

# **International Battery Metals Ltd.**

Consolidated Financial Statements

(Expressed in Canadian dollars)

**For the years ended January 31, 2022 and 2021**

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of  
International Battery Metals Ltd.

### *Opinion*

We have audited the accompanying consolidated financial statements of International Battery Metals Ltd. (the "Company"), which comprise the consolidated statements of financial position as at January 31, 2022 and 2021, and the consolidated statements of income (loss) and comprehensive income (loss), changes in shareholders' equity, and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at January 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

### *Basis for Opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our opinion.

### *Material Uncertainty Related to Going Concern*

We draw attention to Note 1 of the consolidated financial statements, which indicates that as of January 31, 2022, the Company's accumulated deficit was \$24,805,923 and has a working capital deficiency of \$19,324,711. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### *Other Information*

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.



We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### ***Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### ***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Guy Thomas.

A handwritten signature in black ink that reads "Davidson & Company LLP". The signature is written in a cursive, flowing style.

Vancouver, Canada

Chartered Professional Accountants

June 14, 2022

## International Battery Metals Ltd.

Consolidated Statements of Financial Position

As at January 31, 2022 and 2021

(Expressed in Canadian dollars)

	Note	2022	2021
<b>ASSETS</b>			
<b>Current assets</b>			
Cash	21	\$ 336,175	\$ 212,213
Amounts receivable	5, 21	12,284	5,830
Prepaid expenses	6	5,092	106,594
<b>Total current assets</b>		<b>353,551</b>	<b>324,637</b>
Equipment	7	24,130,012	4,161,248
Intangible assets	8, 9	8,343,289	4,831,008
Deferred acquisition costs	11	-	229,967
<b>Total assets</b>		<b>\$ 32,826,852</b>	<b>\$ 9,546,860</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade payables and other liabilities	12, 15, 21	\$ 19,678,262	\$ 589,619
Derivative liability	14, 21	-	4,239,699
<b>Total liabilities</b>		<b>19,678,262</b>	<b>4,829,318</b>
<b>Shareholders' equity</b>			
Share capital	13	26,952,071	23,560,826
Obligation to issue shares	8, 13	5,426,022	895,470
Reserves	14	5,532,384	5,210,671
Deficit		(24,805,923)	(24,993,136)
Accumulated other comprehensive income		44,036	43,711
<b>Total shareholder's equity</b>		<b>13,148,590</b>	<b>4,717,542</b>
<b>Total liabilities and shareholders' equity</b>		<b>\$ 32,826,852</b>	<b>\$ 9,546,860</b>

Nature and Continuance of Operations (Note 1)

Contingency (Note 19)

Subsequent Events (Note 23)

Approved and Authorized by the Board on June 14, 2022:

“William Webster” Director

“John Burba” Director

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

## International Battery Metals Ltd.

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

For the years ended January 31, 2022 and 2021

(Expressed in Canadian dollars)

	Note	2022	2021
<b>Expenses</b>			
Amortization of intangible asset	9	\$ 1,383,809	\$ 671,812
General and administrative	15, 17	2,668,677	5,877,519
<b>Operating loss</b>		<b>(4,052,486)</b>	<b>(6,549,331)</b>
Change in fair value and derecognition of derivative liability	14	4,239,699	(3,151,844)
Other income		-	2,700
Finance costs		-	(46)
Loss on settlement of debt	13	-	(4,678,979)
<b>Net income (loss)</b>		<b>187,213</b>	<b>(14,377,500)</b>
<b>Other comprehensive income</b>			
Foreign currency translation adjustments		325	55,960
<b>Net and comprehensive income (loss)</b>		<b>\$ 187,538</b>	<b>\$ (14,321,540)</b>
<b>Income (loss) per share, basic and diluted</b>	13	<b>\$ 0.00</b>	<b>\$ (0.19)</b>
<b>Weighted average number of shares outstanding - basic</b>	13	<b>126,029,857</b>	<b>73,829,248</b>
<b>Weighted average number of shares outstanding - diluted</b>	13	<b>132,283,931</b>	<b>73,829,248</b>

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

## International Battery Metals Ltd.

Consolidated Statements of Cash Flows

For the years ended January 31, 2022 and 2021

(Expressed in Canadian dollars)

<b>Cash provided by (used in)</b>	<b>2022</b>	<b>2021</b>
<b>Cash flows used in operating activities</b>		
Net income (loss) for the year	\$ 187,213	\$ (14,377,500)
Non-cash transactions:		
Depreciation	484	5,303
Amortization of intangible asset	1,383,809	671,812
Share-based payments	456,619	4,526,778
Change in fair value and derecognition of derivative liability	(4,239,699)	3,151,844
Loss on settlement of debt	-	4,678,979
Unrealized foreign exchange	-	(35,139)
Finance costs	-	46
Changes in operating assets and liabilities:		
Amounts receivable	(6,454)	2,813
Prepaid expenses	101,502	(101,988)
Trade payables and other liabilities	1,347,764	315,316
<b>Net cash used in operating activities</b>	<b>(768,762)</b>	<b>(1,161,736)</b>
<b>Cash flows used in investing activities</b>		
Purchase of equipment	(1,297,905)	(209,706)
Purchase of intangible assets	(6,640)	-
<b>Net cash used in investing activities</b>	<b>(1,304,545)</b>	<b>(209,706)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issuance of shares and units	711,307	868,124
Share issuance costs	-	(15,196)
Proceeds from warrants exercised	1,363,832	-
Proceeds from options exercised	117,875	-
Principal payments on lease liability	-	(5,618)
Proceeds received in advance for shares to be issued	-	352,019
<b>Net cash provided from financing activities</b>	<b>2,193,014</b>	<b>1,199,329</b>
<b>Increase (decrease) in cash</b>	<b>119,707</b>	<b>(172,113)</b>
<b>Effect of foreign exchange rate changes on cash</b>	<b>4,255</b>	<b>(8,898)</b>
<b>Cash, beginning of year</b>	<b>212,213</b>	<b>393,224</b>
<b>Cash, end of year</b>	<b>\$ 336,175</b>	<b>\$ 212,213</b>

