

International Battery Metals Ltd.

Consolidated Financial Statements

For the Years Ended March 31, 2025 and 2024

(Expressed in United States Dollars)



IBAT



**International
Battery Metals**

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of
International Battery Metals Ltd.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of International Battery Metals Ltd. (the "Company") as of March 31, 2025, the related consolidated statements of loss and comprehensive loss, cash flows and changes in shareholders' equity for the year ended March 31, 2025, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2025, and the results of its operations and its cash flows for the year ended March 31, 2025, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/ CBIZ CPAs P.C.

We have served as the Company's auditor since 2024 (such date takes into account the acquisition of the attest business of Marcum LLP by CBIZ CPAs P.C. effective November 1, 2024).

Houston, Texas
July 30, 2025

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of
International Battery Metals Ltd.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of International Battery Metals Ltd. (the “Company”) as of March 31, 2024, the related consolidated statements of loss and comprehensive loss, cash flows, and changes in shareholders’ equity for the year ended March 31, 2024, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2024, and the results of its operations and its cash flows for the year ended March 31, 2024, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/ Marcum LLP

We have served as the Company’s auditor since 2024 through 2025.

Houston, Texas
August 1, 2024

International Battery Metals Ltd.
Consolidated Balance Sheets
As of March 31, 2025 and 2024
(In thousands)

	As of March 31,	
	2025	2024
ASSETS		
Current assets		
Cash	\$ 10,737	\$ 1,026
Accounts receivable	459	121
Inventory	1,061	-
Other current assets	273	336
Total current assets	12,530	1,483
Plant and equipment, net	28,450	28,793
Intangible assets, net	3,266	4,341
Right of use asset	232	67
Total assets	\$ 44,478	\$ 34,684
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 1,293	\$ 1,263
Accrued liabilities	533	593
Accounts payable, related party	-	710
Obligation to issue shares, related party	679	-
Lease obligation, current	89	67
Total current liabilities	2,594	2,633
Warrant liability	15,151	4,368
Lease obligation, long-term	143	-
Total liabilities	17,888	7,001
Commitments and contingencies		
Shareholders' equity		
Share capital, no par, 268,993 and 211,381 common shares issued and outstanding, respectively	66,156	63,733
Retained earnings (deficit)	(39,566)	(36,050)
Total shareholders' equity	26,590	27,683
Total liabilities and shareholders' equity	\$ 44,478	\$ 34,684

Approved by the Board of Directors and authorized for issue on July 30, 2025.

"John L Burba"	"Jim Schultz"
Director	Director

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

International Battery Metals Ltd.
Consolidated Statements of Loss and Comprehensive Loss
As of March 31, 2025 and 2024
(In thousands)

	Year Ended March 31,	
	2025	2024
REVENUE	\$ 871	\$ -
OPERATING COSTS AND EXPENSES		
Operating costs, excluding depreciation	3,533	-
Selling, general and administrative expenses, excluding depreciation	9,042	9,513
Reimbursable expense	871	-
Amortization of intangible assets	1,076	1,076
Depreciation	1,552	3
Operating loss	(15,203)	(10,592)
Bad debt expense	(502)	-
Excess fair value of warrants over private placement proceeds	(1,040)	-
Change in fair value of warrant liability	13,229	2,082
Net loss before income tax provision	(3,516)	(8,510)
Provision for income taxes	-	-
Net loss and comprehensive loss	\$ (3,516)	\$ (8,510)
Net loss per share, basic and diluted	\$ (0.01)	\$ (0.04)
Weighted average shares outstanding, basic and diluted	238,431	204,216

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

International Battery Metals Ltd.
Consolidated Statements of Cash Flows
For the Years Ended March 31, 2025 and 2024
(In thousands)

	Year Ended March 31,	
	2025	2024
CASH USED IN OPERATING ACTIVITIES		
Net loss	\$ (3,516)	\$ (8,510)
Adjustments to reconcile net loss to cash used in operating activities		
Share-based compensation	1,767	2,894
Shares issued for services	-	681
Amortization of intangible assets	1,076	1,076
Depreciation	1,552	3
Excess of fair value of warrants over proceeds of private Placement	1,040	-
Change in fair value of warrant liabilities	(13,229)	(2,082)
Changes in assets and liabilities:		
Accounts receivable	(337)	(76)
Inventory	(1,061)	-
Prepaid expenses	62	143
Lease liability	1	-
Trade payables and other liabilities	(810)	(36)
Net cash used in operating activities	(13,455)	(5,907)
CASH USED IN INVESTING ACTIVITIES		
Purchase of equipment	(1,328)	(2,617)
Net cash used in investing activities	(1,328)	(2,617)
CASH PROVIDED BY FINANCING ACTIVITIES		
Proceeds from private placement of shares	24,417	9,256
Share issuance costs	(602)	(300)
Subscriptions received for private placement	679	-
Proceeds from exercise of warrants	-	181
Proceeds from exercise of options	-	112
Net cash provided by financing activities	24,494	9,249
Net change in cash	9,711	725
Beginning cash balance	1,026	301
Ending cash balance	\$ 10,737	\$ 1,026
Supplemental disclosures of non-cash transactions:		
Equipment purchases included in trade payables	(119)	322
Value of common shares issued as milestone payments	-	908
Share issuance costs for common shares issued	188	-
Share issuance costs settled by issuance of shares	1,005	-
Private placement proceeds allocated to warrant liability	22,972	-

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

International Battery Metals Ltd.
Consolidated Statements of Changes in Shareholders' Equity
For the Years Ended March 31, 2025 and 2024
(In thousands)

