

# **International Battery Metals Ltd.**

Condensed Consolidated Interim Financial Statements

Three and Six Months Ended July 31, 2022 and 2021

(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 Ltd. (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 July 31, 2022 and January 31, 2022

(Expressed in Canadian dollars)

	Note	July 31, 2022 (unaudited)	January 31, 2022 (audited)
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		\$ 4,168,064	\$ 336,175
Amounts receivable	5	18,198	12,284
Prepaid expenses	6	408,678	5,092
<b>Total current assets</b>		<b>4,594,940</b>	<b>353,551</b>
Equipment	7	30,568,885	24,130,012
Intangible assets	8, 9	7,670,739	8,343,289
Right-of-use asset	10	283,851	-
<b>Total assets</b>		<b>\$ 43,118,415</b>	<b>\$ 32,826,852</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade payables and other liabilities	12, 16, 23	\$ 20,659,245	\$ 19,678,262
Lease liability – current	13	117,363	-
<b>Total current liabilities</b>		<b>20,776,608</b>	<b>19,678,262</b>
Lease liability – long-term	13	167,141	-
<b>Total liabilities</b>		<b>20,943,749</b>	<b>19,678,262</b>
<b>Shareholders' equity</b>			
Share capital	14	34,288,096	26,952,071
Obligation to issue shares	8, 14	5,540,022	5,426,022
Reserves	15	14,885,988	5,532,384
Deficit		(32,575,056)	(24,805,923)
Accumulated other comprehensive income		35,616	44,036
<b>Total shareholders' equity</b>		<b>22,174,666</b>	<b>13,148,590</b>
<b>Total liabilities and shareholders' equity</b>		<b>\$ 43,118,415</b>	<b>\$ 32,826,852</b>

Nature and Continuance of Operations (Note 1)

Contingency (Note 19)

Subsequent Event (Note 24)

Approved and Authorized by the Board on September 22, 2022:

“William Webster”

Director

“John Burba”

Director

## International Battery Metals Ltd.

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

For the three and six months ended July 31, 2022 and 2021

(Expressed in Canadian dollars)

(Unaudited)

	Note	Three months ended July 31,		Six months ended July 31,	
		2022	2021	2022	2021
<b>Expenses</b>					
Amortization of intangible asset	9	\$ 336,275	\$ 169,317	\$ 672,550	\$ 331,273
General and administrative	16,17	2,098,725	530,714	7,187,011	952,850
<b>Operating loss</b>		<b>(2,435,000)</b>	<b>(700,031)</b>	<b>(7,859,561)</b>	<b>(1,284,123)</b>
Gain on debt settlement		76,548	-	76,548	-
Gain on write-off of accounts payable		13,880	-	13,880	-
Change in fair value and derecognition of derivative liability	15	-	(819,888)	-	(145,474)
<b>Loss for the period</b>		<b>(2,344,572)</b>	<b>(1,519,919)</b>	<b>(7,769,133)</b>	<b>(1,429,597)</b>
<b>Other comprehensive loss</b>					
Foreign currency translation adjustments		10,883	12,049	(8,420)	(17,407)
<b>Net and comprehensive loss for the period</b>		<b>\$ (2,333,689)</b>	<b>\$ (1,507,870)</b>	<b>\$ (7,777,553)</b>	<b>\$ (1,447,004)</b>
<b>Loss per share, basic and diluted</b>	14	<b>\$ (0.02)</b>	<b>\$ (0.01)</b>	<b>\$ (0.06)</b>	<b>\$ (0.01)</b>
<b>Weighted average number of shares outstanding – basic</b>					
	14	136,273,092	125,850,399	135,708,451	123,808,826
<b>Weighted average number of shares outstanding – diluted</b>					
	14	136,273,092	125,850,399	135,708,451	123,808,826

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 six months ended July 31, 2022 and 2021

(Expressed in Canadian dollars)

(Unaudited)

