INTERNATIONAL BATTERY METALS LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Years Ended March 31, 2026 and 2025

Dated June 17, 2026

The Management's Discussion and Analysis of Financial Condition and Results of Operations for International Battery Metals Ltd. is also included in the Form10-K for the year ended March 31, 2026 filed on SEDAR+ on June 17, 2026 in its entirety. All references to USD or $ are to United States dollars, and all references to CAD$ are to Canadian dollars.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following Management's Discussion and Analysis ("MD&A") should be read in conjunction with the consolidated financial statements and the related notes thereto ("Financial Statements") in Item 1 and the Special Note Regarding Forward-Looking Statements later in this Item 7. All Note references herein refer to the Notes to the Financial Statements. Tabular amounts are displayed in millions of U.S. dollars except per share and unit count amounts, or as otherwise specifically identified. All references to "CAD$" are to the currency of Canada. Percentages may not recompute due to rounding. You should review the "Risk Factors" for a discussion of important factors that could cause our actual results to differ materially from the results described in or implied by the forward-looking statements contained in the following MD&A.

Overview

We are an advanced technology and manufacturing company focused on exploiting our proprietary and patented technology used in our modular direct lithium extraction plants, or MDLE Plants, to assist owners of lithium brine deposits to extract lithium chloride at sufficient concentration and purity to economically facilitate the production of Lithium Carbonate, an integral component in the manufacture of batteries. Our proprietary and patented MDLE Plant is (1) modular, meaning it can be deployed and then redeployed at a different brine deposit when the resource source is spent and (2) scalable, meaning the component-driven system can specifically configure valves, pumps, our proprietary columns and media and many other pieces to customize the plant to a customer's requirements based on the needs and resource concentration and that multiple MDLE Plants can be linked together based on the characteristics of the resource location. In addition, our proprietary absorption extraction process is designed to be an environmentally responsible, low-cost method of producing high-quality commercial grade lithium chloride to be converted into Lithium based products.

We believe our MDLE Plants can be utilized by owners on a variety of different brine deposits including, (i) salar or salt lake brine deposits, such as those found in the Lithium Triangle of Argentina, Chile and Bolivia, (ii) brine reservoirs in the US and Canada, including in the US states of North Dakota, Wyoming, Utah, Nevada, Oklahoma, Pennsylvania, Arkansas and Texas (including the Smackover geological formation found in Arkansas and Texas), and (iii) any other naturally occurring lithium brine deposits around the world. In addition, we plan to market our technology to industrial customers who have lithium rich brine by-products from their operations. While our Initial MDLE Plant was initially designed for potential customers in the Lithium Triangle, we believe that the US owners of brine reservoirs, especially within the Smackover geological formation in Arkansas and Texas, are currently best positioned to benefit from our existing MDLE Plant. Consequently, we are actively marketing our Initial MDLE Plant and our technology to US owners of brine reservoirs and anticipate that we will need to spend approximately between $2.0 million and $12.0 million to customize the Initial MDLE Plant to meet the needs of this initial customer depending on the reservoir's lithium concentration and purity. We have not yet delivered MDLE Plants nor licensed our technology to customers and are therefore a pre-revenue company.

Our strategy is to deploy our Initial MDLE Plant and continue to build upon our proprietary DLE technology developed by Dr. Burba to develop and deploy additional MDLE plants. We believe that our advanced brine extraction technologies and methodologies for selective mineral extraction is less capital intensive and a more environmentally responsible approach compared to traditional lithium extraction processes of hard rock mining and solar evaporation. We believe that this approach is environmentally sustainable because our process does not deconstruct land structures as is the case from hard rock mining nor does it waste precious water as is the case in solar evaporation. Instead, our technology is designed to extract the desired lithium chloride from subsurface brine and typically re-injects the spent or used brine into the aquifer to maintain pressure after lithium extraction.

We are currently in the preliminary stages of researching and developing the media and design for the next generation of our MDLE Plant Technology which we anticipate could provide customers with additional options for processing brine solutions and increasing lithium chloride production. We have recently purchased two larger diameter columns and are currently conducting laboratory and field studies to determine the optimal process for utilizing these columns. We currently estimate that the cost for instrumentation and engineering related to the next generation module and columns of the MDLE Plant will be approximately $500,000 with an additional estimated $250,000 relating to the construction and testing of the larger diameter columns.