### Supplemental Disclosures with Respect to Cash Flows (Note 18)

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

## International Battery Metals Ltd.

Consolidated Statements of Changes in Shareholders' Equity

For the years ended January 31, 2022 and 2021

(Expressed in Canadian dollars)

	Common shares	Share capital	Reserves	Obligation to issue shares	Deficit	Accumulated other comprehensive income	Total equity
		\$	\$	\$	\$	\$	\$
<b>Balance at January 31, 2020</b>	<b>63,371,166</b>	<b>12,109,277</b>	<b>2,633,546</b>	<b>591,451</b>	<b>(10,903,251)</b>	<b>(12,249)</b>	<b>4,418,774</b>
Shares issued for							
Private placements	600,000	34,643	25,357	-	-	-	60,000
Warrants exercised	80,000	11,381	(3,381)	-	-	-	8,000
Share issue costs – cash	-	(15,196)	-	-	-	-	(15,196)
Shares issued to							
Sorcia Minerals LLC	25,000,000	2,843,364	-	-	-	-	2,843,364
EVL Holdings, LLC	25,000,000	6,845,343	-	-	-	-	6,845,343
Finder for acquisition	100,000	48,000	-	(48,000)	-	-	-
Subscriptions received in advance	-	-	-	352,019	-	-	352,019
Warrants expired	-	1,574,467	(1,574,467)	-	-	-	-
Special warrants expired	-	109,547	(109,547)	-	-	-	-
Options granted	-	-	4,526,778	-	-	-	4,526,778
Options forfeited/cancelled	-	-	(287,615)	-	287,615	-	-
Foreign currency translation	-	-	-	-	-	55,960	55,960
Net loss for the year	-	-	-	-	(14,377,500)	-	(14,377,500)
<b>Balance at January 31, 2021</b>	<b>114,151,166</b>	<b>23,560,826</b>	<b>5,210,671</b>	<b>895,470</b>	<b>(24,993,136)</b>	<b>43,711</b>	<b>4,717,542</b>
Shares issued for							
Private placements	4,664,306	1,422,613	-	-	-	-	1,422,613
Warrants exercised	13,099,287	1,737,827	(21,976)	(352,019)	-	-	1,363,832
Options exercised	425,000	230,805	(112,930)	-	-	-	117,875
SAL acquisition milestone payments	-	-	-	4,882,571	-	-	4,882,571
Options granted	-	-	456,619	-	-	-	456,619
Foreign currency translation	-	-	-	-	-	325	325
Net income for the year	-	-	-	-	187,213	-	187,213
<b>Balance at January 31, 2022</b>	<b>132,339,759</b>	<b>26,952,071</b>	<b>5,532,384</b>	<b>5,426,022</b>	<b>(24,805,923)</b>	<b>44,036</b>	<b>13,148,590</b>

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



# **International Battery Metals Ltd.**

Notes to the Consolidated Financial Statements

(Expressed in Canadian dollars)

**For the years ended January 31, 2022 and 2021**

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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 800, 543 Granville Street, Vancouver, British Columbia, V6C 1X8.

The Company is an advanced technology company focused on lithium extraction from salars, geothermal brines and oil field brines.

These consolidated 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. As at January 31, 2022 the Company’s accumulated deficit was \$24,805,923 and has a working capital deficiency of \$19,324,711. 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 consolidated 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.

## **2. Basis of Preparation**

The consolidated financial statements of the Company were approved and authorized for issue by the Board of Directors on June 14, 2022.

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

### **Statement of compliance**

The consolidated financial statements of the Company, including comparatives, have been prepared in accordance with and using accounting policies in full compliance with IFRS and International Accounting Standards (“IAS”) issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

# International Battery Metals Ltd.

Notes to the Consolidated Financial Statements

(Expressed in Canadian dollars)

**For the years ended January 31, 2022 and 2021**

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## 3. Summary of Significant Accounting Policies

### **Basis of consolidation**

In addition to the Company, the consolidated financial statements incorporate the financial statements of its wholly owned subsidiaries in the United States, IBAT USA, Inc. and Selective Adsorption Lithium, Inc. (“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.

### **Equipment**

Equipment is recorded at cost less accumulated depreciation and impairment losses. The Company provides for depreciation over the expected useful life of the assets. No depreciation is recorded on assets under construction. Costs include expenditures that are directly attributable to the acquisition of the asset or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company. Subsequent costs are included in the asset’s carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. The estimated useful lives of assets are reviewed by management and adjusted if necessary. Repairs and maintenance costs are charged to profit or loss during the period they are incurred.

Computer equipment is depreciated using the straight-line method over 5 years. The lithium extraction unit is still under construction and not in use, as a result no depreciation is recorded.

### **Intangible assets**

Intangible assets include patented technology acquired by the Company and have finite useful lives measured at cost less accumulated amortization and any accumulated impairment losses. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are recognized in profit or loss as incurred. Amortization is recorded using the straight-line method and is intended to amortize the cost of the assets over their estimated useful lives as follow:

- Patents 20 years
- Intellectual property 10 years

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

The Company assesses the carrying values of its intangible assets annually or more frequently if warranted by a change in circumstances. If it is determined that carrying values of assets cannot be recovered, the unrecoverable amounts are charged against current earnings. Recoverability is dependent upon assumptions and judgements regarding market conditions, costs of production and sustaining capital requirements. Other assumptions used in the calculation of recoverable amounts are discount rates, and future cash flows. A material change in assumptions may significantly impact the potential impairment of these assets. Determining if there are any facts and circumstances indicating impairment loss is a subjective process involving judgment and a number of estimates and interpretations in many cases.

## **International Battery Metals Ltd.**

Notes to the Consolidated Financial Statements

(Expressed in Canadian dollars)

**For the years ended January 31, 2022 and 2021**

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

#### **Deferred acquisition costs**

Costs related to the acquisition of equipment are deferred until such time that the Company obtains control over the equipment.

#### **Foreign currency**

The functional and presentation currency of the Company and SAL is the Canadian dollar. Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on dates of transactions. At each financial position reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at rates prevailing at the statement of financial position date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. The Company has determined that the functional currency of its foreign subsidiary, IBAT USA, Inc., is the United States dollar. Assets and liabilities are translated to the presentation currency at year-end foreign exchange rates and the results of their operations are translated at average foreign exchange rates for the year. The resulting translation adjustments are included in other comprehensive income (loss).

