



Condensed Consolidated Interim Financial Statements

For the Three Months Ended August 31, 2021

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed consolidated interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of iMetal Resources Inc. (the “Company”) have been prepared by and are the responsibility of the Company’s management.

The Company’s independent auditor has not performed a review of these financial statements in accordance with standards established by Chartered Professional Accountants of Canada for a review of interim financial statements by an entity’s auditor.

iMetal Resources Inc.
Condensed Consolidated Interim Statements of Financial Position
(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management)

| | Notes | August 31, 2021 | May 31, 2021 |
|---|-------|---------------------|---------------------|
| ASSETS | | | |
| Current | | | |
| Cash | | \$ 538,794 | \$ 882,471 |
| Amounts receivable | | 41,127 | 18,674 |
| Prepays | | 40,129 | 102,559 |
| | | 620,050 | 1,003,704 |
| Non-current | | | |
| Exploration and evaluation assets | 3 | 3,251,240 | 3,138,646 |
| Equipment | 4 | 11,190 | 12,097 |
| TOTAL ASSETS | | \$ 3,882,480 | \$ 4,154,447 |
| LIABILITIES | | | |
| Current | | | |
| Accounts payable and accrued liabilities | | \$ 283,450 | \$ 268,212 |
| Due to related parties | 5 | 11,550 | 6,133 |
| Flow-through premium liability | 7 | 16,170 | 16,170 |
| Note payable | 6 | 9,171 | 9,045 |
| Total liabilities | | 320,341 | 299,560 |
| SHAREHOLDERS' EQUITY | | | |
| Capital stock | 7 | 42,926,281 | 42,926,281 |
| Reserves | 7 | 3,884,598 | 3,875,598 |
| Deficit | | (43,248,740) | (42,946,992) |
| Total shareholders' equity | | 3,562,139 | 3,854,887 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | | \$ 3,882,480 | \$ 4,154,447 |

Nature of operations and going concern – Note 1
Contingencies – Note 12

These condensed interim consolidated financial statements were authorized for issue by the Board of Directors on October 29, 2021. They are signed on the Company's behalf by:

"Johan Grandin"

Director

"Saf Dhillon"

Director

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

iMetal Resources Inc.
Condensed Consolidated Interim Statements of Loss and Comprehensive Loss
For the Three Months Ended August 31,
(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management)

| | Notes | 2021 | 2020 |
|--|-------|---------------------|---------------------|
| OPERATING EXPENSES | | | |
| Consulting | 5 | \$ 129,064 | \$ 99,750 |
| Depreciation | 4 | 907 | 1,296 |
| Interest | 6 | 126 | 126 |
| Marketing | | 56,267 | 306 |
| Office and salaries | | 17,225 | 18,011 |
| Property investigation | | 54,243 | - |
| Professional fees | 5 | 23,327 | 36,090 |
| Share-based payments | 7 | 9,000 | - |
| Transfer agent and listing fees | | 8,932 | 14,373 |
| Travel and promotion | | 2,657 | 3,692 |
| Loss from operations | | (301,748) | (173,644) |
| Loss and comprehensive loss for the period | | \$ (301,748) | \$ (173,644) |
| Loss per common share – basic and diluted | | \$ (0.01) | \$ (0.01) |
| Weighted average number of common shares outstanding - basic and diluted | | 51,370,372 | 23,691,009 |

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

iMetal Resources Inc.
Condensed Consolidated Interim Statements of Cash Flows
For the Three months ended August 31,
(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management)

| | 2021 | 2020 |
|---|--------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Loss for the period | \$ (301,748) | \$ (173,644) |
| Items not affecting cash: | | |
| Depreciation | 907 | 1,296 |
| Interest expense | 126 | 126 |
| Share-based payments | 9,000 | - |
| Changes in non-cash working capital items: | | |
| Amounts receivable | (22,628) | (6,680) |
| Prepays | 62,430 | 3,302 |
| Accounts payable and accrued liabilities | 15,238 | 42,257 |
| Due to related parties | 5,417 | 125,289 |
| Net cash used in operating activities | (231,258) | (8,054) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Exploration and evaluation assets | (112,419) | (30,575) |
| Due to related parties | - | 21,234 |
| Net cash used in investing activities | (112,419) | (9,341) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Share subscribed | - | 11,000 |
| Proceeds from loans payable | - | 11,000 |
| Net cash provided by financing activities | - | 22,000 |
| Change in cash for the period | (343,677) | 4,605 |
| Cash, beginning of the period | 882,471 | 858 |
| Cash, end of the period | \$ 538,794 | \$ 5,463 |