<b>Cash provided by (used in)</b>	<b>2022</b>	<b>2021</b>
<b>Cash flows used in operating activities</b>		
Loss for the period	\$ (7,769,133)	\$ (1,429,597)
Non-cash transactions:		
Depreciation	10,546	242
Amortization of intangible asset	672,550	331,273
Share-based payments	4,482,304	203,395
Unrealized foreign exchange loss	106,784	-
Gain on debt settlement	(76,548)	-
Gain on write-off of accounts payable	(13,880)	-
Change in fair value and derecognition of derivative liability	-	145,474
Changes in operating assets and liabilities:		
Amounts receivable	(5,914)	(324)
Prepaid expenses	(403,538)	66,610
Trade payables and other liabilities	(3,962,085)	51,614
<b>Net cash used in operating activities</b>	<b>(6,958,914)</b>	<b>(631,313)</b>
<b>Cash flows used in investing activities</b>		
Purchase of equipment	(1,482,641)	(274,885)
Deferred acquisition costs	-	(596,215)
<b>Net cash used in investing activities</b>	<b>(1,482,641)</b>	<b>(871,100)</b>
<b>Cash flows provided by financing activities</b>		
Proceeds from private placements	12,766,859	711,307
Share issuance costs	(787,534)	-
Proceeds from options exercised	311,000	79,875
Proceeds from warrants exercised	-	581,358
Lease liability payments	(9,464)	-
<b>Net cash provided by financing activities</b>	<b>12,280,861</b>	<b>1,372,540</b>
<b>Increase (decrease) in cash</b>	<b>3,839,306</b>	<b>(129,873)</b>
<b>Effect of foreign exchange rate changes on cash</b>	<b>(7,417)</b>	<b>(2,461)</b>
<b>Cash, beginning of period</b>	<b>336,175</b>	<b>212,213</b>
<b>Cash, end of period</b>	<b>\$ 4,168,064</b>	<b>\$ 79,879</b>

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

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 six months ended July 31, 2022 and 2021

(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, 2021</b>	114,151,166	23,560,826	5,210,671	895,470	(24,993,136)	43,711	4,717,542
Private placements	4,664,306	1,422,613	-	-	-	-	1,422,613
Shares to be returned to treasury	-	(711,306)	-	-	-	-	(711,306)
Warrants exercised	7,186,666	955,353	(21,976)	(352,019)	-	-	581,358
Options exercised	225,000	155,621	(75,746)	-	-	-	79,875
Share-based payments	-	-	203,395	-	-	-	203,395
Foreign currency translation	-	-	-	-	-	(17,407)	(17,407)
Loss for the period	-	-	-	-	(1,429,597)	-	(1,429,597)
<b>Balance at July 31, 2021</b>	126,227,138	25,383,107	5,316,344	543,451	(26,422,733)	26,304	4,846,473
<b>Balance at January 31, 2022</b>	132,339,759	26,952,071	5,532,384	5,426,022	(24,805,923)	44,036	13,148,590
Private placement	3,333,333	7,562,238	5,204,621	-	-	-	12,766,859
Share issuance costs	-	(787,534)	-	-	-	-	(787,534)
Options exercised	600,000	561,321	(333,321)	-	-	-	228,000
Share-based payments	-	-	4,482,304	-	-	-	4,482,304
Funds received for stock options to be exercised	-	-	-	114,000	-	-	114,000
Foreign currency translation	-	-	-	-	-	(8,420)	(8,420)
Loss for the period	-	-	-	-	(7,769,133)	-	(7,769,133)
<b>Balance at July 31, 2022</b>	136,273,092	34,288,096	14,885,988	5,540,022	(32,575,056)	35,616	22,174,666

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 six months ended July 31, 2022 and 2021

(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 and registered and records office is located at 543 Granville St Suite 800, Vancouver, BC V6C 1X8.

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 has not generated revenue from operations. As at July 31, 2022, the Company’s accumulated deficit was \$32,575,056 and has a working capital deficiency of \$16,181,668. 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.

## **2. Basis of Preparation**

The condensed consolidated interim financial statements were approved and authorized for issue by the Board of Directors on September 22, 2022.

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.

### **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”).

## **International Battery Metals Ltd.**

Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended July 31, 2022 and 2021

(Expressed in Canadian dollars)

(Unaudited)

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

#### **Basis of consolidation**

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

### **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, 2022 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 consolidated financial statements as at and for the year ended January 31, 2022.

### **5. Amounts Receivable**

	<b>July 31, 2022</b>	<b>January 31, 2022</b>
GST receivable	\$ 18,198	\$ 12,284

### **6. Prepaid Expenses**

	<b>July 31, 2022</b>	<b>January 31, 2022</b>
Prepaid expenses	\$ 408,678	\$ 5,092



## International Battery Metals Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

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### 6. Prepaid Expenses (continued)

As at July 31, 2022, the prepaid expenses included a balance of US\$59,342 (CA\$75,932) (January 31, 2022 – US \$Nil), which were incurred for consulting purposes on the lithium extraction unit.