Components of the Statement of Operations

Revenue

We generated revenue by testing brine content of potential customers. However, we anticipate generating future revenues through a combination of technology licensing agreements, equipment rentals, constructing MDLE plants and selling them with an associated technology licensing agreement, participation in joint ventures or special purpose entities with resource developers and management fees for overseeing the construction and development of future lithium extraction facilities.

Operating Costs

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

Results of Operations

Year ended March 31, 2026, as compared to the year ended March 31, 2025

The operating results for the years ended March 31, 2026 and 2025, are summarized as follows (in thousands):

	Year Ended March 31,	
	2026	**2025**
REVENUE		
Service	$ 164	$ -
Reimbursable	-	871
Total revenue	164	871
COST OF REVENUE		
Gross margin	130	871
OPERATING COSTS AND EXPENSES		
Operating costs, excluding depreciation	2,078	3,533
Selling, general and administrative expenses, excluding depreciation	8,460	9,042
Reimbursable	-	871
Amortization of intangible assets	1,076	1,076
Depreciation	2,009	1,552
Operating loss	(13,493)	(15,203)
Bad debt expense	-	(502)
Excess fair value of warrants over private placement proceeds	(439)	(1,040)
Gain/Loss on warrants modification	(2,442)	-
Change in fair value of warrant liability	16,493	13,229
Other income	3	-
Net income (loss)	**$ 122**	**$ (3,516)**

Revenue

For the year ended March 31, 2026, we generated $0.2 million of testing revenue on brine content for potential customers. For the comparative period ended March 31, 2025, we generated revenue of $0.9 million associated with the incurring reimbursable costs during the start-up of the MDLE Plant.

Operating Cost

For the year ended March 31, 2026, we incurred operating costs of $2.1 million consisting of salaries, maintenance related to the Initial MDLE Plant, and research and development costs. In comparison, during the year ended March 31, 2025, the Company incurred operating costs of $3.5 million, which consisted of the cost of providing onsite personnel, travel and housing costs, materials and supplies during the commissioning and start-up of the MDLE Plant.

Selling, General And Administrative Expenses

The major components of selling, general and administrative expenses for the year ended March 31, 2026 and March 31, 2025, are as follows (*in thousands*):

	Year Ended March 31,	
	2026	2025
Compensation expense	$ 4,051	$ 2,310
Share-based compensation	959	1,752
Professional fees	1,367	1,412
Legal fees	992	2,017
Engineering	103	11
Rent and miscellaneous office	651	808
Other	337	732
	$ 8,460	$ 9,042

Compensation expense increased compared to the prior year period primarily due to severance costs related to former employees. Additionally, we hired permanent employees to reduce the use of outside consultants.

Share-based compensation decreased as compared to the prior year period as a result of the cancellation of a large number of options and restricted stock units during the year ended March 31, 2026, which resulted in a negative expense during the period as the Company recognized a benefit.

Professional fees remained consistent compared to the prior year period.

Legal fees decreased as compared to the prior year period due to an overall effort to consolidate our usage of outside counsel. Included in this effort, we reduced our legal fees related to intellectual property, compliance, and general legal advice was reduced in the current year as compared to the prior year.

Rent and miscellaneous office costs decreased compared to the prior year period due to reduced overall costs at our Plano office including utilities and insurance and other miscellaneous costs.

Other expenses decreased as compared to the prior year period primarily due decreased costs associated with legal settlements, as well as a reduction in travel, public relations, consulting and transfer agent related costs from prior year.

Excess Fair Value of Warrants over Private Placement Proceeds

For the year ended March 31, 2026, the Company estimated the fair value of warrants during the year and recorded an expense of approximately $0.4 million for excess of fair value of warrants over private placement proceeds. For the year ended March 31, 2025, the Company estimated the fair value of warrants issued during the year and recorded an expense of approximately $1.0 million for excess of fair value of warrants over private placement proceeds.

Gain/Loss on Warrants Modification

For the year ended March 31, 2026, the Company modified certain of its warrants which led to a loss of $2.4 million. For the year ended March 31, 2025, the Company did not have any modifications of the warrants which led to a gain or loss.

Changes in Fair Value of Warrant Liability

The Company values the outstanding warrant liabilities at each balance sheet date based on the Black-Scholes option pricing model. Any change in the fair value of the warrants is recognized as a change in fair value of warrant liability in the consolidated statement of loss. During the year ended March 31, 2026, the Company recognized a gain of approximately $16.5 million as compared to a gain of approximately $13.2 million for the year ended March 31, 2025, for the change in fair value of warrant liability during the period. The primary reason for the decrease in the warrant liability valuation was the change in our stock price.

