INTERNATIONAL BATTERY METALS LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and six months ended July 31, 2019

Dated September 27, 2019

INTERNATIONAL BATTERY METALS LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction

The preparation and presentation of the accompanying condensed consolidated interim financial statements, Management Discussion and Analysis ("MD&A") and all financial information in the Annual Report are the responsibility of management and have been approved by the Board of Directors.

The condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Financial statements, by nature, are not precise since they include certain amounts based upon estimates and judgements. When alternative methods exist, management has chosen those it deems to be the most appropriate in the circumstances.

Management, under the supervision of and the participation of the President and Chief Financial Officer, have a process in place to evaluate disclosure controls and procedures and internal control over financial reporting as required by Canadian securities regulations. We, as President and Chief Financial Officer, will certify our annual filings with the CSA as required in Canada by National Instrument 52-109.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the condensed consolidated interim financial statements. The Board carries out this responsibility principally through its Audit Committee which is independent from management.

The Audit Committee is appointed by the Board of Directors and reviews the condensed consolidated interim financial statements and MD&A; considers the report of the external auditors; examines the fees and expense for audit services; and recommends to the Board the independent auditors for appointment by the shareholders. The independent auditors have full and free access to the Audit Committee and meet with the Audit Committee to discuss their audit work, the Company's internal control over financial reporting and financial reporting matters. The Audit Committee reports its findings to the Board for consideration when approving the condensed consolidated interim financial statements for issuance to the shareholders.

This Management's Discussion and Analysis ("**MD&A**") of the financial position and results of operations of International Battery Metals Ltd., formerly Rheingold Exploration Corp., (the "**Company**" or "**IBAT**") should be read in conjunction with the annual audited consolidated financial statements of the Company for the year ended January 31, 2019, the condensed consolidated interim financial statements for the six months ended July 31, 2019 and the related notes contained therein. All dollar figures included therein and in the following MD&A are quoted in Canadian dollars. Additional information relevant to the Company and its activities can be found on SEDAR at www.sedar.com.

This MD&A is current as of September 27, 2019.

Forward Looking Statements and Forward-Looking Information

The information provided in this MD&A may contain forward-looking statements and forward-looking information about IBAT within the meaning of applicable securities laws. In addition, IBAT may make or approve certain statements or information in future filings with Canadian securities regulatory authorities, in news releases, or in oral or written presentations by representatives of IBAT that are not statements of historical fact and may also constitute forward-looking statements or forward-looking information. All statements and information, other than statements of historical fact, made by IBAT that address activities, events, or developments that IBAT expect or anticipate will or may occur in the future are forward-looking statements and information, including, but not limited to, statements and information preceded by, followed by, or that include words such as “may”, “would”, “could”, “will”, “likely”, “expect”, “anticipate”, “believe”, “intends”, “plan”, “forecast”, “budget”, “schedule”, “project”, “estimate”, “outlook”, or the negative of those words or other similar or comparable words.

Forward-looking statements and information involve significant risks, assumptions, uncertainties and other factors that may cause actual future performance, achievement or other realities to differ materially from those expressed or implied in any forward-looking statements or information and, accordingly, should not be read as guarantees of future performance, achievement or realities.

Actual performance, achievement or other realities could differ materially from those expressed in, or implied by, any forward-looking statements or information in this MD&A and, accordingly, investors should not place undue reliance on any such forward-looking statements or information. Further, any forward-looking statement or information speaks only as of the date on which such statement is made, and IBAT does not undertake any obligation to update any forward-looking statements or information to reflect information, events, results, circumstances, realities or otherwise after the date on which such statement is made or to reflect the occurrence of unanticipated events, except as required by law, including securities laws. All forward-looking statements and information contained in this MD&A and other documents of IBAT are qualified by such cautionary statements. New factors emerge from time to time, and it is not possible for management to predict all of such factors and to assess in advance the impact of each such factor on IBAT’s business or the extent to which any factor, or combination of factors, may cause actual realities to differ materially from those contained in any forward-looking statements.

