

# **International Battery Metals Ltd.**

Condensed Consolidated Interim Financial Statements

Three and Six Months Ended July 31, 2019 and 2018

(Expressed in Canadian dollars)

(Unaudited)

## **NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

The accompanying unaudited condensed consolidated interim financial statements for International Battery Metals. (the “Company”) have been prepared by management in accordance with International Financing Reporting Standards (“IFRS”). These condensed consolidated interim financial statements, which are the responsibility of management, are unaudited and have not been reviewed by the Company’s auditors. The Company’s Audit Committee and Board of Directors have reviewed and approved these consolidated interim financial statements. In accordance with the disclosure requirements of National Instrument 51-102 released by the Canadian Securities Administrators, the Company’s independent auditors have not performed a review of these condensed consolidated interim financial statements.

## International Battery Metals Ltd.

Condensed Consolidated Interim Statements of Financial Position

As at July 31, 2019 and January 31, 2019

(Expressed in Canadian dollars)

(Unaudited)

	Note	July 31, 2019	January 31, 2019 (audited)
<b>ASSETS</b>			
<b>Current assets</b>			
Cash	14	\$ 113,070	\$ 410,835
Other receivables	5	88,142	77,640
Prepaid expenses		4,512	76,968
Total current assets		205,724	565,443
Intangible assets	6,7	5,841,454	6,174,567
Lease asset	8	37,126	-
		\$ 6,084,304	\$ 6,740,010
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade payables and other liabilities	9,12	\$ 852,289	\$ 507,548
Lease liability	8	38,048	-
Total current liabilities		890,337	507,548
<b>Shareholders' equity</b>			
Share capital	10	11,001,633	11,001,633
Obligation to issue shares	6	591,451	591,451
Reserves	11	3,960,345	3,960,345
Deficit		(10,354,101)	(9,313,674)
Accumulated other comprehensive income		(5,361)	(7,293)
		5,193,967	6,232,462
		\$ 6,084,304	\$ 6,740,010

**Nature and continuance of operations** (Note 1)

**Subsequent event** (Note 15)

**Approved and Authorized by the Board on September 27, 2019:**

"John Burba" Director

"Logan Anderson" Director

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

## International Battery Metals Ltd.

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

For the three and six months ended July 31, 2019 and 2018

(Expressed in Canadian dollars)

(Unaudited)

	Note	Three months ended July 31,		Six months ended July 31	
		2019	2018	2019	2018
<b>Expenses</b>					
Advertising and promotion		\$ -	\$ 438,472	\$ 102,054	\$ 708,461
General and administrative	12,13	355,321	1,171,272	587,828	1,787,205
Depreciation expense	8	31,822		31,822	
Amortization expense	7	153,406	-	333,113	4,265
Accretion expense		-	-	-	134,795
<b>Net Loss before other items</b>					
		(540,549)	(1,609,744)	(1,054,817)	(2,634,726)
<b>Other income and expenses</b>					
Other income	8	17,200	-	17,200	-
Interest expense	8	(1,213)	-	(2,810)	-
<b>Net loss</b>					
		\$ (524,562)	\$ (1,609,744)	\$ (1,040,427)	\$ (2,634,726)
<b>Other comprehensive loss</b>					
Foreign currency translation adjustments		(999)	(9,772)	(1,932)	(9,772)
<b>Comprehensive loss for the year</b>					
		(525,561)	(1,619,516)	(1,042,359)	(2,644,498)
<b>Basic and diluted loss per share, basic and diluted</b>					
	11	\$ (0.01)	\$ (0.04)	\$ (0.02)	\$ (0.07)
<b>Weighted average number of common shares outstanding</b>					
	11	50,441,879	44,090,166	50,441,879	36,835,120

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

## International Battery Metals Ltd.

Condensed Consolidated Interim Statements of Cash Flows

For the six months ended July 31, 2019 and 2018

(Expressed in Canadian dollars)

(Unaudited)