Supplemental cash flow Information (Note 11)

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

iMetal Resources Inc.
Condensed Consolidated Interim Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management)

| | <u>Capital Stock</u> | | Reserves | Shares subscribed | Deficit | Total |
|--|----------------------|----------------------|---------------------|----------------------|------------------------|---------------------|
| | Number of shares | Amount | | | | |
| Balance – May 31, 2020 | 23,691,009 | \$ 40,168,745 | \$ 3,432,598 | \$ - | \$ (41,091,823) | \$ 2,509,520 |
| Shares subscribed | - | - | - | 11,000 | - | 11,000 |
| Loss and comprehensive loss for the period | - | - | - | - | (173,644) | (173,644) |
| Balance – August 31, 2020 | 23,691,009 | \$ 40,168,745 | \$ 3,432,598 | \$ 11,000 | \$ (41,265,467) | \$ 2,346,876 |
| Balance – May 31, 2021 | 51,370,372 | \$ 42,926,281 | \$ 3,875,598 | - | \$ (42,946,992) | \$ 3,854,887 |
| Share-based payments | - | - | 9,000 | - | - | 9,000 |
| Loss and comprehensive loss for the period | - | - | - | - | (301,748) | (301,748) |
| Balance – August 31, 2021 | 51,370,372 | \$ 42,926,281 | \$ 3,884,598 | \$ - | \$ (43,248,740) | \$ 3,562,139 |

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

iMetal Resources Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended August 31, 2021

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

1. Nature of Operations and Going Concern

The Company is engaged in the exploration and evaluation of mineral properties in Ontario and Quebec, Canada and has not yet determined whether these properties contain National Instrument 43-101 compliant ore reserves that are economically recoverable. The exploration programs undertaken and proposed constitute an exploratory search and the evaluation of historic resources. There is no assurance that the Company will be successful in its search and evaluation. The business of exploring for minerals and mining involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. Major expenses may be required to establish ore reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. It is impossible to ensure that the current exploration and evaluation programs planned by the Company will result in a profitable commercial mining operation. The amounts shown as exploration and evaluation assets represent net costs to date, less amounts written-off, and do not necessarily represent present or future values. The recovery of the amounts shown for exploration and evaluation assets is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the exploration and evaluation of such a property or properties and ultimately upon future profitable production from a property or properties or the realisation of proceeds from the disposition thereof. At August 31, 2021, the Company has a working capital of \$299,884 (May 31, 2021 - \$704,144), incurred losses since inception and at August 31, 2021 has an accumulated deficit of \$43,248,740 (May 31, 2021 - \$42,946,992).

The Company requires additional funds to continue operations, to explore its mineral properties and to maintain its property interests. Management is actively seeking additional financing and, while it has successfully done this in the past, there is no assurance that it will continue to be able to do so in the future. These matters raise significant doubt about the Company's ability to continue as a going concern. These condensed consolidated interim financial statements do not include adjustments that would be necessary should the Company be unable to continue as a going concern.

On September 4, 2020, all issued and outstanding common shares of the Company were consolidated on a 5:1 basis. All references to share and per share amounts have been retroactively restated to reflect the share consolidation.

The head office, principal address, registered address and records office of the Company are located at 550, 800 West Pender Street, Vancouver, British Columbia, Canada, V6C 2V6. The Company's shares are traded on the Tier 2 of the TSX Venture Exchange ("TSX-V") under the symbol "IMR.V".

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, have adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or results of operations at this time.

2. Significant Accounting Policies**Statement of Compliance**

These condensed consolidated interim financial statements of the Company for the period ended August 31, 2021 have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting.

iMetal Resources Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended August 31, 2021

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

2. Significant Accounting Policies (cont'd)**Basis of Presentation**

These condensed consolidated interim financial statements have been prepared on a historical basis except for items at fair value and have been prepared using the accrual basis of accounting, except cash flow information. These condensed consolidated interim financial statements are presented in Canadian dollars unless otherwise noted.

