

# **International Battery Metals Ltd.**

Condensed Consolidated Interim Financial Statements

Three and Nine Months Ended October 31, 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.

Condensed Consolidated Interim Statements of Financial Position

As at October 31, 2020 and January 31, 2020

(Expressed in Canadian dollars)

	Note	October 31, 2020 (unaudited)	January 31, 2020 (audited)
<b>ASSETS</b>			
<b>Current assets</b>			
Cash	19	\$ 299,565	\$ 393,224
Amounts receivable	5	4,441	8,643
Prepaid expenses	6	132,363	4,606
Total current assets		436,369	406,473
Equipment	7	1,957,173	-
Intangible assets	9	6,572,655	5,502,820
Right-of-use assets	10	-	5,303
Deferred acquisition costs	11	239,711	238,032
		\$ 9,205,908	\$ 6,152,628
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade payables and other liabilities	12, 15, 19	\$ 2,494,432	\$ 640,427
Lease liability	10	-	5,572
Derivative liability	14, 19	681,518	1,087,855
Total current liabilities		3,175,950	1,733,854
<b>Shareholders' equity</b>			
Share capital	13	16,711,744	12,109,277
Obligation to issue shares	8, 13	591,451	591,451
Reserves	14	790,786	2,633,546
Deficit		(12,030,965)	(10,903,251)
Accumulated other comprehensive loss		(33,058)	(12,249)
		6,029,958	4,418,774
		\$ 9,205,908	\$ 6,152,628

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

**Subsequent event** (Note 21)

**Approved and Authorized by the Board on December 30, 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.**

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

For the three and nine months ended October 31, 2020 and 2019

(Expressed in Canadian dollars)

(Unaudited)

	Note	Three months ended October 31,		Nine months ended October 31	
		2020	2019	2020	2019
<b>Expenses</b>					
Advertising and promotion	15	\$ 570	\$ 17,860	\$ 1,007	\$ 119,914
Amortization of intangible asset	9	169,318	169,317	504,272	502,430
General and administrative	15, 16	372,822	602,234	828,770	1,221,884
<b>Operating loss</b>		(542,710)	(789,411)	(1,334,049)	(1,844,228)
Change in fair value of derivative liability	14	(185,054)	52,670	406,337	52,670
Other income		-	15,400	2,700	32,600
Finance costs		-	(817)	(46)	(3,627)
Loss on settlement of debt	13	(490,271)	-	(490,271)	-
<b>Loss for the period</b>		\$ (1,218,035)	\$ (722,158)	\$ (1,415,329)	\$ (1,762,585)
<b>Other comprehensive loss</b>					
Foreign currency translation adjustments		(36,680)	4,579	(20,809)	2,647
<b>Comprehensive loss for the year</b>		(1,254,715)	(717,579)	(1,436,138)	(1,759,938)
<b>Loss per share, basic and diluted</b>					
		\$ (0.02)	\$ (0.01)	\$ (0.02)	\$ (0.03)
<b>Weighted average number of common shares outstanding</b>					
		63,971,166	54,515,377	63,620,801	51,819,680

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, 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	\$ (1,415,329)	\$ (1,762,585)
Non-cash transactions:		
Finance costs	-	3,627
Unrealized foreign exchange	(1,679)	(1,355)
Depreciation expense	5,303	47,734
Amortization of intangible asset	504,272	502,430
Loss on settlement of debt	490,271	-
Change in fair value of derivative liability	(406,337)	(52,670)
Changes in operating assets and liabilities:		
Amounts receivable	4,202	(19,433)
Prepaid expenses	(127,757)	72,587
Trade payables and other liabilities	2,103,679	222,599
Net cash used in operating activities	1,156,625	(987,066)
<b>Cash flows used in investing activities</b>		
Expenditures on equipment	(1,384,014)	-
Expenditures on intangible assets	(657,388)	-
Deposit on equipment	-	(238,957)
Net cash used in investing activities	(2,041,402)	(238,957)
<b>Cash flows from financing activities</b>		
Principal payments on lease liability	(5,572)	(50,564)
Proceeds from issuance of shares and units	830,177	929,585
Share issuance costs	(12,678)	-
Net cash used in financing activities	811,927	879,021
<b>Decrease in cash</b>	<b>(72,850)</b>	<b>(347,002)</b>
<b>Effect of foreign exchange rate changes on cash</b>	<b>(20,809)</b>	<b>759</b>
<b>Cash, beginning of period</b>	<b>393,224</b>	<b>410,835</b>
<b>Cash, end of period</b>	<b>\$ 299,565</b>	<b>\$ 64,592</b>

