

# **International Battery Metals Ltd.**

Condensed Consolidated Interim Financial Statements

Three and Nine Months Ended October 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 October 31, 2019 and January 31, 2019

(Expressed in Canadian dollars)

(Unaudited)

	Note	October 31, 2019	January 31, 2019 (audited)
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		\$ 64,592	\$ 410,835
Amounts receivable	5	97,073	77,640
Prepaid expenses		4,380	76,968
Total current assets		166,045	565,443
Intangible assets	6,7	5,672,137	6,174,567
Lease asset	8	21,214	-
Long-term deposits	9	236,908	-
		\$ 6,096,304	\$ 6,740,010
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade payables and other liabilities	10,13	\$ 730,147	\$ 507,548
Derivative liability	12	596,188	-
Lease liability	8	22,012	-
Total current liabilities		1,348,347	507,548
<b>Shareholders' equity</b>			
Share capital	11	11,824,137	11,001,633
Obligation to issue shares	6	591,451	591,451
Reserves	12	3,418,568	3,960,345
Deficit		(11,076,259)	(9,313,674)
Accumulated other comprehensive income		(9,940)	(7,293)
		4,747,957	6,232,462
		\$ 6,096,304	\$ 6,740,010

Nature and continuance of operations (Note 1)

Subsequent events (Note 16)

Approved and Authorized by the Board on December 19, 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 nine months ended October 31, 2019 and 2018

(Expressed in Canadian dollars)

(Unaudited)

	Note	Three months ended October 31,		Nine months ended October 31	
		2019	2018	2019	2018
<b>Expenses</b>					
Advertising and promotion		\$ 17,860	\$ 185,871	\$ 119,914	\$ 894,332
General and administrative	13,14	586,322	1,052,895	1,174,150	2,840,101
Depreciation expense	8	15,912	-	47,734	-
Amortization expense	7	169,317	-	502,430	-
Accretion expense		-	-	-	134,795
<b>Net Loss before other items</b>					
		(789,411)	(1,238,766)	(1,844,228)	(3,869,228)
<b>Other income and (expenses)</b>					
Loan interest		-	-	-	(4,265)
Other income		15,400	-	32,600	-
Interest expense	8	(817)	-	(3,627)	-
Change in fair value of derivative liability	12	52,670	-	52,670	-
<b>Net loss</b>					
		\$ (722,158)	\$ (1,238,766)	\$ (1,762,585)	\$ (3,873,493)
<b>Other comprehensive loss</b>					
Foreign currency translation adjustments		4,579	(2,057)	2,647	(11,829)
<b>Comprehensive loss for the year</b>					
		(717,579)	(1,240,823)	(1,759,938)	(3,885,322)
<b>Basic and diluted loss per share, basic and diluted</b>					
		\$ (0.01)	\$ (0.03)	\$ (0.03)	\$ (0.10)
<b>Weighted average number of common shares outstanding</b>					
		54,515,377	44,905,383	51,819,680	39,554,769

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 nine months ended October 31, 2019 and 2018

(Expressed in Canadian dollars)

(Unaudited)

	2019	2018
<b>Cash flows used in operating activities</b>		
Loss for the period	\$ (1,762,585)	\$ (3,873,493)
Non-cash transactions:		
Share-based payments	-	784,210
Interest expense	3,627	134,795
Accrued interest on loan payable	-	4,265
Depreciation	47,734	-
Amortization of intangible assets	502,430	-
Unrealized foreign exchange	(1,355)	-
Change in fair value of derivative liability	(52,670)	-
Changes in operating assets and liabilities:		
Other receivables	(19,433)	(28,583)
Prepaid expenses	72,587	(160,073)
Trade payables and other liabilities	222,599	(8,473)
Net cash used in operating activities	(987,066)	(3,147,352)
<b>Cash flows from investing activities</b>		
Intangible assets	-	(509,025)
Deposit on equipment	(238,957)	-
Net cash used in investing activities	(238,957)	(509,025)
<b>Cash flows from financing activities</b>		
Proceeds from issuance of shares and units	929,585	4,886,430
Share issuance costs	-	(377,019)
Principal payments on lease liability	(50,564)	-
Repayment of loan payable	-	(200,000)
Net cash provided by financing activities	879,021	4,309,411
<b>Increase (decrease) in cash</b>	(347,002)	653,034
<b>Effect of foreign exchange rate changes on cash</b>	759	(11,829)
<b>Cash, beginning of the period</b>	410,835	231,346
<b>Cash, end of the period</b>	\$ 64,592	\$ 872,551