Basis of consolidation

These condensed consolidated interim financial statements include the financial statements of the Company and the entities controlled by the Company. The financial statements of subsidiaries are included in the condensed consolidated interim financial statements from the date that control commences until the date that control ceases. All intercompany transactions and balances have been eliminated. These condensed consolidated interim financial statements include the accounts of iMetal Resources Inc. and its wholly-owned subsidiary Risorse Dei Minerali Naturali S.R.L. (“RMN”), a company incorporated in the province of Grosseto, Italy.

Significant Accounting Judgments, Estimates and Assumptions

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosures of contingent assets and contingent liabilities at the date of the financial statements and reported amounts of revenues 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. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Differences may be material.

Fair value of stock options and warrants

The fair value of stock options and brokers’ warrants issued are subject to the limitation of the Black-Scholes option pricing model that incorporates market data and involves uncertainty in estimates used by management in the assumptions. Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

Recovery of deferred tax assets

Judgment is required in determining whether deferred tax assets are recognized in the statement of financial position. Deferred tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Company will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the date of the statement of financial position could be impacted.

Additionally, future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future periods. The Company has not recorded any deferred tax assets.

iMetal Resources Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended August 31, 2021

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

2. Significant Accounting Policies (cont'd)**Significant Accounting Judgments, Estimates and Assumptions (cont'd)***Critical judgments in applying accounting policies:*

The following are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the condensed consolidated interim financial statements:

- the determination that the Company will continue as a going concern for the next year;
- the determination that there have been no events or changes in circumstances that indicate the carrying amount of exploration and evaluation assets may not be recoverable.

Foreign Currency Translation

The Company and its subsidiary's functional and reporting currency is the Canadian dollar.

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in the consolidated statement of loss and comprehensive loss.

Financial Instruments*Classification*

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive (loss) income ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL.

*Measurement*Financial assets at FVTOCI

Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses recognized in other comprehensive income (loss).

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

iMetal Resources Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended August 31, 2021

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

2. Significant Accounting Policies (cont'd)**Financial Instruments (cont'd)**Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of loss and comprehensive loss in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive income (loss).

Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of loss and comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

*Derecognition*Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statements of loss and comprehensive loss. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive income (loss).

Financial liabilities

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statements of loss and comprehensive loss.

iMetal Resources Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended August 31, 2021

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

2. Significant Accounting Policies (cont'd)**Exploration and Evaluation Assets and Expenditures**

Although the Company has taken steps to verify title to mineral properties in which it has an interest in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

Currently, all mineral properties of the Company are at the exploration stage. Pre-exploration costs are expensed in the period in which they are incurred.

The Company records its interests in mineral properties at cost. Exploration expenditures relating to these interests are capitalized until the properties to which they relate are placed into production, sold or abandoned. These expenditures will be amortized over the estimated useful life of the related property using the unit-of-production basis following commencement of production, or written-off if the mineral properties are sold or abandoned. General exploration expenditures are expensed as incurred. The amounts shown for mineral properties represent costs to date, and do not necessarily represent future values as they are entirely dependent upon the economic recovery of current and future reserves.

The Company reviews capitalized costs on its mineral properties on a periodic basis and will recognize impairment in value based upon current exploration or production results, if any, and upon management's assessment of the future probability of profitable revenues from the property or from sale of the property. Management's assessment of the property's estimated current fair market value is also based upon management's review of other property transactions that have occurred in the same geographic area as its properties.

The Company does not accrue the estimated future costs of maintaining its mineral properties in good standing.

Exploration costs renounced due to flow-through share subscription agreements remain capitalized, however, for corporate income tax purposes; the Company has no right to claim these costs as tax deductible expenses.

Equipment

Equipment is recorded at cost, including betterment and renewals subsequent to acquisition, less accumulated depreciation. When equipment is sold or abandoned, the recorded costs and related accumulated depreciation are removed from the accounts and any gains or losses are included in the determination of net earnings. Repairs and maintenance are recorded as an expense as incurred.

Vehicle depreciation is calculated on the declining balance method at the rate of 30% per annum.

Cash and Cash Equivalents

Cash and cash equivalents is comprised of cash at banks and on hand, short-term deposits with an original maturity of three months or less, and bank overdrafts. At August 31, 2021 and 2020, the Company did not have any cash equivalents.

Share Capital

Common shares issued for non-monetary consideration are recorded at their fair market value based upon the trading price of the Company's shares on the TSX Venture Exchange on the date of share issuance.

