

# **International Battery Metals Ltd.**

Condensed Consolidated Interim Financial Statements

Three Months Ended April 30, 2020 and 2019

(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.**  
Consolidated Statements of Financial Position  
As at April 30, 2020 and January 31, 2020  
(Expressed in Canadian dollars)

	Note	April 30, 2020 (unaudited)	January 31, 2020 (audited)
<b>ASSETS</b>			
<b>Current assets</b>			
Cash	17	\$ 24,726	\$ 393,224
Amounts receivable	5, 17	4,658	8,643
Prepaid expenses		7,876	4,606
Total current assets		37,260	406,473
Intangible assets	6, 7	5,337,184	5,502,820
Right-of-use assets	8	-	5,303
Deferred acquisition costs	9	250,167	238,032
		\$ 5,624,611	\$ 6,152,628
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade payables and other liabilities	10, 13, 17	\$ 448,350	\$ 640,427
Lease liability	8, 17	-	5,572
Derivative liability	12, 17	709,672	1,087,855
Total current liabilities		1,158,022	1,733,854
<b>Shareholders' equity</b>			
Share capital	11	12,436,021	12,109,277
Obligation to issue shares	6, 13	591,451	591,451
Reserves	12	2,245,590	2,633,546
Deficit		(10,810,095)	(10,903,251)
Accumulated other comprehensive income (loss)		3,622	(12,249)
		4,466,589	4,418,774
		\$ 5,624,611	\$ 6,152,628

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

**Subsequent event** (Note 19)

**Approved and Authorized by the Board on June 29, 2020:**

"John Burba"

Director

"Logan Anderson"

Director

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

**International Battery Metals Ltd.**

Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)

For the three months ended April 30, 2020 and 2019

(Expressed in Canadian dollars)

(Unaudited)

	Note	2020	2019
<b>Expenses</b>			
Advertising and promotion	13	\$ -	\$ 102,054
Amortization of intangible asset	7	165,636	179,707
General and administrative	8, 13, 14	183,257	232,507
<b>Operating loss</b>		(348,893)	(514,268)
Change in fair value of derivative liability	12	378,183	-
Other income		2,700	-
Finance costs	8, 17	(46)	-
Accretion expense		-	(1,597)
<b>Income (loss) for the period</b>		31,944	(515,865)
<b>Other comprehensive income (loss)</b>			
Foreign currency translation adjustments		15,873	(933)
<b>Comprehensive income (loss) for the period</b>		\$ 47,817	\$ (516,798)
<b>Income (loss) per share, basic and diluted</b>	11	\$ 0.00	\$ (0.01)
<b>Weighted average number of common shares outstanding</b>	11	63,371,166	50,441,879

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

**International Battery Metals Ltd.**

## Consolidated Statements of Cash Flows

For the three months ended April 30, 2020 and 2019

(Expressed in Canadian dollars)

(Unaudited)

<b>Cash provided by (used in)</b>	<b>2020</b>	<b>2019</b>
<b>Cash flows used in operating activities</b>		
Income (loss) for the period	\$ 31,944	\$ (515,865)
Non-cash transactions:		
Finance costs	-	-
Depreciation expense	5,303	-
Amortization of intangible asset	165,636	179,707
Change in fair value of derivative liability	(378,183)	-
Changes in operating assets and liabilities:		
Amounts receivable	3,985	(3,932)
Prepaid expenses	(3,270)	72,587
Trade payables and other liabilities	(192,077)	36,549
Net cash used in operating activities	(366,662)	(230,954)
<b>Cash flows used in investing activities</b>		
Net cash used in investing activities	-	-
<b>Cash flows from financing activities</b>		
Principal payments on lease liability	(5,572)	(15,257)
Net cash used in financing activities	(5,572)	(15,257)
<b>Decrease in cash</b>	(372,234)	(246,211)
<b>Effect of foreign exchange rate changes on cash</b>	3,736	933
<b>Cash, beginning of period</b>	393,224	410,835
<b>Cash, end of period</b>	\$ 24,726	\$ 165,557

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

## International Battery Metals Ltd.

Consolidated Statements of Changes in Shareholders' Equity

For the three months ended April 30, 2020 and 2019

(Expressed in Canadian dollars)

(Unaudited)