	2019	2018
<b>Cash flows used in operating activities</b>		
Loss for the period	\$ (1,040,427)	\$ (2,634,726)
Non-cash transactions:		
Share-based payments	-	263,538
Interest expense	2,810	134,795
Accrued interest on loan payable	-	4,265
Depreciation	31,822	-
Amortization of intangible assets	333,113	-
Changes in operating assets and liabilities:		
Other receivables	(10,502)	(35,905)
Prepaid expenses	72,456	(330,456)
Trade payables and other liabilities	344,741	410,852
Net cash used in operating activities	(265,987)	(2,187,637)
<b>Cash flows from investing activities</b>		
Intangible assets	-	(509,025)
Net cash used in investing activities	-	(509,025)
<b>Cash flows from financing activities</b>		
Proceeds from issuance of shares and units	-	4,886,430
Share issuance costs	-	(377,019)
Principal payments on lease liability	(33,710)	-
Repayment of loan payable	-	(200,000)
Net cash (used in) provided from financing activities	(33,710)	4,309,411
<b>Increase (decrease) in cash</b>	(299,697)	1,612,749
<b>Effect of foreign exchange rate changes on cash</b>	1,932	(9,772)
<b>Cash, beginning of the period</b>	410,835	231,346
<b>Cash, end of the period</b>	\$ 113,070	\$ 1,834,323

### Supplemental Disclosures with Respect to Cash Flows (Note 14)

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

## International Battery Metals Ltd.

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

(Expressed in Canadian dollars)

(Unaudited)

	Common shares	Share capital	Reserves	Obligation to issue shares and subscriptions received	Deficit	Accumulated other comprehensive income	Total equity
		\$	\$	\$	\$	\$	\$
<b>Balance at January 31, 2018</b>	26,987,530	2,656,465	2,178,310	-	(4,088,925)	-	745,850
Shares issued for							
Acquisition	4,700,000	2,585,000	-	-	-	-	2,585,000
Private placements	10,293,553	2,316,000	1,251,744	-	-	-	3,567,744
Share issue costs – cash	-	(377,019)	-	-	-	-	(377,019)
Share issue costs - warrants	-	(596,645)	596,645	-	-	-	-
Share issue costs – special warrants	-	(109,547)	109,547	-	-	-	-
Share issue costs – stock option	-	(226,398)	226,398	-	-	-	-
Obligation to issue shares to finder for acquisition	-	-	-	55,000	-	-	55,000
Warrants exercised	2,319,300	576,907	542,129	-	-	-	1,119,036
Stock options exercised	605,000	398,186	(198,536)	-	-	-	199,650
Stock options granted	-	-	263,538	-	-	-	263,538
Loss for the period	-	-	-	-	(2,634,726)	(9,772)	(2,644,498)
<b>Balance at July 31, 2018</b>	44,905,383	7,222,949	4,969,775	55,000	(6,723,651)	(9,772)	5,514,301
<b>Balance at January 31, 2019</b>	50,441,879	11,001,633	3,960,345	591,451	(9,313,674)	(7,293)	6,232,462
Foreign currency translation	-	-	-	-	-	1,932	1,932
Loss for the period	-	-	-	-	(1,040,427)	-	(1,040,427)
<b>Balance at July 31, 2019</b>	50,441,879	11,001,633	3,960,345	591,451	(10,354,101)	(5,361)	5,193,967

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

## **International Battery Metals Ltd.**

Notes to Condensed Consolidated Interim Financial Statements

For the six months ended July 31, 2019 and 2018

(Expressed in Canadian dollars)

(Unaudited)

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### **1. Nature and Continuance of Operations**

International Battery Metals Ltd., (the “Company”) was incorporated under the laws of the province of British Columbia on 29 July 2010. The Company trades on the Canadian Securities Exchange under the stock symbol “IBAT.”