### 7. Equipment

During the six months ended July 31, 2022, \$306,395 (July 31, 2021 - \$1,464,310) was paid or accrued by Sorcia Minerals LLC (“Sorcia”) and \$2,858,528 (July 31, 2021 - \$Nil) 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.

<b>Cost</b>	<b>Lithium extraction unit</b>	<b>Computer</b>	<b>Total</b>
Balance, January 31, 2021	\$ 4,158,827	\$ 2,421	\$ 4,161,248
Additions	19,969,248	-	19,969,248
Balance, January 31, 2022	24,128,075	2,421	24,130,496
Additions	6,437,023	2,282	6,439,305
<b>Balance, July 31, 2022</b>	<b>\$ 30,565,098</b>	<b>\$ 4,703</b>	<b>\$ 30,569,801</b>

<b>Accumulated Depreciation</b>	<b>Lithium extraction unit</b>	<b>Computer</b>	<b>Total</b>
Balance, January 31, 2021	\$ -	\$ -	\$ -
Depreciation	-	484	484
<b>Balance, January 31, 2022</b>	<b>-</b>	<b>484</b>	<b>484</b>
Depreciation	-	432	432
<b>Balance, July 31, 2022</b>	<b>\$ -</b>	<b>\$ 916</b>	<b>\$ 916</b>

<b>Net Book Value</b>	<b>Lithium extraction unit</b>	<b>Computer</b>	<b>Total</b>
Balance, January 31, 2022	\$ 24,128,075	\$ 1,937	\$ 24,130,012
<b>Balance, July 31, 2022</b>	<b>\$ 30,565,098</b>	<b>\$ 3,787</b>	<b>\$ 30,568,885</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”).

## International Battery Metals Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended July 31, 2022 and 2021

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(Unaudited)

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

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:

Milestone	Number of performance Milestone 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 (Milestone Shares 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). The balance of 15,072,992 Milestone Shares has not yet been issued and are part of Obligation to issue shares.

## International Battery Metals Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended July 31, 2022 and 2021

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(Unaudited)

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

In November 2018, the Company entered into licensing agreements as amended with Ensorcia Metals Corporation (“Ensorcia”) and its wholly-owned subsidiaries, Sorcia 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 (6%) royalty 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 July 31, 2022 (January 31, 2022 - \$Nil).

### 9. Intangible Assets

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

<b>Cost</b>	<b>Intellectual property – SAL</b>		<b>Patent</b>	<b>Total</b>
Balance, January 31, 2021	\$	6,717,487	\$ -	\$ 6,717,487
Additions		4,882,571	13,519	4,896,090
Balance, January 31, 2022		11,600,058	13,519	11,613,577
Additions		-	-	-
<b>Balance, July 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, 2021	\$	1,886,479	\$ -	\$ 1,886,479
Amortization		1,383,731	78	1,383,809
Balance, January 31, 2022		3,270,210	78	3,270,288
Amortization		672,212	338	672,550
<b>Balance, July 31, 2022</b>	<b>\$</b>	<b>3,942,422</b>	<b>\$ 416</b>	<b>\$ 3,942,838</b>

  

<b>Net Book Value</b>	<b>Intellectual property – SAL</b>		<b>Patent</b>	<b>Total</b>
At January 31, 2022	\$	8,329,848	\$ 13,441	\$ 8,343,289
<b>At July 31, 2022</b>	<b>\$</b>	<b>7,657,636</b>	<b>\$ 13,103</b>	<b>\$ 7,670,739</b>

## International Battery Metals Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended July 31, 2022 and 2021

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### 10. Right-Of-Use Asset

<b>Cost</b>		<b>Office</b>
Balance, January 31, 2022	\$	-
Additions		293,305
Depreciation		(10,114)
Foreign currency translation		660
<b>Balance, July 31, 2022</b>	<b>\$</b>	<b>283,851</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. As at July 31, 2022, the Company had paid \$1,125,138 (US\$884,067) (January 31, 2022 - \$1,125,138 (US\$884,067)).

