International Battery Metals Ltd.

Condensed Consolidated Financial Statements (Unaudited)
For the Three and Nine Months Ended December 31, 2024 and 2023
(Expressed in United States Dollars)

International Battery Metals Ltd.

Condensed Consolidated Balance Sheets (Unaudited)
As of December 31, 2024 and March 31, 2024
(In thousands)

	December 31, 2024	March 31, 2024
ASSETS	(Unaudited)	
Curent assets		
Cash	$ 5,435	$ 1,026
Accounts receivable	954	121
Inventory	1,070	-
Other current assets	250	336
Total current assets	7,709	1,483
Plant and Equipment, net	27,221	28,793
Intangible assets, net	3,534	4,341
Right of use asset	254	67
Total assets	**$ 38,718**	**$ 34,684**
Current liabilities		
Accounts payable	$ 797	$ 1,263
Accrued liabilities	336	593
Accounts payable, related party	-	710
Lease obligation, current	87	67
Total current liabilities	1,220	2,633
Warrant liability	12,503	4,368
Lease obligation, long-term	167	-
Total liabilities	13,890	7,001
Commitments and contingencies		
Shareholders' equity		
Share capital, no par, 242,908 and 211,381 common shares issued and outstanding, respectively	66,303	63,733
Accumulated deficit	(41,475)	(36,050)
Total shareholders' equity	24,828	27,683
Total liabilities and shareholders'equity	**$ 38,718**	**$ 34,684**

Approved by the Board of Directors and authorized for issue on March 3, 2025.

Director

Director

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

International Battery Metals Ltd.

Condensed Consolidated Statements of Loss and Comprehensive Loss (Unaudited)
For the Three and Nine Months Ended December 31, 2024 and 2023
(In thousands, except per share amounts)

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2024	2023	2024	2023
REVENUE, reimbursable	**$ (4)**	**$ -**	**$ 881**	**$ -**
OPERATING COSTS AND EXPENSES				
Operating costs, excluding depreciation	468	-	2,543	-
Selling, general and administrative expenses, excluding depreciation	2,097	2,549	6,725	7,333
Reimbursable expenses	(4)	-	881	-
Amortization of intangible assets	269	269	807	807
Depreciation	1,235	1	2,636	2
Operating loss	(4,069)	(2,819)	(12,711)	(8,142)
Excess fair value of warrants over private placement proceeds	-	-	(659)	-
Change in fair value of warrant liability	(7,576)	2,143	7,945	3,130
Net loss before income tax provision	(11,645)	(676)	(5,425)	(5,012)
Provision for income taxes	-	-	-	-
Net loss and comprehensive loss	**$ (11,645)**	**$ (676)**	**$ (5,425)**	**$ (5,012)**
Net loss and comprehensivie loss per share, basic and diluted	**$ (0.05)**	**$ (0.00)**	**$ (0.02)**	**$ (0.03)**
Weighted average shares outstanding, basic and diluted	**242,908**	**203,468**	**236,966**	**199,568**

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

International Battery Metals Ltd.

Condensed Consolidated Statements of Cash Flows (Unaudited)
For the Nine Months Ended December 31, 2024 and 2023
(In thousands)

	Nine Months Ended December 31,	
	2024	**2023**
CASH USED IN OPERATING ACTIVITIES		
Net loss	**$ (5,425)**	**$ (5,012)**
Adjustments to reconcile net loss to cash used in operating activities:		
Share-based compensation	1,330	2,722
Shares issued for services	-	620
Amortization of intangible assets	807	807
Depreciation	2,636	2
Excess of fair value of warrants over proceeds of private placement	659	-
Change in fair value of warrant liabilities	(7,945)	(3,130)
Changes in assets and liabilities:		
Accounts receivable	(833)	24
Inventory	(1,070)	-
Prepaid expenses	86	(11)
Trade payables and other liabilities	(1,315)	(493)
Net cash used in operating activities	**(11,070)**	**(4,471)**
CASH USED IN INVESTING ACTIVITIES		
Purchase of equipment	(1,182)	(1,470)
Net cash used in investing activities	**(1,182)**	**(1,470)**
CASH PROVIDED BY FINANCING ACTIVITIES		
Proceeds from private placement of shares and warrants	16,867	7,256
Share issuance costs	(206)	(300)
Proceeds from exercise of warrants	-	181
Proceeds from exercise of options	-	112
Net cash provided by financing activities	**16,661**	**7,249**
Net change in cash	4,409	1,308
Beginning cash balance	1,026	301
Ending cash balance	**$ 5,435**	**$ 1,609**
Supplemental disclosures of non-cash transactions:		
Equipment purchases included in trade payables	-	979
Share issuance costs for common shares issued	1,005	-
Private placement proceeds allocated to warrant liability	15,422	5,301

