INTERNATIONAL BATTERY METALS LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended March 31, 2024

Dated August 1, 2024

INTERNATIONAL BATTERY METALS LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction

The preparation and presentation of the accompanying consolidated financial statements, Management Discussion and Analysis ("MD&A") and all financial information in the Annual Report are the responsibility of management and have been approved by the Board of Directors.

The Company's consolidated financial statements have been prepared in accordance with the accounting principles generally accepted in the United States of America ("GAAP") on a going concern basis, which contemplates the realization of assets and the discharge of liabilities in the normal course of business for the foreseeable future. The consolidated financial statements include the results of the Company and its subsidiaries. A subsidiary is consolidated from the date upon which control is acquired by the Company and all intercompany transactions and balances have been eliminated.

Management, under the supervision of and the participation of the Chief Executive Officer and Chief Financial Officer, have a process in place to evaluate disclosure controls and procedures and internal control over financial reporting as required by Canadian securities regulations. We, as Chief Executive Officer and Chief Financial Officer, will certify our annual filings with the CSA as required in Canada by National Instrument 52-109.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board carries out this responsibility principally through its Audit Committee which is independent from management.

The Audit Committee is appointed by the Board of Directors and reviews the consolidated financial statements and MD&A; considers the report of the external auditors; examines the fees and expense for audit services; and recommends to the Board the independent auditors for appointment by the shareholders. The independent auditors have full and free access to the Audit Committee and meet with the Audit Committee to discuss their audit work, the Company's internal control over financial reporting and financial reporting matters. The Audit Committee reports its findings to the Board for consideration when approving the consolidated financial statements for issuance to the shareholders.

This Management's Discussion and Analysis ("MD&A") of the financial position and results of operations of International Battery Metals Ltd. (the "Company" or "IBAT") should be read in conjunction with the annual audited consolidated financial statements of the Company for the year ended March 31, 2024, and the related notes contained therein. All dollar figures included therein and in the following MD&A are quoted in United States dollars. Additional information relevant to the Company and its activities can be found on SEDAR at www.sedar.com.

This MD&A is current as of August 1, 2024.

Forward Looking Statements and Forward-Looking Information

The information provided in this MD&A may contain forward-looking statements and forward-looking information about IBAT within the meaning of applicable securities laws. In addition, IBAT may make or approve certain statements or information in future filings with Canadian securities regulatory authorities, in news releases, or in oral or written presentations by representatives of IBAT that are not statements of historical fact and may also constitute forward-looking statements or forward-looking information. All statements and information, other than statements of historical fact, made by IBAT that address activities, events, or developments that IBAT expect or anticipate will or may occur in the future are forward-looking statements and information, including, but not limited to, statements and information preceded by, followed by, or that include words such as "may", "would", "could", "will", "likely", "expect", "anticipate", "believe", "intends", "plan", "forecast", "budget", "schedule", "project", "estimate", "outlook", or the negative of those words or other similar or comparable words.

Forward-looking statements and information involve significant risks, assumptions, uncertainties and other factors that may cause actual future performance, achievement or other realities to differ materially from those expressed or implied in any forward-looking statements or information and, accordingly, should not be read as guarantees of future performance, achievement or realities.

Actual performance, achievement or other realities could differ materially from those expressed in, or implied by, any forward-looking statements or information in this MD&A and, accordingly, investors should not place undue reliance on any such forward-looking statements or information. Further, any forward-looking statement or information speaks only as of the date on which such statement is made, and IBAT does not undertake any obligation to update any forward-looking statements or information to reflect information, events, results, circumstances, realities or otherwise after the date on which such statement is made or to reflect the occurrence of unanticipated events, except as required by law, including securities laws. All forward-looking statements and information contained in this MD&A and other documents of IBAT are qualified by such cautionary statements. New factors emerge from time to time, and it is not possible for management to predict all such factors and to assess in advance the impact of each such factor on IBAT's business or the extent to which any factor, or combination of factors, may cause actual realities to differ materially from those contained in any forward-looking statements.