	Common shares	Share capital	Reserves	Obligation to issue shares	Deficit	Accumulated other comprehensive income	Total equity
		\$	\$	\$	\$	\$	\$
<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	-	-	-	-	-	933	933
Loss for the period	-	-	-	-	(515,865)	-	(515,865)
<b>Balance at April 30, 2019</b>	50,441,879	11,001,633	3,960,345	591,451	(9,829,539)	(6,360)	5,717,530
<b>Balance at January 31, 2020</b>	63,371,166	12,109,277	2,633,546	591,451	(10,903,251)	(12,249)	4,418,774
Warrants expired	-	326,744	(326,744)	-	-	-	-
Forfeited options	-	-	(61,212)	-	61,212	-	-
Foreign currency translation	-	-	-	-	-	15,871	15,871
Income for the period	-	-	-	-	31,944	-	31,944
<b>Balance at April 30, 2020</b>	63,371,166	12,436,021	2,245,590	591,451	(10,810,095)	3,622	4,466,589

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

## **International Battery Metals Ltd.**

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended April 30, 2020 and 2019

(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 Business Corporations Act (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 625 Howe Street, Suite 1140, Vancouver, British Columbia, V6C 2T6 and the Company’s registered and records office is located at Suite 704, 595 Howe Street, Vancouver BC, V6C 2T5.

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 incurred an income of \$31,944 for the three months ended April 30, 2020 and as of that date the Company’s accumulated deficit was \$10,810,095. 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.

Since March 2020, several measures have been implemented in Canada and the rest of the world in response to the increased impact from novel coronavirus (“COVID-19”). The Company continues to operate its business at this time. While the impact of COVID-19 is expected to be temporary, the current circumstances are dynamic and the impacts of COVID-19 on business operations, cannot be reasonably estimated at this time. The Company anticipates this could have an adverse impact on its operations.

#### **Basis of Preparation**

#### **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.

## **International Battery Metals Ltd.**

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended April 30, 2020 and 2019

(Expressed in Canadian dollars)

(Unaudited)

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### **2. Basis of Preparation (Continued)**

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, Inc. (“SAL”) (Note 6).

#### **Basis of consolidation**

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.

### **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, 2020 and have been consistently followed in the preparation of these condensed consolidated interim financial statements.

#### **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, 2020.

### **5. Amounts Receivable**

	<b>April 30, 2020</b>	<b>January 31, 2020</b>
Other receivables	\$ -	\$ 132
GST receivable	4,658	8,511
	<b>\$ 4,658</b>	<b>\$ 8,643</b>



## International Battery Metals Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended April 30, 2020 and 2019

(Expressed in Canadian dollars)

(Unaudited)

### 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 also granted a 5% gross profits royalty to NAL.

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

<b>Milestone</b>	<b>Number of performance shares to be issued</b>
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 and the Company filing three additional patents with respect to intellectual property	5,536,496
Shares on SAL and 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 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 Milestone 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. As at April 30, 2020, the Company has an obligation to issue Milestone shares of \$543,451 (January 31, 2020 – \$543,451).

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 (Note 14). As at April 30, 2020 the Company has yet to issue these shares and has recorded an obligation to issue shares of \$48,000 (January 31, 2020 - \$48,000) (Note 14).

## International Battery Metals Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended April 30, 2020 and 2019

(Expressed in Canadian dollars)

(Unaudited)

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

In November 2018, the Company entered into licensing agreements as amended 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 to use Extraction systems manufactured by the Company 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. The agreements can be terminated by the Company if the first extraction system is not installed or operational by June 30, 2021. 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 13) 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, April 30, 2020 and January 31, 2020 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. A continuity of the Company’s intangible assets is as follows:

<b>Cost</b>		
Balance, January 31, 2019 and January 31, 2020	\$	6,717,487
Additions		-
<b>Balance, April 30, 2020</b>	<b>\$</b>	<b>6,717,487</b>
<b>Accumulated Amortization</b>		
Balance, January 31, 2019	\$	542,920
Amortization		671,747
Balance, January 31, 2020		1,214,667
Amortization		165,636
<b>Balance, April 30, 2020</b>	<b>\$</b>	<b>1,380,303</b>
<b>Net Book Value</b>		
<b>At January 31, 2020</b>	<b>\$</b>	<b>5,502,820</b>
<b>At April 30, 2020</b>	<b>\$</b>	<b>5,337,184</b>

## International Battery Metals Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended April 30, 2020 and 2019

(Expressed in Canadian dollars)

(Unaudited)

### 8. Leases

The Company's lease liability consisted of a single lease for office space. The lease had an imputed interest rate of 10% per annum and expired in February 2020.