The Company’s head office is located at 744 West Hastings Street, Suite 510, Vancouver, British Columbia, V6C 1A5 and the Company’s registered and records office is located at Suite 2600-595 Burrard Street (PO Box 49314) Three Bentall Centre, Vancouver, BC V6C 1A5, Canada.

The Company is an advanced technology company focused on Lithium brine extraction from oil field brines for petro-lithium extraction projects.

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) applicable to a going concern which assumes that the Company will be able to continue its operations and will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

The Company has not generated revenue from operations. The Company incurred a comprehensive loss of \$1,042,359 for the six months ended July 31, 2019 and as of that date the Company’s accumulated deficit was \$10,354,101. The Company will periodically have to raise funds to continue operations and, although it has been successful in doing so in the past, there is no assurance it will be able to do so in the future. These factors comprise a material uncertainty which may cast significant doubt about the Company’s ability to continue as a going concern. These condensed consolidated interim financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate.

### **2. Basis of Presentation**

#### **Statement of Compliance**

The condensed consolidated interim financial statements of the Company have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including International Accounting Standards (“IAS”) 34, Interim Financial Reporting, as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

The Company’s condensed consolidated interim financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value.

#### **Basis of Consolidation**

In addition to the Company, the condensed consolidated interim financial statements incorporate the financial statements of its wholly owned subsidiaries in the United States, IBAT USA, Inc. and Selective Adsorption Lithium (“SAL”). A subsidiary is an entity over which the Company has control, directly or indirectly, where control is defined as the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. A subsidiary is consolidated from the date upon which control is acquired by the Company and all intercompany transactions and balances have been eliminated on consolidation.

## **International Battery Metals Ltd.**

Notes to Condensed Consolidated Interim Financial Statements

For the six months ended July 31, 2019 and 2018

(Expressed in Canadian dollars)

(Unaudited)

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### **2. Basis of Presentation (continued)**

The condensed consolidated interim financial statements of the Company were approved and authorized for issue by the Audit Committee of the Board of Directors on September 27, 2019.

### **3. Summary of Significant Accounting Policies**

The accounting policies followed by the Company are set out in Note 3 to the audited annual financial statements for the year ended January 31, 2019 and have been consistently followed in the preparation of these condensed consolidated interim financial statements. Except as summarized below, the Company used the same accounting policies and methods of computation as in the audited annual financial statements for the year ended January 31, 2019.

#### **Leases**

##### *Lessee*

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to use an identified asset for a period of time in exchange for consideration.

The Company recognizes a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for leases with a lease term of 12 months or less and leases of low value assets. For these leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The lease liability is initially measured at the present value of the lease payments and expected payments at the end of the lease, discounted using the rate implicit in the lease. If the rate implicit in the lease cannot be readily determined, the Company uses its incremental borrowing rate. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability using the effective interest method and by reducing the carrying amount to reflect the lease payments made.

The right-of-use asset is measured at a cost that includes the lease liability, adjusted for any initial direct costs; prepaid lease payments; estimated costs to dismantle, remove or restore; and lease incentives received. The right-of-use asset is subsequently measured at cost less accumulated depreciation and impairment losses.

The Company re-measures the lease liability and makes a corresponding adjustment to the related right-of-use asset whenever the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate.

#### **Accounting standards adopted effective February 1, 2019**

##### *IFRS 16 'Leases' ("IFRS 16")*

Effective February 1, 2019, the Company adopted IFRS 16 which supersedes IAS 17 Leases ("IAS 17"). The Company has applied the new standard using the modified retrospective approach with no restatement of comparative periods. There were no adjustments to retained earnings as a result of adoption.