#### **Research and development**

Research costs are expensed in the period in which they are incurred. Development costs are expensed in the period in which they are incurred unless certain criteria, including technical feasibility, commercial feasibility, intent and ability to develop and use the technology, are met for capitalization and amortization. Costs incurred in obtaining licenses are recorded at cost less accumulated amortization and any impairment losses.

#### **Earnings (loss) per share**

Basic earnings (loss) per share is computed by dividing the net earnings (loss) attributable to common shareholders by the weighted average number of common shares outstanding during the reporting period. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that (i) net earnings (loss) attributable to common shareholders are adjusted for fair value gains or losses of warrants (if dilutive) and (ii) the weighted average number of common shares outstanding is adjusted for the number of shares that are potentially issuable in connection with stock options and warrants (if dilutive). The Company assumes that outstanding dilutive stock options and warrants were exercised and that the proceeds from such exercises (after adjustment of any unvested portion of stock options) were used to acquire common stock at the average market price during the reporting periods. For the year ended January 31, 2021, this calculation proved to be anti-dilutive.

## **International Battery Metals Ltd.**

Notes to the Consolidated Financial Statements

(Expressed in Canadian dollars)

**For the years ended January 31, 2022 and 2021**

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

#### **Share capital / warrants**

Share issuance costs are recorded as a reduction of share capital when the related shares are issued. When shares and warrants are issued together as units the proceeds are allocated between common share and share purchase warrants on a pro-rata basis based on relative fair values at the date of issuance. The fair value of common shares is based on the market closing price on the date the units are issued and the fair value of share purchase warrants is determined using the Black-Scholes Option Pricing Model as of the date of issuance. When compensation options are issued to agents who refer investors to the Company, their fair value is determined using the Black-Scholes Option Pricing Model as of the date of issuance. The fair value of compensation options is recorded as a reduction of share capital as share issuance costs. When a warrant is exercised, forfeited or expires, the initial value recorded is reversed from reserves and credited to share capital.

#### **Share-based payments**

Share-based payments to employees are measured at the fair value of the instruments issued and recognized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued if it is determined the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received. The corresponding amount is recorded to the stock option reserve or share capital. The fair value of options is determined using the Black-Scholes Option Pricing Model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that will eventually vest. Over the vesting period, share-based payments are recorded as an operating expense and as reserves. When options are exercised, the consideration received is recorded as share capital and the related share-based payments originally recorded as reserves are transferred to share capital. When an option is forfeited or expires, the initial recorded value is reversed from reserves and credited to deficit.

The Company grants restricted share units (“RSUs”) to eligible directors, officers, employees, and consultants of the Company. The fair value of the estimated number of RSUs that will eventually vest, determined at the date of grant, is recognized as share-based payments expense over the vesting period, with a corresponding amount recorded as equity. The fair value of the RSUs is estimated using the market value of the underlying shares as well as assumptions related to the market and non-market conditions at the grant date.

#### **Income taxes**

Current tax expense is based on the results for the year as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period, adjusted for amendments if any, to tax payable from previous years. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established, where appropriate, on the basis of amounts expected to be paid to tax authorities.

Deferred tax is calculated based on all temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

## **International Battery Metals Ltd.**

Notes to the Consolidated Financial Statements

(Expressed in Canadian dollars)

**For the years ended January 31, 2022 and 2021**

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

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the reporting date.

#### **Financial instruments**

##### ***Recognition, classification and measurement***

Financial assets are classified and measured based on the business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. IFRS 9 contains three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income ("FVTOCI") and fair value through profit and loss ("FVTPL"). Financial assets are recognized in the statements of financial position if the Company has a contractual right to receive cash or other financial assets from another entity. Financial assets are derecognized when the rights to receive cash flows from the asset have expired or were transferred and the Company has transferred substantially all risks and rewards of ownership.

All financial liabilities are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instruments. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

Financial instruments are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

The Company has classified its amounts receivable and trade payables and other liabilities as financial assets and financial liabilities measured at amortized cost. Such assets and liabilities are recognized initially at fair value inclusive of any directly attributable transaction costs and subsequently carried at amortized cost using the effective interest method, less any impairment losses. Cash was measured at FVTPL.

Financial assets and financial liabilities are offset and the net amount presented in the statements of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

## **International Battery Metals Ltd.**

Notes to the Consolidated Financial Statements

(Expressed in Canadian dollars)

**For the years ended January 31, 2022 and 2021**

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

Derivatives are carried at fair value and are reported as assets when they have a positive fair value and as liabilities when they have a negative fair value. Changes in the fair values of derivative financial instruments are reported in profit or loss. The Company issued warrants exercisable in a currency other than the Company's functional currency and as a result, these warrants were derivative financial instruments.

#### ***Impairment of financial assets***

The Company recognizes loss allowances for expected credit losses on financial assets measured at amortized cost. Loss allowances for accounts receivables are always measured at an amount equal to lifetime expected credit losses if the amount is not considered fully recoverable. A financial asset carried at amortized cost is considered credit-impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Individually significant financial assets are tested for credit-impairment on an individual basis. The remaining financial assets are assessed collectively.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

In assessing collective impairment, the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

Losses are recognized in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed.

#### **Related party transactions**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

#### **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.

## **International Battery Metals Ltd.**

Notes to the Consolidated Financial Statements

(Expressed in Canadian dollars)

**For the years ended January 31, 2022 and 2021**

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

The preparation of the Company's consolidated 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 consolidated 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.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods are outlined below.