### Supplemental Disclosures with Respect to Cash Flows (Note 17)

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

For the nine months ended October 31, 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
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)	-	-	-	-
Foreign currency translation	-	-	-	-	-	(2,647)	(2,647)
Loss for the period	-	-	-	-	(1,762,585)	-	(1,762,585)
<b>Balance at October 31, 2019</b>	57,108,545	11,824,137	3,418,568	591,451	(11,076,259)	(9,940)	4,747,957
<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
Private placements	600,000	34,643	25,357	-	-	-	60,000
Shares issued to Sorcia Minerals LLC	25,000,000	3,000,000	-	(201,531)	-	-	2,798,469
Share issue costs - cash	-	(12,678)	-	-	-	-	(12,678)
Expiration of warrants	-	1,470,955	(1,470,955)	-	-	-	-
Expiration of special warrants	-	109,547	(109,547)	-	-	-	-
Forfeited options	-	-	(287,615)	-	287,615	-	-
Obligation to issue shares	-	-	-	201,531	-	-	201,531
Foreign currency translation	-	-	-	-	-	(20,809)	(20,809)
Loss for the period	-	-	-	-	(1,415,329)	-	(1,415,329)
<b>Balance at October 31, 2020</b>	88,971,166	16,711,744	790,786	591,451	(12,030,965)	(33,058)	6,029,958

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 and nine months ended October 31, 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 extraction from salars, geothermal brines and oil field brines.

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 a net loss of \$1,415,329 for the nine months ended October 31, 2020 and as of that date the Company’s accumulated deficit was \$12,030,965. 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 and nine months ended October 31, 2020 and 2019

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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>October 31, 2020</b>	<b>January 31, 2020</b>
Other receivables	\$ -	\$ 132
GST receivable	4,441	8,511
	<b>\$ 4,441</b>	<b>\$ 8,643</b>



## International Battery Metals Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended October 31, 2020 and 2019

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### 6. Prepaid Expenses

	October 31, 2020	January 31, 2020
Prepaid expenses	\$ 5,348	\$ 4,606
Deposit	127,015	-
	\$ 132,363	\$ 4,606

As at October 31, 2020, the deposit has a balance of USD\$95,378 (CAD\$127,015).

### 7. Equipment

During the nine months ended October 31, 2020, the Company began construction of its first lithium extraction unit incurring total costs of \$1,957,173. Of the total costs, \$573,159 was paid in shares to Sorcia Minerals LLC who made payments to consultants and fabricators on the Company's behalf (Note 8).

As the asset is not yet completed, no depreciation has been recorded. The net book value of the lithium extraction unit as of October 31, 2020 was \$1,957,173 (January 31, 2020 - \$nil).

### 8. 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:

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 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

## **International Battery Metals Ltd.**

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended October 31, 2020 and 2019

(Expressed in Canadian dollars)

(Unaudited)

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### **8. Lithium Extraction Technology Asset Purchase (*continued*)**

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 October 31, 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 October 31, 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).

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 which were expensed as a share-based payment expense to obtain a contract. 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.

During the nine months ended October 31, 2020, the Company began developing the final blueprints for, and construction of, its first lithium extraction unit. On October 21, 2020, the Company issued 25,000,000 shares to Sorcia in exchange for \$783,177 cash, \$236,674 for payments of debt Sorcia paid on behalf of the Company, \$916,719 for payments made by Sorcia to consultants for development costs relating to the blueprints for the lithium extraction unit (Note 9), and \$573,159 for payments made by Sorcia to consultants and fabricators for the construction of the lithium extraction unit (Note 7), for a total consideration of \$2,509,729. As at October 31, 2020, Sorcia owned 32,666,666 common shares which is 36.72% of the 88,971,166 issued common shares and, as a result, could exercise significant influence over the Company.