	Common Shares	Share Capital	Accumulated Deficit	Total Shareholders Equity
Balance as of March 31, 2023	195,436	57,065	(27,540)	29,525
Private placements of shares	13,424	2,603	-	2,603
Shares issued for exercise of stock options	800	112	-	112
Shares issued for exercise of warrants	422	378	-	378
Shares issued for employee bonuses	379	246	-	246
Shares issued to vendors for services	908	681	-	681
Shares issued for restrictive stock unit	12	11	-	11
Share-based compensation	-	2,637	-	2,637
Net loss for the period	-	-	(8,510)	(8,510)
Balance as of March 31, 2024	211,381	\$ 63,733	\$ (36,050)	\$ 27,683
Private placements of shares	56,205	1,445	-	1,445
Shares issued for restricted stock units	313	220	-	220
Shares issued for bonus	14	16	-	16
Share-based compensation	-	1,532	-	1,532
Share issuance costs	1,079	(790)	-	(790)
Net loss for the period	-	-	(3,516)	(3,516)
Balance as of March 31, 2025	268,992	\$ 66,156	\$ (39,566)	\$ 26,590

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

International Battery Metals Ltd.
Notes to the Consolidated Financial Statements
For the Years Ended March 31, 2025 and 2024

1. Organization and Description of the Business

International Battery Metals Ltd. (the “Company”) was incorporated under the Business Corporations Act (British Columbia) on July 29, 2010. The Company trades on the TSX Venture 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 cost 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 (“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 for the integration of the MDLE Plant with US Magnesium’s facilities. The MDLE Plant was used to process a solution produced from lithium containing waste salts derived from prior magnesium production, generating a lithium chloride eluent. The lithium chloride eluent was further processed in US Magnesium’s onsite facilities to produce a high-purity lithium carbonate. On September 25, 2024, due to the low demand and market price of lithium and its impact on their desired profitability, US Magnesium decided to idle the MDLE Plant. The Company was not under any obligation to keep the MDLE Plant at the US Magnesium facilities if they are not operating. Accordingly, the Company is actively marketing the MDLE Plant to potential customers and has relocated the MDLE Plant to an offsite storage facility.

2. Basis of Presentation

Basis of Presentation and Principles of Consolidation

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.

Functional Currency

The Company has determined that the U.S. dollar is the functional currency for all the Company’s operations since the Company conducts the significant majority of its operations through its U.S subsidiary, IBAT USA, Inc., compensates all of its corporate officers and the board of directors in U.S. dollars and historically the majority of its expenditures are also denominated in U.S. dollars. The Company has maintained limited amounts of Canadian dollars to cover administration expenses associated with the Company’s registration in Canada. The Company has limited

International Battery Metals Ltd.
Notes to the Consolidated Financial Statements
For the Years Ended March 31, 2025 and 2024

exposure currency to exchange rate fluctuations, and for the years ended March 31, 2025, and 2024, the Company recognized a net loss of approximately \$38,000 and \$6,000, respectively, related to currency exchange rates.

Liquidity and Capital Resources

As of March 31, 2025, the Company's had an accumulated deficit of approximately \$39.6 million and a working capital of approximately \$10.6 million. During the year, the Company raised additional cash in two private placements totaling approximately \$16.8 million. The Company raised approximately \$7.6 million through a private placement on March 31, 2025 with EV Metals VII LLC and EV Metals VI LLC.

On July 20, 2025, the Company entered into binding subscription agreements ("Encompass Subscription Agreements") with Encompass, acting for certain fund entities and managed accounts for which Encompass exercises investment discretion, for the purchase of up to 25,765,259 units (the "2025 Encompass Units") at a price of CAD \$0.26625 per unit (USD\$0.19406 per unit) for gross proceeds of \$5.0 million to the Company (the "2025 Encompass Offering"). Each 2025 Encompass Unit consists of one Common Share and one warrant, with each warrant entitling the holder to purchase one additional Common Share for a period of three years from the closing date of the 2025 Encompass Offering at an exercise price of CAD\$0.355 per share. In addition, the Company has agreed to grant Encompass the right but not the obligation, to purchase up to \$2.0 million of additional units of the Company, at any time on or before December 31, 2025.

The 2025 Encompass Offering is expected to close on or around August 8, 2025, subject to satisfaction of customary closing conditions, including (i) receipt of the requisite regulatory approvals, including the approval of the TSXV and the Warrant Amendments, (ii) the accuracy of the representations and warranties of the other party, (iii) compliance with the terms, covenants, agreements and conditions of the Encompass Subscription Agreements, and (iv) no occurrence of a Material Adverse Effect (as defined in the Encompass Subscription Agreements) or that could reasonably be expected to occur, on the part of the Company.

While the cash from the private placements is anticipated to support the Company's operations, the Company continues to incur operating losses and negative cash flows. The Company has historically relied on raising funds through private placements of the Company's common shares and warrants and there is no assurance that the Company will be able to do so in the future or raise such funds at terms acceptable to the Company. Without additional funds, management believes there would be substantial doubt about the Company's ability to meet its obligations as they come due over the next twelve months from the date of the financial statements. However, with the working capital the Company has on hand and the proceeds from the Encompass Subscription Agreements, which are expected to be received shortly after the date of the financial statements, the Company has sufficient capital to alleviate the substantial doubt about the Company's ability to continue as a going concern for at least twelve months from the date of the financial statements.

3. Summary of Significant Accounting Policies

Cash

Cash consists of deposits with financial institutions.

Revenue

The Company's revenue producing activities during year ended March 31, 2025 consist of reimbursement of expenses pursuant to the US Magnesium Lease. We recognize the revenue for the expense reimbursement as we deliver the goods and services to our customer.