### Supplemental Disclosures with Respect to Cash Flows (Note 15)

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
Share-based payments	-	-	784,210	-	-	-	784,210
Currency translation adjustment	-	-	-	-	-	(11,829)	(11,829)
Loss for the period	-	-	-	-	(3,873,493)	-	(3,873,493)
<b>Balance at October 31, 2018</b>	<b>44,905,383</b>	<b>7,222,949</b>	<b>5,490,447</b>	<b>55,000</b>	<b>(7,962,418)</b>	<b>(11,829)</b>	<b>4,794,149</b>
<b>Balance at January 31, 2019</b>	<b>50,441,879</b>	<b>11,001,633</b>	<b>3,960,345</b>	<b>591,451</b>	<b>(9,313,674)</b>	<b>(7,293)</b>	<b>6,232,462</b>
Private placements	6,666,666	929,585	-	-	-	-	929,585
Reallocation of warrants to derivative liability	-	(648,858)	-	-	-	-	(648,858)
Warrants expired	-	541,777	(541,777)	-	-	-	-
Currency translation adjustment	-	-	-	-	-	(2,647)	(2,647)
Loss for the period	-	-	-	-	(1,762,585)	-	(1,762,585)
<b>Balance at October 31, 2019</b>	<b>57,108,545</b>	<b>11,824,137</b>	<b>3,418,568</b>	<b>591,451</b>	<b>(11,076,259)</b>	<b>(9,940)</b>	<b>4,747,957</b>

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 nine months ended October 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 July 29, 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 unaudited 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 \$1,759,938 for the nine months ended October 31, 2019 and as of that date the Company’s accumulated deficit was \$11,076,258. 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 nine months ended October 31, 2019 and 2018

(Expressed in Canadian dollars)

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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 December 19, 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 nine months ended October 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 financial statements as at and for the year ended January 31, 2019.

## International Battery Metals Ltd.

Notes to Condensed Consolidated Interim Financial Statements

For the nine months ended October 31, 2019 and 2018

(Expressed in Canadian dollars)

(Unaudited)

### 5. Amounts Receivable

	October 31, 2019	January 31, 2019
Other receivables	\$ 4,000	\$ -
GST receivable	93,073	77,640
	\$ 97,073	\$ 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 nine months ended October 31, 2019 and 2018

(Expressed in Canadian dollars)

(Unaudited)

### 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 October 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 October 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 nine months ended October 31, 2019, the Company recorded amortization of \$502,430 based on an estimated useful life of 10 years. As of October 31, 2019, the Intellectual Property had a net book value of \$5,672,137.

## International Battery Metals Ltd.

Notes to Condensed Consolidated Interim Financial Statements

For the nine months ended October 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>October 31, 2019</b>
At February 1, 2019	\$ 68,948
Depreciation expense	(47,734)
At October 31, 2019	\$ 21,214

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

<b>Lease liability</b>	<b>October 31, 2019</b>
Current portion	\$ 22,012
Long-term portion	-
Total lease liability	\$ 22,012

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

<b>Maturity analysis</b>	<b>October 31, 2019</b>
Less than one year	\$ 22,473
Total undiscounted lease liabilities	\$ 22,473

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

<b>Amounts recognized in profit or loss</b>	<b>October 31, 2019</b>
Interest on lease liabilities	\$ 3,627
Income from sub-leasing right-of-use asset	32,600
Expenses relating to short-term leases	13,298

<b>Amounts recognized in the statement of cash flows</b>	<b>October 31, 2019</b>
Interest paid	\$ 3,627
Principal payments on lease liabilities	46,936
Expenses relating to short-term leases	13,298
Total cash outflows for leases	\$ 63,861

### 9. Long-Term Deposits

On September 26, 2019, the Company through its wholly owned subsidiary entered into an agreement to purchase a reserve osmosis desalination system for use in the operations of the business. The Company has paid \$236,908 (\$180,000 USD) as a deposit towards the purchase of the equipment.