## **International Battery Metals Ltd.**

Notes to Condensed Consolidated Interim Financial Statements

For the six months ended July 31, 2019 and 2018

(Expressed in Canadian dollars)

(Unaudited)

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### **3. Summary of Significant Accounting Policies (continued)**

The Company has elected not to reassess whether a contract is, or contains, a lease at the date of initial application. Instead, for contracts entered into before the transition date the Company relied on its previous assessment made under IAS 17 and IFRIC 4 Determining whether an arrangement contains a lease. The definition of a lease under IFRS 16 was applied only to contracts entered into or modified on or after February 1, 2019. On adoption of IFRS 16, the Company recognized lease liabilities in relation to leases which had previously been classified as operating leases under IAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate as of February 1, 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Company applied the following practical expedients when adopting IFRS 16 to leases previously classified as operating leases under IAS 17:

- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Relied on previous assessments on whether leases are onerous;
- Applied the exemption not to recognize right-of-use assets and liabilities for leases where the lease term ends within 12 months of the date of initial application;
- Excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- Used hindsight to determine the lease term where contracts contain options to extend or terminate the lease.

Under IFRS 16, the Company is required to assess the classification of a sublease with reference to the right-of-use asset, not the underlying asset. The Company has one sublease whereby the Company subleases a portion of its lease on a month-to-month basis. The sublease has been accounted for as an operating lease and rent payments are recognized as other income. On transition to IFRS 16, the Company did not recognize any lease assets or liabilities as its operating leases had a remaining term of less than 12 months from the date of initial application.

#### **Accounting standards issued but not yet effective**

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early adopted any new standards and determined that there are no standards that are relevant to the Company.

### **4. Significant Accounting Judgments, Estimates and Assumptions**

The preparation of the Company's condensed consolidated interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the condensed consolidated interim financial statements and reported amounts of income and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. In preparing these condensed consolidated interim financial statements, the significant estimates and critical judgments were the same as those applied to the audited

## International Battery Metals Ltd.

Notes to Condensed Consolidated Interim Financial Statements

For the six months ended July 31, 2019 and 2018

(Expressed in Canadian dollars)

(Unaudited)

financial statements as at and for the year ended January 31, 2019.

### 5. Other Receivables

	July 31, 2019	January 31, 2019
Other receivables	\$ 2,700	\$ -
GST receivable	85,442	77,640
	\$ 88,142	\$ 77,640

### 6. Lithium Extraction Technology Asset Purchase

On April 12, 2018, the Company closed an asset purchase agreement with North American Lithium Inc. (“NAL”) and SAL, a company formerly controlled by shareholders of NAL, pursuant to which the Company acquired (i) NAL’s data, analysis and reports related to lithium extraction from oilfield brines for petro-lithium extraction projects for consideration of US\$875,000 cash and (ii) 100% of the outstanding shares of SAL, which holds intellectual property for consideration of up to 25,309,488 common shares of the Company (the “Acquisition”). As part of the exchange, the Company granted a 5% gross profits royalty to NAL.

The 25,309,488 in share-based consideration for the acquisition is in the form of performance shares will be issued upon SAL achieving certain milestones (the “Milestones”) as follows:

Milestone	Number of performance shares to be issued
Shares on closing date (issued on April 12, 2018)	4,700,000
Shares on SAL and the Company filing three U.S. or foreign patent applications with respect to intellectual property	4,000,000
Shares on SAL the Company filing three additional patents with respect to intellectual property	5,536,496
Shares on SAL the Company filing three additional patents with respect to intellectual property	5,536,496
Shares upon the Company completing either of the following: one or more private placement financing(s) resulting in the issuance of an aggregate of no less than 5,000,000 common shares in the Company; or completing a laboratory – scale pilot plant for the processing of lithium or lithium concentrates (issued on November 7, 2018)	5,536,496

During the year ended January 31, 2019, the Company applied deferred acquisition costs of \$703,277, inclusive of an initial cash payment of US\$575,000, to the asset purchase and the balance of the US\$875,000 consideration for the Acquisition being \$459,025 (US \$350,000) was paid. The Company issued 4,700,000 common shares with a fair value of \$2,256,000 on the date of closing the acquisition.