In addition, forward-looking statements and information herein, including financial information, is based on certain assumptions relating to the business and operations of IBAT. Although IBAT has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements and forward-looking information in this MD&A, and the documents incorporated by reference herein, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There is no assurance that such statements and information will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements or information. Accordingly, readers should not place undue reliance on forward-looking statements and forward-looking information contained in this MD&A.

Overview

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 also trades on the Over-The-Counter Markets ("OTC") under the stock symbol "IBATF". The Company's registered and records office is located at Royal Centre, Suite 1750 – 1055 W Georgia Street, Vancouver, BC V6E 3P3.

The Company is an advanced technology and manufacturing focused on environmentally responsible methods of extracting lithium compounds from brine. The Company provides its technology and equipment to holders of resource properties such as oilfield brines, subsurface brine aquifers and industrial customers who have lithium rich brine by products from their operations. The Company's proprietary extraction process is environmentally friendly, low costs and able to produce high-quality commercial grade lithium products.

The Company's current operations consist of the development of a modular direct lithium extraction plant (the, "MDLE Plant") which can be rapidly deployed and assembled onsite at a customers' property. The MDLE Plant is designed to process brine solutions to extract lithium chloride which can be further processed into lithium carbonate and used for industrial purposes or as a battery component. The Company constructed the first MDLE Plant in Lake Charles, Louisiana where it performed feasibility testing and was made available for demonstration to potential customers. The Company is developing a second generation MDLE Plant which will provide customers with the option to greatly increase the scale of the MDLE Plant's capacity to process brine solutions and increase lithium chloride production.

On May 1, 2024, the Company entered into a lease agreement with US Magnesium LLC ("US Magnesium"), a producer of metals and minerals including the production of lithium carbonate (the, "US Magnesium Lease"). Pursuant to the US Magnesium lease, the Company mobilized the first MDLE Plant to US Magnesium's facility in Salt Lake City, Utah and completed the integration of the MDLE Plant with US Magnesium's facilities. The MDLE Plant will be used to process a solution produced from the lithium containing waste salts derived from prior magnesium production generating a lithium chloride eluent. The lithium chloride eluent will be further processed in US Magnesium's onsite facilities to produce a high-purity lithium carbonate. In June 2024, the Company completed commission of the MDLE Plant and US Magnesium assumed operational control of the MDLE Plant. The Company and US Magnesium are targeting an initial production capacity of sufficient lithium chloride to produce 4,000 metric tons of lithium carbonate per annum and have agreed to optimize the MDLE Plant to double its capacity to support the production of 8,000 metric tons of lithium carbonate. The Company's share of the remaining capital expenditures to optimize the MDLE Plant are estimated to be approximately $5.2 million with a goal of completing the project by year end.

The US Magnesium Lease has an initial term of two-years and automatically renews for successive one-year terms subject to a 180-day cancelation notice. The US Magnesium Lease also establishes the cost sharing percentages for the mobilization, commissioning and optimization of the plant. Under the terms of the US Magnesium Lease, once defined production targets are achieved, the Company will be entitled to rents and royalties based on the quantities of lithium carbonate produced and the prices that are realized in the market. Rents for the MDLE Plant, based on the level of production achieved, range from $200,000 per month to $400,000 per month and the royalties range from 3% to 5% of total product sales, depending upon the level of production achieved and the prices realized in the market. US Magnesium also has a purchase option for the MDLE Plant.

Liquidity and Capital Resources

As of March 31, 2024, the Company's had an accumulated deficit of approximately $36.1 million and a working capital deficit of approximately $1.1 million. On May 1, 2024, the Company entered the US Magnesium Lease to operate the MDLE Plant at US Magnesium's facilities in Utah. The US Magnesium Lease is anticipated to provide the Company with its first commercial revenues and operating cash flows. After yearend, the Company raised additional cash in two private placements totalling approximately $16.8 million. The commencement of revenue generating operations and the cash from the private placements is anticipated to support the Company's operation for the next 12 months and beyond.

Summary of Recent Financings

On April 21, 2023, the Company completed a private placement financing (the, "April 2023 Placement") with Encompass Capital Advisors LLC ("Encompass") issuing 6,396,999 units for gross proceeds of $5.0 million. 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 issuance at an exercise price of CDN $1.21 per share. Encompass is an existing investor in the Company. The proceeds of the April 2023 Placement provided the Company with working capital to maintain its general and administrative expenses and perform maintenance operations on the MDLE Plant while the Company continued its marketing efforts.