Inventory

Inventories are carried at the lower of cost or net realizable value and primarily consist of spare parts for the MDLE Plant. The Company determines the costs for inventory using the weighted average cost method.

International Battery Metals Ltd.
Notes to the Consolidated Financial Statements
For the Years Ended March 31, 2025 and 2024

Plant and Equipment

Equipment is recorded at cost, less accumulated depreciation and impairment losses. The Company provides for depreciation over the expected useful life of the assets. No depreciation is recorded on assets prior to their initial commencement of operations. Costs include expenditures to acquire or construct an asset, including the preparation of an asset to commence operations, installation, commissioning, and certification costs. Subsequent costs are capitalized, either to the asset's carrying amount or recognized as a separate asset when it is probable that the Company will derive future economic benefits, generally from extending the assets life or enhancing its' productive capacity. The estimated useful lives of assets are reviewed by management and adjusted if necessary. Repair and maintenance costs are charged to profit or loss during the period they are incurred.

The Company substantially completed the construction of its first MDLE Plant in November 2021. As the MDLE Plant did not commence commercial operations, the Company did not initiate the recognition of depreciation on the MDLE Plant until June 19, 2024, when it was briefly placed into service at US Magnesium. Prior to commencement of operations, the Company utilized the MDLE Plant to perform feasibility studies and as a demonstration plant for potential customers. During these feasibility studies and demonstrations, based on the results, the Company continued to make enhancements to the MDLE Plant and capitalize the associated costs.

Fixed assets include tangible assets with useful lives that exceed one year and valued at historical cost plus costs incurred to place that asset into service. Subsequent expenditures are only capitalized if it will increase the future economic benefit of the asset. Subsequent expenditures that do not increase the future economic benefit are recognized as profit and loss when incurred. Depreciation is recorded using the straight-line method over the useful life of the estimated useful lives of the assets as follows:

- | | |
|---|-------------------------|
| • Computer equipment and furniture and fixtures | 5 years |
| • Leasehold improvements | remaining term of lease |
| • Plant | 15 – 20 years |

Intangible Assets

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

- | | |
|-------------------------|----------|
| • Patents | 20 years |
| • Intellectual property | 10 years |

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

Fair Value of Financial Instruments

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

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

The fair value of financial assets and financial liabilities at amortized cost is determined based on discounted cash flow analysis or using prices from observable current market transactions. The Company considers that the carrying

International Battery Metals Ltd.
Notes to the Consolidated Financial Statements
For the Years Ended March 31, 2025 and 2024

amount of all its financial assets and financial liabilities recognized at amortized cost in the consolidated financial statements approximates their fair value due to the demand nature or short-term maturity of these instruments. Cash is measured using level 1 of the fair value hierarchy. Financial assets do not include amounts due from a government agency as it is a statutory (not contractual) obligation.

Leases

The Company assesses at the inception of a contract whether it contains a lease. A contract is classified as a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company recognizes a right-of-use asset and lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any indirect costs incurred. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined using the same criteria as those for property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses and adjusted for certain remeasurements of the lease liability, if any.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be determined, the Company's incremental borrowing rate. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, or changes in assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised. The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Research and Development

Research costs are expensed in the period in which they are incurred. Development costs are expensed in the period in which they are incurred unless certain criteria, including technical feasibility, commercial feasibility, intent and ability to develop and use the technology, are met for capitalization and amortization.

Earnings (Loss) Per Share

Basic earnings (loss) per share is computed by dividing the net earnings (loss) attributable to common shareholders by the weighted average number of common shares outstanding during the reporting period. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the weighted average number of common shares outstanding is adjusted for the number of shares that are potentially issuable in connection with stock options and warrants (if dilutive). The Company assumes that outstanding dilutive stock options and warrants were exercised and that the proceeds from such exercises (after adjustment of any unvested portion of stock options) were used to acquire Common Shares at the average market price during the reporting periods.

Shareholders' Equity

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

International Battery Metals Ltd.
Notes to the Consolidated Financial Statements
For the Years Ended March 31, 2025 and 2024

Share-Based Payments

Share-based payments to employees are measured at the fair value of the instruments issued and recognized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued if it is determined the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received. The fair value of options is determined using the Black-Scholes Option Pricing Model which incorporates vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the estimated number of equity instruments that will eventually vest. Over the vesting period, share-based payments are recorded as an operating expense and additional paid-in capital. When options are exercised, the consideration received is recorded as additional paid-in capital.

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

Warrants

The Company determines the accounting classification of warrants it issues as either liability or equity classified by first assessing whether the warrants meet liability classification. Warrants are considered liability classified if the warrants are mandatorily redeemable, obligate the Company to settle the warrants or the underlying shares by paying cash or other assets, or warrants that must or may require settlement by issuing variable number of shares. Warrants that require or may require the settlement in cash are accounted for as liabilities, irrespective of the likelihood of the transaction occurring that triggers the cash settlement feature. Liability classified warrants require fair value accounting at issuance and subsequent to initial issuance with all changes in fair value after the issuance date recorded in the statements of operations. Equity classified warrants only require fair value accounting at issuance with no changes recognized subsequent to the issuance date.