In addition, forward-looking statements and information herein, including financial information, is based on certain assumptions relating to the business and operations of IBAT. Although IBAT has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements and forward-looking information in this MD&A, and the documents incorporated by reference herein, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There is no assurance that such statements and information will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements or information. Accordingly, readers should not place undue reliance on forward-looking statements and forward-looking information contained in this MD&A.

The Company

International Battery Metals Ltd. is an advanced technology company that is developing technologies for the extraction and processing of lithium from various sources. The objective of management is to maximize shareholder value by developing or acquiring lithium extraction technologies as well as lithium resource properties and attempting to produce lithium in a cost-effective and technically sound manner. 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 was incorporated in the Province of British Columbia on July 29, 2010. The fiscal year end of the Company is January 31. The Company changed its name from Rheingold Exploration Corp. to International Battery Metals. Ltd. on August 23, 2017.

On February 25, 2015, the Company voluntarily delisted its common shares from the TSX Venture Exchange commenced trading on the Canadian Securities Exchange under the symbol "RGE".

On August 23, 2017 the Company changed its name to International Battery Metals Ltd and commenced trading under the symbol "IBAT".

On April 12, 2018, the Company closed an asset purchase agreement with North American Lithium Inc. ("NAL") and Selective Adsorption Lithium ("SAL") a company controlled by shareholders of NAL pursuant to which the Company acquired NAL's data, analysis and reports related to lithium extraction from oil field brines for petro-lithium extraction projects.

On June 11, 2018, filed for patent protection at the U.S. Patent and Trademark Office (USPTO) for a novel process to produce high purity lithium products that do not rely on electrolysis. This patent application, along with previous applications will protect directly IBAT's extraction and production process in the United States as the company also prepares to file the application internationally.

On August 20, 2018, the Company retained IMPACT Technology Development ("IMPACT") to help facilitate the engineering, design, and construction of its first proprietary mobile lithium extraction unit. By November 6, 2018 IMPACT had completed its Phase 2 of engineering study, design, and cost analysis, and on December 5, 2018 a successful live demonstration of the Company's lithium extraction technology was performed.

On November 8, 2018, the Company entered into a licensing agreement (the "Licensing Agreement") with Ensorcia Metals Corporation ("Ensorcia") and its wholly-owned subsidiary, Sorcia Minerals LLC ("Sorcia"), whereby the Company will license its novel lithium extraction technology to Sorcia for use in extracting Lithium Carbonate from lithium bearing brine sources in the country of Chile.

On November 20, 2018, the Company entered into a second licensing agreement with Ensorcia and its wholly-owned subsidiary, Ensorcia Argentina LLC ("EAL"), whereby the Company will license its lithium extraction technology to EAL for use in the extraction of lithium chloride from lithium bearing brine sources in the country of Argentina.

Overall Performance

The key factors pertaining to the Company's overall performance for the six months ended July 31, 2019 are as follows:

The Company had a working capital deficit of $684,613 as at July 31, 2019, as compared to a working capital surplus of $57,895 as at January 31, 2019. The reason for this decrease in working capital is primarily due to a decrease in cash of $297,765 as there was no equity financings during the six months ended July 31, 2019, a decrease in prepaids of $72,456 for amounts expenses during the period, an increase in trade payables and other liabilities of $344,741 and the addition of a short-term lease liability of $38,048 for the adoption of IFRS 16.

The Company incurred a net comprehensive loss of $1,042,359 for the six months ended July 31, 2019, as compared to a net loss of $2,644,499 for the six months ended July 31, 2018. The primary reasons for the decrease in net comprehensive loss was due to a decrease in general administrative costs from a reduction in activity during the six months ended July 31, 2019, specifically relating to advertising and promotion, consulting fees and professional fees.