- The Company has determined that intangible asset costs incurred which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including anticipated cash flows and estimated economic life. The amortization expense related to intangible assets is determined using estimates relating to the useful life of the intangible asset.
- The Company reviews the carrying amounts of its equipment when events or changes in circumstances indicate the asset may not be recoverable. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Impairment exists when the carrying value of an asset exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. These calculations are based on available date, other observable inputs and projections of cash flows, all of which are subject to estimates and assumptions.
- The Company uses the Black-Scholes Option Pricing Model for valuation of share-based payments and derivative liabilities. The valuation techniques require the input of subjective assumptions including expected price volatility, interest rate, forfeiture rate, dividend yield and expected life. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.
- The Company estimates the expected manner and timing of the realization or settlement of the carrying value of its assets and liabilities and applies the tax rates that are enacted or substantively enacted on the estimated dates of realization or settlement. In assessing the probability of realizing income tax assets, management makes estimates related to expectations of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities.

Judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements are outlined below.

- Critical judgment is involved in determining whether there are any indications of impairment for the intangible assets and may require significant measurement uncertainty.

## International Battery Metals Ltd.

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### 4. Significant Accounting Judgments, Estimates and Assumptions (continued)

- The functional currency for the Company and its subsidiaries is the currency of the primary economic environment in which the entity operates. Determination of the functional currency involves certain judgments to determine the primary economic environment and the Company reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment. The Company has determined that the functional currency of the parent company and SAL is the Canadian dollar. The functional currency of its subsidiary, IBAT USA, Inc., has been determined to be the United States dollar.
- Significant judgment is involved in evaluating whether milestone performance share payments in the acquisition of SAL were probable of being achieved at the time of acquisition and how to account for them in an asset acquisition. The Company recognizes the fair value of contingently issuable shares and has classified it as equity. Contingently issuable shares are measured at fair value based on management's best estimate of the probability of the attainment of specified milestones. Changes in management's estimate of the probability of achieving the specified milestones could have a material impact on the valuation of the contingently issuable shares.
- These consolidated financial statements have been prepared on a basis which assumes the Company will continue to operate for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. In assessing whether this assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, 12 months from the end of the reporting period. This assessment is based upon planned actions that may or may not occur for a number of reasons including the Company's own resources and external market conditions.

### 5. Amounts Receivable

	January 31, 2022	January 31, 2021
GST receivable	\$ 12,284	\$ 5,830

### 6. Prepaid Expenses

	January 31, 2022	January 31, 2021
Prepaid expenses	\$ 5,092	\$ 106,594

As at January 31, 2022, the prepaid expenses included a balance of USD \$Nil (January 31, 2021 - USD\$81,072 (CAD\$103,578)), which were incurred for consulting purposes on the lithium extraction unit.

### 7. Equipment

During the year ended January 31, 2022, \$13,289,637 (January 31, 2021 - \$1,425,286) was paid or accrued by Sorcia Minerals LLC ("Sorcia") and \$3,282,533 (January 31, 2021 - \$2,480,639) was paid or accrued by EVL Holdings LLC ("EVL") to engineers, consultants, and fabricators on the Company's behalf (Note 12). EVL and Sorcia are related parties to the Company by virtue of significant shareholdings. As the lithium extraction unit is not yet completed, no depreciation has been recorded.



## International Battery Metals Ltd.

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### 7. Equipment (continued)

<b>Cost</b>	<b>Lithium extraction unit</b>	<b>Computer</b>	<b>Total</b>
Balance, January 31, 2020	\$ -	\$ -	\$ -
Additions	4,158,827	2,421	4,161,248
Balance, January 31, 2021	4,158,827	2,421	4,161,248
Additions	19,969,248	-	19,969,248
<b>Balance, January 31, 2022</b>	<b>\$ 24,128,075</b>	<b>\$ 2,421</b>	<b>\$ 24,130,496</b>

  

<b>Accumulated Depreciation</b>	<b>Lithium extraction unit</b>	<b>Computer</b>	<b>Total</b>
Balance, January 31, 2020 and 2021	\$ -	\$ -	\$ -
Depreciation	-	484	484
<b>Balance, January 31, 2022</b>	<b>\$ -</b>	<b>\$ 484</b>	<b>\$ 484</b>

  

<b>Net Book Value</b>	<b>Lithium extraction unit</b>	<b>Computer</b>	<b>Total</b>
Balance, January 31, 2021	\$ 4,158,827	\$ 2,421	\$ 4,161,248
<b>Balance, January 31, 2022</b>	<b>\$ 24,128,075</b>	<b>\$ 1,937</b>	<b>\$ 24,130,012</b>

### 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”).

At the closing of the asset purchase transaction the Company issued 4,700,000 common shares with a fair value of \$2,256,000 as of the date of closing the asset purchase transaction. As part of the transaction, the Company also granted a 5% production income royalty to NAL on future product income.

The additional 20,609,488 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:

## International Battery Metals Ltd.

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

Milestone	Number of performance shares to be issued
i) Shares on SAL and the Company filing three U.S. or foreign patent applications with respect to intellectual property (filings completed)	4,000,000
ii) Shares on SAL and the Company filing three additional patents with respect to intellectual property (filings completed)	5,536,496
iii) Shares on SAL and the Company filing three additional patents with respect to intellectual property (filings completed)	5,536,496
iv) 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

The Milestone Shares were contingently issuable, and their fair value at the time of the acquisition 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 upon the satisfaction of Milestone (iv) above and transferred \$2,657,734 from obligation to issue shares to share capital.

During the year ended January 31, 2022, the Company satisfied all Milestones related to the original acquisition of assets. As a result, the fair value of the obligation of the Milestone Shares was re-valued to \$5,426,022. The increase in the fair value of the Milestone Shares of \$4,882,571 has also been reflected as an addition to the Company's Intellectual Property (Note 9).

In November 2018, the Company entered into licensing agreements as amended with Ensorcia Metals Corporation ("Ensorcia") and its wholly-owned subsidiaries, 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. On February 4, 2021, the Company exchanged its ten percent (10%) interest in Sorcia and EAL for a ten percent (10%) participation interest in each of Sorcia's and EAL's future resource projects or lithium extraction facility where IBAT licensed rights are utilized. Ensorcia is a related party of the Company by virtue of significant shareholdings. The agreements can be terminated by the Company if the first extraction system is not installed or operational by December 31, 2023 with Sorcia and EAL.