Income Taxes

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

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

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

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

International Battery Metals Ltd.
Notes to the Consolidated Financial Statements
For the Years Ended March 31, 2025 and 2024

Impairment of Long-lived Assets

The Company performs impairment testing on long-lived assets, including property, plant, and equipment, and intangible assets with finite lives, in accordance with ASC 360, "Property, Plant, and Equipment." Impairment testing is conducted whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Such events or changes in circumstances may include a significant decrease in the market price of a long-lived asset, a significant change in the extent or manner in which an asset is used, a significant change in legal factors or in the business climate, a significant deterioration in the amount of revenue or cash flows expected to be generated from a group of assets, a current expectation that, more likely than not a long-lived asset will be sold or otherwise disposed of significantly before the end of its previously estimated useful life, or any other significant adverse change that would indicate that the carrying value of an asset or group of assets may not be recoverable. The Company performs impairment testing at the asset group level that represents the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. If events or changes in circumstances indicate that the carrying amount of an asset group may not be recoverable and the expected undiscounted future cash flows attributable to the asset group are less than the carrying amount of the asset group, an impairment loss equal to the excess of the asset's carrying value over its fair value is recorded. To date, the Company has not recorded any impairment losses on long-lived assets.

Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. The Company did not have an outstanding payable balance to EVL Holdings, LLC ("EVL"), on March 31, 2025. The Company did however, have an outstanding payable to EVL a greater than 10% shareholder of the Company, for approximately \$710,000 on March 31, 2024 related to the construction of the Company's MDLE Plant. The outstanding payable to EVL was paid in cash subsequent to March 31, 2024.

Contingencies

Contingencies are assessed on an ongoing basis to evaluate the appropriateness of liabilities and disclosures for such contingencies. Liabilities for estimated loss contingencies when management believes a loss is probable and the amount of the probable loss can be reasonably estimated. Once established, the liabilities are adjusted to the carrying amount of a contingent liability upon the occurrence of a recognizable event when facts and circumstances change, altering previous assumptions with respect to the likelihood or amount of loss. Corresponding assets are recognized for those loss contingencies that are probable of being recovered through insurance. Legal costs are expensed as they are incurred, and with a corresponding asset for such legal costs expected to be recovered through insurance.

Segment Reporting

The Company adopted FASB (as defined below) Accounting Standards Update ("ASU") 2023-07, *Improvements to Reportable Segment Disclosures (Topic 280)*, as of January 1, 2025. This standard enhances segment disclosures by requiring additional information about significant segment expenses and other segment items on an annual and interim basis.

The Company operates as a single operating and reportable segment because:

- The Chief Operating Decision Maker ("CODM"), the Company's Chief Executive Officer, reviews operating results on a consolidated basis.
- The Company's activities are focused on the development of extracting lithium compounds from brine, with no distinguishable lines of business or revenue streams.

International Battery Metals Ltd.
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As a prerevenue company, the Company does not currently generate revenues and, therefore, does not have separate segment-level financial information. The adoption of ASU 2023-07 did not have a material impact on the Company's financial statements or related disclosures, other than the inclusion of additional qualitative information related to its single reportable segment.

New Accounting Standards Issued but Not Yet Effective

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.

4. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Company's consolidated financial statements in conformity 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 its functional currency is 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.

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5. Accounts Receivable

The Company's accounts receivables as of March 31, 2025 and 2024 are as follows (in thousands):

	As of March 31,	
	2025	2024
Accounts receivable	\$ 447	\$ 105
Sales tax refunds	12	16
	<u>\$ 459</u>	<u>\$ 121</u>

6. Other Assets

The Company's other assets as of March 31, 2025 and 2024 are as follows (in thousands):

	As of March 31,	
	2025	2024
Prepaid patent services	\$ -	\$ 174
Prepaid insurance	107	65
Prepaid engineering services	-	50
Rental deposit	9	16
Technology licenses	-	11
Other	157	20
Total other assets	<u>\$ 273</u>	<u>\$ 336</u>

7. Plant and Equipment

The Company's equipment as of March 31, 2025 and 2024 are as follows (in thousands):

	As of March 31,	
	2025	2024
MDLE Plant	\$ 29,429	\$ 28,591
Equipment	544	183
Office equipment	33	23
	<u>30,006</u>	<u>28,797</u>
Less: accumulated depreciation	<u>1,556</u>	<u>4</u>
	<u>\$ 28,450</u>	<u>\$ 28,793</u>

The MDLE Plant was mobilized to a customer site in June 2024, and depreciation began upon commencement. Since the MDLE Plant was not operational for the year ended March 31, 2024, no depreciation was recorded related to the MDLE Plant.

8. Lithium Extraction Technology Asset Purchase and Intangible Assets

On April 12, 2018, the Company closed an asset purchase agreement with North American Lithium, Inc. ("NAL") and Selective Adsorption Lithium, Inc. ("SAL"), a company formerly controlled by shareholders of NAL, pursuant to which the Company acquired NAL's data, analysis and reports related to lithium extraction from oilfield brines and all the outstanding shares of SAL, which held certain intellectual property (the "Acquisition"). The consideration for the Acquisition consisted of \$875,000 cash, a 5% royalty on future product income, as defined, 4,700,000 common shares at closing and 20,609,488 common shares ("Milestone Shares") based on the Company achieving certain milestones related to the filing of additional patents and raising additional financing. The total value of the Acquisition, including the Milestone Shares, was valued at approximately \$9.1 million and recorded as intellectual property (the, "Intellectual Property").

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Additionally, the Company has filed additional patents to expand its intellectual property for the development of lithium extraction technologies. The Company's intangible assets as of March 31, 2025, are as follows (in thousands):

	Gross	Accumulated	Net	Weighted Average Remaining Life (Years)
	Assets	Amortization	Assets	
Intellectual property	\$ 9,276	\$ (6,019)	\$ 3,257	3.5
Patents	11	(2)	9	16.5
	<u>\$ 9,287</u>	<u>\$ (6,021)</u>	<u>\$ 3,266</u>	

The Company's intangible assets as of March 31, 2024, are as follows (in thousands):

	Gross	Accumulated	Net	Weighted Average Remaining Life (Years)
	Assets	Amortization	Assets	
Intellectual property	\$ 9,276	\$ (4,945)	\$ 4,331	4.5
Patents	11	(1)	10	17.5
	<u>\$ 9,287</u>	<u>\$ (4,946)</u>	<u>\$ 4,341</u>	

9. Operating Lease

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 \$8,495. The lease liability is calculated using an incremental borrowing rate of 5.65%. The Houston lease ended on November 30, 2024.