On December 8, 2023 and December 29, 2023, the Company completed two private placements (collectively, the "December Placements") consisting of 1,629,838 units and 2,694,804 units, respectively, generating gross proceeds of approximately $840,000 and $1.4 million respectively. Each unit consisted of a common share and a two-year warrant to purchase a common share for CDN$0.82. The participants in the December Placements were members of management and individual private investors. The proceeds of the December Placements were used for general working capital purposes.

On February 11, 2024, the Company entered into a letter agreement (the, "Letter Agreement"), as amended, with EV Metals VI LLC ("EV Metals") agreeing the principal terms and conditions upon which EV Metals, directly or through one or more of its subsidiaries or affiliates, could complete one or more transactions to purchase up to $20.0 million of units, which each unit consisting of one common shares of stock and one warrant to purchase a common share through June 10, 2024. EV Metals is controlled by Jacob Warnock, one of the Company's directors. This financing agreement was completed after the Company signed the January 10, 2024 term sheet with the Customer for the MDLE Plant. The purpose of this financing allowed the Company to operate, mobilize the MDLE Plant to the Customers site, and commence operations. The initial closing on February 29, 2024, the Company issued 2,704,400 units to EV Metals for proceeds of approximately $2.0 million. Each warrant contained one common share and one warrant to purchase a common share for CDN$1.00.

On May 6, 2024, the Company completed a private placement with EV Metals and Encompass, issuing 7,924,157 units and 10,717,977 units, respectively, for a total of 18,642,134 units and total proceeds of approximately $10.4 million. Each warrant contained one common share and one warrant to purchase a common share for CDN$0.9579. The Company agreed to pay EV Metals a structuring fee of approximately $322,000 which was paid by issuing an additional 574,840 common shares, and agreed cover certain cost incurred in connection with the private placement by Encompass which was paid by issuing an additional 80,385 common shares.

On June 19, 2024, the Company completed a private placement with EV Metals and the Encompass, issuing 8,478,246 units and 3,000,000 units, respectively, for a total of 11,478,246 units and total proceeds of approximately $6.4 million. Each warrant contained one common share and one warrant to purchase a common share for CDN$0.9579. The Company agreed to pay Jason Warnock a structuring fee of approximately $238,000 which was paid by issuing an additional 423,912 common shares, and agreed cover certain cost incurred in connection with the private placement by the Encompass which was paid in cash totaling $45,000.

Strategy and Industry Conditions

The Company is an advanced technology company that is developing technologies for the extraction and processing of lithium from various sources. The Company's strategy is to be the low-cost technology to process lithium with a significantly smaller environmental impact than our competitors and competing technologies. We believe the MDLE Plant design provides the following competitive advantages:

> ***Selectivity***. The proprietary absorbent utilized in our proprietary extraction columns is highly selective of lithium ions and screens for chloride ions which efficiently produces a lithium chloride solution by flushing the extraction columns with fresh water. Competing direct lithium extraction technologies use various combinations of selective membranes and ion exchanges, requiring alternating applications of acids and bases with less selectivity, resulting in having to run multiple cycles and generating excess salts as waste materials. Our process benefits from reduced cycles reducing energy consumption, eliminating most of the chemicals, and avoiding waste materials.
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> ***Modularity***. The modular design of our proprietary and patented MDLE Plant provides an economic advantage compared to existing alternative technologies based on our ability to customize the plant and lower fabrication costs. Customers can customize the MDLE Plant to meet the specific site requirements, by modifying the MDLE Plant modules to support the quantity of brine available, the concentration of lithium in the brine, and their desired level of production. Furthermore, the modularity allows the customers the option to scale up operations by adding additional modules in the future with little disruption to the existing operations. The modules are fabricated in manufacturing facilities which reduces costs from traditional onsite construction plants.
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> ***Water Conservation.*** Our MDLE Plant and extraction process has significant water conservation advantages for both the management of the brine aquafers and reduction of clean water usage. As our extraction process does not rely on acids and bases, the absorbent removes the lithium and allows the remaining brine to be injected back into the aquifer without further treatment. This has cost advantages over competitors using chemicals in their process as they must either dispose of the contaminated brine (reducing the brine aquifer), or further process the brine for reinjection. Additionally, for the clean water used in our process, we are able to recycle approximately 98% of the water due to the efficiency of our reverse osmosis unit and the lack of chemicals in the process.