Liquidity and Capital Resources

As of March 31, 2026, we had an accumulated deficit of approximately $39.4 million and a working capital of approximately $9.2 million, primarily arising from four private placements totaling $9.0 million.

As of fiscal year ended March 31, 2025, we had an accumulated deficit of approximately $39.6 million and a working capital of approximately $9.9 million, primarily arising from a $7.6 million private placement that funded on March 31, 2025.

As previously discussed, our Initial MDLE Plant was designed for a specific deployment in the Lithium Triangle in South America which had lithium concentrations of roughly 1,800 ppm and therefore required lower flow rates of approximately 300 gallons per minute of brine to efficiently recover lithium. However, the Initial MDLE Plant is designed to be scalable and commercially flexible and was engineered to permit retrofitting to process a range of alternative brine resources of different lithium concentrations. We are currently targeting deploying our Initial MDLE Plant at naturally occurring brine reservoirs in the U.S, or internationally, which have brine concentrations in the range of 250 to as high as 800 ppm, although brine concentrations in the Smackover play in Texas and Arkansas are generally estimated to be between 200 and 600 ppm based on publicly published recent brine resource lithium concentrations by a number of resource owners. Based on ongoing discussions with potential customers and their requirements based on their specific brine concentrations, we anticipate that we will need to spend approximately between $2.0 million and $12.0 million for customizations, which would include adding components such as additional heat exchangers, pumps, condensate coolers, a reverse osmosis unit, chillers, tanks and pipelines to increase the flowrate to fully utilize the twelve-column absorption capacity and expand the Initial MDLE Plant's capacity. Management estimates that the full range of customizations at a cost of approximately between $2.0 and $12.0 million could increase the MDLE Plant's throughput to approximately 480 gallons per minute and have production capacity of approximately 2,000 metric tons per year of lithium chloride, on a lithium carbonate equivalent basis, based on a 400 ppm brine stream. The cash we have on hand as of March 31, 2026 will not be sufficient to fund these expenditures. We will have to raise additional funds from current or new investors to fund the modifications to the Initial MDLE Plant to allow us to fully recover the current amounts capitalized on our balance sheet.

Encompass Private Placement

On July 20, 2025, the Company entered into binding subscription agreements ("Encompass Subscription Agreements") with Encompass 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) (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 2025 Encompass Units of the Company, at any time on or before March 31, 2026. The closing of the 2025 Encompass Offering occurred on August 5, 2025, for gross proceeds to the Company of $5.0 million. As of March 31, 2026, Encompass did not elect to exercise its right to purchase an additional $2.0 million of additional 2025 Encompass Units.

EV Metals Private Placement

On February 28, 2025, the Company entered the 2025 Letter Agreement (the "2025 Letter Agreement") with 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, has the option but not the obligation to purchase, in one or more transactions, up to $15.0 million of units (the "2025 EV Metals Offering"), which each unit (the "2025 EV Metals Units") consisting of one Common Share 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 EV Metals Units. The first issuance under the 2025 Letter Agreement occurred on March 31, 2025 for gross proceeds of $7.55 million and the second issuance under the 2025 Letter Agreement occurred on April 11, 2025 for gross proceeds of $679,000. In connection with the two issuances, EV Metals 7 LLC acquired a total of 27,739,348 2025 EV Metals Units (25,393,475 in the first issuance and 2,345,873 in the second issuance) and EV Metals VI LLC acquired 690,979 2025 EV Metal Units. The pricing of the first and second issuance of the 2025 EV Metals Units was CAD$0.4168 per unit (USD$0.2894 per unit). Each warrant issued in the first and second issuance entitles the holder to purchase one Common Share at a price of CAD$0.51.

On October 30, 2025, the Company and EV Metals came to an agreement for a third issuance under the 2025 Letter Agreement for EV Metals to acquire an additional 12,464,000 2025 EV Metals Units priced at $0.16 per unit (CAD$0.255) for gross proceeds to the Company of $2.0 million. Each warrant issued in the third issuance entitles the holder to purchase one Common Share at a price of CAD$0.30.