Flow-through shares are common shares which are issued under an agreement that, as provided for in the Canadian Income Tax Act, the Company transfers to the purchaser of the shares the tax benefits of the exploration expenditures that are financed by the proceeds of the share issue.

iMetal Resources Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended August 31, 2021

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

2. Significant Accounting Policies (cont'd)**Share-based Payments**

Obligations for issuance of common shares to directors, officers and consultants under the Company's share-based compensation plan are accrued over the vesting period using fair values. Fair values are determined at issuance using the Black Scholes option-pricing model, taking into account a nominal forfeiture rate, and are recognized as share-based compensation with a corresponding credit to reserves. Consideration paid on the exercise of stock options is credited to share capital and the fair value of the options is reclassified from reserves to share capital. In the event that stock options, and agents' options and warrants, are not exercised, the fair value of those options and warrants is not removed from the reserves.

Stock options granted to non-employees are measured at the fair value of goods or services rendered or at the fair value of the instruments issued, if it is determined that the fair value of the goods or services received cannot be reliably measured. 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 number of equity instruments that eventually vest. Warrants issued to brokers are measured at their fair value on the vesting date and are recognized as a deduction from equity and credited to reserves. The fair value of stock options and warrants issued to brokers are estimated using the Black-Scholes option pricing model. Any consideration received on the exercise of stock options and/or warrants, together with the related portion of reserves, is credited to share capital.

Warrants issued in equity financing transactions

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore its exploration and evaluation assets. These equity financing transactions may involve the issuance of common shares or units. Each unit comprises a certain number of common shares and a certain number of share purchase warrants ("Warrants"). Depending on the terms and conditions of each equity financing agreement, the Warrants are exercisable into additional common shares at a price prior to expiry as stipulated by the agreement. Warrants that are part of units are valued based on the residual value method. Warrants that are issued as payment for agency fees or other transactions costs are accounted for as share-based payments.

Income Taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

The Company accounts for and measures deferred income tax assets and liabilities in accordance with the liability method under which deferred income tax assets and liabilities are recognized for the future income tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be settled. When the future realization of income tax assets does not meet the test of being more likely than not to occur, a valuation allowance is provided for the amount of the potential future benefit not expected to be realized. The Company has taken a valuation allowance for the full amount of all potential deferred tax assets.

iMetal Resources Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended August 31, 2021

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

2. Significant Accounting Policies (cont'd)**Earnings (Loss) per Share**

The Company presents basic and diluted earnings (loss) per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. The dilutive effect on earnings per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to repurchase common shares at the average market price during the year. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

Flow-Through Financing

The Company has adopted a policy whereby the premium paid for flow-through shares in excess of the market value of the shares without the flow-through features at the time of issue is initially recorded as a flow-through tax liability. Upon renouncement by the Company of the tax benefits associated with the related expenditures, a deferred tax liability is recognized and the flow-through tax liability is reversed. To the extent that suitable deferred tax assets are available, the Company will reduce the deferred tax liability and record a deferred tax recovery.

Restoration and Environmental Obligations

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the unit-of-production or the straight-line method. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against profit or loss as extraction progresses. The Company has no material restoration, rehabilitation and environmental costs as the disturbance to date is minimal.

iMetal Resources Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended August 31, 2021

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3. Exploration and Evaluation Assets