The Company entered into a new sub-lease agreement for office space in Plano, Texas, commencing on November 16, 2024, for a term of thirty-four months at an average lease payment of \$8,729. The lease liability is calculated using an incremental borrowing rate of 6.83%. Lease costs for the years ended December 31, 2025 and 2024 are as follows (in thousands):

	For the Year Ended March 31,	
	2025	2024
Operating lease costs	\$ 99	\$ 101
Variable lease costs	53	91
Short-term lease costs	108	38
	<u>\$ 260</u>	<u>\$ 230</u>

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The Company has elected not to recognize a lease liability for leases with an expected term of 12 months or less. Additionally, certain variable lease payments are not permitted to be recognized as lease liabilities and are recognized in profit and loss as incurred. Lease balance sheet information as March 31, 2025 and 2024 is as follows (in thousands):

	As of March 31,	
	2025	2024
Assets:		
Operating Lease right-of-use asset	\$ 232	\$ 67
Liabilities:		
Operating lease liabilities, current	89	67
Operating lease liabilities, long-term	143	-
Total operating lease liabilities	\$ 232	\$ 67

10. Fair Value Measurements

The following table summarizes the Company's assets and liabilities that are measured at fair value on a recurring basis, by level, with the fair value hierarchy as of March 31, 2025 and 2024 (in thousands):

	March 31, 2025			
	Fair Value	Level 1	Level 2	Level 3
Liability				
Warrant liability	15,151	-	15,151	-

	March 31, 2024			
	Fair Value	Level 1	Level 2	Level 3
Liability				
Warrant liability	4,368	-	4,368	-

11. Shareholders Equity

Authorized

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

Issued and Outstanding

On February 28, 2025, the Company entered into a letter agreement (the “**2025 Letter Agreement**”) with EV Metals VII LLC (“**EV Metals**”), a company controlled by Jacob Warnock, a director of the Company, agreeing to 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 \$15.0 million of units (the “**2025 Offering**”), which each unit (the “**2025 Units**”) consisting of one Common Share of stock and one warrant to purchase a Common Share. On March 2, 2025, two entities controlled by EV Metals, EV Metals 7 LLC and EV Metals VI LLC, entered into binding subscription agreements for the purchase of a portion of the 2025 Offering. The first closing of the 2025 Offering occurred on March 31, 2025 for gross proceeds of \$7.55 million and the second closing of the 2025 Offering occurred on April 11, 2025 for gross proceeds of \$679,000, which are reflected in Obligation to issue shares as a liability. In connection with the two closings, EV Metals 7 LLC and EV Metals VI LLC acquired a total of 27,739,348 (25,393,475 in the first closing and 2,345,873 in the second closing) and 690,979 2025 Units, respectively. The pricing of the 2025 Units was CAD \$0.4168 per share (USD\$0.2894 per share), which was based on the five-day trading average of the Common Shares on the TSXV, less a discount of 20% (the maximum allowable discount permitted by the rules of the TSXV).

The pricing of the 2025 Units was based on the five-day trading average of the common shares on the TSXV for the applicable tranche less the maximum allowable discount permitted by the rules of the TSXV. The warrants included in the 2025 Units will have a term of four years from date of issuance and will entitle the holders to purchase

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a common share at an exercise price equal to the closing price of the common shares on the TSXV as of the date immediately preceding the date of the news release announcing the 2025 Offering or the closing of the applicable tranche of the 2025 Offering. In connection with the first and second closing of the 2025 Offering, the Company paid structuring fees of \$411,450 to Mr. Warnock, a director and control person of EV Metals.

On June 19, 2024, the Company completed another further private placement with EV Metals VI and 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 unit consisted of one common share and one common 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 CAD\$0.9579. The Company agreed to pay Jacob Warnock, a director of the Company and controlling shareholder of EV Metals VI, a structuring fee of approximately \$238,000 which was paid by issuing an additional 423,912 common shares and agreed to cover certain cost incurred in connection with the private placement by the Encompass, which was paid in cash totaling \$45,000.

On May 6, 2024, the Company completed a further private placement with EV Metals VI and Encompass Capital Advisors LLC ("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 unit consisted of one common share and one common 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 CAD\$0.9579. The Company agreed to pay EV Metals VI a structuring fee of approximately \$322,000 which was paid by issuing an additional 574,840 common shares and agreed to cover certain costs incurred in connection with the private placement by Encompass, which was paid by issuing an additional 80,385 common shares.

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 (the, "Offering"), which each unit consisting of one common shares of stock and one warrant to purchase a common share through June 10, 2024. The pricing established for the first closing (the, "Initial Closing") was CAD \$1.00 per unit and the exercise price for the warrants, with a two-year duration, as CAD \$1.25 per common share. The Letter Agreement requires the Company to submit a price reservation with the Canadian Stock Exchange ("CSE") to protect the pricing as permitted by CSE and to file for subsequent price reservations as such price reservations expire. Upon the occurrence of the Initial Closing, EV Metals shall have the right to appoint an individual to the Board of Directors of the Company and for as long as EV Metals maintains at least 5% of the issued and outstanding common shares, to nominate a potential director at subsequent shareholder meetings where directors are being considered. In addition to customary terms and conditions of such a private placement, the Letter Agreement provides EV Metals with registration rights upon EV Metals having subscribed an aggregate of \$4.0 million pursuant to the Offering and maintaining beneficial ownership or control over 5% or more of all outstanding shares. On February 29, 2024, the Company completed the Initial Closing, issuing 2,704,400 units for proceeds of approximately \$2.0 million. EV Metals appointed Jacob Warnock to the Board of Directors.