<b>Lease assets</b>	
<b>At February 1, 2019</b>	<b>\$ 68,948</b>
Depreciation expense	(63,645)
<b>At January 31, 2020</b>	<b>\$ 5,303</b>
Depreciation expense	(5,303)
<b>At April 30, 2020</b>	<b>\$ -</b>

The Company's lease liability related to office leases is as follows:

<b>Lease liability</b>	<b>April 30, 2020</b>	<b>January 31, 2020</b>
Current portion	\$ -	\$ 5,572
Long-term portion	-	-
<b>Total lease liability</b>	<b>\$ -</b>	<b>\$ 5,572</b>

<b>Amounts recognized in profit or loss</b>	<b>April 30, 2020</b>	<b>April 30, 2019</b>
Interest on lease liabilities	\$ 46	\$ -
Income from sub-leasing right-of-use asset	2,700	-
Expenses relating to short-term leases	\$ 3,193	\$ 1,590

<b>Amounts recognized in the statement of cash flows</b>	<b>April 30, 2020</b>	<b>April 30, 2019</b>
Interest paid	\$ 46	\$ 1,597
Principal payments on lease liabilities	5,572	15,257
Expenses relating to short-term leases	3,193	1,590
<b>Total cash outflows for leases</b>	<b>\$ 8,811</b>	<b>\$ 18,445</b>

### 9. Deferred Acquisition Costs

On September 26, 2019, the Company, through its wholly owned subsidiary, entered into an agreement to purchase a reserve osmosis desalination system. Under the terms of the agreement, the Company is required to pay a total of US \$450,577 (CAD \$595,832). As at April 30, 2020, the Company had paid US \$180,000 (CAD \$250,167) (January 31, 2020 – CAD \$238,032) which is included in deferred acquisition costs. The remaining balance of US \$270,577 (CAD \$357,800) is due in fiscal 2021.

## International Battery Metals Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended April 30, 2020 and 2019

(Expressed in Canadian dollars)

(Unaudited)

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### 10. Trade Payables and Other Liabilities

	April 30, 2020	January 31, 2020
Trade payables	\$ 326,154	\$ 545,857
Accrued liabilities	122,196	94,570
	\$ 448,350	\$ 640,427

### 11. Share Capital

#### Authorized

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

#### Issued and outstanding

As at April 30, 2020, there were 63,371,166 (January 31, 2020 - 63,371,166) common shares issued and outstanding. Detail of the common shares are as follows:

*For the three months ended April 30, 2020*

- There were no share issuances during the three months ended April 30, 2020

*For the year ended January 31, 2020*

- 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 (\$465,774 CAD). Each unit consisted 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. The fair value of the warrants was \$290,614 and was calculated using the Black-Scholes Option Pricing Model. The Company incurred share issuance costs of 8,447 associated with the financing.
- On September 19 and September 23, 2019, the Company closed a portion of the second tranche of its private placement and issued 3,333,332 units at \$0.105 USD per unit (approximately \$0.14 CAD per unit) for proceeds of \$350,000 USD (\$463,811 CAD). Each unit consisted 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. The fair value of the warrants was \$358,245 and was calculated using the Black-Scholes Option Pricing Model.
- On November 7, 2019, the Company issued 350,000 common shares with a fair value of \$52,500 in a settlement with a former director (Note 14).

## International Battery Metals Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended April 30, 2020 and 2019

(Expressed in Canadian dollars)

(Unaudited)

### 11. Share Capital (continued)

- On December 13, 2019, the Company closed the remaining portion of the second tranche of its private placement and issued 3,000,000 units at \$0.103 USD per unit (approximately \$0.137 CAD per unit) for proceeds of \$309,000 USD (\$406,928 CAD). Each unit consisted of one common share and one warrant. Each warrant is exercisable to purchase one common share at a price of \$0.103 USD (approximately \$0.137 CAD) per share for a period of two years. The fair value of the warrants was \$216,477 and was calculated using the Black-Scholes Option Pricing Model.
- On January 22, 2020, the Company closed the remaining portion of the second tranche of its private placement and issued 2,912,621 units at \$0.103 USD per unit (approximately \$0.137 CAD per unit) for proceeds of \$309,000 USD (\$394,817 CAD). Each unit consisted of one common share and one warrant. Each warrant is exercisable to purchase one common share at a price of \$0.103 USD (approximately \$0.137 CAD) per share for a period of two years. The fair value of the warrants was \$281,837 and was calculated using the Black-Scholes Option Pricing Model.