The Company has no operating cash flow and its level of operations has been determined by the availability of capital resources. Cash used in operating activity for the six months ended July 31, 2019 was $265,987 compared to cash used in operating activity for the six months ended July 31, 2018 of $2,187,637. The reason for the decrease in cash used in operating activities during the period relates primarily to the decrease in net loss due to a reduction in operational activity and that there has not been equity financing for the six months ended July 31, 2019.

Acquisition

On April 12, 2018, the Company closed an asset purchase agreement with North American Lithium Inc. ("NAL") and Selective Adsorption Lithium ("SAL"), a company 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 Acquisition is subject to approval by the Canadian Securities Exchange, all necessary regulatory approvals and approvals of the shareholders.

NAL is a California corporation that has developed unique technology that allows direct extraction of lithium from complex brines such as those found in oil fields.

The technology involves processes that are highly selective for lithium and an extraction system that allows lithium extraction from complex brines with only minimal pretreatment. There is no need to pretreat the brine to remove divalent cations such as calcium or magnesium. The process also inherently rejects troublesome anions such as sulphate and borate. Rather, brine flows into the process. Lithium chloride is removed, and the brine is injected back into the ground through an environmentally permitted well.

The output of these patent pending processes is a clean lithium salt solution that is suitable for further processing to desired products. Additionally, the patent pending process and equipment are specifically designed to be compatible with the demands of remote oilfield operations.

NAL's technology provides significant advantages including significant cost savings due to minimal brine pre-treatment and exceedingly low chemical consumption. The unique equipment design also allows rapid implementation, minimizing traditional lag time for bringing resources on line.

NAL is led by Dr. John Burba who has 40 years' experience with Dow Chemical, FMC, and Simbol Minerals in the lithium extraction industry.

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 US or foreign patent applications with respect to intellectual property	4,000,000
Shares on SAL the Company filling three additional patents with respect to intellectual property	5,536,496
Shares on SAL the Company filling three additional patents with respect to intellectual property	5,536,496
Shares upon the Company completing either of the following: one or more private placements 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.

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 January 31, 2019, the Company has yet to issue these shares and has recorded an obligation to issue shares of $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:

		Total
Purchase price:		
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
Net assets acquired:		
Intellectual property	$	6,717,487
	$	6,717,487

On April 12, 2018, upon completion of the Acquisition, 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.

Lithium Extraction Technology Development

Licensing Agreement with Ensorcia Metals Corporation

On November 8, 2018, the Company entered into a licensing agreement with Ensorcia Metals Corporation ("Ensorcia") and its wholly-owned subsidiary, Sorcia Minerals LLC ("Sorcia"), whereby the Company will license its novel lithium extraction technology to Sorcia for use in extracting Lithium Carbonate from lithium bearing brine sources in the country of Chile (the "Territory").

In addition, the Licensing Agreement appoints the Company as the exclusive provider to Sortie and its Affiliates of technology, systems and equipment for the extraction of lithium salts from brine within the Territory as well as all design, installation, operation and maintenance services within the Territory with respect to systems and equipment for the extraction of lithium salts from brine. The economic viability and technical feasibility regarding any of the Chilean projects has not been established at this time. The counterparties of the license agreement are not related parties.

As consideration for entering into the Licensing Agreement the Company will receive a six percent royalty (6%) on the netback sales price of all products produced and sold using the Licensed Technology and has been granted a ten percent (10%) common membership interest in Sorcia. The Company issued to Ensorcia 1,000,000 common share purchase warrants (the "Warrants") exercisable for two years from January 1, 2019 at an exercise price of $0.163 per Warrant share.

On November 20, 2018, the Company entered into its second licensing agreement (the "Licensing Agreement") with Ensorcia Metals Corporation ("Ensorcia") and its wholly-owned subsidiary, Ensorcia Argentina LLC ("EAL"), whereby the Company will license its lithium extraction technology to EAL for use in the extraction of lithium chloride from lithium bearing brine sources in the country of Argentina (the "Territory"). The resulting lithium chloride will be converted to lithium carbonate and or lithium hydroxide. It may also be exported as a feed stock.