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, October 31, 2020 and January 31, 2020 are \$nil.

## International Battery Metals Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended October 31, 2020 and 2019

(Expressed in Canadian dollars)

(Unaudited)

### 9. 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.

During the nine months ended October 31, 2020, the Company began developing the final blueprints for its first lithium extraction unit. The engineering consulting expenses incurred to design the blueprints for the current, and future lithium extraction units, have been capitalized as an internally generated intangible asset made up of development costs. As the blueprints are still being finalized, the asset is not complete and is therefore not yet amortized. Of the total costs incurred for the lithium extraction unit blueprints, \$916,719 was paid in shares to Sorcia Minerals LLC who made payments to consultants on the Company’s behalf.

A continuity of the Company’s intangible assets is as follows:

<b>Cost</b>	<b>Intellectual Property</b>	<b>Development costs</b>	<b>Total</b>
Balance, January 31, 2019 and January 31, 2020	\$ 6,717,487	-	6,717,487
Additions	-	1,574,106	1,574,106
<b>Balance, October 31, 2020</b>	<b>\$ 6,717,487</b>	<b>1,574,106</b>	<b>8,291,593</b>
<b>Accumulated Amortization</b>			
Balance, January 31, 2019	\$ 542,920	-	542,920
Amortization	671,747	-	671,747
Balance, January 31, 2020	1,214,667	-	1,214,667
Amortization	504,271	-	504,271
<b>Balance, October 31, 2020</b>	<b>\$ 1,718,938</b>	<b>-</b>	<b>1,718,938</b>
<b>Net Book Value</b>			
<b>At January 31, 2020</b>	<b>\$ 5,502,820</b>	<b>-</b>	<b>5,502,820</b>
<b>At October 31, 2020</b>	<b>\$ 4,998,549</b>	<b>1,574,106</b>	<b>6,572,655</b>

### 10. 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>\$</b>	<b>68,948</b>
Depreciation expense		(63,645)
<b>At January 31, 2020</b>	<b>\$</b>	<b>5,303</b>
Depreciation expense		(5,303)
<b>At October 31, 2020</b>	<b>\$</b>	<b>-</b>

## International Battery Metals Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended October 31, 2020 and 2019

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### 10. Leases (continued)

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

<b>Lease liability</b>	<b>October 31, 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>October 31, 2020</b>	<b>October 31, 2019</b>
Interest on lease liabilities	\$ 46	\$ 3,627
Income from sub-leasing right-of-use asset	2,700	32,600
Expenses relating to short-term leases	3,193	13,298

<b>Amounts recognized in the statement of cash flows</b>	<b>October 31, 2020</b>	<b>October 31, 2019</b>
Interest paid	\$ 46	\$ 3,627
Principal payments on lease liabilities	5,572	50,564
Expenses relating to short-term leases	15,187	13,298
<b>Total cash outflows for leases</b>	<b>\$ 20,805</b>	<b>\$ 67,489</b>

### 11. 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 October 31, 2020, the Company had paid US \$180,000 (CAD \$239,711) (January 31, 2020 – CAD \$238,032) which is included in deferred acquisition costs. The remaining balance of US \$270,577 (CAD \$362,932) is due in fiscal 2021.

### 12. Trade Payables and Other Liabilities

	<b>October 31, 2020</b>	<b>January 31, 2020</b>
Trade payables	\$ 2,327,998	\$ 545,857
Accrued liabilities	166,434	94,570
	<b>\$ 2,494,432</b>	<b>\$ 640,427</b>

## **International Battery Metals Ltd.**

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended October 31, 2020 and 2019

(Expressed in Canadian dollars)

(Unaudited)

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### **13. Share Capital**

#### **Authorized**

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

#### **Issued and outstanding**

As at October 31, 2020, there were 88,971,166 (January 31, 2020 - 63,371,166) common shares issued and outstanding. Detail of the common shares are as follows:

*For the nine months ended October 31, 2020*

- On July 9, 2020, the Company closed a private placement and issued a total of 600,000 units at \$0.10 per unit for gross proceeds of \$60,000. This amount includes cash proceeds of \$47,000 from the issuance of 470,000 units and \$13,000 in debt settled from the issuance of 130,000 units. Each unit consisted of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one common share at a price of \$0.10 per share for a period of two years. The fair value of the warrants was \$29,935 and was calculated using the Black-Scholes Option Pricing Model. The Company incurred share issuance costs of \$1,847 associated with the financing.
- On October 21, 2020, the Company issued 25,000,000 common shares at \$0.10 via a private placement to Sorcia in exchange for total consideration of \$2,509,729 in cash and payments to consultants made by Sorcia on behalf of the Company to fund the design and construction of its first lithium extraction unit (Note 8). The fair value of the shares on the date issued was \$0.12 per share, \$3,000,000 in total, resulting in a loss on settlement of debt of \$490,271. The Company incurred share issuance costs of \$10,831 associated with the financing.

*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.

## **International Battery Metals Ltd.**

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended October 31, 2020 and 2019

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### **13. Share Capital (*continued*)**

- 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.
- 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.

### **14. 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 nine months ended October 31, 2020:*

- During the nine months ended October 31, 2020, a total of 130,000 stock options were forfeited due the departure of employees of the Company. As a result, the original share-based payment expense of \$61,212 was reversed from reserves and credited to deficit.
- On May 10, 2020, a total of 620,000 stock options expired. As a result, the original share-based payment expense of \$226,403 was reversed from reserves and credited to deficit.

## International Battery Metals Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

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(Unaudited)

### 14. 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 October 31, 2020:

Exercise price	Expiry date	Number of options outstanding and exercisable	Weighted-average remaining contractual life (years)
\$0.36	March 8, 2021	225,000	0.35
\$0.62	October 23, 2022	300,000	1.98
\$0.19	August 28, 2023	1,400,000	2.82
<b>Total</b>		<b>1,925,000</b>	<b>2.40</b>

### Warrants

As at October 31, 2020, share purchase warrants were outstanding as follows:

Exercise price	Expiry date	Number of warrants outstanding and exercisable	Weighted-average remaining contractual life (years)
\$0.16	November 7, 2020	1,000,000	0.02
\$0.14	August 23, 2021	3,333,334	0.81
\$0.14	September 19, 2021	2,857,142	0.88
\$0.14	September 23, 2021	476,190	0.90
\$0.14	December 13, 2021	3,000,000	1.12
\$0.14	January 22, 2022	2,912,621	1.23
\$0.10	July 9, 2023	600,000	2.69
<b>Total</b>		<b>14,179,287</b>	<b>1.00</b>

During the nine months ended October 31, 2020:

- During the nine months ended October 31, 2020, 7,316,077 warrants expired. As a result, \$1,470,955 was reversed from reserves and credited to share capital.

## International Battery Metals Ltd.

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### 14. Reserves (continued)

*During the year ended January 31, 2020:*

- During the year ended January 31, 2020, 3,440,000 warrants expired. As a result, \$541,777 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 which were expensed as a share-based payment expense to obtain a contract.

As at January 31, 2020, 300,000 special unit warrants were outstanding and exercisable. Each special unit warrant outstanding was exercisable at \$0.35 for a period of 24 months from the date of issuance into one common share and one share purchase warrant. On May 10, 2020, the special unit warrants expired unexercised. As a result, \$109,547 was reversed from reserves and credited to share capital.

#### *Derivative liability*

As all of the 12,579,287 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.

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	(406,337)
<b>Balance, October 31, 2020</b>	<b>681,518</b>



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### 14. 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
Granted	600,000	0.10	-	-
Expired/forfeited	(7,316,077)	0.70	(750,000)	0.37
<b>Outstanding and exercisable, October 31, 2020</b>	<b>14,179,287</b>	<b>0.14</b>	<b>1,925,000</b>	<b>0.28</b>

### Fair value determination

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

	Nine months ended October 31, 2020		Year-ended January 31, 2020	
	Options	Warrants	Options	Warrants
Risk-free interest rate	0.24%	1.33 – 1.74%	-	1.33 – 1.74%
Expected volatility	128%	122 - 133%	-	122 - 133%
Expected life (years)	3.00	2.00	-	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.