On February 23, 2026, the Company and EV Metals 9 LLC ("EV Metals 9"), a company controlled by Jacob Warnock, a director of the Company, came to an agreement for a fourth issuances under the 2025 EV Metals Letter Agreement for EV Metals 9 to purchase 26,427,053 units ("EV Metals 9 Offering") priced at $0.08 per unit (CAD$0.104) for gross proceeds to the Company of $2.0 million. Each Warrant, issued in the fourth issuance entitles the holder to purchase one Common Share at a price of CAD$0.14.

On April 29, 2026, the Company and EV Metals 9 came to an agreement for the fifth issuance under the 2025 EV Metals Letter Agreement for EV Metals 9 to purchase 34,315,465 units priced at $0.08 per unit (CAD$0.109) for gross proceeds to the Company of $2.8 million. Each Warrant issued in the fifth issuance, entitles the holder to purchase one Common Share at a price of CAD$0.148.

The pricing of the 2025 EV Metals Units in each of the five issuances under the 2025 Letter Agreement was based on the five-day trading average of the Common Shares on the TSXV for the applicable tranche less a discount of 25% (the maximum allowable discount permitted by the rules of the TSXV). The warrants included in the 2025 EV Metals 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 respective issuance of the 2025 EV Metals Offering. In connection with the each issuance of the 2025 EV Metals Units, the Company paid structuring fees of 5% of the gross proceeds to Mr. Warnock, for an aggregate of $0.8 million. Upon the fifth issuance, all amounts issuable under the 2025 Letter Agreement have been issued.

Based on the completion of the of the EV Metals 9 Offering in April 2026 and cash on hand as of March 31, 2026, we currently believe that we have sufficient cash to meet our current financial commitments for the next twelve months assuming we do not upgrade our Initial MDLE Plant. However, we continue to incur operating losses and negative cash flows and therefore will need to continue to rely on private placements to support the Company's operations until we have entered into an agreement for the placement of the Initial MDLE Plant at terms that will generate revenues in excess of our current operating costs. The Company has not made any adjustments to the carrying value of the Company's assets or liabilities which would be necessary in the event that the Company is unable to continue as a going-concern.

Summary of Cash Flows

The cash flows for the year ended March 31, 2026, and 2025, are as follows *(in thousands):*

	Year Ended March 31, 2026	Year Ended March 31, 2025
Cash used in operating activities	$ (9,667)	$ (13,455)
Cash used in investing activities	(401)	(1,328)
Cash provided by financing activities	8,518	24,494
Net change in cash	$ (1,550)	$ 9,711

Operating Activities

Cash used in operating activities for the year ended March 31, 2026 was approximately $9.7 million as compared to $13.5 million for the year ended March 31, 2025. The decrease compared to prior year is mostly due to higher operating expenses in the year ended March 31, 2025 incurred in connection with the commissioning and running the Initial MDLE Plant.

Investing Activities

Cash used in investing activities for the year ended March 31, 2026 decreased compared to the year ended March 31, 2025 because we completed the majority of the purchases related to the Initial MDLE Plant build-out in the prior year and our purchase of equipment was limited in the current year.

Financing Activities

Cash provided by financing activities for the year ended March 31, 2026 decreased compared to prior year period, as we raised net proceeds of $8.5 million for the proceeds of private placements during the year ended March 31, 2026 as compared to $24.5 million for the year ended March 31, 2025.

Critical Accounting Policies and Estimates

The preparation of the Company's consolidated financial statements in conformity with United States Generally Accepted Accounting Practice ("US GAAP") requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of income and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Judgment, estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods are outlined below:

We have 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.

We evaluate our fixed assets, primarily the Initial MDLE Plant, for indicators of impairment as they become apparent. If indicators of impairment are evident, we will evaluate the future cash flows of the asset, or assets, for recovery. Furthermore, many of the estimates to determine future cash flow are based on management making assumptions based on estimates and limited public information and therefore are subject to risks that such assumptions may not be accurate. Based on our analysis as of March 31, 2026, we have not identified indicators of impairment that would cause us to evaluate future cash flows of the Initial MDLE Plant.

The functional currency for us and our 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 we reconsider the functional currency of our entities if there is a change in events and conditions which determined the primary economic environment. We have determined that our 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 judgment 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 we will continue to operate for the foreseeable future and will be able to realize our assets and discharge our liabilities in the normal course of operations. In assessing whether this assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, 12 months from the end of the reporting period. This assessment is based upon planned actions that may or may not occur for a number of reasons including the Company's own resources and external market conditions.