On December 29, 2023, the Company completed a private placement financing of 2,694,804 units for gross proceeds of approximately \$1.4 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 CAD \$0.82 per share.

In December 2023, the Company issued 228,708 common shares as a signing bonus to the Co-Chief Executive Officer pursuant to an executive employment agreement, 150,000 for an officer's performance bonus and 123,841 common shares to members of the Board of Directors in lieu of cash board fees. Additionally, the Company issued 307,947 shares to a law firm in lieu of payment for amounts owing for services rendered to the Company. The total value of these shares was approximately \$500,000.

On December 8, 2023, the Company completed a private placement financing of 1,629,838 units for gross proceeds of approximately \$840,000. 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 issuance at an exercise price of CAD \$0.82 per share.

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On September 21, 2023, the Company issued 400,000 common shares valued at approximately \$359,000 to a law firm as a retainer for professional services to be provided to the Company. Approximately \$210,000 of the retainer was amortized to expense during the year ended March 31, 2024 and approximately \$149,000 remains in other current assets as of March 31, 2024.

On April 21, 2023, the Company completed a private placement financing (“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 CAD \$1.21 per share. In connection with the offering, the Company paid an advisory fee of approximately \$300,000. In connection with the closing of the April 2023 Placement, the Company agreed to amend the exercise price of 3,333,333 warrants (“Existing Warrants”) held by Encompass to \$1.21 from the initial exercise price of \$3.83. The Existing Warrants were allowed to expire in February 2024. The April 2023 Placement provided the Encompass with customary anti-dilution protection for a period of six months from closing and provided pre-emptive rights on future Company proposed issuances of equity, debt or other securities convertible into equity or with equity attached thereto, for a period of twenty-four months from the date of closing.

Weighted-average Common Shares Outstanding

(in thousands, except per share amounts)	For the Year Ended March 31,	
	2025	2024
Net loss	(3,516)	(8,510)
Weighted average number of shares:		
Issued common shares at beginning of period	211,381	195,436
Effect of common shares issued during period	27,050	8,780
Weighted average number of shares basic and diluted:	238,431	204,216
Net loss per share, basic and diluted	\$ (0.01)	\$ (0.04)

Anti-dilutive common share equivalents excluded from the computation of diluted net loss per share for the years ended March 31, 2025 and 2024 are as follows (in thousands):

	For the Year Ended March 31,	
	2025	2024
Warrants to purchase common shares	69,629	13,424
Options to purchase common shares	12,283	10,569
	81,912	23,993

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 of Directors (the, “Board”), or if appointed, by a special committee of directors appointed from time to time by the Board. The maximum number of common shares issuable under the Plan shall not exceed 10% of the number of common shares of the Company issued and outstanding as of each award date, inclusive of all common shares reserved for issuance pursuant to previously granted stock options. The exercise price of options granted under the Plan will not be less than the closing market price of the Company’s common shares on the exchange. The options have a maximum term of ten years from date of issue and vesting is determined by the Board.

On June 7, 2023, the Company amended the exercise price of 1,800,000 stock options previously granted to officers, directors and employees of the Company with exercise prices ranging from CAD\$3.50 to CAD\$4.37 per share. To

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amend the exercise price of the 1,800,000 stock options, the Company cancelled 1,800,000 stock options on June 7, 2023, and issued replacement options on July 7, 2023, following a thirty-day grace period at the amended exercise price of CAD\$1.41 per share, which was the trading price of the Company's common shares on the date of grant.

The Company's has historically issued options utilizing Canadian dollars (CAD\$) for the strike price as the Company's principle public listing of common shares is reported on the Canadian Securities Exchange utilizing CAD\$. The following table summarizes information regarding the options including the historical CAD\$ strike prices during the years ended March 31, 2025 and 2024:

	Options Outstanding (thousands)	Weighted- Average Exercise Price (CAD\$)	Weighted- Average Exercise Life (years)
Balance as of March 31, 2024	10,569	1.28	2.9
Granted	2,864	1.12	
Forfeited	(1,150)	0.89	
Balance as of March 31, 2025	12,283	\$ 1.04	3.1

The weighted-average grant date fair value of the options granted during fiscal years 2025 and 2024 was \$0.62 (CAD\$0.82) and \$0.52 (CAD\$0.84) per share, respectively. The share-based compensation expense for fiscal years 2025 and 2024 was approximately \$1.8 million and \$2.6 million, respectively and is included in general and expenses in the consolidated financial statements. There were no proceeds for option exercises during fiscal year 2025. The total proceeds for option exercises during fiscal year 2024 were approximately \$112,000 and the intrinsic value per share on date of exercise was approximately \$0.73 (CAD\$0.99). As of March 31, 2025, unrecognized compensation expense associated with unvested options granted and outstanding was approximately \$1,050,000 to be recognized over the remaining period of 2.0 years.