#### Weighted average breakdown

<u>Per share amounts</u>	<u>April 30, 2020</u>	<u>January 31, 2020</u>
	\$	\$
Weighted average number of shares outstanding:		
Issued common shares as at February 1	63,371,166	50,441,879
Effect of common shares issued during the period	-	3,289,344
	<u>63,371,166</u>	<u>53,731,223</u>
Income (loss) per share – basic and diluted	0.00	(0.04)

### 12. Reserves

#### Stock options

The Company has 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.

*During the three months ended April 30, 2020:*

- A total of 130,000 stock options were forfeited due the departure of employees the Company. As a result, the original share-based payment expense of \$61,212 was reversed from reserves and credited to deficit.

## International Battery Metals Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended April 30, 2020 and 2019

(Expressed in Canadian dollars)

(Unaudited)

### 12. Reserves (continued)

During the year ended January 31, 2020:

- A total of 2,130,000 stock options were forfeited due the departure of directors the Company. As a result, the original share-based payment expense of \$785,022 was reversed from reserves and credited to deficit.

The following table summarizes information regarding stock options outstanding and exercisable as at April 30, 2020:

Exercise price	Expiry date		Number of options outstanding and exercisable	Weighted-average remaining contractual life (years)
\$0.35	May 10, 2020	*	620,000	0.03
\$0.36	March 8, 2021		225,000	0.85
\$0.62	October 23, 2022		300,000	2.48
\$0.19	August 28, 2023		1,400,000	3.33
<b>Total</b>			<b>2,545,000</b>	<b>2.21</b>

\* Expired unexercised subsequent to April 30, 2020

### Warrants

As at April 30, 2020, share purchase warrants were outstanding as follows:

Exercise price	Expiry date		Number of warrants outstanding and exercisable	Weighted-average remaining contractual life (years)
\$0.70	May 10, 2020	*	3,100,000	0.03
\$0.70	May 15, 2020	*	400,000	0.04
\$0.75	May 30, 2020	*	1,719,300	0.08
\$0.16	November 7, 2020		1,000,000	0.52
\$0.14	August 23, 2021		3,333,334	1.31
\$0.14	September 19, 2021		2,857,142	1.39
\$0.14	September 23, 2021		476,190	1.40
\$0.14	December 13, 2021		3,000,000	1.62
\$0.14	January 22, 2022		2,912,621	1.73
<b>Total</b>			<b>18,798,587</b>	<b>1.05</b>

\*Expired unexercised subsequent to April 30, 2020.

## International Battery Metals Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended April 30, 2020 and 2019

(Expressed in Canadian dollars)

(Unaudited)

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### 12. Reserves (continued)

*During the three months ended April 30, 2020:*

- On April 9, 2020, a total of 500,000 warrants expired. The expiration of these warrants did not result in a reversal from reserves and a credit to share capital, as the fair value of these warrants was \$nil.
- On April 13, 2020, a total of 1,596,777 warrants expired. As a result, \$326,744 was reversed from reserves and credited to share capital.

*During the year ended January 31, 2020:*

- During the year ended January 31, 2020, 3,440,000 warrants expired. As a result, \$541,777 (2019 - \$121,548) was reversed from reserves and credited to share capital.
- The Company issued 1,000,000 common share purchase warrants valued at \$103,512 to Ensorcia for the agreement with Sorcia (Note 6) which were expensed as a share-based payment expense to obtain a contract. As all of the warrants issued during the year ended January 31, 2020 were in a currency other than the Company's functional currency, these warrants have been accounted for as a derivative liability.

As at April 30, 2020, 300,000 special unit warrants were outstanding and exercisable (January 31, 2020 - 300,000). Each special unit warrant outstanding at April 30, 2020 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. Subsequent to April 30, 2020, the special unit warrants expired unexercised on May 10, 2020.