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

International Battery Metals Ltd.

Condensed Consolidated Statements of Changes in Shareholders' Equity (Unaudited)
For the Three and Nine Months Ended December 31, 2024 and 2023
(In thousands)

	Common Shares	Share Capital	Accumulated Deficit	Total Shareholders' Equity
Balance as of September 30, 2024	**242,908**	**$ 65,866**	**$ (29,830)**	**$ 36,036**
Share-based compensation	-	437	-	437
Net loss for the period	-	-	(11,645)	(11,645)
Balance as of December 31, 2024	**242,908**	**$ 66,303**	**$ (41,475)**	**$ 24,828**

	Common Shares	Share Capital	Accumulated Deficit	Total Shareholders' Equity
Balance as of March 31, 2024	**211,381**	**$ 63,733**	**$ (36,050)**	**$ 27,683**
Private placements of shares	31,200	1,239	-	1,239
Shares issued for restricted stock units	313	220	-	220
Shares issued for bonus	14	16	-	16
Share-based compensation	-	1,095	-	1,095
Net loss for the period	-	-	(5,425)	(5,425)
Balance as of December 31, 2024	**242,908**	**$ 66,303**	**$ (41,475)**	**$ 24,828**

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

International Battery Metals Ltd.

Condensed Consolidated Statements of Changes in Shareholders' Equity (Unaudited)
For the Three and Nine Months Ended December 31, 2024 and 2023
(In thousands)

	Common Shares	Share Capital	Accumulated Deficit	Total Shareholders' Equity
Balance as of September 30, 2023	**203,467**	**$ 61,129**	**$ (31,876)**	**$ 29,253**
Shares issued for exercise of stock options	4,325	853	-	853
Shares issued for services	432	261	-	261
Share-based compensation	379	610	-	610
Net loss for the period	-	-	(676)	(676)
Balance as of December 31, 2023	**208,603**	**$ 62,853**	**$ (32,552)**	**$ 30,301**

	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	10,722	1,955	-	1,955
Shares issued for exercise of warrants	422	378	-	378
Shares issued for exercise of stock options	800	112	-	112
Shares issued for restricted stock units	12	11	-	11
Shares issued for services	832	620	-	620
Share-based compensation	379	2,712	-	2,712
Net loss for the period	-	-	(5,012)	(5,012)
Balance as of December 31, 2023	**208,603**	**$ 62,853**	**$ (32,552)**	**$ 30,301**

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 has an advanced technology and manufacturing process 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 byproducts 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 utilizing our proprietary direct lithium extraction ("DLE") absorbent media. The lithium chloride can be further processed into lithium compounds such as lithium carbonate and lithium hydroxide which are 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 continuing to develop the operational capabilities of the 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 the 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 reduced market prices of lithium carbonate, US Magnesium decided to idle the MDLE Plant. The Company is 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 condensed 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 condensed 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. In the condensed consolidated financial statements for interim periods, certain information and disclosures have been condensed or omitted. The condensed consolidated financial statements include all normal and recurring adjustments that are, in the opinion of management, necessary for the fair presentation of the results of operations for the interim periods. These interim financial statements should be read in conjunction with our audited consolidated financial statements and related notes included in our Annual Report.

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 it 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 exposure to exchange rate fluctuations, and for the three months ended December 31, 2024, and 2023, the Company recognized net transaction losses of approximately $11,000 and $7,000, respectively, related to currency exchange rates. For the nine months ended December 31, 2024, and 2023, the Company recognized net transaction losses of approximately $32,000, and $12,000, respectively, related to currency exchange rates.