The investments in Sorcia and EAL were accounted for as investments carried at FVTPL whose fair value at January 31, 2021 was \$Nil. The Company exchanged its ten percent interest in Sorcia and EAL for a ten percent (10%) participation interest in Sorcia's and EAL's future resource projects which had a net value of \$Nil at January 31, 2022.

## International Battery Metals Ltd.

Notes to the Consolidated Financial Statements

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### 9. Intangible Assets

Upon completion of the Acquisition (Note 8), the Company acquired certain intellectual property (the “Intellectual Property”), from the former shareholders of SAL. A continuity of the Company’s intangible assets is as follows:

<b>Cost</b>	<b>Intellectual property - SAL</b>		<b>Patent</b>	<b>Total</b>
Balance, January 31, 2020 and 2021	\$	6,717,487	\$ -	\$ 6,717,487
Additions		4,882,571	13,519	4,896,090
<b>Balance, January 31, 2022</b>	<b>\$</b>	<b>11,600,058</b>	<b>\$ 13,519</b>	<b>\$ 11,613,577</b>

  

<b>Accumulated Amortization</b>	<b>Intellectual property - SAL</b>		<b>Patent</b>	<b>Total</b>
Balance, January 31, 2020	\$	1,214,667	\$ -	\$ 1,214,667
Amortization		671,812	-	671,812
Balance, January 31, 2021		1,886,479	-	1,886,479
Amortization		1,383,731	78	1,383,809
<b>Balance, January 31, 2022</b>	<b>\$</b>	<b>3,270,210</b>	<b>\$ 78</b>	<b>\$ 3,270,288</b>

  

<b>Net Book Value</b>	<b>Intellectual property - SAL</b>		<b>Patent</b>	<b>Total</b>
At January 31, 2021	\$	4,831,008	\$ -	\$ 4,831,008
<b>At January 31, 2022</b>	<b>\$</b>	<b>8,329,848</b>	<b>\$ 13,441</b>	<b>\$ 8,343,289</b>

### 10. Leases

The Company’s lease liability consists of a single lease for office space. The lease has imputed interest rate of 10% per annum and expired in February 2020. The Company’s lease liability as at January 31, 2022 and January 31, 2021 was \$Nil.

<b>Amounts recognized in profit or loss</b>	<b>January 31, 2022</b>		<b>January 31, 2021</b>	
Interest on lease liability	\$	-	\$	46
Income from sub-leasing right-of-use asset		-		2,700
Expenses relating to short-term leases		-		3,193
Depreciation on right-of-use asset		-		5,303

  

<b>Amounts recognized in the statement of cash flows</b>	<b>January 31, 2022</b>		<b>January 31, 2021</b>	
Interest paid	\$	-	\$	46
Principal payments on lease liability		-		5,572
Expenses relating to short-term leases		-		3,193
<b>Total cash outflows for leases</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>8,811</b>

## International Battery Metals Ltd.

Notes to the Consolidated Financial Statements

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**For the years ended January 31, 2022 and 2021**

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### 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. As at January 31, 2022, the Company had paid \$1,125,138 (US\$884,067) (January 31, 2021 - \$229,967 (US\$180,000)).

A continuity of the Company's deferred acquisition costs is as follows:

Balance, January 31, 2020	\$	238,032
Translation adjustment		(8,065)
Balance, January 31, 2021		229,967
Additions		896,046
Transfer to Lithium Extraction Unit		(1,125,138)
Translation adjustment		(875)
<b>Balance, January 31, 2022</b>	<b>\$</b>	<b>-</b>

### 12. Trade Payables and Other Liabilities

	<b>January 31, 2022</b>	<b>January 31, 2021</b>
Trade payables <sup>(1)</sup>	\$ 6,697,211	\$ 352,829
Accrued liabilities <sup>(2)</sup>	12,981,051	236,790
	<b>\$ 19,678,262</b>	<b>\$ 589,619</b>

<sup>(1)</sup> Included in trade payables is \$1,272,732 owed to EVL (January 31, 2021 - \$Nil) and \$2,043,942 owed to Sorcia (January 31, 2021 - \$Nil) (Note 15).

<sup>(2)</sup> Included in accrued liabilities is \$2,009,801 (January 31, 2021 - \$Nil) owed to EVL and \$10,534,389 (January 31, 2021 - \$Nil) owed to Sorcia (Note 15).

### 13. Share Capital

#### Authorized

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

#### Issued and outstanding

*For the year ended January 31, 2022, the Company:*

- a) On February 8, 2021, issued a total of 3,333,333 common shares to Ensorcia on the exercise of warrants for cash proceeds of \$94,192 (US\$73,500) and the application of \$352,019 (US\$276,500) from obligation to issue shares.
- b) On February 26, 2021, issued 225,000 common shares on the exercise of stock options for gross proceeds of \$79,875 which resulted in a transfer from equity reserves to share capital of \$75,746.

## **International Battery Metals Ltd.**

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(Expressed in Canadian dollars)

**For the years ended January 31, 2022 and 2021**

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

- c) On March 4, 2021, issued a total of 4,664,306 common shares at \$0.305 per share for the exercise of the pre-emptive rights under the private placement closed in August 2019. Under the terms of the private placement closed in August 2019, the placees were granted a pre-emptive right for two years from closing, in respect of any equity securities issuance by the Company, to purchase at fair market value the amount of securities required to maintain their percentage holding of the Company. The share price was based on the 30-day average market closing price for the 30 days prior to the Company sending a notice to the placees of their rights to exercise the pre-emptive rights. The Company has received a total of \$711,307 for 2,332,153 common shares issued at \$0.305 per share. The other 2,332,153 common shares were issued to Ensorcia in exchange for \$711,306 of payments made by Sorcia on behalf of the Company.
- d) Issued 1,666,667 common shares and 1,666,666 common shares on March 18, 2021 and March 31, 2021 respectively on the exercise of warrants for gross proceeds of \$435,166 (US\$350,000).
- e) On June 23, 2021, issued 50,000 common shares on the exercise of warrants for gross proceeds of \$5,000.
- f) On July 7, 2021, issued 470,000 common shares on the exercise of warrants for gross proceeds of \$47,000 which resulted in a transfer from equity reserves to share capital of \$21,976.
- g) On August 11, 2021, issued 200,000 common shares on the exercise of stock options for gross proceeds of \$38,000 which resulted in a transfer from equity reserves to share capital of \$37,184.
- h) On December 6, 2021, issued 5,912,621 common shares on the exercise of warrants for gross proceeds of \$782,473 (US\$609,000).