## International Battery Metals Ltd.

Notes to Condensed Consolidated Interim Financial Statements

For the nine months ended October 31, 2019 and 2018

(Expressed in Canadian dollars)

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### 10. Trade Payables and Other Liabilities

	October 31, 2019	January 31, 2019
Trade payables	\$ 296,667	\$ 130,033
Accrued liabilities	433,480	377,515
	\$ 730,147	\$ 507,548

### 11. Share Capital

#### Authorized

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

#### Share Issuances

*For the nine months ended October 31, 2019*

On August 23, 2019, 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 (\$466,007 CAD). Each unit consists of one common share and one warrant. Each warrant is 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.

On September 19, 2019, the Company closed a portion of the second tranche of its private placement and issued 2,857,142 units at \$0.105 USD per unit (approximately \$0.14 CAD per unit) for proceeds of \$300,000 USD (\$397,768 CAD). Each unit consists of one common share and one warrant. Each warrant is 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.

On September 23, 2019, the Company closed the remaining portion of the second tranche of its private placement and issued 476,190 units at \$0.105 USD per unit (approximately \$0.14 CAD per unit) for proceeds of \$50,000 USD (\$65,810 CAD). Each unit consists of one common share and one warrant. Each warrant is 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.

### 12. 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 October 31, 2019, 585,000 stock options were forfeited due the departure of directors the Company.

## International Battery Metals Ltd.

Notes to Condensed Consolidated Interim Financial Statements

For the nine months ended October 31, 2019 and 2018

(Expressed in Canadian dollars)

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### 12. Reserves (continued)

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

<b>Exercise price</b>	<b>Expiry date</b>	<b>Number of options outstanding and exercisable</b>
\$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 October 31, 2019, the weighted-average remaining contractual life of options outstanding is 2.97 years.

### Warrants

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

<b>Exercise price</b>	<b>Expiry date</b>	<b>Number of warrants outstanding and exercisable</b>
\$0.40	April 9, 2020	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
\$0.14	August 23, 2021	3,333,334
\$0.14	September 19, 2021	2,857,142
\$0.14	September 23, 2021	476,190
<b>Total</b>		<b>14,982,743</b>

As at October 31, 2019, the weighted-average remaining contractual life of warrants outstanding is 1.14 years.

On August 23, 2019, the Company issued 3,333,334 warrants pursuant to a private placement. The warrants are exercisable for one common share at an exercise price of \$0.105 USD (approximately \$0.14 CAD) per share for a period of two years. The fair value of the warrants was \$290,614 and was calculated using the Black-Scholes Option Pricing Model. As the warrants were issued in a currency other than the Company's functional currency, these warrants have been accounted for as a derivative liability.

On September 19, 2019, the Company issued 2,857,142 warrants pursuant to a private placement. The warrants are exercisable for one common share at an exercise price of \$0.105 USD (approximately \$0.14 CAD) per share for a period of two years. The fair value of the warrants was \$312,177 and was calculated using the Black-Scholes Option Pricing Model. As the warrants were issued in a currency other than the Company's functional currency, these warrants have been accounted for as a derivative liability.

## International Battery Metals Ltd.

Notes to Condensed Consolidated Interim Financial Statements

For the nine months ended October 31, 2019 and 2018

(Expressed in Canadian dollars)

(Unaudited)

### 12. Reserves (continued)

On September 23, 2019, the Company issued 476,190 warrants pursuant to a private placement. The warrants are exercisable for one common share at an exercise price of \$0.105 USD (approximately \$0.14 CAD) per share for a period of two years. The fair value of the warrants was \$46,067 and was calculated using the Black-Scholes Option Pricing Model. As the warrants were issued in a currency other than the Company's functional currency, these warrants have been accounted for as a derivative liability.