Management is focused on marketing the Company's technology to customers who have brine resources from existing chemical, mineral and metal production, and brine aquifer resource holders. These marketing efforts are focused, in the near term on the western United States, the central United States area referred to as the Smackover formation, and Canada. In the longer term, the Company will continue to monitor the markets in South American for potential opportunities.

The market for lithium and various lithium compounds is very volatile and subject to a complex global supply chain. The value of the different lithium compounds and different grades of purity can diverge significantly based on fluctuation in demand from different industrial sectors. In recent years, the lithium-ion battery market has been the primary driver of lithium demand and is anticipated to more than double by the year 2030. However, recent market forecast for demand associated with electrical vehicles market, a primary market for lithium-ion batteries, has declined as the rate of sales growth for electric vehicles has slowed. This has led to market perception that the lithium market is oversupplied and resulted in a dramatic decline in prices for lithium carbonate and lithium hydroxide, the primary lithium compounds used to produce lithium-ion batteries. We expect these market conditions to continue for the next year, which emphasizes the importance of being the low-cost lithium extraction technology.

Components of the Statement of Operations

Revenue

The Company anticipates generating commercial revenues during the fiscal year ended March 31, 2025, from the MDLE Contract with its customer. These revenues will include scheduled rent payments for the equipment and royalty payments based on quantities of lithium carbonate produced and the price the customer receives from lithium carbonate sales. The Customer has the option to purchase the MDLE Plant and apply all the rental payments against the purchase price. During the fiscal year ended March 31, 2024, the Company invoiced the Customer for their share of certain mobilization, installation, and commissioning costs which were deferred until the start of operations.

The Company anticipates generating future revenues through a combination of technology licensing agreements, equipment rentals, participation in joint ventures or special purpose entities with resource developers and management fees for overseeing the construction and development of future lithium extraction facilities. Generally, a resource holder has access to brine resources from a subsurface brine aquifer, brines from produced water in connections with oilfield operations, geothermal brines or have a brine resulting as a byproduct of another commercial operation.

Operating Costs

The Company operates with a small number of corporate employees to oversee the Company's operations and development with the primary functions including accounting, engineering, fabrication, laboratory, legal, and research being outsourced to third party service providers. This model has allowed the Company to continue to develop its business and scale the operations as the Company has funds available. We anticipate that the Company will add to both its corporate staff and field staff as the Company commences commercial operations and works to continue developing our technology. To date, the Company has not experienced any shortages of available employees or outsourced service providers.

Licensing Agreements with Related Parties

The Company markets its technology on a global basis. Part of this strategy has been to enter into licensing agreements with Ensorcia Metals Corporation, Ensorcia Argentina LLC, and Sorcia Minerals LLC (collectively, the entities as "Ensorcia" and the licensing agreements as "Ensorcia Licensing Agreements") to lead the Company's marketing efforts in Chile and Argentina, two of the most prolific areas of lithium production. The controlling shareholder of Ensorcia, Daniel Layton, owns approximately 12.9% of our common shares and is a member of our Board of Directors. The Ensorcia Licensing Agreements provide exclusive rights to market and develop the Company's technology in the Chile and Argentina territories provided that a MDLE Plant is installed and operational no later than December 31, 2028. The Ensorica Licensing Agreements provide the right to use the Company's technology but does not transfer any ownership. As consideration for the Company providing technology, know-how, design, construction, installation, operation the MDLE Plant and making certain technical employees available, these agreements provide that the Company shall receive a six percent (6%) royalty based on net sales, as defined, and a ten percent (10%) equity interest in each project. The Ensorcia Licensing Agreements include other customary terms and conditions.