The remaining shares are contingently issuable, and their fair value was estimated using a probability-weighted analysis based on the probability of achieving the Milestones. The resulting valuation was recorded as obligation to issue shares of \$3,201,185. On November 7, 2018, the Company issued 5,536,496 Milestone shares and transferred \$2,657,734 from obligation to issue shares to share capital.

## International Battery Metals Ltd.

Notes to Condensed Consolidated Interim Financial Statements

For the six months ended July 31, 2019 and 2018

(Expressed in Canadian dollars)

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### 6. Lithium Extraction Technology Asset Purchase (continued)

The Company incurred an additional \$50,000 in costs associated with the closing of the Acquisition and is required to issue a finder's fee of 100,000 common shares, valued at \$48,000. As at July 31, 2019, the Company has yet to issue these shares and has recorded an obligation to issue shares of \$48,000 (January 31, 2019 - \$48,000).

The Acquisition was considered an acquisition of assets for accounting purposes and the acquisition of the net assets of SAL and accounted for using the acquisition method, whereby the purchase consideration was allocated to the estimated fair values of the identifiable assets and liabilities acquired at the date of the Acquisition.

The purchase price was allocated to the net assets acquired in the acquisition as follows:

		<b>Total</b>
<b>Purchase price:</b>		
Performance shares	\$	2,256,000
Shares contingently issuable on achieving milestones		3,201,185
Finder's fee		98,000
Transaction costs		1,162,302
	\$	6,717,487
<b>Net assets acquired:</b>		
Intellectual property	\$	6,717,487
	\$	6,717,487

In November 2018, the Company entered into licensing agreements with Ensorcia Metals Corporation ("Ensorcia") and its wholly-owned subsidiaries, Sorcia Minerals LLC ("Sorcia") and Ensorcia Argentina LLC ("EAL") whereby the Company issued lithium extraction technology licenses to Sorcia and EAL in exchange for a six percent royalty (6%) on the gross sales price of all products produced and sold, less selling costs, using the Licensed Technology and a ten percent (10%) common membership interest in Sorcia and EAL. As a signing incentive, the Company issued 1,000,000 common share purchase warrants valued at \$103,512 to Ensorcia for the agreement with Sorcia (note 10) which were expensed as a share-based payment expense to obtain a contract.

The investments in Sorcia and EAL are accounted for as investments carried at FVTPL. As the entities are shell holding companies, their fair value at initial recognition and July 31, 2019 are \$nil.

### 7. Intangible Assets

On April 12, 2018, upon completion of the Acquisition (Note 6), the Company acquired certain intellectual property (the "Intellectual Property"), from the shareholders of SAL. The Intellectual Property was recorded at \$6,717,487. During the six months ended July 31, 2019, the Company recorded amortization of \$333,113 based on an estimated useful life of 10 years. As of July 31, 2019, the Intellectual Property was \$5,841,454.

## International Battery Metals Ltd.

Notes to Condensed Consolidated Interim Financial Statements

For the six months ended July 31, 2019 and 2018

(Expressed in Canadian dollars)

(Unaudited)

### 8. Leases

The Company leases certain assets under lease agreements. The lease liability consists of a single lease for office space. The lease has imputed interest rate of 10% per annum and expires in February 2020.

<b>Lease assets</b>		<b>July 31, 2019</b>
At February 1, 2019	\$	68,948
Depreciation expense		(31,822)
At July 31, 2019	\$	37,126

At July 31, 2019, the Company's lease liability related to office leases is as follows:

<b>Lease liability</b>		<b>July 31, 2019</b>
Current portion	\$	38,048
Long-term portion		-
Total lease liability	\$	38,048

At July 31, 2019, the Company is committed to minimum lease payments as follows:

<b>Maturity analysis</b>		<b>July 31, 2019</b>
Less than one year	\$	39,328
Total undiscounted lease liabilities	\$	39,328

The adoption of IFRS 16 had the following impact for the six months ended July 31, 2019:

<b>Amounts recognized in profit or loss</b>		<b>July 31, 2019</b>
Interest on lease liabilities	\$	2,810
Income from sub-leasing right-of-use asset		17,200
Expenses relating to short-term leases		13,298

<b>Amounts recognized in the statement of cash flows</b>		<b>July 31, 2019</b>
Interest paid	\$	2,810
Principal payments on lease liabilities		30,900
Expenses relating to short-term leases		13,928
Total cash outflows for leases	\$	47,637

### 9. Trade Payables and Other Liabilities

	<b>July 31, 2019</b>	<b>January 31, 2019</b>
Trade payables	\$ 262,950	\$ 130,033
Accrued liabilities	589,339	377,515
	\$ 852,289	\$ 507,548

## **International Battery Metals Ltd.**

Notes to Condensed Consolidated Interim Financial Statements

For the six months ended July 31, 2019 and 2018

(Expressed in Canadian dollars)

(Unaudited)

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### **10. Share Capital**

#### **Authorized**

Authorized share capital: an unlimited number of common shares with no par value.

#### **Share Issuances**

*For the six months ended July 31, 2019*

There were no share issuances during the six months ended July 31, 2019

*For the six months ended July 31, 2018*

- a) Closed a non-brokered private placement by issuing 3,193,554 units at a price of \$0.35 per unit for gross proceeds of \$1,117,744. Each unit consisted of one common share and one common share purchase warrant, with each warrant exercisable to purchase one additional common at an exercise price of \$0.70 per share for a period of two years and is subject to certain acceleration provisions. A finder's fee of \$58,499 is included in trade payables and other payables in connection with the closing of the private placement.
- b) Issued 605,000 common shares on the exercise of 605,000 options for proceeds of \$199,650.
- c) Issued 2,319,300 common shares on the exercise of 2,319,300 warrants for proceed of \$1,119,036. 2,219,300 common shares exercised were eligible for a warrant incentive program whereby the Company granted an additional warrant of \$0.75 per share for a period of two years from the date of issuance upon the exercise of certain outstanding warrants. The issuance of incentive warrants is accounted for as a modification to share purchase warrants reserve and the Company determined the fair value of these incentive warrants to be \$967,200 using the Black-Scholes Option Pricing Model.
- d) Issued 4,700,000 common shares with a value of \$2,585,000 for the acquisition of SAL (Note 6) at an estimated fair value of \$0.55 per common share.
- e) Closed a brokered private placement by issuing 6,200,00 units at a price of \$0.35 per unit for gross proceeds of \$2,700,000. Each unit consisted of one common share and one half of one transferable share purchase warrant, with each warrant exercisable to purchase one additional common share at an exercise price of \$0.70 per share for a period of two years. The Company had closing costs of \$317,120.

As a consideration for the services provided, a broker received finder's fees of 100,000 common shares fair valued at \$0.42 per share based on the closing price of the Company's stock for a fair value of \$42,000, 620,000 compensation options, fair valued using the Black Scholes model at \$226,398 and 300,000 special unit warrants. Each compensation options is exercisable to purchase on common share at an exercise price of \$0.35 per share for a period of two years.

## International Battery Metals Ltd.

Notes to Condensed Consolidated Interim Financial Statements

For the six months ended July 31, 2019 and 2018

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### 10. Share Capital (Continued)

- f) Closed second tranche of its previously announced non-brokered private placement by issuing 799,999 units at a price of \$0.35 per unit for gross proceeds of \$280,000. Each unit consists of one common share and one half of one non-transferable share purchase warrant. Each warrant entitles the holder to purchase one additional common share at a price of \$0.70 per common share for a period of two years. The Company paid a finder's fee of \$1,400.
- g) The Company granted 1,719,300 additional incentive warrants exercisable for a period of two years at an exercise price of \$0.75 warrant. The issuance of incentive warrants is accounted for as a modification to share purchase warrants reserve and the Company determined the fair value of these incentive warrants to be \$554,645 using the Black-Scholes Pricing Model.