#### *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 Company's 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:

Balance, January 31, 2019	-
Recognition upon issuance	1,147,173
Change in fair value	(59,318)
<b>Balance, January 31, 2020</b>	<b>1,087,855</b>
Change in fair value	(378,183)
<b>Balance, April 30, 2020</b>	<b>709,672</b>

## International Battery Metals Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended April 30, 2020 and 2019

(Expressed in Canadian dollars)

(Unaudited)

### 12. Reserves (continued)

Stock option and warrant transactions are summarized as follows:

	Warrants		Options	
	Number	Weighted average exercise price \$	Number	Weighted average exercise price \$
Outstanding, January 31, 2019	11,756,077	0.60	4,985,000	0.31
Granted	12,579,287	0.14	-	-
Expired	(3,440,000)	0.52	(2,310,000)	0.31
Outstanding, January 31, 2020	20,895,364	0.34	2,675,000	0.30
Expired/forfeited	(2,096,777)	0.66	(130,000)	0.44
<b>Outstanding and exercisable, April 30, 2020</b>	<b>18,798,587</b>	<b>0.30</b>	<b>2,545,000</b>	<b>0.29</b>

### Fair value determination

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

	Three months ended April 30, 2020		Year-ended January 31, 2020	
	Options	Warrants	Options	Warrants
Risk-free interest rate	-	1.33 – 1.74%	-	1.33 – 1.74%
Expected volatility	-	122 - 133%	-	122 - 133%
Expected life (years)	-	2.00	-	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.

### 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 three months ended April 30,	2020	2019
Management fees, salaries and benefits <sup>(1)</sup>	\$ 113,811	\$ 128,264
Directors' fees <sup>(1)</sup>	12,000	12,000
Consulting <sup>(2)</sup>	-	30,000
	<u>\$ 125,811</u>	<u>\$ 170,264</u>

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

<sup>(2)</sup> Included in consulting fees under general and administrative expense.



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### 13. Related Party Transactions *(continued)*

During the three months ended April 30, 2020, other related party transactions consisted of the following:

- Included in advertising and promotion expense is \$nil (2019 - \$30,000) paid to a former director for advertising services.
- Included in general and administrative expenses is \$9,000 (2019 - \$nil) in consulting fees paid to a Company controlled by the wife of the Company's CFO and director.
- Included in general and administrative expenses is \$6,500 (2019 - \$nil) in rent paid to a Company with a common director.

#### Due from/to related parties

At April 30, 2020, \$103,653 (January 31, 2020 - \$48,492) was due to directors and related parties and is included in trade payables and accrued liabilities. The amounts were unsecured, non-interest bearing and due on demand.

At April 30, 2020, the Company has an obligation to issue 100,000 (January 31, 2020 – 100,000) shares valued at \$48,000 (January 31, 2020 – \$48,000) to an entity controlled by the Chief Financial Officer of the Company as part of the finders' fees related to the acquisition of SAL (Note 6).

### 14. General and Administrative Expenses

For the three months ended April 30,	2020	2019
Bank charges and interest	\$ -	\$ 644
Consulting fees (Note 14)	9,380	9,000
Depreciation	5,303	-
Filing fees	3,810	2,666
Foreign exchange loss	789	666
Management fees, salaries and benefits (Note 14)	129,290	187,952
Meals and entertainment	-	6
Office and miscellaneous	4,911	5,742
Professional fees	16,788	24,241
Rent	3,193	1,590
Travel	9,793	-
	<u>\$ 183,257</u>	<u>\$ 232,507</u>

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

For the three months ended April 30,	2020	2019
Initial recognition of right-of-use assets	\$ -	\$ 68,949
Value of expired warrants transferred to share capital	\$ 326,744	\$ -
Value of forfeited options transferred to deficit	\$ 61,212	

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### 16. Capital Risk Management

The Company manages its capital structure and makes adjustments to it to effectively support the development and acquisition of technologies extraction and processing of lithium from various sources, as well as the acquisition of lithium resource properties. In the definition of capital, the Company includes, as disclosed on its statement of financial position: share capital, deficit and reserves.