*For the year ended January 31, 2021:*

- a) 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. 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 \$25,357 and was calculated using the Black-Scholes Option Pricing Model. The Company incurred share issuance costs of \$1,847 associated with the financing.
- b) On October 21, 2020, the Company issued 7,831,770 common shares to Sorcia for \$783,177 cash and 17,168,230 common shares to Sorcia in exchange for consideration of \$1,726,552 for payments to consultants on behalf of the Company to fund the design and construction of its first lithium extraction unit (Note 7). The fair value of 17,168,230 common shares on the date issued was \$2,060,188 resulting in a loss on settlement of debt of \$333,636. The Company incurred share issuance costs of \$10,831 associated with the financing.

## International Battery Metals Ltd.

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(Expressed in Canadian dollars)

**For the years ended January 31, 2022 and 2021**

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### 13. Share Capital (continued)

- c) On December 15, 2020, the Company issued 169,470 common shares to EVL for \$16,947 cash and 24,830,530 common shares to EVL in exchange for consideration of \$2,483,053 for payments to consultants on behalf of the Company to fund the design and construction of its first lithium extraction unit (Note 7). The fair value of the shares on the date issued was \$6,828,396 resulting in a loss on settlement of debt of \$4,345,343. The Company incurred share issuance costs of \$1,412 associated with the financing.
- d) On January 5, 2021, the Company issued 100,000 common shares as finder's fee for the Acquisition (Note 8) which resulted in a transfer from obligation to issue shares to share capital of \$48,000.
- e) On January 6, 2021, the Company issued 80,000 common shares for 80,000 warrants exercised at \$0.10 per share for proceeds of \$8,000 which resulted in a transfer from equity reserve to share capital of \$3,381.
- f) During the year ended January 31, 2021, the Company received \$352,019 (US\$276,500) for warrants exercised on February 8, 2021 and was recorded as an obligation to issue shares as at January 31, 2021.

### Weighted average breakdown

#### Per share amounts

<b>For the year ended January 31,</b>	<b>2022</b>	<b>2021</b>
Weighted average number of shares outstanding:		
Issued common shares as at February 1	114,151,166	63,371,166
Effect of common shares issued during the year	11,878,691	10,458,082
Weighted average number of shares outstanding - basic	126,029,857	73,829,248
Dilutive effect of options	6,254,074	-
Weighted average number of shares outstanding – diluted	132,283,931	-
Income (loss) per share – basic and diluted	\$ 0.00	\$ (0.19)

### 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.

## International Battery Metals Ltd.

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### 14. Reserves (continued)

*During the year ended January 31, 2022:*

- On February 26, 2021, 225,000 stock options were exercised which resulted in a transfer from equity reserves to share capital of \$75,746 (Note 13).
- On June 15, 2021, 400,000 stock options were issued to directors and advisory board members of the Company. The fair value of the options of \$203,395 was recorded as share-based payment expense included in general and administrative expenses and was calculated using the Black-Scholes Option Pricing Model.
- On August 11, 2021, 200,000 stock options were exercised which resulted in a transfer from equity reserves to share capital of \$37,184 (Note 13).
- On January 21, 2022, 320,000 stock options were issued to consultants of the Company. The fair value of the options of \$253,224 was recorded as share-based payment expense included in general and administrative expenses and was calculated using the Black-Scholes Option Pricing Model.

*During the year ended January 31, 2021:*

- The Company granted 8,148,500 stock options to the directors and consultants of the Company. The fair value of the options of \$4,526,778 was recorded as share-based payment expense included in general and administrative expenses and was calculated using the Black-Scholes Option Pricing Model.
- A total of 130,000 stock options were forfeited due to 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.

The following table summarizes information regarding stock options outstanding and exercisable as at January 31, 2022:

<b>Exercise price</b>	<b>Expiry date</b>	<b>Number of options outstanding</b>	<b>Number of options exercisable</b>	<b>Weighted-average remaining contractual life (years)</b>
\$0.62	October 23, 2022	300,000	300,000	0.73
\$0.19	August 28, 2023	1,200,000	1,200,000	1.57
\$0.38	January 5, 2026	8,148,500	8,148,500	3.93
\$0.57	June 15, 2026	400,000	400,000	4.37
\$3.19	January 21, 2027	320,000	80,000	4.98
		<b>10,368,500</b>	<b>10,128,500</b>	<b>3.61</b>

## International Battery Metals Ltd.

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(Expressed in Canadian dollars)

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### 14. Reserves (continued)

#### Warrants

As of January 31, 2022, all share purchase warrants were exercised and none were outstanding.

*During the year ended January 31, 2022:*

- A total of 6,666,666 warrants were exercised at US\$0.105 per share (Note 13). These warrants were exercisable in a currency other than the Company's functional currency and were initially recorded as a derivative liability.
- A total of 5,912,621 warrants were exercised at US\$0.103 per share (Note 13). These warrants were exercisable in a currency other than the Company's functional currency and were initially recorded as a derivative liability.
- A total of 520,000 warrants were exercised at CAD \$0.10 per share. As a result, \$21,976 was reversed from reserves and credited to share capital.

*During the year ended January 31, 2021:*

- A total of 8,316,077 warrants expired. As a result, \$1,574,467 was reversed from reserves and credited to share capital.

#### *Derivative liability*

During the year ended January 31, 2020, the Company issued a total of 12,579,287 warrants exercisable in a currency other than the Company's functional currency. These warrants have been accounted for as a derivative liability. During the year ended January 31, 2022, all 12,579,287 warrants were exercised. At the settlement dates, the warrants were re-valued using the Black-Scholes Option Pricing Model.