The fair value of the options was estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	For the Year Ended March 31,	
	2025	2024
Risk-free interest rate	2.9%	3.3%
Expected volatility	132%	126%
Expected life (years)	3.13	4.4
Expected dividend yield	0.0%	0.0%

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

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Warrants

The Company has historically issued warrants utilizing CAD\$ for the strike price as the Company's principle public listing of common shares is reported on the Canadian Securities Exchange utilizing CAD\$. The following table summarizes information regarding the warrants including the historical CAD\$ strike prices during the years ended March 31, 2025 and 2024:

	Warrants Outstanding (thousands)	Weighted- Average Exercise Price (CAD\$)	Weighted- Average Exercise Life (years)
Balance as of March 31, 2023	3,756	\$ 3.46	0.8
Granted	13,424	1.09	
Exercised	(423)	0.58	
Expired	(3,333)	3.83	1.2
Balance as of March 31, 2024	13,424	1.09	
Granted	56,205	0.82	
Balance as of March 31, 2025	69,629	\$ 0.82	2.2

As the strike price of the warrants is stated in a currency, Canadian dollars, which is different than the Company's functional currency, the warrants are treated as a liability in the consolidated balance sheets. The outstanding warrant liability as of March 31, 2025 and 2024 was approximately \$15.2 million and \$4.4 million, respectively. During the years ended March 31, 2025 and 2024, the Company recognized a gain for the change in fair value of the warrants of approximately \$13.2 million and \$2.1 million respectively. The fair value of the options was estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	For the Year Ended March 31,	
	2025	2024
Risk-free interest rate	2.5%	3.9%
Expected volatility	143%	114%
Expected life (years)	2.17	2.0
Expected dividend yield	0.0%	0.0%

Restricted Share Unit Plan

On November 25, 2020, as amended and restated December 15, 2023, 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 is 20,477,824..

The Company granted 220,902 RSU's on July 1, 2022, which were subsequently cancelled and replaced with 220,902 stock options on September 29, 2023. On June 30, 2023, the Company granted 12,500 RSU's to an employee and concurrently issued the shares to settle the RSU's. The Company had no RSU's outstanding as of March 31, 2024.

On August 20, 2024, the Company granted 4,227,630 performance-based RSUs of which 300,000 RSUs vested upon issuance. The Company evaluated both the probability of achieving each of the performance targets and the time required to determine the estimated vesting schedule and valuation of the RSUs. During the year ended March 31, 2025, the Company recognized approximately \$322,000 of compensation expense for the RSUs which is included in selling, general and administrative expenses in the condensed consolidated financial statements

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On November 26, 2024, the Company granted 2,705,630 RSUs to the Board of Directors, with each Director receiving 541,126 RSUs. The closing price on November 26, 2024, was CAD\$0.33 and the cumulative value of these RSUs are approximately \$633,446. The vesting period for these RSUs is one year and will be expensed over the vesting period.

12. Licensing Agreements with Related Parties

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”) (collectively, “Ensorcia Group”) whereby the Company issued lithium extraction technology licenses to Sorcia and EAL to use extraction systems manufactured by the Company in exchange for a six percent royalty (6%) on the gross sales price of all products produced and sold, less selling costs, using the licensed technology and a ten percent (10%) participation interest in each of Sorcia’s and EAL’s future resource projects or lithium extraction facilities where the Company’s licensed rights are utilized. The definition of participation interest is to be agreed upon and calculated at the time any future resource projects are negotiated. Pursuant to the licensing agreements, as amended, Sorcia and EAL have a priority over construction of the Company’s next extraction system on the Company’s construction schedule. The Company can terminate the licensing agreements with Sorcia and EAL on or after December 31, 2028. Ensorcia, Sorcia and EAL are related parties of the Company by virtue of significant shareholdings. The controlling shareholder and Chairman of the Ensorcia Group was a director of the Company until October 31, 2024.

On March 30, 2023, the Company and Entec, an affiliate of the Ensorcia Group, entered into the Entec Licensing Agreement. Pursuant to the terms of the Entec Licensing Agreement, the Company will provide Entec with a non-exclusive, limited, world-wide (other than Chile and Argentina) license to access to 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 6% of the net sales 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 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 the Entec Participation Interest equal to the last lithium production agreement entered into by the Company in the country where the project resides.

For the years ended March 31, 2025 and 2024, the Company has not received any revenue or incurred any expense associated with these licensing agreements with the related parties.

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13. Income Taxes

Provision for Income Taxes

The provision for income tax (benefit) differs from the amount that would have resulted by applying the combined Canadian federal and provincial statutory tax rates. A reconciliation of the statutory versus effective rates are as follows (amounts in thousands):

	For the Year Ended March 31,			
	2025		2024	
Income (tax benefit) at statutory rate (Canada)	\$	(949)	(27)%	\$ (2,298) (27)%
Change in statutory, foreign exchange rates and other		-	-%	703 8%
Permanent differences		338	10%	159 2%
Share issuance costs		-	-%	(142) (2)%
Adjustments to prior years' provision		(1,061)	(30)%	1,578 19%
Non taxable gain on warrant obligations		(3,291)	(94)%	
Increase in valuation allowance (Canada)		4,265	121%	
US – Canadian rate differential		629	18%	- -%
Other		69	2%	- -%
Income tax benefit, net	\$	-	-%	\$ - -%

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

	As of March 31,	
	2025	2024
Non-capital loss carryforward	\$ 7,449	\$ 3,452
Basis differences in fixed assets	(990)	128
Intangible assets	766	812
Accruals and reserves	233	-
Share issuance costs	1,163	202
Interest limitations	237	-
Capital losses	2	1
	8,860	4,595
Less: valuation allowance	(8,860)	(4,595)
Net deferred tax assets	\$ -	\$ -

As of March 31, 2025, the Company had non-capital tax loss carryforwards in Canada of approximately \$17.6 million which can be applied to reduce future Canadian taxable income and will expire between 2031 and 2045. Additionally, the Company had net operating tax loss carryforwards in the United States of \$13.2 million, which may be carried forward indefinitely to reduce future U.S. taxable income.