On March 20, 2023, the Company entered a non-exclusive license with Entec, another entity controlled by Mr. Layton (the, "Entec Licensing Agreement"). Pursuant to the terms of the Entec Licensing Agreement, the Company agreed to provide Entec with a non-exclusive, limited, world-wide license (for areas other than Chile and Argentina) to access all patents, trade secrets, and other proprietary rights for use by Entec within the territory solely for the use and operation of equipment and systems manufactured and sold in accordance with the Entec License Agreement for the extraction of lithium salts from lithium bearing raw brine. In consideration for entering the Entec Licensing Agreement, Entec has agreed to provide the Company with a royalty equal to six percent (6%) of the net sales, as defined, with respect to the first resource project or lithium extraction facility utilizing the Company's licensed technology as well as an interest in the project equal to ten percent (10%) of Entec's interest in the project (the "Entec Participation Interest"). With respect to additional resource projects, Entec has agreed to provide the Company with both royalty payments and a participation interest equal to the last lithium production agreement entered into by the Company in the country where the project resides.

Results of Operations for the Years Ended March 31, 2024 and 2023

The operating results for the years ended March 31, 204 and 2023 are summarized as follows (in thousands):

	Year Ended March 31,	
	2024	**2023**
REVENUE	**$ -**	**$ -**
OPERATING COSTS AND EXPENSES		
Selling, general and administrative expenses	9,513	7,496
Amortization of intangible assets	1,076	1,076
Depreciation	3	1
Operating loss	(10,592)	(8,573)
Change in fair value of warrant liability	2,082	4,823
Net loss before income tax provision	(8,510)	(3,750)
Provision for income taxes	-	-
Net loss and comprehensive loss	**$ (8,510)**	**$ (3,750)**
Net loss per share, basic and diluted	**$ (0.04)**	**$ (0.03)**
Weighted average shares outstanding, basic and diluted	**204,216**	**142,101**

Revenue

For the years ended December 31, 2024 and 2023, the Company did not generate any revenue from operations. The primary focus of the Company for these years was marketing the MDLE Plant and the Company's technology to potential customers and maintaining the corporate office. The Company agreed a contract with our Customer and anticipates commencing revenue producing operations during the year ended March 31, 2025.

Selling, General and Administrative Expenses

The major components of selling, general and administrative expenses for the years ended March 31, 2024 and 2023 are as follows (in thousands):

	Year Ended March 31,	
	2024	**2023**
Compensation expense	$ 1,763	$ 1,164
Share-based compensation	2,649	2,263
Professional fees	1,161	1,097
Legal fees	1,872	1,054
Engineering	836	351
Rent and miscellaneous office	870	1,200
Other	362	367
	$ 9,513	$ 7,496

For the years ended March 31, 2024 and 2023, the Company focused its efforts on marketing the MDLE Plant and the Company's technology to potential customers and maintaining the corporate office. The Company maintained limited number of employees and outsourced several functions to manage costs.

Compensation expense increase due to increase permanent employee headcount during the year including a Chief Financial Officer and a Co-Chief Executive Officer. The Chief Financial Officer replaced an Interim Chief Financial Officer who was included in professional fees and the Co-Chief Executive Officer was a new position.

Share-based compensation increased due to the increase in permanent employee headcount at corporate during the year.

Professional fees increased approximately $64,000 due to an increase in business activity which resulted in increased accounting related expenses of approximately $249,000 partially offset by a decrease of $168,000 for marketing and investor relations activities and a decrease of $17,000 of general professional fees.

Legal fees increased approximately $818,000 due to an increase of approximately $521,000 general legal fees associated patents, contracts, proposal preparation, and financings and an increase of approximately $297,000 related to the Company's outstanding litigation.

Engineering costs increased approximately $485,000 due to a general increase in business activity and specifically the development of a mobilization and site-specific integration plan during negotiations with our Customer for the MDLE Contract.

Rent and miscellaneous office costs decreased approximately $330,000 as the Company was able to reduce the lodging costs at the corporate office and the fabrication facility in Louisiana by hiring permanent employees who are local to the worksites.