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

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 and July 31, 2022</b>	<b>\$</b>	<b>-</b>

### 12. Trade Payables and Other Liabilities

	<b>July 31, 2022</b>	<b>January 31, 2022</b>
Trade payables <sup>(1)</sup>	\$ 20,246,467	\$ 6,697,211
Accrued liabilities <sup>(2)</sup>	412,778	12,981,051
	<b>\$ 20,659,245</b>	<b>\$ 19,678,262</b>

<sup>(1)</sup> Included in accounts payable is \$10,226,137 (January 31, 2022 - \$1,272,732) owed to EVL and \$9,089,529 (January 31, 2022 - \$2,043,942) owed to Sorcia (Note 16 and Note 23).

<sup>(2)</sup> Included in accrued liabilities is \$Nil (January 31, 2022 - \$2,009,801) owed to EVL and \$Nil (January 31, 2022 - \$10,534,389) owed to Sorcia (Note 16 and Note 23).

## International Battery Metals Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

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### 13. Lease Liability

The Company entered into a sub-lease agreement for office space in Houston, Texas, commencing July 1, 2022 for a term of twenty-nine months at a monthly lease payment of USD\$8,495. The lease liability is calculated using an incremental borrowing rate of 5.65%.

		<b>Office</b>
Balance, January 31, 2022	\$	-
Additions		293,305
Lease liability payments		(10,845)
Accretion expense		1,381
Foreign currency translation		663
Balance, July 31, 2022	\$	284,504

  

Allocated as:		<b>Office</b>
Current	\$	117,363
Non-current		167,141
Balance, July 31, 2022	\$	284,504

The maturity analysis of the undiscounted contractual balance of the lease liability is as follows:

<b>Maturity analysis</b>		<b>July 31, 2022</b>
Less than one year	\$	130,431
One to three years		173,907
Total undiscounted lease liability		304,338
Amount representing implicit interest		(19,834)
Lease liability	\$	284,504

### 14. Share Capital

#### Authorized

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

#### Issued and outstanding

*For the six months ended July 31, 2022, the Company:*

- a) On February 24, 2022, completed a private 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 paid an advisory fee of US\$600,000 and will pay US\$600,000 upon the exercise of all of the warrants pursuant to the private placement.

## **International Battery Metals Ltd.**

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For the three and six months ended July 31, 2022 and 2021

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

- b) On March 9, 2022, issued 600,000 common shares for options that were exercised at \$0.38 for gross proceeds of \$228,000.
- c) On July 27, 2022, the Company received notice of its former CFO exercising 100,000 options at an exercise price of \$0.38 and 400,000 options at an exercise price of \$0.19, reflecting a total value of \$114,000. \$83,000 was received in cash, and it was mutually agreed upon to settle the remaining amount of \$31,000 against debt owing to the former CFO. A total of \$114,000 has been reflected in obligation to issue shares as of July 31, 2022 (Note 24).

*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.
- 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).

## International Battery Metals Ltd.

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### 14. Share Capital (continued)

#### Weighted average breakdown

#### Per share amounts

	Three months ended July 31,		Six months ended July 31,	
	2022	2021	2022	2021
Weighted average number of shares outstanding:				
Issued common shares as at beginning of period	136,273,092	125,707,138	132,339,759	114,151,166
Effect of common shares issued during the period	-	143,261	3,368,692	9,657,660
Weighted average number of shares outstanding – basic and diluted	136,273,092	125,850,399	135,708,451	123,808,826
Income (loss) per share – basic and diluted	\$ (0.02)	\$ (0.01)	\$ (0.06)	\$ (0.01)

### 15. 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. 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.

*For the six months ended July 31, 2022:*

- On March 5, 2022, 1,000,000 stock options were granted and exercisable at \$4.37 for a period of five years to directors and management of the Company. The options vested immediately upon grant.
- On March 9, 2022, 600,000 stock options were exercised which resulted in a transfer from equity reserves to share capital of \$333,321 (Note 14).
- On May 16, 2022, the Company granted 200,000 stock options exercisable at \$4.10 for a period of five years to an employee of the Company. The options vest equally over 3 years commencing on the date of grant.

*For 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 14).
- 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.

## International Battery Metals Ltd.

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### 15. Reserves (continued)

- 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 14).
- 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.