Liquidity and Capital Resources

As of December 31, 2024, the Company's had an accumulated deficit of approximately $41.4 million. However, the Company had working capital of approximately $6.5 million, primarily due to raising additional cash in two private placements totalling approximately $16.8 million during the nine months ended December 31, 2024.

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. 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. The pricing of the 2025 Units will be 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 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. As of March 2, 2025, we have received binding subscription agreements for approximately $7.6 million of the 2025 Offering and anticipate closing the Offering no later than March 31, 2025.

Concurrent with completion of the Initial Closing, the Company has agreed to enter into an amendment (the "IRA Amendment") to the investor rights agreement dated February 23, 2024 between the Company and EV Metals, which, among other things, previously granted EV Metals the right to appoint one director to the board of directors of the Company (the "Board") for as long as EV Metals and its affiliates maintained beneficial ownership of at least 5% of the issued and outstanding Common Shares. EV Metals initial nominee to the Board was Jacob Warnock. The IRA Amendment will grant EV Metals the right to appoint one individual to the Board so long as the Board is comprised of five or less individuals, or two individuals so long as the Board is comprised of more than five individuals, provided that one such appointee shall be independent of EV Metals and IBAT. Such nomination right will continue for as long as EV Metals and its affiliates maintain beneficial ownership of at least 5% of the issued and outstanding Common Shares.

3. Summary of Significant Accounting Policies

The accounting policies followed by the Company are set out in Note 3 to the audited financial statements for the year ended March 31, 2024 and have been consistently followed in the preparation of these unaudited condensed consolidated financial statements.

Revenue

The Company's revenue producing activities during the three and nine months ended December 31, 2024 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.

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 with 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.

Significant judgements, estimates and assumptions that affect reported amounts of assets and liabilities 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 condensed 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 date the financial statements are issued. This assessment is based upon planned actions that may or may not occur for a number of reasons including the Company's own resources and external market conditions.

5. Accounts Receivable

The Company's accounts receivables are as follows (in thousands):

	December 31, 2024	March 31, 2024
Accounts receivable	$ 944	$ 105
Sales tax refunds	10	16
	$ 954	$ 121

6. Plant and Equipment

The Company's plant and equipment are as follows (in thousands):

	December 31, 2024	March 31, 2024
MDLE Plant	$ 29,429	$ 28,591
Equipment	399	183
Office equipment	33	23
	29,861	28,797
Less: accumulated depreciation	2,640	4
	$ 27,221	$ 28,793

The Company completed commissioning and began start-up activities of the MDLE Plant on June 19, 2024. The Company believes this milestone constitutes the commencement of operations and the Company began depreciating the MDLE Plant on this date. No depreciation expense had been recognized in any prior period for the MDLE Plant.

7. Lithium Extraction Technology and Intangible Assets

The Company acquired the technology to build the MDLE Plant in 2018 and recorded the purchase price as intellectual property (the, "Intellectual Property") which is being amortized over ten years. The Company has filed additional patents to expand its intellectual property for the development of lithium extraction technologies. The Company's patents are amortized over 20 years.

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

	Gross Assets	Accumulated Amortization	Net Assets	Weighted Average Remaining Life (Years)
Intellectual property	$ 9,276	$ (5,751)	$ 3,525	3.3
Patents	11	(2)	9	16.8
	$ 9,287	$ (5,753)	$ 3,534	

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

	Gross Assets	Accumulated Amortization	Net Assets	Weighted Average Remaining Life (Years)
Intellectual property	$ 9,276	$ (4,945)	$ 4,331	4.0
Patents	11	(1)	10	17.5
	$ 9,287	$ (4,946)	$ 4,341	

8. 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 three and nine months ended December 31, 2024 and 2023 are as follows (in thousands):

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2024	2023	2024	2023
Operating lease costs	$ 30	$ 26	$ 81	$ 51
Variable lease costs	15	23	61	46
Short-term lease costs	-	-	108	25
	$ 45	$ 49	$ 250	$ 122

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 is as follows (in thousands):

	December 31, 2024	March 31, 2024
Assets:		
Operating Lease right-of-use asset	$ 254	$ 67
Liabilities:		
Operating lease liabilities, current	87	67
Operating lease liabilities, long-term	167	-
Total operating lease liabilities	$ 254	$ 67

9. 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 (in thousands):

	December 31, 2024			
	Fair Value	Level 1	Level 2	Level 3
Liabilities				
Warrant liability	$ 12,503	$ -	$ 12,503	$ -

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

10. Shareholders Equity

Authorized

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

Issued and Outstanding

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.