### 11. Reserves

#### Stock Options

The Company adopted a stock option plan (the "Plan") which provides eligible directors, officers, employees and consultants of the Company with the opportunity to acquire an ownership interest in the Company and is the basis for the Company's long-term incentive scheme. The Plan is administered by the Board, or if appointed, by a special committee of directors appointed from time to time by the Board. The maximum number of common shares issuable under the Plan shall not exceed 10% of the number of common shares of the Company issued and outstanding as of each award date, inclusive of all common shares reserved for issuance pursuant to previously granted stock options. The exercise price of options granted under the Plan will not be less than the closing market price of the Company's common shares on the exchange. The options have a maximum term of ten years from date of issue and vesting is determined by the Board.

As of July 31, 2019, 585,000 stock options were forfeited due the departure of directors the Company.

As of July 31, 2019, stock options outstanding and exercisable were as follows:

<u>Exercise price</u>	<u>Expiry date</u>	<u>Number of options outstanding and exercisable</u>
\$0.35	May 10, 2020	620,000
\$0.36	March 8, 2021	450,000
\$0.33	June 30, 2022	50,000
\$0.62	October 23, 2022	630,000
\$0.45	January 12, 2023	50,000
\$0.19	August 28, 2023	2,600,000
<b>Total</b>		<b>4,400,000</b>

As at July 31, 2019, the weighted-average remaining contractual life of options outstanding is 3.22 years.

## International Battery Metals Ltd.

Notes to Condensed Consolidated Interim Financial Statements

For the six months ended July 31, 2019 and 2018

(Expressed in Canadian dollars)

(Unaudited)

### 11. Reserves (continued)

#### Warrants

As of July 31, 2019, share purchase warrants outstanding and exercisable were as follows:

<u>Exercise price</u>	<u>Expiry date</u>	<u>Number of warrants outstanding and exercisable</u>
\$0.52	August 17, 2019	625,000
\$0.52	October 16, 2019	160,000
\$0.52	October 16, 2019	2,655,000
\$0.40	April 9, 2019	500,000
\$0.70	April 13, 2020	1,596,777
\$0.70	May 10, 2020	3,100,000
\$0.70	May 15, 2020	400,000
\$0.75	May 30, 2020	1,719,300
\$0.16	November 7, 2020	1,000,000
<b>Total</b>		<b>11,756,077</b>

As at July 31, 2019, the weighted-average remaining contractual life of warrants outstanding is 0.64 years.

As at July 31, 2019, 300,000 special unit warrants were outstanding and exercisable (January 31, 2019 - 300,000). Each special unit warrant outstanding at July 31, 2019 is exercisable at \$0.35 for a period of 24 months from the date of issuance into one common share and one share purchase warrant. Each underlying share purchase warrant will be exercisable to acquire an additional common share for 24 months from the date of issuance of the special unit warrant at a price of \$0.35 per share.

Stock option and warrant transactions are summarized as follows:

	<u>Warrants</u>		<u>Options</u>	
	<u>Number</u>	<u>Weighted average exercise price \$</u>	<u>Number</u>	<u>Weighted average exercise price \$</u>
Outstanding, January 31, 2019	11,756,077	0.60	4,985,000	0.31
Forfeit	-	-	(585,000)	(0.03)
Outstanding and exercisable, July 31, 2019	<u>11,756,077</u>	<u>0.60</u>	<u>4,400,000</u>	<u>0.30</u>

## International Battery Metals Ltd.

Notes to Condensed Consolidated Interim Financial Statements

For the six months ended July 31, 2019 and 2018

(Expressed in Canadian dollars)

(Unaudited)

### 11. Reserves (continued)

#### Fair value determination

Fair values were estimated using the Black-Scholes Option Pricing Model with the following assumptions:

	2019		2018	
	Options	Warrants	Options	Warrants
Risk-free interest rate	-	-	1.76%	1.86%
Expected volatility	-	-	260.00%	210.00%
Expected life (years)	-	-	3.00	2.00
Expected dividend yield	-	-	0.00%	0.00%

The expected volatility assumptions have been developed taking into consideration historical volatility of the Company's share price.