The Company is dependent on external financing to fund its activities. In order to carry out the planned development and acquisitions and pay for general administrative costs, the Company will be using its existing working capital and will raise additional amounts as needed. The Company will continue to develop and acquire new technology if it feels there is sufficient economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the three months ended April 30, 2020. The Company is not subject to externally imposed capital requirements and does not have exposure to asset-backed commercial paper or similar products.

### 17. Financial Instruments and Risk Management

#### Categories of financial instruments

	April 30, 2020	January 31, 2020
	\$	\$
<b>FINANCIAL ASSETS</b>		
<b>FVTPL, at fair value</b>		
Cash	24,726	393,224
<b>Other assets, at amortized cost</b>		
Amounts receivable	-	132
<b>Total financial assets</b>	<b>24,726</b>	<b>401,467</b>
<b>FINANCIAL LIABILITIES</b>		
<b>FVTPL, at fair value</b>		
Derivative liability	709,672	1,087,855
<b>Other liabilities, at amortized cost</b>		
Trade payables and other liabilities	448,350	640,427
Lease liability	-	5,572
<b>Total financial liabilities</b>	<b>1,158,022</b>	<b>1,733,854</b>

The Company has classified fair value measurements of its financial instruments using a fair value hierarchy that reflects the significance of inputs used in making the measurements as follows:

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### **17. Financial Instruments and Risk Management (continued)**

- Level 1 fair value measurements are those derived from quoted prices in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1, that are observable either directly or indirectly.
- Level 3 fair value measurements are those derived from valuation techniques that include inputs that are not based on observable market data.

The fair value of financial assets and financial liabilities at amortized cost is determined based on discounted cash flow analysis or using prices from observable current market transactions. The Company considers that the carrying amount of all its financial assets and financial liabilities recognized at amortized cost in the condensed consolidated interim financial statements approximates their fair value due to the demand nature or short-term maturity of these instruments. Cash is measured using level 1 of the fair value hierarchy. Derivative liability is measured at level 3 of the fair value hierarchy. The financial asset portion of amounts receivable does not include amounts due from a government agency as it is a statutory (not contractual) obligation.

#### **Credit risk**

Financial instruments that potentially subject the Company to credit risk consist of cash and amounts receivable. The Company manages its credit risk relating to cash by dealing only with high-rated financial institutions as determined by rating agencies. As at April 30, 2020, amounts receivable of \$4,658 are due from a government agency. As a result, credit risk is considered insignificant. The Company does not consider any of its financial assets to be impaired.

#### **Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk by maintaining sufficient cash balances to enable settlement of transactions on the due date. The Company addresses its liquidity by raising capital through the issuance of equity. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future. The Company is exposed to liquidity risk.

#### **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 April 30, 2020, 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 \$7,600 lower or higher respectively.

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### **17. Financial Instruments and Risk Management (*continued*)**

#### **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.

### **18. Segmented Information**

The Company has a single reportable segment, the acquisition and development of advanced technology focused on Lithium brine extraction from oil field brines for petro lithium extraction projects. All non-current assets are domiciled in the United States.

### **19. Subsequent Events**

The recent outbreak of the coronavirus, also known as "COVID-19", has spread across the globe and is impacting worldwide economic activity. Conditions surrounding the coronavirus continue to rapidly evolve and government authorities have implemented emergency measures to mitigate the spread of the virus. The outbreak and the related mitigation measures may have an adverse impact on global economic conditions as well as on the Company's business activities. The extent to which the coronavirus may impact the Company's business activities will depend on future developments, such as the ultimate geographic spread of the disease, the duration of the outbreak, travel restrictions, business disruptions, and the effectiveness of actions taken in Canada and other countries to contain and treat the disease. These events are highly uncertain and as such, the Company cannot determine their financial impact at this time.

The Company has been delayed in finalizing the engineering and the sourcing of equipment and fabricators to build the initial mobile extraction unit for deployment in South America. As a result, the current proposed build of the extraction system is expected to be delayed. These delays resulted in the Company agreeing to extend the Ensorcia Licensing agreement until June 30, 2021 due to the various issues, delays, and problems created by the coronavirus. Outside of the delays in financing, engineering, and construction of the Company's first extraction system caused by the coronavirus, there are no known specific trends likely to affect or impact the Company, including trends in the Company's market(s) or political/regulatory trends.