In addition, the Licensing Agreement appoints the Company as the exclusive provider to EAL and its Affiliates of technology, systems and equipment for the extraction of lithium salts from brine within the Territory as well as all design, installation, operation and maintenance services within the Territory with respect to systems and equipment for the extraction of lithium salts from brine.

The economic viability and technical feasibility regarding any of the Argentinian projects has not been established at this time. As consideration for entering into the Licensing Agreement the Company will receive a six percent royalty (6%) on the netback sales price of all products produced and sold using the Licensed technology and has also been granted a ten percent (10%) common membership interest in EAL.

Chile has some of the world's richest lithium bearing salars, and this alliance with Sorcia in the heart of the "Lithium Triangle" is a huge advantage. One of the Company’s goals is to produce commercially viable technology with the smallest environmental footprint possible. That technology is designed to extract lithium without the use of traditional evaporation ponds and our process does not add anything to the source brine, so it can be returned to the salar aquifer after the extraction of the lithium. This feature is believed to be essential in order to sustain delicate salar environments, to have minimal impact on both salar ecology and local indigenous people.

The Company’s approach to lithium extraction will utilize portable extraction units designed to be deployed faster, cheaper and with far fewer environmental impacts than more traditional techniques for lithium production.

Mobile Lithium Extraction Unit

On August 20, 2018, the Company retained IMPACT Technology Development ("IMPACT") to help facilitate the engineering, design, and construction of its first proprietary mobile lithium extraction unit.

IMPACT has a qualified team of chemical engineers and chemists who specialize in developing, scaling-up, and commercializing chemical process technologies. Their services range from research and lab pilot testing in their R&D facility in Devens, MA through to a full commercial scale engineering design package ready for engineering procurement and construction implementation. Their unique "one-stop-shop" of process development & engineering services has helped over 250 clients in the last 20 years launch their new process technologies worldwide.

On November 6, 2018 IMPACT had completed its Phase 2 Engineering Report covering engineering study, design, and cost analysis, and on December 5, 2018 a successful live demonstration of the Company’s lithium extraction technology was performed. Based on this timeline, IBAT is on track to placing its first system into operation next year.

This system will provide enough capacity to produce commercial quantities of high purity 40% LiCl and provides significant environmental advantages:

1. Unlike evaporative processes that can damage sensitive salars, such as those found in South America, IBAT's process does not evaporate water from the brine. Instead, it extracts lithium from the brine and returns it back to the resource. This maintains the resource water balance and protects delicate ecosystems.

2. IBAT's process does not utilize any solvents or foreign chemicals that will alter the brine chemistry. This feature is important to the protection of resource ecology. Returning brine to the resource

could be questionable if the return brine is contaminated with organic solvents or other chemicals that are not native to the ecosystem.

3. IBAT's process is designed to recycle approximately 95% of its process water. IBAT's water recovery system will be particularly important in desert areas such as South American Salars, and areas where potable ground water is in short supply.

Management is very pleased with the Engineering Report that IMPACT has provided. The work was timely and thorough, and the engineering refinements to the Company's design will create additional value to the Company and the industry.

Live Demonstration of Lithium Extraction Technology

On December 5, 2018, in conjunction with its South American partner, Sorcia Metals Corp, the Company performed successful live demonstration of its lithium extraction technology to Chilean and Argentinean stake holders. The demonstration was conducted at the labs of Impact Technology Development in Devens, Massachusetts and livestreamed to South American partners.

The results of the test demonstrated greater than 90% extraction of lithium from a generic brine that is typical of commercial South American resources. The lithium chloride ("LiCl") produced during the demonstration showed greater than 90% rejection of all brine impurities, including sodium, magnesium, and potassium. The test also demonstrated that the post extraction composition of the source brine was essentially unchanged, except for the removal of the lithium.