### 12. Related Party Transactions

#### Key management personnel compensation and other related party transactions

Key management personnel include directors and officers of the Company. The remuneration of directors and other members of key management are as follows:

For the six months ended July 31,	2019	2018
Management fees, salaries and benefits <sup>(1)</sup>	\$ 297,113	\$ 140,000
Director's fees <sup>(1)</sup>	31,000	30,000
Consulting <sup>(2)</sup>	20,000	107,574
Share-based compensation	-	263,538
Severance	-	119,290
	<u>\$ 348,113</u>	<u>\$ 660,402</u>

<sup>(1)</sup> Included in management fees, salaries and benefits under general and administrative expense.

<sup>(2)</sup> Included in consulting fees under advertising and promotion

During the six months ended July 31, 2019, other related party transactions consisted of the following:

- \$20,000 in advertising and promotion fees paid to a related party, included in advertising and promotion expense.
- 585,000 stock options were forfeited due the departure of directors of the Company.



## International Battery Metals Ltd.

Notes to Condensed Consolidated Interim Financial Statements

For the six months ended July 31, 2019 and 2018

(Expressed in Canadian dollars)

(Unaudited)

### 12. Related Party Transactions (continued)

#### Due from/to related parties

At July 31, 2019, \$280,500 (January 31, 2019 - \$16,000) was due to related parties and is included in trade payables and other liabilities for amounts related to unpaid management and directors' fees. The amounts were unsecured, non-interest bearing and due on demand.

At July 31, 2019, the Company has an obligation to issue 100,000 shares valued at \$48,000 (January 31, 2019 - \$48,000) to an entity controlled by the Chief Financial Officer of the Company as part of the closing bonus related to the acquisition of SAL (Note 6).

### 13. General and Administrative Expenses

	Three months ended July 31,		Six months ended July 31,	
	2019	2018	2019	2018
Bank charges and interest	\$ 519	\$ 1,750	\$ 1,163	\$ 2,687
Consulting fees (Note 12)	9,000	556,074	18,000	767,084
Filing fees	6,782	23,324	9,448	28,976
Foreign exchange loss	114	3,711	780	3,711
Management fees, salaries and benefits (Note 12)	188,651	179,290	376,603	239,290
Meals and entertainment and travel	297	33,934	303	34,142
Office and miscellaneous	7,808	298,552	13,550	324,979
Professional fees	130,442	55,661	154,683	84,846
Rent	11,708	18,976	13,298	37,952
Share-based compensation (Note 11, 12)	-	-	-	263,538
	\$ (355,321)	\$ (1,171,272)	\$ (587,828)	\$ (1,787,205)

## **International Battery Metals Ltd.**

Notes to Condensed Consolidated Interim Financial Statements

For the six months ended July 31, 2019 and 2018

(Expressed in Canadian dollars)

(Unaudited)

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### **14. Supplemental Disclosures with Respect to Cash Flows**

	<b>For the six months ended July 31, 2019</b>	<b>For the six months ended July 31, 2018</b>
	<b>\$</b>	<b>\$</b>
Cash paid during the year for interest	-	5,000
Allocation of unit proceeds to warrants	-	512,744
Shares issued for acquisition	-	2,585,000
Fair value of warrants issued for finders' fees	-	664,192
Initial recognition of right-of-use assets	68,949	-

### **15. Subsequent Event**

On August 27, 2019 the Company closed the first tranche of its private placement and issued 3,333,334 units at \$0.105 USD per unit (approximately \$0.14 CAD per unit) for proceeds of \$350,000 USD (approximately \$466,667 CAD). Each unit consists of one common share and one warrant. Each warrant will be exercisable to purchase one common share at a price of \$0.105 USD (approximately \$0.14 CAD) per share for a period of two years.