Summary of Quarterly Results

The following financial data was derived from the Company's consolidated financial statements for each of the eight most recently completed financial quarters (in thousands, except per share amounts):

	March, 2024	December, 2023	September, 2023	June 30, 2023
Revenue	**$ -**	**$ -**	**$ -**	**$ -**
Loss for the period	$ (397)	$ (2,807)	$ (1,966)	$ (3,340)
Loss per share, basic and diluted	$ (0.00)	$ (0.01)	$ (0.01)	$ (0.02)
Weighted average shares outstanding, - basic and diluted	209,527	204,076	202,593	200,686

	March, 2023	December, 2022	September, 2022	June 30, 2022
Revenue	**$ -**	**$ -**	**$ -**	**$ -**
Profit/(Loss) for the period	$ 4,276	$ (2,442)	$ (3,930)	$ (1,654)
Earnings/(Loss) per share, basic	$ 0.03	$ (0.02)	$ (0.03)	$ (0.01)
Weighted average shares outstanding, basic	156,560	139,364	136,663	136,273
Earnings/(Loss) per share, diluted	$ 0.03	$ (0.02)	$ (0.03)	$ (0.01)
Weighted average shares outstanding, diluted	161,470	139,364	136,663	136,273

The Company earned no revenue during the periods presented and the financial information does not represent trends in the Company's business or seasonal fluctuations. The Company has been focused on the marketing and further development of its MDLE Plant and has spent funds on these efforts as they were available from private placements. Other factors impacting the fluctuations in the quarterly results is the timing of share-based compensation, changes in the fair value of warrant liabilities and expenses incurred in connection with litigation brought by former employees and directors of the company for wrongful dismissal and breach of a share exchange agreement.

Summary of Cash Flows

	Year Ended March 31,	
	2024	**2023**
Cash used in operating activities	$ (5,907)	$ (6,209)
Cash used in investing activities	(2,617)	(3,217)
Cash provided by financing activities	9,249	2,458
Net change in cash	$ 725	$ (6,968)

Operating Activities

Cash used in operating activities for the year ended March 31, 2024 was approximately $5.9 million as compared to cash used in operation activities of $6.2 million in the prior year. The decrease in cash used in operating activities was due to approximately $681,000 of operating expenses being paid for by issuing common shares partially offset by other cash flow timing differences.

Investing Activities

Cash used in investing activities for the year ended March 31, 2024, was approximately $2.6 million as compared to approximately $3.2 million in the prior year. For the year ended March 31, 2024, cash used in investing activities consisted primarily of acquiring additional equipment and making modifications to the MDLE Plant. During the year ended March 31, 2023, the Company incurred the cost of completing the initial construction of the MDLE Plant which was substantially completed in May 2022.

Financing Activities

Cash provided by financing activities for the year ended March 31, 2024, was approximately $9.2 million, which consisted of approximately $8.9 million proceeds from private placements, $181,000 of proceeds from the exercise of warrants, and $112,000 from the exercise stock options. During the year ended March 31, 2023, the Company raised proceeds of $1.5 million for the proceeds of private placements and approximately $900,000 from the exercise of stock options.

Use of Judgments, Estimates and Assumptions

The preparation of the Company's consolidated financial statements in conformity with United States Generally Accepted Accounting Practice ("US GAAP") 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.

Judgement, 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 have future economic benefits and will 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 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 Company has been determined to be the United States dollar.

- The evaluation of the fair value of financial instruments, including the Company's warrants and options to purchase common shares requires judgement in selecting the appropriate methodologies and models, and evaluating the ranges of assumptions and financial inputs to calculate estimates of fair value.

- 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.

Critical accounting policies are disclosed in the Company's annual audited consolidated financial statements for the year ended March 31, 2024.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements and does not contemplate having them in the foreseeable future.

Financial Instruments and Other Instruments

The carrying values of cash, other receivable, trade payables and other liabilities and lease liability approximate their fair values because of the short-term maturity of these financial instruments. The Company has no exposure to asset backed commercial paper.

Risks

Concentration of Credit risk

Financial instruments that potentially subject the Company to credit risk consist of cash. The Company manages its credit risk relating to cash by dealing only with high-rated financial institutions as determined by rating agencies. As a result, credit risk is considered insignificant. The Company does not consider any of its financial assets to be impaired.

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 of March 31, 2024, the Company held cash of approximately $39,000 and trade payables and other liabilities of approximately $268,000 denominated in Canadian dollars.

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.