Critical accounting policies are disclosed in the Company's annual audited consolidated financial statements for the fiscal year ended March 31, 2026.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements and we do not contemplate having them in the foreseeable future.

Financial Instruments and Other Instruments

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

Accounting Policies

A detailed summary of all the Company's significant accounting policies is included in *Note 3* to the audited consolidated financial statements for the year ended March 31, 2026, found in this Form 10-K.

Recent Accounting Pronouncements

For information regarding new accounting policies or updates to existing accounting policies as a result of new accounting pronouncements, please refer to Recent Accounting Pronouncements included in "Part II, Item 8. Financial Statements and Supplementary Data—Note 2 — Summary of Significant Accounting Policies"

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

We have not entered into any market risk sensitive instruments for trading purposes. We are exposed to market risks in the ordinary course of business including fluctuations in interest rates and commodity prices, which can affect our operating, investing, and financing activities.

Special Note Regarding Forward-Looking Statements

Certain information contained in this annual report, including information regarding future financial and operational performance and plans, targets, aspirations, expectations, and objectives of management, constitute forward-looking statements within the meaning of the Section 21E of the Exchange Act and forward-looking information within the meaning of and Canadian provincial and territorial securities laws. We refer to all of these as forward-looking statements. Forward-looking statements are forward-looking in nature and, accordingly, are subject to risks and uncertainties. All statements other than statements of historical fact included in this annual report regarding the prospects of the Company's industry or its prospects, plans, financial position or business strategy may constitute forward-looking statements. In addition, forward-looking statements generally can be identified by the use of forward-looking words such as "plans," "expects," "does not expect," "is expected," "look forward to," "budget," "scheduled," "estimates," "forecasts," "will continue," "intends," "the intent of," "have the potential," "anticipates," "does not anticipate," "believes," "should," "should not," or variations of such words and phrases that indicate that certain actions, events or results "may," "could," "would," "might," "will," "be taken," "occur," "be achieved," or the negative of these terms or variations of them or similar terms and include, without limitation, statements regarding our expectations or beliefs regarding:

- *our expectations regarding industry demand for lithium;*
- *our beliefs regarding demand for our current MDLE Plant and MDLE Plant technology and that our MDLE Plant can be utilized by owners on a variety of different brine deposits;*
- *our strategies for attracting customers and deploying our MDLE Plant;*
- *our beliefs regarding the current MDLE Plant and the next generation of MDLE Plant technology, including our belief that it is less capital intensive and a more environmentally responsible than traditional lithium extraction processes;*
- *our expectations regarding potential customers for our MDLE Plant;*
- *expectations regarding the potential customizations that may be required for our MDLE Plant, the operational impact of such customizations and the cost, and our ability to fund, such customizations;*
- *our future strategies for developing revenue streams and our other financial and operational strategies;*
- *our expectations regarding the amount and timing of our future financing requirements and fund raising process;*
- *the impact of compliance with applicable laws and regulations, including environmental laws, and various legal proceedings on our financial results and future business prospects;*
- *our belief that the Company has sufficient capital to continue as a going concern for at least twelve months from the date of the financial statements; and*
- *the impact of certain tax and accounting matters, including estimates, on our financial statements.*

Our forward-looking statements, included in this quarterly report and elsewhere, represent management's expectations as of the date that they are made and we undertake no obligation to update these statements. Our forward-looking statements are based on assumptions and analyses made by the Company in light of its experience and its perception of historical trends, current conditions and expected future developments, as well as other factors it believes are appropriate in the circumstances. However, these forward-looking statements are subject to a number of risks and uncertainties and actual results may differ materially from those expressed or implied in such statements. Important factors that could cause actual results, level of activity, performance or achievements to differ materially from those expressed or implied by these forward-looking statements include those risks set forth in our SEC filings and risks related to:

- *industry demand and market prices for lithium;*
- *our ability to attract and negotiate a definitive agreement with a customer for our current MDLE Plant;*
- *our ability to customize the MDLE Plant to meet the needs of a customer, including our ability to fund such customizations;*
- *our ability to protect our intellectual property rights in our technology;*

- *the success or failure of management's efforts to continue to develop the next generation of our MDLE Plant technology;*
- *rapid technological change that could cause our technology to become obsolete or not cost-effective;*
- *the loss of key members of our management team;*
- *our ability to expand in existing and new markets; and*
- *our ability to obtain adequate or timely funding to operate our business and meet our future capital expenditure requirements.*