## International Battery Metals Ltd.

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### 15. 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:

<b>For the nine months ended October 31,</b>	<b>2020</b>		<b>2019</b>	
Management fees, salaries and benefits <sup>(1)</sup>	\$	339,840	\$	426,427
Directors' fees <sup>(1)</sup>		36,000		45,000
Consulting <sup>(2)</sup>		-		35,000
	\$	<u>375,840</u>	\$	<u>506,427</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.

During the nine months ended October 31, 2020, other related party transactions consisted of the following:

- Included in advertising and promotion expense is \$nil (2019 - \$35,000) paid to a former director for advertising services.
- Included in general and administrative expenses is \$27,000 (2019 - \$24,000) in consulting fees paid to a Company controlled by the spouse of the Company's CFO and director.
- Included in general and administrative expenses is \$20,500 (2019 - \$nil) in rent paid to a Company with two common directors.

#### Due from/to related parties

At October 31, 2020, \$122,416 (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 October 31, 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).

## International Battery Metals Ltd.

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### 16. General and administrative expenses

	Three months ended October 31,		Nine months ended October 31,	
	2020	2019	2020	2019
Bank charges and interest	\$ 2,285	\$ 626	\$ 2,957	\$ 1,789
Consulting fees (Note 15)	189,088	177,385	300,599	195,385
Depreciation	-	15,912	5,303	47,734
Filing fees	5,272	12,933	15,643	22,381
Foreign exchange loss (gain)	10,675	2,208	(16,414)	2,988
Management fees, salaries and benefits (Note 15)	137,188	232,044	391,224	608,647
Meals and entertainment and travel	(118)	1,776	9,649	2,079
Office and miscellaneous	4,811	8,648	16,451	22,198
Professional fees	17,649	142,759	88,199	297,442
Rent	5,972	7,943	15,159	21,241
	\$ (372,822)	\$ (602,234)	\$ (828,770)	\$ (1,221,884)

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

	For the nine months ended October 31,	
	2020	2019
Initial recognition of right-of-use assets	\$ -	\$ 68,949
Value of expired warrants transferred to share capital	\$ 1,580,502	\$ -
Value of forfeited/expired options transferred to deficit	\$ 287,615	\$ -
Shares issued for debt settlement	\$ 249,674	\$ -
Shares issued for equipment	\$ 573,159	\$ -
Shares issued for intangible assets	\$ 916,719	\$ -
Tax paid	\$ -	\$ -

### 18. 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.

## International Battery Metals Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

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### 18. Capital Risk Management (continued)

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 nine months ended October 31, 2020. The Company is not subject to externally imposed capital requirements and does not have exposure to asset-backed commercial paper or similar products.

### 19. Financial Instruments and Risk Management

#### Categories of financial instruments

	October 31, 2020	January 31, 2020
	\$	\$
<b>FINANCIAL ASSETS</b>		
<b>FVTPL, at fair value</b>		
Cash	299,565	393,224
<b>Other assets, at amortized cost</b>		
Amounts receivable	-	132
<b>Total financial assets</b>	<b>299,565</b>	<b>393,356</b>
<b>FINANCIAL LIABILITIES</b>		
<b>FVTPL, at fair value</b>		
Derivative liability	681,518	1,087,855
<b>Other liabilities, at amortized cost</b>		
Trade payables and other liabilities	2,494,432	640,427
Lease liability	-	5,572
<b>Total financial liabilities</b>	<b>3,175,950</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:

- 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.

## **International Battery Metals Ltd.**

Notes to the Condensed Consolidated Interim Financial Statements

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

#### **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 October 31, 2020, amounts receivable of \$4,441 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 October 31, 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 \$93,000 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.

### **20. 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.

### **21. Subsequent event**

On December 15, 2020, the Company issued 25,000,000 common shares at \$0.10 via a private placement to EVL Holdings, LLC ("EVL") for consideration of \$16,947 cash and \$2,483,053 in payments to consultants on behalf of the Company to fund the design and construction of its first lithium extraction unit (Note 8).