance deposit requirements needed to participate as a principal in purchasing the supplies of raw materials, its transportation, and sale to off-takers worldwide.

**Cost Saving Initiatives:** In response to our current financial condition, Li3 Group has implemented cost-saving initiatives aimed at optimizing operational efficiency and conserving resources. This includes reduced salaries for our team members or extended pauses in receipt of paychecks into arrears as necessary. We have been active in diligent review with our chosen CPA firm of all expenses, payroll, and tax filings to identify areas for optimization and keeping up to date on all financial reporting efforts since the company's inception.

**Challenges and Mitigation Strategies:** Despite our efforts, we acknowledge challenges in raising capital through crowdfunding platforms such as NetCapital. While we continue to explore alternative and other private funding sources, we remain committed to delivering value to our investors and stakeholders. We are currently initiating a new promotional campaign for the remainder of 2024 with NetCapital. Additionally, Li3 Group executives are actively and independently prospecting additional accredited investors and our existing business relationships with smart money institutional financiers, with regularity in these efforts. We have implemented a "Boots on the ground" process in all commodity supply chain sourcing matters since November 2022. Li3 Group has hired company employees in the jurisdictions of both Colombia and Indonesia to visit all prospective and existing mining and sourcing opportunities. Additionally, we are in continued, active corporate communications with both the Agency of Mining in Colombia with their executive team members as well as the management of The Ministry of Energy and Mineral Resources of the Republic of Indonesia to continuously verify mining rights permits and licensure of any all joint venture partners or sourcing suppliers. In addition, we communicate with regularity with our U.S. Representatives of the U.S. Trade Department in Jakarta, Indonesia offices,

**Future Outlook:** Looking ahead, Li3 Group remains optimistic about our prospects in the fintech and commodities industries. We are dedicated to leveraging our several decades of experience in these



sectors, coupled with 70 years in the investment banking and financial markets, alongside of our key executive's long-term relationships, expertise, and the technological innovations we bring to drive growth with our unique set of expert capabilities, with the goal of creating shareholder value. Our strategic focus on building strong partnerships and expanding our global footprint will be instrumental in achieving our objectives. Li3 Group plans to provide guidance in third to fourth quarter 2024, or prior, when it's released. This guidance assumes, among other things, that no additional business acquisitions, restructurings, or unforeseen legal risks are present.

In conclusion, while Li3 Group continues to face challenges inherent in its early-stage development, we are confident in our ability to overcome obstacles and achieve sustainable growth. We remain steadfast in our commitment to innovation and excellence, guided by our mission to revolutionize the mining and supply chain sectors.

Thank you for your support and consideration.

Respectfully,

A handwritten signature in black ink, reading 'David C. Medina'.

A handwritten signature in black ink, reading 'Jorge Aizcorbe'.

Li3 Group Management