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

Exercise price	Expiry date	Number of options outstanding	Number of options exercisable	Weighted-average remaining contractual life (years)
\$0.62	October 23, 2022	300,000	300,000	0.23
\$0.19	August 28, 2023	1,200,000	1,200,000	1.08
\$0.38	January 5, 2026	7,548,500	7,548,500	3.44
\$0.57	June 15, 2026	400,000	400,000	3.88
\$3.19	January 21, 2027	320,000	160,000	4.48
\$4.37	March 5, 2027	1,000,000	1,000,000	4.60
\$4.10	May 16, 2027	200,000	50,000	4.79
<b>Total</b>		<b>10,968,500</b>	<b>10,658,500</b>	<b>3.27</b>

### Warrants

The following table summarizes information regarding warrants outstanding and exercisable as at July 31, 2022:

Exercise price	Expiry date	Number of warrants outstanding and exercisable	Weighted-average remaining contractual life (years)
\$3.83	February 24, 2024	3,333,333	1.57
<b>Total</b>		<b>3,333,333</b>	<b>1.57</b>

*During the six months ended July 31, 2022:*

- On February 24, 2022, the Company issued 3,333,333 share purchase warrants (Note 14) as part of a private placement financing 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 paid an advisory fee of US\$600,000 and will pay an additional US\$600,000 upon the exercise of all of the warrants pursuant to the private placement (Note 14).

*During the year ended January 31, 2022:*

- A total of 6,666,666 warrants were exercised at US\$0.105 per share (Note 14). These warrants were exercisable in a currency other than the Company's functional currency and were initially recorded as a derivative liability.



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### 15. Reserves (continued)

- A total of 5,912,621 warrants were exercised at US\$0.103 per share (Note 14). 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.

#### *Derivative liability*

During the year ended January 31, 2020, the Company issued a total of 12,579,287 warrants 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 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, 2021	\$	4,239,699
Derecognition and fair value change upon exercise		(4,239,699)
<b>Balance, January 31, 2022 and July 31, 2022</b>	<b>\$</b>	<b>-</b>

Stock option and warrant transactions are summarized as follows:

	Warrants		Options	
	Number	Weighted average exercise price	Number	Weighted average exercise price
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
Balance, January 31, 2022	-	-	10,368,500	0.46
Granted	3,333,333	3.83	1,200,000	4.33
Exercised	-	-	(600,000)	0.38
<b>Balance, July 31, 2022</b>	<b>3,333,333</b>	<b>\$ 3.83</b>	<b>10,968,500</b>	<b>\$ 0.89</b>

## International Battery Metals Ltd.

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### 15. Reserves (continued)

#### Fair value determination

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

	Six months ended July 31, 2022		Year-ended January 31, 2022	
	Options	Warrants	Options	Warrants
Risk-free interest rate	1.49 - 2.71%	1.52%	0.84 - 1.62%	0.03 - 0.12%
Expected volatility	134 - 136%	149%	137 - 143%	157 - 539%
Expected life (years)	5.00	2.00	5.00	0.02 - 0.62
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. The President of the Company was issued \$300,000 USD in restricted stock units on June 20, 2022 and another \$300,000 USD in restricted stock units will be issued to the President of the Company on June 20, 2023.

### 16. 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:

	Three months ended July 31,		Six months ended July 31,	
	2022	2021	2022	2021
Management fees, salaries and benefits <sup>(1)</sup>	\$ 289,994	\$ 64,977	\$ 436,317	\$ 172,917
Directors' fees <sup>(1)</sup>	78,265	14,500	134,676	26,500
Share-based payments <sup>(1)</sup>	-	-	3,826,912	-
	\$ 368,259	\$ 79,477	\$ 4,397,905	\$ 199,417

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

## **International Battery Metals Ltd.**

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

During the three and six months ended July 31, 2022, other related party transactions consisted of the following:

- A retainer of \$45,711 (2021 - \$Nil) was paid to a Company for the interim CFO's services, of which \$15,237 and \$15,237 (2021 - \$Nil and \$Nil), respectively, has been expensed for management fees during the three and six months ended July 31, 2022.
- Included in general and administrative expenses is \$9,000 and \$18,000 (2021 - \$9,000 and \$18,000), respectively, in consulting fees paid to a Company controlled by the wife of the Company's former CFO and Director.
- Included in general and administrative expenses is \$6,300 and \$12,600 (2021 - \$6,000 and \$12,000), respectively, in rent paid to a Company with common directors.
- Included in general and administrative expenses is \$6,877 and \$6,877 (2021 - \$Nil and \$Nil), respectively, in advertising and promotion fees paid to the son of the Company's CEO and Director.