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. During the three months ended December 31, 2024 and 2023, the Company recognized amortization expense of approximately $0 and $90,000, respectively, for the retainer. During the nine months ended December 31, 2024 and 2023, the Company expensed approximately $150,000 and $120,000, respectively, for the retainer.

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.

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 the 810,496 shares issued in December 2023 was approximately $500,000.

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.

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. 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, at CAD $1.25 per common share. Upon the Initial Closing, EV Metals had 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 additional 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 proceed of approximately $2.0 million. EV Metals appointed Jacob Warnock to the Board of Directors.

On May 6, 2024, the Company completed a private placement (the "May 2024 Placement") issuing a total of 18,642,134 units to EV Metals and Encompass for gross proceeds of approximately $10.4 million. Each unit consisted of one common share of the Company and one warrant to purchase a common share of the Company for CAD$0.9579 per common share. The May 2024 Placement included the second closing pursuant to the Letter Agreement with EV Metals. The Company issued 7,924,157 units to EV Metals for proceeds of approximately $4.4 million. 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.

As part of the May 2024 Placement, the Company issued 10,717,977 units to Encompass for proceeds of approximately $6.0 million. The Company agreed to cover certain expenses incurred for the private placement by Encompass and issued an additional 80,385 shares as payment. The Company also agreed to amend the 6,396,999 warrants issued to Encompass in the April 2023 Placement to extend the expiration date to the two-year anniversary of the closing of the May 2024 Placement. The Company agreed to provide

Encompass with a most favored nations provision providing Encompass with at least as favorable rights as any existing or future investors of the Company in respect of a private placement entered into or completed by the Company within six months of the May 2024 Placement. The Company agreed not to renew certain related party license agreements and use its best efforts to list the Company's share on certain stock exchanges. Additionally, the Company agreed to a registration rights agreement ("Registration Rights Agreement") with Encompass. The Company has determined that it will file a registration with the United States Securities and Exchange Commission ("SEC") and anticipates submitting its initial registration on Form 10 or Form S-1. The Registration Rights Agreement provides that following the filing of the Form 10, within 60 days (or 90 days in the event of a full review) the Company will file a registration statement on Form S-1 to register Encompass' shares. In the event that there are limitations on the number of shares that can be registered, the Registration Rights Agreement provides priority for Encompass' shares to be registered and requires the Company to continue to make subsequent registration filing until all of the Encompass' shares are properly registered.

On June 19, 2024, the Company completed a private placement ("June 2024 Placement") issuing 11,478,246 units for proceed of approximately $6.4 million. Each unit consisted of one common share of the Company and one warrant to purchase a common share of the Company for CAD$0.9579 per common share. Included in this private placement was the third closing pursuant to the Letter Agreement with EV Metals, representing 8,478,246 units for proceeds of approximately $4.8 million. In connection with the offering, the Company agreed to pay Jacob Warnock a structuring fee of approximately $238,000 which was paid by issuing an additional 423,912 common shares. In connection with the June 2024 Placement, EV Metals acknowledged and agreed that it will not exercise any warrants if doing so will result in EV Metals holding greater than 20% of the issued and outstanding common shares of the Company, unless prior approval from shareholders of the Company has been obtained in accordance with the policies of the Canadian Stock Exchange. The June 2024 Placement also included issuing 3,000,000 units to Encompass for proceeds of approximately $1.6 million under the same terms and conditions as the May 2024 Placement. The Company estimated the fair value of the warrants issued in the June 2024 Placement and recorded an expense of approximately $659,000 for excess of fair value of warrant over proceeds of private placement in the condensed consolidated statement of loss.

The proceeds of the May 2024 Placement and June 2024 Placement are being used to pay the Company's portion of the cost to optimize the MDLE Plant to expand the production capacity and for general working capital purposes.