| | Gowganda West | Ghost Mountain | Mosher Lake | Carheil | Temagami North | Other Properties | Total |
|----------------------------------|--------------------------|---------------------------|--------------------|-------------------|---------------------------|-----------------------------|---------------------|
| Balance – May 31, 2020 | \$ 1,887,791 | \$ 164,176 | \$ 278,731 | \$ 370,547 | \$ 7,162 | \$ 7,893 | \$ 2,716,300 |
| Acquisition costs: | 99,200 | - | - | - | - | - | 99,200 |
| Exploration costs: | | | | | | | |
| Assays, staking and mapping | 15,749 | - | - | - | - | - | 15,749 |
| Consulting | 86,657 | - | - | - | - | - | 86,657 |
| Equipment rental and field work | 5,604 | - | - | - | - | - | 5,604 |
| Geological/Geophysical | 155,234 | - | - | - | - | - | 155,234 |
| Office, miscellaneous and travel | 26,366 | - | - | - | - | - | 26,366 |
| Rent | 33,536 | - | - | - | - | - | 33,536 |
| | 422,346 | - | - | - | - | - | 422,346 |
| Balance – May 31, 2021 | 2,310,137 | 164,176 | 278,731 | 370,547 | 7,162 | 7,893 | 3,138,646 |
| Exploration costs: | | | | | | | |
| Assays, staking and mapping | 11,710 | - | - | - | - | - | 11,710 |
| Consulting | 3,500 | - | - | - | - | - | 3,500 |
| Equipment rental and field work | 27,599 | - | - | - | - | - | 27,599 |
| Geological/Geophysical | 50,885 | - | - | - | - | - | 50,885 |
| Office, miscellaneous and travel | 18,199 | - | - | - | - | - | 18,199 |
| Rent | 700 | - | - | - | - | - | 700 |
| | 112,593 | - | - | - | - | - | 112,593 |
| Balance – August 31, 2021 | \$ 2,422,556 | \$ 164,176 | \$ 278,731 | \$ 370,547 | \$ 7,162 | \$ 7,893 | \$ 3,251,240 |

iMetal Resources Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended August 31, 2021

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3. Exploration and Evaluation Assets (cont'd)

Ontario, Canada

Gowganda West Property

During the year ended May 31, 2017, the Company entered into an option agreement for mineral properties in Gowganda, Ontario. The option agreement includes cash payments totalling \$200,000 and share issuances totalling 400,000 common shares under the following terms:

- The Vendors will receive \$50,000 upon signing the definitive agreement (paid);
- The Vendors will receive \$50,000 each year for three years starting one year after the signing of the definitive agreement (paid). During the year ended May 31, 2018 the agreement was amended in that the first payment was satisfied in two \$10,000 payments and one \$30,000 payment; the final payment was made during the year ended May 31, 2020.
- The Company will issue 100,000 shares to the vendors upon the signing of the definitive agreement (issued at a fair value of \$25,000);
- The Company will issue 100,000 shares each year for three years, starting one year after the signing of the definitive agreement (year one issued at a fair value of \$25,000, year two issued at a fair value of \$50,000 and year three issued at a fair value of \$25,000);
- The Vendors will have the first right of refusal to participate in up to 10% of all future financings in the Company; and
- The Vendors will be entitled to a 3% NSR royalty. The Company has the option to acquire half of the NSR for \$1,000,000 up until the end of the 3 year term of this agreement.

During the year ended May 31, 2021, the Company amended the residual Net Smelter Return (NSR) royalties to the underlying property vendors for the Gowganda West, Mosher Lake and Ghost Mountain properties:

- Gowganda West NSR remains at 3% with the Company now holding the option to buy back 50% reducing the NSR to 1.5% at any time up to production for \$1,000,000;
- Mosher Lake NSR remains at 2% with the Company now holding the option to buy back 50% reducing the NSR to 1.0% at any time up to production for \$1,000,000;
- Ghost Mountain NSR remains at 3% with the Company now holding the option to buy back 50% reducing the NSR to 1.5% at any time up to production for \$1,000,000;

Each of the four underlying property vendors has agreed to modify the existing NSR agreements to the new terms in exchange for a cash payment of \$5,000 (paid) and the issuance of 150,000 (paid) common shares of the Company to each.

iMetal Resources Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended August 31, 2021

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

3. Exploration and Evaluation Assets (cont'd)

Ontario, Canada (cont'd)

Ghost Mountain Property

During the year ended May 31, 2017, the Company entered into an option agreement for mineral properties in Kirkland Lake, Ontario. The terms of the option agreement include:

- The Vendors will receive \$25,000 upon signing of the definitive agreement (paid);
- The Vendors will receive \$25,000 one year from signing the definitive agreement (paid);
- The Company will issue 150,000 shares to the Vendors upon the signing of the definitive agreement (issued at a fair value of \$41,250);
- The Company will issue 150,000 shares one year from signing the definitive agreement (issued at a fair value of \$67,500);
- The Vendors will have the first right of refusal to participate in up to 10% of all future financings in the Company; and
- The Vendors will be entitled to a 3% NSR royalty. The Company has the option to acquire 50% of the NSR for \$1,000,000 up until the end of the 3 year term of this agreement. (Subsequently amended, see note 3 *Gowganda West Property*)