During the Company's extraction process, trace impurities are removed from the intermediate solution and the lithium is concentrated to 40% LiCl. No chemicals are utilized in this process and greater than 95% of the process water is recycled. The water recovery system will be particularly useful in desert areas such as South American Salars, and areas where potable ground water is in short supply. Unlike conventional processes that are employed in Chile and Argentina, this process does not evaporate water from the brine. Instead, it extracts the lithium from the brine which is returned to the resource. This feature helps to maintain the resource water balance and help protects solar ecosystems.

Selected Quarterly Information

The following table sets forth summary financial information for the Company for the six months ended July 31, 2019 and 2018. This information has been summarized from the Company's audited condensed consolidated interim financial statements for the same periods. This summary of financial information should only be read in conjunction with the Company's condensed consolidated interim financial statements, including the notes thereto.

	For the six months ended July 31, 2019	2018
Total assets	$ 6,084,304	$ 6,101,489
Total revenues	-	-
Lease liabilities	38,048	-
General and administrative expenses	587,828	1,787,205
Net loss	1,040,427	2,634,726
Basic and diluted loss per share [1]	$ (0.02)	$ (0.07)

(1) Based on weighted average number of common shares issued and outstanding for the period.

Results of Operations for the six months ended July 31, 2019 and 2018

Expenses

Six months ended,		**July 31, 2019**		**July 31, 2018**	**Change $**	**Change %**
General and administrative:						
Bank charges and interest	$	1,163	$	2,687	(1,524)	(57%)
Consulting fees		18,000		767,084	(749,084)	(98%)
Filing fees		9,448		28,976	(19,528)	(67%)
Foreign exchange loss		780		3,711	(2,931)	100%
Management fees, salaries and benefits		376,603		239,290	137,313	57%
Meals and entertainment		303		34,142	(33,839)	(99%)
Office and miscellaneous		13,550		324,979	(311,429)	(96%)
Professional fees		154,683		84,846	69,837	82%
Rent		13,298		37,952	(24,654)	(65%)
Stock based compensation		-		263,538	(263,538)	(100%)
Total general and administrative expense		587,828		1,787,206	(1,199,378)	(67%)
Advertising and promotion expense		102,054		708,461	(616,407)	(87%)
Amortization expense		333,113		-	333,113	100%
Depreciation expense		31,822		-	31,822	100%
Loan interest		-		4,265	(4,265)	(100%)
Interest expense		2,810		-	2,810	100%
Accretion expense		-		134,795	(134,795)	(100%)
Interest income		(17,200)		-	(17,200)	100%
Net loss	$	1,040,427	$	2,634,727	(1,570,409)	(60%)

The net loss for the six months ended July 31, 2019 was $1,040,427 as compared to the net loss of $2,634,727 for July 31, 2018. The primary reasons for this decrease net loss was due to less consulting and office and miscellaneous expenses incurred during the year. Furthermore, there were no stock options or warrants granted during the six months ended July 31, 2019. During the six months ended July 31, 2018 the Company incurred interest expense due to a loan with Mackie which was fully accreted as of January 31, 2019. The decrease in net loss was partially off-set by an increase in management fees, salaries and benefits.

Changes from period to period can be explained primarily by the following factors:

- Consulting fees decreased by $749,084 during the six months ended July 31, 2019 primarily due to a decrease in technical consultant costs to facilitate the development of lithium extraction technologies.

- The Company's management fees during the six months ended July 30, 2019 were $376,603 (2018 – $239,290). The Company maintained management fee payments of $15,000 per month for the year and salaries of the Chief Executive Officer and Chief Legal Officer for gross pay of 22,100 per month and $19,400 per month respectively. The Company's director's fees were $33,500 directors' fees (2018 - $30,000).

- Office and miscellaneous decreased significantly by $311,429 during the year primarily due to a decrease in office and administration expenses associated with operating additional office space and decrease in activity of the business as compared to the prior year.