The material risk factors involved with the Company include, but are not limited to, the following:

Dependence on Key Personnel and Consultants

The success of the Company will be largely dependent upon the performance of its management and key employees. Failure by the Company to retain or to attract and retain additional key employees with necessary skills could have a materially adverse impact upon the Company's growth and profitability. These individuals, and the contributions they will make, are important to the future operations and success of the Company. The unexpected loss or departure of any of the key officers, employees or consultants of the Company could be detrimental to the Company's future operations. The competition for highly skilled technical, management, sales and other employees is high in the Company's industry and the cost of hiring and retaining such personnel has been increasing. There can be no assurance that the Company will be able to engage the services of such personnel or retain the Company's current personnel.

Changes in Industry Standards or Technology

The industry in which the Company operates and will operate is subject to constant changes in industry standards and technology, frequent new product introductions, and evolving technical standards. Technological developments, or a substantial change in industry standards, may reduce the competitiveness of the Company's technology and require unbudgeted expenditures that could be expensive. The Company may be unable to develop, introduce and fully commercialize new technology that satisfies requirements and achieves market acceptance in a timely manner or at all, the technologies where it has focused its research and development expenditures may not become commercially successful, and it may be unable to anticipate new industry standards and technological changes. The Company also may not be able to respond successfully to new product and service announcements and introductions by competitors, some of whom have and are expected to have greater resources available to them, including the access to financing from investors. If it fails to adapt successfully to technological changes or fails to obtain access to important new technologies, the Company may be unable to retain customers, attract new customers or sell new products to its existing customers.

Limited Operating History

The Company has had a limited history of operations and is in the early stage of development and must be considered a start-up. As such, the Company will be subject to many risks common to such enterprises, including start-up losses, lack and uncertainty of revenues, markets and profitability, under-capitalization, cash shortages, and limitations with respect to personnel, financial and other resources and generally the risks associated with implementation of its business plan. The Company's limited history of earnings and its limited operating history make it difficult to predict how its business will develop and its future operating results. There is no assurance that any future products will generate earnings, operate profitably or provide a return on investment in the future and the likelihood of success and any potential return on a shareholder's investment must be considered in light of the Company's early stage of operations. The Company has no intention of paying any dividends in the foreseeable future.

Disruption of Services

The Company's engineering is done at third party facilities. It does not control the operations at the third-party facilities. This means, among other things, that these third partis control, to a degree, the Company's products and how they are used by customers. In addition, all of these facilities are vulnerable to damage or interruption from earthquakes, hurricanes, floods, fires, terrorist attacks, power losses, telecommunications failures and similar events. They also could be subject to break-ins, computer viruses, denial of service attacks, sabotage, intentional acts of vandalism and other misconduct. The occurrence of a natural disaster or an act of terrorism, a decision to close the third-party facilities without adequate notice or other unanticipated problems could result in lengthy interruptions in the Company's services. Interruptions in the Company's ability to build the mobile Extraction System might harm its reputation, cause it to incur financial penalties, and subject it to potential liability.

Protection of Intellectual Property Rights

The industry in which the Company operates is characterized by vigorous protection and pursuit of intellectual property rights and positions, which may result in protracted and expensive litigation for many companies. The Company's commercial success depends, in part, upon the Company having appropriate protections of its intellectual property and not infringing intellectual property rights owned by others. Some of the Company's competitors and other third parties may have been issued patents or filed patent applications or may obtain additional patents and proprietary rights for technologies similar to those used by the Company in its products. Some of these patents may grant very broad protection to the owners of such patents. The Company cannot determine with certainty whether any existing third-party patents, or the issuance of any third-party patents, would require the Company to alter its technology, obtain licenses or cease certain activities.