Mosher Lake Property

During the year ended May 31, 2018, the Company entered into an option agreement for mineral properties in Gowganda, Ontario. The option agreement includes cash payments totalling \$50,000 and share issuances totalling 600,000 common shares under the following terms:

- The Vendors will receive \$20,000 upon signing a definitive agreement (paid);
- The Vendors will receive \$15,000 each year for two years starting one year after the signing of the definite agreement (paid);
- The Company will issue 200,000 shares to the Vendors upon signing a definitive agreement (issued at a fair value of \$70,000);
- The Company will issue 200,000 shares to the Vendors each year for two years starting one year after the signing of the definite agreement (year one issued at a fair value of \$100,000 and year two issued at a fair value of \$55,000);
- A 2% NSR is reserved by the Vendors on the property. The Company has the option to acquire half of the NSR for \$1,000,000 anytime up to five years from the date of closing of the definitive agreement; and
- The Vendors have the first right of refusal to participate in up to 10% of all future financings in the Company. (Subsequently amended, see note 3 *Gowganda West Property*)

Temagami North Property

The Company holds several claims on the Temagami North Property.

iMetal Resources Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended August 31, 2021

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

3. Exploration and Evaluation Assets (cont'd)**Quebec, Canada***Carheil Property*

During the year ended May 31, 2016, the Company acquired mineral properties (43 claims) in Quebec from Skyworld Holdings Limited (“Skyworld”). The terms of the acquisition include:

- Skyworld will receive \$15,000 upon signing of a definitive agreement (paid);
- Skyworld will receive \$10,000 each year for five years for a total of \$50,000 starting in the year following the year of the initial \$15,000 payment and the signing of the definitive agreement (paid in full);
- The Company will issue 80,000 shares to Skyworld upon the closing of the transaction (issued at a value of \$20,000);
- The Company will issue 100,000 additional shares per year each year for three years for a total of 300,000 shares, starting in the year following the year after the closing of the transaction (issued in full at a value of \$75,000); and
- Finder’s fees were paid by issuing 38,000 shares valued at \$9,500 to an arm’s length third party in connection with this transaction.

During the year ended May 31, 2017, the Company renewed the 43 claims for two years and also staked an additional 189 contiguous claims. During the year ended May 31, 2018, the Company renewed the 54 claims to August 2020 and during the year ended May 31, 2019, the Company renewed the 54 claims to August 2023.

4. Equipment

| | Vehicle |
|--|----------------|
| Cost: | |
| Balance at May 31, 2020 and 2021 and August 31, 2021 | \$ 29,046 |
| Accumulated depreciation: | |
| Balance at May 30, 2020 | \$ 11,764 |
| Additions | 5,185 |
| Balance at May 31, 2021 | \$ 16,949 |
| Additions | 907 |
| Balance at August 31, 2021 | \$ 17,856 |
| Carrying amount: | |
| May 31, 2021 | \$ 12,097 |
| August 31, 2021 | \$ 11,190 |

iMetal Resources Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended August 31, 2021

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

5. Related Party Transactions

The Company incurred expenses to related parties during the three months ended August 31, 2021 as follows:

- \$30,000 (2020 - \$60,000) in consulting fees and \$nil (2020 - \$3,000) in travel allowance to a company owned by the Company's chief executive officer and director of the Company.
- \$nil (2020 - \$3,750) in consulting fees to a company controlled by a former director of the Company.
- \$36,000 (2020- \$36,000) in consulting fees to a company controlled by a director of the Company.
- \$15,000 (2020- \$nil) in consulting fees capitalized to exploration and evaluation assets to a company controlled by a director of the Company.
- \$15,250 (2020- \$30,000) in professional fees to a firm providing accounting and corporate secretary services where an officer and director of the Company is a partner.
- \$1,050 (2020- \$nil) in professional fees to a company controlled by an officer of the Company.

As at August 31, 2021, the Company owed \$nil (May 31, 2021 – \$584) to a company controlled by a director of the Company.

As at August 31, 2021, the Company owed \$5,250 (May 31, 2021 – \$5,250) to a company controlled by a director of the Company.

As at August 31, 2021, the Company owed \$5,250 (May 31, 2021 – \$nil) in professional fees to a firm where an officer and director of the Company is a partner and \$nil (May 31, 2021 - \$299) as expense reimbursement.