As at October 31, 2019, 300,000 special unit warrants were outstanding and exercisable (January 31, 2019 - 300,000). Each special unit warrant outstanding at October 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.

#### *Derivative liability*

The Company's derivative liability arises as a result of the issuance of warrants exercisable in United States dollars. As the denomination is different from the Canadian dollar functional currency, the Company recognizes a derivative liability for these warrants and remeasures the liability at the end of each reporting period using the Black-Scholes option pricing model.

A reconciliation of the changes in the derivative liability during the period is as follows:

	<b>October 31, 2019</b>
Balance, beginning	-
Recognition upon issuance	648,858
Change in fair value	(52,670)
<b>Balance, ending</b>	<b>596,188</b>

Stock option and warrant transactions are summarized as follows:

	<b>Warrants</b>		<b>Options</b>	
	<b>Number</b>	<b>Weighted average exercise price \$</b>	<b>Number</b>	<b>Weighted average exercise price \$</b>
Outstanding, January 31, 2019	11,756,077	0.60	4,985,000	0.31
Forfeit/expired	(3,440,000)	0.52	(585,000)	0.38
Granted	6,666,666	0.14	-	-
Outstanding and exercisable, October 31, 2019	<u>14,982,743</u>	<u>0.41</u>	<u>4,400,000</u>	<u>0.30</u>

## International Battery Metals Ltd.

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### 12. 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	-	1.51%-1.74%	1.76%	1.86%
Expected volatility	-	131%-133%	260.00%	210.00%
Expected life (years)	-	1.81	3.00	2.00
Expected dividend yield	-	0.00%	0.00%	0.00%

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

### 13. 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 nine months ended October 31,	2019		2018	
Management fees, salaries and benefits <sup>(1)</sup>	\$	426,427	\$	415,889
Director's fees <sup>(1)</sup>		45,000		45,000
Retirement compensation		-		40,000
Consulting <sup>(2)</sup>		35,000		-
Share-based payments		-		784,210
Severance		-		105,414
	\$	506,427	\$	1,390,513

<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 nine months ended October 31, 2019, other related party transactions consisted of the following:

- \$35,000 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

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### 13. Related Party Transactions (continued)

#### Due to related parties

At October 31, 2019, \$135,100 (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 October 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).

### 14. General and Administrative Expenses

	Three months ended October 31,		Nine months ended October 31,	
	2019	2018	2019	2018
Bank charges and interest	\$ 626	\$ 884	\$ 1,789	\$ 3,571
Consulting fees (Note 12)	177,385	183,671	195,385	950,755
Filing fees	12,933	8,134	22,381	37,111
Foreign exchange loss	2,208	-	2,988	3,711
Management fees, salaries and benefits (Note 12)	232,044	280,012	608,647	519,302
Meals and entertainment and travel	1,776	28,237	2,079	62,379
Office and miscellaneous	8,648	(212,182)	22,198	112,797
Professional fees	142,759	221,896	297,442	306,742
Rent	7,943	21,571	21,241	59,523
Share-based compensation (Note 11, 12)	-	520,672	-	784,210
	\$ (586,322)	\$ (1,052,895)	\$ (1,174,150)	\$ (2,840,101)

### 15. Supplemental Disclosures with Respect to Cash Flows

	For the nine months ended October 31, 2019	For the nine months ended October 31, 2018
	\$	\$
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
Fair value allocated to derivative liability	596,188	-
Initial recognition of right-of-use assets	68,949	-

## **International Battery Metals Ltd.**

Notes to Condensed Consolidated Interim Financial Statements

For the nine months ended October 31, 2019 and 2018

(Expressed in Canadian dollars)

(Unaudited)

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### **16. Subsequent Events**

On November 4, 2019, the Company granted incentive stock options to certain directors of the Company to purchase up to 1,000,000 common shares of the Company at a price of \$0.13 per common share for a period of 3 years. The stock options are being granted pursuant to the terms of the Company's stock option plan.

On November 7, 2019, the Company issued 350,000 common shares and paid \$10,000 in connection with a settlement agreement for consulting services.