Regardless of their merit, any lawsuits resulting from such allegations could subject the Company to significant liability for damages and invalidate the Company's proprietary rights; and any potential intellectual property litigation also could force it to do one or more of the following:

- stop selling products or using technologies that contain the allegedly infringing intellectual property;
- lose the opportunity to license the Company's technology to others or to collect royalty payments based upon successful protection and assertion of its intellectual property against others;
- incur significant legal expenses and spend time evaluating and defending any claims;
- divert management’s attention and focus away from the business;
- pay substantial damages to the party whose intellectual property rights the Company may be found to be infringing;
- expend significant resources to modify and redesign those products that contain the allegedly infringing intellectual property;
- cross-license the Company's technology to a competitor to resolve an infringement claim, which could weaken the Company's ability to compete with that competitor; or

Any significant impairment of the Company's intellectual property rights from any litigation the Company faces could harm the Company's business and its ability to compete. The Company may be prohibited from developing or commercializing certain technologies and products unless it obtains a license from a third party or pays costly royalties. There can be no assurance that the Company will be able to obtain any such license on commercially favourable terms, or at all. If the Company does not obtain such a license, its business, results of operations and financial condition could be materially adversely affected, and the Company could be required to cease related business operations in some markets and to restructure its business to focus on operations in other markets.

Disclosure of Outstanding Securities Data

As of the date of this MD&A the Company had 242,595,591 common shares, 10,169,402 options, and 43,544,421 warrants outstanding.

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 a share exchange agreement. The complaint alleges non-payment of wages and benefits, appropriation of property and interference in outside employment. The Company is objecting to the complaint, has retained counsel to address and filed a countersuit alleging the counterclaim defendants diverted Company work to themselves and interfered with contractual relations. The amounts and outcome of the complaint cannot be determined at this time and has not been accrued for in the condensed interim consolidated financial statements for the three and nine months ended December 31, 2023.

Proposed Transactions

Other than normal course review of monthly submittals, there are no other new acquisitions or proposed transactions contemplated as at the date of this report.

Accounting Policies

A detailed summary of all the Company's significant accounting policies is included in Note 3 to the audited consolidated financial statements for the year ended March 31, 2024.

New Accounting Standards Issued but Not Yet Effective

Certain new accounting standards and interpretations have been issued but are not mandatory for the current period and have not been early adopted. These new accounting standards include:

In December 2023, the Financial Accounting Standard Board ("FASB") issued ASU No. 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. This ASU enhances existing income tax disclosures to better assess how an entity's operation and related tax risks, tax planning, and operational opportunities affect its tax rate and prospects for future cash flows. The ASU is effective for annual periods beginning after December 15, 2024. We are currently evaluating the effect the guidance will have on our consolidated financial statements.

In August 2020, the FASB issued ASU No. 2020-06, *Debt-Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging- Contracts in Entity's Own Equity (Subtopic 815-40).* The objective of the amendments in this ASU is to address issues identified as a result of the complexity associated with applying GAAP for certain financial instruments with characteristics of liabilities and equity. The amendments in this ASU reduce the number of accounting models for convertible debt instruments and redeemable convertible preference shares. For convertible instruments with conversion features that are not required to be accounted for as derivatives under Topic 815, Derivatives and Hedging, or that do not result in substantial premiums accounted for as paid-in capital, the embedded conversion features no longer are separated from the host contract. The amendments in the ASU are effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. We are currently evaluating the effect the guidance will have on our consolidated financial statements.

Events After the Reporting Period

On May 6, 2024, the Company completed a private placement with EV Metals and the Encompass, issuing 7,924,157 units and 10,717,977 units, respectively, for a total of 18,642,134 units and total proceeds of approximately $10.4 million. Each warrant contained one common share and one warrant to purchase a common share for CDN$0.9579. The Company agreed to pay EV Metals a structuring fee of approximately $322,000 which was paid by issuing an additional 574,840 common shares, and agreed cover certain cost incurred in connection with the private placement by the Encompass which was paid by issuing an additional 80,385 common shares.

On June 19, 2024, the Company completed a private placement with EV Metals and the Encompass, issuing 8,478,246 units and 3,000,000 units, respectively, for a total of 11,478,246 units and total proceeds of approximately $6.4 million. Each warrant contained one common share and one warrant to purchase a common share for CDN$0.9579. The Company agreed to pay Jason Warnock a structuring fee of approximately $238,000 which was paid by issuing an additional 423,912 common shares, and agreed cover certain cost incurred in connection with the private placement by the Encompass which was paid in cash totaling $45,000.

On June 20, 2024, the Company completed the commissioning of the MDLE Plant and US Magnesium assumed operational control of the MDLE Plant.