The Company's derivative liability arose as a result of the issuance of warrants exercisable in United States dollars. As the denomination was different from the Company's Canadian dollar functional currency, the Company recognized a derivative liability for these warrants and remeasured 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, 2020	\$	1,087,855
Change in fair value		3,151,844
Balance, January 31, 2021		4,239,699
Derecognition and fair value change upon exercise		(4,239,699)
<b>Balance, January 31, 2022</b>	<b>\$</b>	<b>-</b>



## International Battery Metals Ltd.

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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
Balance, January 31, 2020	20,895,364	\$ 0.34	2,675,000	\$ 0.30
Granted	600,000	0.10	8,148,500	0.38
Exercised	(80,000)	0.10	-	-
Expired/forfeited	(8,316,077)	0.63	(750,000)	0.37
Balance, January 31, 2021	13,099,287	0.13	10,073,500	0.36
Granted	-	-	720,000	1.73
Exercised	(13,099,287)	0.13	(425,000)	0.28
<b>Balance, January 31, 2022</b>	<b>-</b>	<b>\$ -</b>	<b>10,368,500</b>	<b>\$ 0.46</b>

#### Fair value determination

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

	Year-ended January 31, 2022		Year-ended January 31, 2021	
	Options	Warrants	Options	Warrants
Risk-free interest rate	0.84 – 1.62%	0.03 – 0.12%	0.39%	0.11 – 0.24%
Expected volatility	137 – 143%	157 – 539%	192%	128 – 165%
Expected life (years)	5.00	0.02 – 0.62	5.00	0.56 – 3.00
Expected dividend yield	0.00%	0.00%	0.00%	0.00%

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

#### Restricted Share Unit Plan

On November 25, 2020, the Company adopted a restricted share unit plan (the "RSU Plan") which allows for certain discretionary bonuses and similar awards, related to the achievement of long-term financial and strategic objectives of the Company, to be provided to eligible directors, officers, employees and consultants of the Company. The RSU 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 RSU Plan shall not exceed 10% of the number of common shares of the Company issued and outstanding as of each award date. As at January 31, 2022 and 2021 there are no restricted share units issued and outstanding.

## International Battery Metals Ltd.

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**For the years ended January 31, 2022 and 2021**

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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 year ended January 31,</b>		<b>2022</b>		<b>2021</b>
Management fees, salaries and benefits <sup>(1)</sup>	\$	430,556	\$	447,599
Directors' fees <sup>(1)</sup>		56,500		48,000
Share-based payments <sup>(1)</sup>		101,697		4,471,225
	\$	588,753	\$	4,966,824

<sup>(1)</sup> Management fees, salaries and benefits, directors fees and share-based payments are included in general and administrative expense.

During the year ended January 31, 2022 and 2021, other related party transactions consisted of the following:

- Included in general and administrative expenses is \$36,000 (2021 - \$36,000) in consulting fees paid to a company controlled by the spouse of the Company's CFO.
- Included in general and administrative expenses is \$24,000 (2021 - \$18,882) in rent paid to a Company with two common directors.
- Issued 2,332,153 common shares valued at \$711,306 to Ensorcia, to settle payments made on behalf of the Company (Note 13).

#### Due from/to related parties

At January 31, 2022, \$16,265,891 (2021 - \$124,479) was due to directors and former directors and related parties and is included in trade payables and accrued liabilities. The amounts are unsecured, non-interest bearing and due on demand.

During the year ended January 31, 2021, the Company issued 100,000 shares with a fair value of \$57,000 (Note 13) 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 8).

During the year ended January 31, 2021, Ensorcia, Sorcia and EVL became significant shareholders of the Company. At January 31, 2022, \$12,578,331 (2021 - \$Nil) was owed to Sorcia and \$3,282,533 (2021 - \$Nil) was owed to EVL. These balances owing were a result of Sorcia and EVL making payments on the Company's behalf for the development of the lithium extraction unit.

During the year ended January 31, 2022, the Company issued 2,332,153 common shares to Ensorcia at a value of \$711,306 for payments made by Ensorcia on behalf of the Company (Note 13).

## International Battery Metals Ltd.

Notes to the Consolidated Financial Statements

(Expressed in Canadian dollars)

**For the years ended January 31, 2022 and 2021**

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### 16. Income Taxes

#### Provision for income taxes

The provision (recovery) for income taxes differs from the amount that would have resulted by applying the combined Canadian federal and provincial statutory tax rates.

	For the year ended January 31, 2022 \$	For the year ended January 31, 2021 \$
Income (loss) before income taxes	187,213	(14,377,500)
Expected income tax (recovery)	51,000	(3,882,000)
Change in statutory, foreign exchange rates and other	(101,000)	(84,000)
Permanent differences	(668,000)	3,488,000
Share issuance cost	-	(4,000)
Adjustment to prior years provision versus statutory tax return	52,000	
Change in unrecognized deductible temporary differences	666,000	482,000
Income tax recovery	-	-

#### Deferred tax balances

The significant components of the Company's unrecorded deferred tax assets are as follows:

	As at January 31, 2022 \$	As at January 31, 2021 \$
Non-capital loss carryforward	2,845,000	2,333,000
Property and equipment	(47,000)	-
Exploration and evaluation properties	173,000	173,000
Intangible assets	362,000	298,000
Allowable capital losses	1,000	-
Share issue costs	33,000	63,000
Unrecognized deferred tax assets	3,367,000 (3,367,000)	2,867,000 (2,867,000)
Net deferred tax assets	-	-

As at January 31, 2022, the Company had non-capital tax loss carryforwards in Canada of \$8,812,000 which can be applied to reduce future Canadian taxable income and will expire between 2031 and 2042. In addition, the Company had net operating tax loss carryforwards in the United States of \$1,895,000 (USD \$1,489,000) which can be applied to reduce future U.S. taxable income and will expire in between 2039 and 2042.