- Professional fees consist of legal, accounting and audit fees. Professional fees increased by $69,837 relating to an increase in legal fees incurred related to work on the patent.

- Rent decreased by $24,654 due to the adoption of IFRS 16. Lease payments for office space were re-classified against the addition of a lease liability of $38,048 on the balance sheet as of February 1, 2019 compared to the prior period. Furthermore the company earned rent income for $17,200.

- There were no stock options or warrants granted during the six months ended July 31, 2019 and a as a result, stock-based compensation expense decreased by $263,538.

- Advertising and promotion expense decreased by $606,407 during the six months ended July 31, 2019 due to a decrease in promotional activity to attract investment from capital markets and promoting the Company's new lithium extraction technology.

Summary of Quarterly Results

The following financial data was derived from the Company's condensed consolidated interim financial statements for each of the eight most recently completed financial quarters:

	October 31, 2018	January 31, 2019	April 30, 2019	July 31, 2019
Revenue	-	-	-	-
Loss for the period	($1,238,767)	($1,472,804)	($515,865)	($524,562)
Loss per share - basic and diluted	(0.03)	($0.03)	($0.01)	($0.01)
Weighted average number of shares outstanding	44,905,383	50,020,624	50,441,879	50,441,879

	October 31, 2017	January 31, 2018	April 30, 2018	July 31, 2018
Revenue	-	-	-	-
Loss for the period	($1,665,778)	($495,500)	($1,024,982)	($1,609,744)
Loss per share - basic and diluted	($0.07)	($0.02)	($0.03)	($0.04)
Weighted average number of shares outstanding	24,109,427	20,766,575	32,396,457	44,090,166

The Company earned no revenue due to the nature of current operations.

The factors that have caused variations in results over the quarters are:

- The Company incurred a loss of $524,562 for the quarter ended July 31, 2019, as compared to a loss of $1,609,744 for the quarter ended July 31, 2018. The decrease in loss was due to decreases in share-based payments, consulting fees and costs for advertising and promotion.

- The Company incurred a loss of $515,865 for the quarter ended April 30, 2019, as compared to a loss of $1,024,981 for the quarter ended April 30, 2018. The decrease in loss was due to decreases in share based payments, consulting fees and costs for advertising and promotion.

- The Company incurred a loss of $1,609,744 for the three-month period ended July 31, 2018 compared to a loss of $768,584 for the three-month period ended July 31, 2017. The primary reasons for the increase was an increase to consulting fees and severance costs for two members of management paid during the quarter versus the same period the year prior.

- The Company incurred a loss of $1,238,767 for the quarter ended October 31, 2018, as compared to a loss of $1,665,808 for quarter ended October 31, 2017. The primary reason for this increased loss was due to increased costs including advertising and promotion costs, consulting, salaries and benefits, and management fees for the quarter versus the same period the year prior.

- The Company incurred a loss of $1,472,804 for the quarter ended January 31, 2019, as compared to a loss of $495,500 for quarter ended January 31, 2018. The primary reason for this increased loss was due to increased costs including advertising and promotion costs, consulting, management fees, salaries and benefits and the amortization of newly acquired intangible assets not incurred in the prior year's quarter.

Transactions between Related Parties

The Company has identified its directors and certain officers as its key management personnel. Current directors and officers of the Company are as follows:

John Burba, Chief Executive Officer and Director
Logan Anderson, Chief Financial Officer and Director
John Ashburn, Chief Legal Officer
David Scott, Director
Roger Cree, Director
John F. Ashburn Jr., Director

On March 29, 2019 and April 18, 2019, the Company announced the resignation of David Ryan and Scott Young from the Board of Directors and as a result 200,000 stock options were forfeited.

On May 28, 2019 Rodger Cree and John F. Ashburn Jr. were appointed as directors of the Company.