As at August 31, 2021, the Company owed \$1,050 (May 31, 2021 - \$nil) to a company controlled by an officer of the Company.

Amounts owing to or from related parties are non-interest bearing and due on demand.

During the period ended August 31, 2021, the Company issued nil (May 31, 2021 – 2,125,000) stock options with a fair value of \$nil (May 31, 2021- \$266,228) to related directors and officers of the Company. During the period ended August 31, 2021, \$9,000 in total (May 31, 2021 - \$351,000) has been included in share-based compensation.

6. Note Payable

In March 2013, the Company entered into a promissory note for \$5,000 that accrues interest at 10% per annum. As at August 31, 2021, the Company had recorded interest payable of \$4,171 (May 31, 2021 - \$4,045) and recognized and accrued \$126 interest expense.

iMetal Resources Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended August 31, 2021

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

7. Equity**a) Share capital**

Authorized share capital consists of an unlimited number of common shares without par value.

As at August 31, 2021, the Company had 51,370,372 shares issued and outstanding.

During the period ended August 31, 2021, the Company:

- incurred no transaction affecting share capital

During the year ended May 31, 2021, the Company:

- Closed its non-brokered private placement by issuing 18,607,181 units for gross proceeds of \$2,046,790. Each unit consists of one common share and one share purchase warrant exercisable for a period of 24 months from the date of issue at a price of \$0.20 per share. The Company paid cash finder's fees of \$71,834 and issued an aggregate total of 653,040 finder's warrants at a fair value of \$44,000 under the same terms upon closing of the financing.
- Settled \$21,470 of debt by the issuance of 195,182 units. Each unit consists of one common share and one share purchase warrant exercisable for a period of 24 months from the date of issue at a price of \$0.20 per share.
- Issued 600,000 common shares at a fair value of \$78,000 for exploration and evaluation assets pursuant to various mineral property agreements (Note 3)
- Closed its non-brokered private placement by issuing 7,700,000 units for gross proceeds of \$770,000. Each unit consists of one common share and one share purchase warrant exercisable for a period of 24 months from the date of issue at a price of \$0.20 per share. The Company paid cash finder's fees of \$48,790 and issued an aggregate total of 487,900 finder's warrants at a fair value of \$44,495 under the same terms upon closing of the financing.
- Completed its non-brokered private placement of flow through shares for gross proceeds of \$75,010. The Company issued 577,000 flow-through shares at a price of \$0.13 per share. The Company incurred finders' fees totaling \$4,940 and issued 38,000 finders' warrants with a fair value of \$3,505, exercisable at \$0.20 for 24 months. A flow through liability of \$16,170 was recognized with respect to these flow through shares.

b) Share purchase options

The Company has a stock option plan in place under which it is authorized to grant options to executive officers and directors, officers, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. Under the plan, the option price of any common share in respect of which an option may be granted under the stock option plan shall be fixed by the Board of Directors but shall be not less than the minimum price permitted by the Exchange. The options vest immediately at the time of grant.

During the period ended August 31, 2021, the Company granted 100,000 (May 31, 2021 – 2,900,000) stock options at a weighted average exercise price of \$0.10 (2021 - \$0.16) per share and recorded share-based payments of \$9,000 (May 31, 2021 – \$351,000).

iMetal Resources Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended August 31, 2021

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

7. Equity (cont'd)**b) Share purchase options**

The continuity of share purchase options is as follows:

| | Outstanding Options | Weighted Average Exercise Price \$ |
|--------------------------|--------------------------------|---|
| Balance, May 31, 2020 | 1,694,000 | 0.38 |
| Granted | 2,900,000 | 0.14 |
| Exercised | (1,399,000) | 0.38 |
| Balance, May 31, 2021 | 3,195,000 | 0.16 |
| Granted | 100,000 | 0.10 |
| Balance, August 31, 2021 | 3,295,000 | 0.16 |