## International Battery Metals Ltd.

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**For the years ended January 31, 2022 and 2021**

### 17. General and Administrative Expenses

	For the year ended January 31, 2022	For the year ended January 31, 2021
Advertising and promotion	\$ 196,798	\$ 1,347
Bank charges and interest	49,183	4,893
Consulting fees (Note 15)	514,742	469,830
Depreciation (Note 7)	484	5,303
Filing fees	34,337	31,620
Foreign exchange loss	72,216	32,869
Management fees, salaries and benefits (Note 15)	514,894	510,910
Meals and entertainment	2,358	9,527
Office and miscellaneous	180,630	25,429
Professional fees	625,416	237,883
Rent	21,000	21,130
Share-based payments (Note 14, 15)	456,619	4,526,778
	<b>\$ 2,668,677</b>	<b>\$ 5,877,519</b>

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

	For the year ended January 31, 2022	For the year ended January 31, 2021
Equipment purchases included in trade payables and other liabilities	\$ 2,581,387	\$ -
Equipment purchases included in amounts owed to EVL	\$ 3,282,533	\$ -
Equipment purchases included in amounts owed to Sorcia	\$ 12,578,331	\$ -
Obligation to issue shares	\$ 4,882,571	\$ -
Patent costs included in trade payables and other liabilities	\$ 6,879	\$ -
Value of exercised options transferred to share capital	\$ 112,930	\$ -
Value of exercised warrants transferred to share capital	\$ 21,976	\$ -
Value of expired warrants transferred to share capital	\$ -	\$ 1,574,467
Value of expired special warrants transferred to share capital	\$ -	\$ 109,547
Value of forfeited/expired options transferred to deficit	\$ -	\$ 287,615
Shares issued for debt settlement	\$ 711,306	\$ 301,266
Shares issued for equipment	\$ -	\$ 3,905,924
Shares issued as finder's fee for the acquisition	\$ -	\$ 48,000

### 19. Contingency

In April 2021, former Company employees and directors and a company which they control, filed a complaint in the United States District Court for the District of Colorado against the Company for alleged wrongful dismissal and breach of share exchange agreement (Note 8). The Company is objecting to the complaint and has retained counsel to address. The amounts and outcome of the complaint cannot be determined at this time and has not been accrued for in the consolidated financial statements for the year ended January 31, 2022.

## International Battery Metals Ltd.

Notes to the Consolidated Financial Statements

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**For the years ended January 31, 2022 and 2021**

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### 20. 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 year ended January 31, 2022. The Company is not subject to externally imposed capital requirements and does not have exposure to asset-backed commercial paper or similar products.

### 21. Financial Instruments and Risk Management

#### Categories of financial instruments

	January 31, 2022	January 31, 2021
<b>FINANCIAL ASSETS</b>	\$	\$
<b>FVTPL, at fair value</b>		
Cash	336,175	212,213
<b>Other assets, at amortized cost</b>		
Amounts receivable	12,284	5,830
<b>Total financial assets</b>	<b>348,459</b>	<b>218,043</b>
<b>FINANCIAL LIABILITIES</b>		
<b>FVTPL, at fair value</b>		
Derivative liability	-	4,239,699
<b>Other liabilities, at amortized cost</b>		
Trade payables and other liabilities	19,678,262	589,619
<b>Total financial liabilities</b>	<b>19,678,262</b>	<b>4,829,318</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.

## **International Battery Metals Ltd.**

Notes to the Consolidated Financial Statements

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**For the years ended January 31, 2022 and 2021**

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

- 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 consolidated 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 was 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 January 31, 2022, amounts receivable of \$12,284 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 January 31, 2022, 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 income would have been approximately \$938,000 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.

### **22. 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.

## **International Battery Metals Ltd.**

Notes to the Consolidated Financial Statements

(Expressed in Canadian dollars)

**For the years ended January 31, 2022 and 2021**

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### **23. Subsequent Events**

Subsequent to January 31, 2022, the Company:

- On February 24, 2022, completed a placement financing of 3,333,333 units for gross proceeds of US\$10,000,000. Each unit consisted of one common share and one share purchase warrant with each warrant entitling the holder to purchase one additional common share for a period of two years from the date of issue at an exercise price of CAD\$3.83 per share. The Company will pay an advisory fee of US\$600,000 and US\$600,000 upon the exercise of all of the warrants pursuant to the private placement.
- On March 5, 2022, granted 1,000,000 stock options exercisable at \$4.37 for a period of five years to directors and management of the Company.
- On March 9, 2022, issued 600,000 common shares for options that were exercised at \$0.38 for gross proceeds of \$228,000.
- On May 16, 2022, issued 200,000 stock options exercisable at \$4.10 for a period of five years.
- On May 16, 2022, entered into agreements with EVL and Sorcia to issue shares under a private placement announced in February 2021 which was approved by shareholders on April 19, 2021. The agreements state that EVL and Sorcia are permitted to satisfy the subscription price by the assumption and payment on behalf of the Company of third party contractor liabilities.

EVL agreed to assume liabilities of up to USD\$4,812,850 and Sorcia agreed to assume liabilities of up to USD\$6,160,485. Upon the Company receiving sufficient documentation that assumed liabilities were paid by EVL and Sorcia, the Company shall issue units in accordance with terms of the private placement as follows:

- (a) 8,625,000 units of the Company to EVL at a price of \$0.58 per unit, consisting of one common share and one share purchase warrant exercisable to purchase an additional common share at a price of \$0.58 per share for a period of two years;
- (b) 8,625,000 units of the Company to Sorcia at a price of \$0.58 per unit, consisting of one common share and one share purchase warrant exercisable to purchase an additional common share at a price of \$0.58 per share for a period of two years.

In the event the Company deems that the duly paid assumed liabilities exceed the subscription price, the excess balance shall be directly applied to the exercise of warrants.

## **International Battery Metals Ltd.**

Notes to the Consolidated Financial Statements

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**For the years ended January 31, 2022 and 2021**

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### **23. Subsequent Events (continued)**

In calculating the Canadian dollar amount of the assumed liabilities to be applied to the satisfaction of either the subscription price or warrant exercise, the US to Canadian dollar exchange rate as published by the Bank of Canada in effect on the date the shares are authorized for issuance by the Board of Directors will be applied.

Under the terms of the private placement, EVL and Sorcia will be granted pre-emptive rights for two years from closing, whereby if the Company proposes to issue any securities from treasury for the purpose of raising capital, Sorcia and EVL will have the right to subscribe for and to be issued a number of securities in the Company in order to maintain its pro rata percentage security holding in the Company.

The private placement and securities to be issued are subject to the approval of the Canadian Securities Exchange.