Weighted-average Common Shares Outstanding

(in thousands, except per share amounts)	Three Months Ended December 31, 2024	Three Months Ended December 31, 2023	Nine Months Ended December 31, 2024	Nine Months Ended December 31, 2023
Net loss	$ (11,645)	$ (676)	$ (5,425)	$ (5,012)
Weighted average number of shares:				
Issued common shares at beginning of period	242,596	202,268	211,381	195,436
Effect of common shares issued during period	312	1,200	25,585	4,132
Weighted average number of shares basic	242,908	203,468	236,966	199,568
Assumed exercise of warrants				
Assumed exercise of stock options				
Weighted average number of shares basic and diluted	242,908	203,468	236,966	199,568
Net loss per share, basic and diluted	$ (0.05)	$ (0.00)	$ (0.02)	$ (0.03)

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 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 Company issued 2,113,814 new stock options during the nine months ended December 31, 2024, with an exercise price of CAD$0.94 and grant date fair value of $0.68 (CAD$0.93) per stock option. The fair value was estimated using the Black-Scholes option pricing model assuming a risk-free interest rate of 3.0%, expected volatility of 158%, expected life of 10 years and a dividend yield of 0.0%.

During the three months ended December 31, 2023, the Company issued 1,150,000 stock options with a weighted average exercise price of CAD$0.91 and grant date fair value of $0.52 (CAD$0.70) per stock option. The fair value was estimated using the Black-Scholes option pricing model assuming a weighted average risk-free interest rate of 3.8%, expected volatility of 124%, expected life of 3.8 years and a dividend yield of 0.0%. During the nine months ended December 31, 2023, the Company issued a total of 3,350,000 stock options with a weighted average exercise price of CAD$1.05 and weighted average grant date fair value of $0.64 (CAD$1.05). The fair value was estimated using the Black-Scholes option pricing model assuming weighted average risk-free rate of 3.2%, weighted average volatility of 127%, weighted average expected life of 4.6 years and a dividend yield of 0.0%.

The share-based compensation expense for the three months ended December 31, 2024 and 2023 was approximately $437,000 and $363,000 respectively, and is included in general and expenses in the consolidated statements of income (loss). There were no option exercises during the three-month and nine-month periods ended December 31, 2024 and 2023. As of December 31, 2024, unrecognized compensation expense associated with unvested options granted and outstanding was approximately $800,000 to be recognized over the remaining period of 2.6 years.

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$. During the nine months ended December 31, 2024, the Company issued 18,642,134 and 11,478,246 warrants to purchase common shares for CAD$0.9579 per share, as part of the May 2024 Placement and June 2024 Placement, respectively. The Company recorded the initial fair value of the warrants, approximately $9.0 million and $6.4 million, respectively, as a warrant liability in the condensed consolidated balance sheet.

The Company valued the warrants using the Black-Scholes option pricing model with the following assumptions:

	May 2024 Placement	June 2024 Placement
Share price on issue date	CAD$1.17	CAD$1.40
Warrant strike price	CAD$0.96	CAD$0.96
Risk-free interest rate	4.2%	3.9%
Expected volatility	94%	93%
Expected life (years)	2.0	2.0
Expected dividend yield	0.0%	0.0%

During the three months ended December 31, 2023, the Company issued a total of 4,324,642 warrants to purchase common shares for CAD$0.82 per share as part of the December 8, 2023, and December 29, 2023 private placements. The Company recorded the initial fair value of the warrants, approximately $1.4 million as warrant liability in the condensed consolidated balance sheet. During the nine months ended December 31, 2023, in addition to the two December warrant issuances, the Company issued 6,396,999 warrants to purchase common shares for CAD$1.21 per share as part of the April 2023 Placement. The Company recorded the initial fair value of the April 2023 warrants, approximately $3.6 million as warrant liability in the condensed consolidated balance sheet. In connection with the closing of the May 2024 Placement, the Company amended the warrants issued in the April 2023 Placement to extend the maturity to two years from the closing date of the May 2024 Placement.