The remuneration of directors and other members of key management for the six months ended July 31, 2019 and 2018 are as follows:

	2019	2018
Management fees, salaries and benefits (1)	$ 297,113	$ 140,000
Directors' fees (1)	31,000	30,000
Consulting (2)	20,000	107,574
Severance	-	119,290
Share-based payments	-	263,538

	348,113	660,402

(1) Included in management fees, salaries and benefits under general and administrative expense.
(2) Included in consulting fees under general and administrative expense

The Company entered into the following related party transactions during the six months ended July 31, 2019:

a) Included in management fees, salaries and benefits fees are fees of $90,000 (2018 - $90,000) charged or incurred by Amteck Financial Corp., a company controlled by Logan Anderson, the Chief Financial Officer of the Company. Amounts payable as at July 31, 2019 were $60,000 (2018 - $nil);
b) Included in management fees, salaries and benefits are fees of $207,113 (2018 - $50,000) charged or incurred by John Burba, the Chief Executive Officer ("CEO") and John Ashburn, the Chief Legal Officer of the company; Amounts payable as at July 31, 2019 were $166,500 (2018 - $nil)
c) Included in consulting fees is $20,000 (2018 - $107,574) charged or incurred by Tuscanoro Marketing, a company controlled by David Scott, a director of the Company;
d) Included in management fees, salaries and benefits are directors' fees of $31,000 (2018 - $30,000) charged or incurred by directors of the Company. Amounts payable to directors as at July 31, 2019 were $54,000 (2018 - $16,000);

Related Party Balances

At July 31, 2019, $280,500 (2018 - $16,000) was due to related parties and is included in trade payables and accrued liabilities for 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 to an entity controlled by the Chief Financial Officer of the Company as part of the closing bonus related to the acquisition of SAL.

Liquidity and Capital Resources

At July 31, 2019, the Company had cash of $113,070 (2018 - $410,835) and net working capital deficiency of $684,613 (2018 – working capital surplus $57,895). The Company has not pledged any of its assets as security for loans, or otherwise is not subject to any debt covenants. Management has evaluated the Company's alternatives to enable it to pay its liabilities as they become due and payable in the next twelve-month period. The Company believes it will raise additional equity to provide liquidity for it to continue as a going concern throughout fiscal 2020.

The Company's cash is highly liquid and held at major financial institutions.

Increase (decrease) in cash for the years ended,				
		July 31, 2019		July 31, 2018
Operating activities	$	(265,987)	$	(2,187,637)
Investing activities		-		(509,025)
Financing activities		(33,710)		4,309,411
Total change in cash		(299,697)		1,612,749
Effect of foreign exchange rate changes on cash		1,932		(9,772)
Cash, beginning of the period		410,835		231,346
Cash, end of the period	$	113,070	$	1,834,323

Operating Activities

Cash used in operating activities primarily consist of general and administrative expenditures. The decrease of $1,921,650 in the use of cash for operating activities is mainly attributable to the decrease in operations related to a decrease in advertising and promotion and employee related costs such as salaries and benefits during the six months ended July 31, 2019.

Investing Activities

Cash used in investing activity for the six months ended July 31, 2019 was $nil. Prior period investing activities was attributable to the intellectual property acquisition.

Financing Activities

Cash of $33,710 used in financings activities for the six months ended July 31, 2019 was attributable to monthly lease payments against the Company's lease liability. Cash of $4,309,411 from financings activities for the six months ended July 31, 2018 was attributable to the completion several private placements for a total net proceeds of $4,509,411. Partial proceeds of $200,000 were used to pay off a loan acquired to complete the purchase of the intellectual property.

Additional Disclosure for Venture Issuers without Significant Revenue

During the six months ended July 31, 2019 and 2018, the company incurred the following expenses:

		2019		2018
Capitalized acquisition costs	$	-	$	3,852,302
Operating loss		1,054,817		2,634,727
	$	1,054,817	$	6,487,029

Please refer to Notes 6 and 7 of our condensed consolidated interim financial statements for the six months ended July 31, 2019 for a detailed description of the capitalized costs.