#### **Due from/to related parties**

At July 31, 2022, \$19,488,650 (January 31, 2022 - \$16,265,891) was due to directors and former directors and related parties and is included in trade payables and accrued liabilities. The amounts were unsecured, non-interest bearing and due on demand.

During the year ended January 31, 2021, Ensorcia, Sorcia and EVL became significant shareholders of the Company. At July 31, 2022, \$9,089,529 (January 31, 2022 - \$12,578,331) was owed to Sorcia and \$10,226,137 (January 31, 2022 - \$3,282,533) was owed to EVL (Note 12 and Note 23). 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 six months ended July 31, 2021, the Company issued 2,332,153 common shares to Ensorcia at a value of \$711,306 for payments made by Sorcia on behalf of the Company (Note 14).

During the six months ended July 31, 2022, the Company granted 1,000,000 stock options exercisable at a price of \$4.37 per share for a period of five years to directors and management of the Company (Note 15).

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### 17. General and Administrative Expenses

	Three months ended July 31,		Six months ended July 31,	
	2022	2021	2022	2021
Advertising and promotion	\$ 73,022	\$ 52,263	\$ 102,555	\$ 66,902
Accretion expense	1,381	-	1,381	-
Bank charges and interest	5,196	1,150	39,865	3,646
Consulting fees (Note 16)	270,315	64,648	390,676	228,597
Depreciation (Note 7,10)	10,349	121	10,546	242
Filing fees	38,975	11,892	47,904	23,281
Foreign exchange (gain) loss	(65,562)	10,047	234,562	8,676
Management fees, salaries and benefits (Note 16)	457,245	79,651	638,033	213,132
Meals and entertainment and travel	65,745	-	130,361	-
Office and miscellaneous	107,700	18,544	145,617	28,928
Professional fees	500,685	86,003	763,860	167,051
Rent	184,950	3,000	199,347	9,000
Share-based payments (Note 15, 16)	448,724	203,395	4,482,304	203,395
	\$ 2,098,725	\$ 530,714	\$ 7,187,011	\$ 952,850

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

	For the six months ended July 31,	
	2022	2021
Equipment purchases included in trade payables and other liabilities	\$ 379,309	\$ 321,059
Equipment purchases included in amounts owed to EVL	\$ 2,858,528	\$ -
Equipment purchases included in amounts owed to Sorcia	\$ 306,395	\$ -
Value of exercised options transferred to share capital	\$ 333,321	\$ 75,746
Value of exercised warrants transferred to share capital	\$ -	\$ 21,976
Obligation to issue shares offset against accounts payable	\$ 31,000	\$ -

### 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. 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 condensed consolidated interim financial statements for the three and six months ended July 31, 2022.

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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 related to the extraction and processing of lithium from various sources, as well as the acquisition of lithium resource properties. In the definition of capital, the Company includes, as disclosed on its statement of financial position: share capital, deficit and reserves.

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

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the three and six months ended July 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

	July 31, 2022	January 31, 2022
<b>FINANCIAL ASSETS</b>		
<b>FVTPL, at fair value</b>		
Cash	\$ 4,168,064	\$ 336,175
<b>Total financial assets</b>	<b>\$ 4,168,064</b>	<b>\$ 336,175</b>
<b>FINANCIAL LIABILITIES</b>		
<b>Other liabilities, at amortized cost</b>		
Trade payables and other liabilities	\$ 20,659,245	\$ 19,678,262
<b>Total financial liabilities</b>	<b>\$ 20,659,245</b>	<b>\$ 19,678,262</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.

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

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 was measured at level 3 of the fair value hierarchy. Financial assets do 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 July 31, 2022, amounts receivable of \$18,198 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 July 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 \$826,000 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.**

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### **23. Shares for Debt Settlement**

The Company intends to settle all amounts due to Sorcia and EVL (Note 12 and Note 16) incurred in the fabrication of the Lithium Extraction unit through the issuance of shares pursuant to terms of the investment agreements entered into between the Company and Sorcia and between the Company and EVL. The Canadian Securities Exchange has indicated that their approval of this share issuance is subject to receipt of written confirmations from 50.1% of the Company's disinterested shareholders.

### **24. Subsequent Events**

On August 15, 2022, the Company issued 500,000 common shares for stock options exercised by its former CFO (Note 14c).