The Company valued the April 2023 and December 2023 warrants using the Black-Scholes option pricing model with the following weighted-average assumptions:

	April 2023 Placement	December 2023 Placement
Share price on issue date	CAD$1.19	CAD$0.82
Warrant strike price	CAD$1.21	CAD$0.82
Risk-free interest rate	3.7%	4.0%
Expected volatility	126%	105%
Expected life (years)	2.0	2.0
Expected dividend yield	0.0%	0.0%

At each balance sheet date, the Company adjusts the valuation of the warrant liability to reflect fair value of the warrants outstanding as of that date. During the three months ended December 31, 2024, and 2023, the Company recorded a change in fair value of the warrant liability loss of approximately $7.6 million and a gain of $2.1 million, respectively, which is included in the condensed consolidated statements of net income (loss).

As of December 31, 2024, the Company had a total of 43,544,421 warrants outstanding with an estimated fair value of approximately $12.5 million and as of March 31, 2024, the Company had 13,424,041 warrants outstanding with an estimated fair value of approximately $4.4 million. The Company valued the warrants at the balance sheet dates using the Black-Scholes option pricing model with the following weighted average assumptions:

	December 31, 2024	March 31, 2024
Stock price on balance sheet date	CAD$0.79	CAD$1.04
Weighted average exercise price	CAD$1.00	CAD$1.09
Weighted average interest risk-free interest rate	3.0%	4.3%
Weighted average volatility	136%	92%
Weighted averge expected life	1.3	1.5
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 shall not exceed 10% of the number of common shares of the Company issued and outstanding as of each award date.

The Company granted 220,902 RSUs 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 RSUs to an employee and concurrently issued the shares to settle the RSUs.

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 three months ended December 31, 2024, the Company recognized approximately $194,000 of compensation expense for the RSUs which is included in selling, general and administrative expenses in the condensed consolidated financial statements.

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.

11. 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 (6%) royalty on the gross sales price of all products produced and sold, less selling costs, using the licensed technology and a ten percent (10%) 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 is a director of the Company as of December 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 three month and nine-month periods ended December 31, 2024 and 2023, the Company did not received any revenue or incurred any expense associated with these licensing agreements with the related parties.

12. Income Taxes

Provision for Income Taxes

The Company is incorporated in and subject to taxation in Canada and provincially British Columbia. As the Company primarily operates through its United States subsidiary, with its operations headquarters in Texas and its initial commercial operations in Utah, these jurisdictions are also subject to taxation. 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 due to the impact of United States and state income taxes, as well as certain non-deductible expenses. As the Company has not generated net taxable income since inception, the deferred tax assets are fully offset by a valuation allowance and no tax benefit has been included in the condensed consolidated financial statements.

13. 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 consolidated financial statements for the three month and nine-month periods ended December 31, 2024, and 2023.

14. 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 financing 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 December 31, 2024, the Company held approximately $108,000 of Canadian cash and had no trade payables and other liabilities 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.

15. Segment Information

The Company has a single reportable segment, the acquisition and development of advanced technology focused on lithium brine extraction. All non-current assets are domiciled in the United States.

16. Subsequent Events

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. The pricing of the 2025 Units will be 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 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. As of March 2, 2025, we have received binding subscription agreements for approximately $7.6 million of the 2025 Offering and anticipate closing the Offering no later than March 31, 2025.

Concurrent with completion of the Initial Closing, the Company has agreed to enter into the IRA Amendment to the investor rights agreement dated February 23, 2024 between the Company and EV Metals, which, among other things, previously granted EV Metals the right to appoint one director to the Board for as long as EV Metals and its affiliates maintained beneficial ownership of at least 5% of the issued and outstanding Common Shares. EV Metals initial nominee to the Board was Jacob Warnock. The IRA Amendment will grant EV Metals the right to appoint one individual to the Board so long as the Board is comprised of five or less individuals, or two individuals so long as the Board is comprised of more than five individuals, provided that one such appointee shall be independent of EV Metals and IBAT. Such nomination right will continue for as long as EV Metals and its affiliates maintain beneficial ownership of at least 5% of the issued and outstanding Common Shares.

No other significant events have occurred that would require recognition or disclosure in the condensed consolidated financial statements.