Use of Judgments, Estimates and Assumptions

Preparing financial statements requires management to make estimates and assumptions that affect the reported results. The estimates are based on historical experience and other assumptions believed to be reasonable under the circumstances. Areas requiring a significant degree of estimation and judgment relate to the fair value measurements for financial instruments and share-based payments, the recognition and valuation of provisions for decommissioning liabilities, the recoverability and measurement of deferred tax assets and liabilities and ability to continue as a going concern. Actual results may differ from those estimates and judgments. New estimates in the period relate to determining the Company's estimated incremental borrowing rate in recognizing lease assets and liabilities. Differences in the estimated incremental borrowing rate could result in materially different lease assets and liabilities.

Critical accounting policies are disclosed in the Company's annual audited consolidated financial statements for the year ended January 31, 2019.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements and does not contemplate having them in the foreseeable future.

Financial Instruments and Other Instruments

The carrying values of cash, amounts receivable and trade payables approximate their fair values because of the short-term maturity of these financial instruments. The Company has no exposure to asset backed commercial paper.

Credit risk

Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents and amounts receivable. The Company manages its credit risk relating to cash and cash equivalents by dealing only with high-related financial institutions as determined by rating agencies.

Liquidity risk

The Company manages liquidity risk by maintaining an adequate level of cash and cash equivalents to meet its ongoing obligations. The Company has been successful in raising equity financing in the past; however, there is no assurance that it will be able to do so in the future. As at July 31, 2019 the Company had working capital deficiency of $684,613 (January 31, 2019 – working capital surplus $57,895).

Foreign currency risk

Foreign currency risk is the risk that a variation in exchange rates between the Canadian dollar and the U.S. dollar will affect the Company's operations and financial results. The operating results and financial position of the Company are reported in Canadian dollars.

As at July 31, 2019, if the value of the Canadian dollar had strengthened or weakened by 5% against the U.S. dollar, with all other variables held constant, comprehensive loss would have been approximately $50,000 lower or higher respectively.

Other risks

Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest rate risk and commodity price risk arising from financial instruments.

Disclosure of Outstanding Securities Data

As at July 31, 2019, the Company had 50,441,879, 4,400,000, 11,756,077 and 300,000 common shares, options, warrants and special units outstanding, respectively.

As at September 27, 2019, the Company had 53,775,213, 4,400,000, 14,464,411 and 300,000 common shares, options, warrants and special units outstanding, respectively.

Events After the Reporting Period

On August 27, 2019 the Company closed the first tranche of its private placement announced August 21, 2019. The tranche consisted of 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). The private placement is part of the private placement of 13,000,000 units at $0.105USD per unit announced on August 21, 2019. Each unit consist of one common share of the Company and one non-transferable share purchase warrant. Each warrant will be exercisable to purchase and additional common share at a price of $0.105 USD (approximately $0.14 CAD) per share for a period of two years from the closing of the private placement.

Proposed Transactions

Other than normal course review of monthly submittals, there are no other new acquisitions are proposed transactions contemplated as at the date of this report.

Outlook

For the coming year, the Company's priorities are to raise the capital necessary to meet its short-term operating requirements, and to continue to develop it's newly acquired intellectual property, and to generate revenue through licensing agreements for its intellectual property.

There are significant risks that might affect the Company's further development. These include but are not limited to negative cash flow from operations; the Company's ability to raise financing in the future for ongoing operations; market fluctuations in metal prices; government regulations; and other conditions that may be out of the Company's control.

Accounting Policies

A detailed summary of all of the Company's significant accounting policies is included in Note 3 to the audited consolidated financial statements for the year ended January 1, 2019 and have been consistently followed in the preparation of these condensed consolidated interim financial statement for the six months ended July 31, 2019.

Accounting standards adopted effective February 1, 2019

IFRS 16 'Leases' ("IFRS 16")

Effective January 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. 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 January 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 January 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 and Amendments 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.