As of March 31, 2025, the Company has unrecognized deferred tax liability of approximately \$1.5 million due to the timing differences arising on the initial recognition of the acquisition of all the issued and outstanding shares of a subsidiary acquired in 2018.

14. 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

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address and filed a countersuit alleging the counterclaim defendants diverted Company work to themselves and interfered with contractual relations. The complaint was settled on July 7, 2025, whereby the Company paid the claimants approximately \$78,000.

15. Risk Management

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.

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 is exposed to liquidity risk. 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.

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 U.S. dollars. As of March 31, 2025, the Company held approximately \$117,000 of Canadian cash and trade payables and other liabilities of \$104,000 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.

16. Segment Information

The Company operates as a single reportable segment, which reflects the manner in which the CODM manages the business, allocates resources, and evaluates performance. The Company's activities to date have been limited to research and development and pre-commercialization activities and it has not generated any revenue from product sales or services.

Significant Expense Categories

As required by *ASU 2023-07*, the Company discloses significant segment expense categories that are regularly provided to the CODM. These categories, which represent the major costs incurred in the development of the Company's technology and operations, are as follows:

Expense Category	Year Ended March 31,	
	2025	2024
General and administrative	\$ 7,290	\$ 6,864
Stock-based compensation	\$ 1,752	\$ 2,649
Other operating expenses	\$ 3,533	\$ -

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The CODM reviews these expenses as part of the consolidated financial results. No other measures of segment profit or loss, or assets, are provided to the CODM.

Geographic Information

All operations and assets are located in the United States. As of March 31, 2025, the Company does not have revenue or long-lived assets located outside of the United States.

17. Subsequent Events

In accordance with ASC 855, “Subsequent Events,” the Company has analyzed its operations subsequent to March 31, 2025 to the date these financial statements were issued and has determined that it does not have any material subsequent events to disclose in these financial statements.

On July 20, 2025, the Company entered into the Encompass Subscription Agreements with Encompass, a beneficial owner of more than 5% of the Company’s securities, for the purchase of up to 25,765,259 units at a price of CAD \$0.26625 per unit (USD\$0.19406 per unit) for gross proceeds of \$5.0 million to the Company. Each 2025 Encompass Unit consists of one Common Share and one warrant, with each warrant entitling the holder to purchase one additional Common Share for a period of three years from the closing date of the 2025 Encompass Offering at an exercise price of CAD\$0.355 per share. In addition, the Company has agreed to grant Encompass the right but not the obligation to purchase up to \$2.0 million additional units of the Company at any time on or before December 31, 2025.

The 2025 Encompass Offering is expected to close on or around August 8, 2025, subject to satisfaction of customary closing conditions, including (i) receipt of the requisite regulatory approvals, including the approval of the TSXV and the Warrant Amendments, (ii) the accuracy of the representations and warranties of the other party, (iii) compliance with the terms, covenants, agreements and conditions of the Encompass Subscription Agreements, and (iv) no Material Adverse Effect (as defined in the Encompass Subscription Agreements) has occurred nor has any event or events occurred that, individually or in the aggregate, could reasonably be expected to result in a Material Adverse Effect.

On July 20, 2025, the Company entered into amended and restated registration rights agreements (“**A&R Registration Rights Agreements**”) which amended the Registration Rights Agreements with each of EV Metals and Encompass. Pursuant to the A&R Registration Rights Agreements, we have agreed to use our reasonable best efforts to cause this Registration Statement to be declared effective as promptly as reasonably practicable but in no event later than July 20, 2026. In addition, pursuant to the Encompass A&R Registration Rights Agreement, upon the closing of the 2025 Encompass Offering we have agreed that, upon request of Encompass, we will use our commercially reasonable efforts to (i) file a registration statement registering the Common Shares to be issued at closing of the 2025 Encompass Offering, including the Common Shares issuable upon exercise of the warrants which form a part of the 2025 Encompass Units within 90 days and (ii) have such registration statement declared effective as promptly as reasonably practicable following the filing thereof but in no event later than 60 days if the registration statement is not reviewed by the SEC or 180 days if subject to review. The A&R Registration Rights Agreements provide that, subject to certain requirements and customary conditions, each of EV Metals and Encompass will have “piggy-back” registration rights with respect to underwritten offerings by us and other shareholders. In addition, upon the request of EV Metals, we have agreed to take necessary steps to facilitate up to two underwritten offerings which must occur prior to the third anniversary of the effective date of this registration statement on Form S-1; provided that the aggregate price of such offering is expected to be \$25 million or less.

The A&R Registration Rights Agreements contain customary cross-indemnification provisions, under which we are obligated to indemnify the selling shareholders in the event of material misstatements or omissions in the registration statement and any violation or alleged violation by us of the Securities Act, Exchange Act, or any state securities law, or any rule or regulation thereunder, and the selling shareholders are obligated to indemnify us for material misstatements or omissions attributable to them. We will generally pay all registration expenses in connection with our obligations under the A&R Registration Rights Agreements, regardless of whether any of our Common Shares are sold pursuant to a registration statement.

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In connection of the foregoing, pursuant to the A&R Registration Rights Agreements, we agreed to to extend the expiration date of the warrants previously issued to Encompass and EV Metals pursuant to the private placements which occurred on April 21, 2023, February 29, 2024, May 3, 2024, and June 19, 2024 to the earlier of (i) five years from the date of such warrants original issuance or (ii) three years from the date of the closing of the 2025 Encompass Offering (the “**Warrant Amendments**”) and each of EV Metals and Encompass has agreed to waive their respective rights to any possible claims, including the right to liquidation damages, under the Registration Rights Agreements provided that the Warrant Amendments are approved by the TSXV.