At August 31, 2021, the following incentive stock options were outstanding to directors, officers and consultants:

| Number of Options Outstanding | Exercise Price \$ | Weight Average remaining in years | Expiry Date | Number of Options Exercisable |
|--|------------------------------|--|--------------------|--|
| 20,000 | 0.250 | 0.91 | July 28, 2022 | 20,000 |
| 20,000 | 0.250 | 0.96 | August 15, 2022 | 20,000 |
| 115,000 | 0.325 | 1.09 | October 4, 2022 | 115,000 |
| 20,000 | 0.350 | 1.11 | October 11, 2022 | 20,000 |
| 30,000 | 0.350 | 1.28 | December 10, 2022 | 30,000 |
| 20,000 | 0.375 | 1.60 | April 8, 2023 | 20,000 |
| 60,000 | 0.375 | 1.75 | May 31, 2023 | 60,000 |
| 10,000 | 0.425 | 2.17 | November 2, 2023 | 10,000 |
| 2,650,000 | 0.140 | 4.22 | November 18, 2025 | 2,650,000 |
| 250,000 | 0.180 | 0.41 | January 26, 2022 | 250,000 |
| 100,000 | 0.100 | 0.87 | July 15, 2022 | 100,000 |
| 3,295,000 | | | | 3,295,000 |

The weighted average remaining life of the options at August 31, 2021 is 3.57 years (May 31, 2021 – 3.88 years).

iMetal Resources Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended August 31, 2021

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

7. Equity (cont'd)**b) Share purchase options (cont'd)**

The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted during the period ended August 31, 2021:

| | Period ended August 31, 2021 | Year ended May 31, 2021 |
|--------------------------------|---------------------------------|----------------------------|
| Risk-free interest rate | 0.26% | 0.44% |
| Expected life of options | 1 year | 4.66 years |
| Expected annualized volatility | 94.73% | 157.72% |
| Expected dividend rate | - | - |
| Fair value per option | \$0.04 | \$0.12 |

c) Warrants

The continuity of share purchase warrants for the period ended August 31, 2021 is as follows:

| | Outstanding Warrants | Weighted Average Exercise Price \$ |
|-------------------------------------|-------------------------|---------------------------------------|
| Balance, May 31, 2020 | 2,744,533 | 0.56 |
| Granted – warrants | 26,502,363 | 0.20 |
| Granted – finders' warrants | 1,178,940 | 0.20 |
| Exercised – warrants | (1,823,333) | 0.59 |
| Expired – finders' warrants | (35,500) | 0.61 |
| Balance, May 31 and August 31, 2021 | 28,567,003 | 0.21 |

At August 31, 2021, the following warrants were outstanding:

| Number of Warrants | Weight Average remaining in years | Exercise Price (\$) | Expiry Date |
|-----------------------|---|------------------------|--------------------|
| 885,700 | 0.25 | 0.50 | November 29, 2021 |
| 16,281,272 | 1.08 | 0.20 | September 30, 2022 |
| 1,525,909 | 1.22 | 0.20 | November 18, 2022 |
| 800,000 | 1.27 | 0.20 | December 9, 2022 |
| 653,040 | 1.29 | 0.20 | December 15, 2022 |
| 195,182 | 1.48 | 0.20 | February 23, 2023 |
| 8,225,900 | 1.75 | 0.20 | May 31, 2023 |
| 28,567,003 | | | |

The weighted average remaining life of the warrants at Aug 31, 2021 is 1.27 years (2021– 1.52 years).

iMetal Resources Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended August 31, 2021

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

7. Equity (cont'd)**c) Warrants (cont'd)**

The following weighted average assumptions were used for the Black-Scholes valuation of finders' warrants granted for the period ended August 31, 2021:

| | Period ended August 31, 2021 | Year ended May 31, 2021 |
|--------------------------------|---|------------------------------------|
| Risk-free interest rate | - | 0.28% |
| Expected life of options | - | 2.00 years |
| Expected annualized volatility | - | 177.62% |
| Expected dividend rate | - | - |
| Fair value per option | - | 0.08 |

8. Segmented Information

The Company currently conducts all of its operations in Canada in one business segment being the acquisition and exploration of resource properties.

9. Capital Management

The Company defines its capital as all components of shareholders' equity. The Company's objectives when managing capital are to safeguard its ability to continue as a going concern.

In order to maintain its capital structure, the Company is dependent on equity funding and when necessary, raises capital through the issuance of equity instruments, primarily comprised of common shares. The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will make changes to its capital structure as deemed appropriate under the specific circumstances.

The Company is not subject to any externally imposed capital requirements or debt covenants, and does not presently utilize any quantitative measures to monitor its capital. There were no changes to the Company's approach to managing capital during the period.

iMetal Resources Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended August 31, 2021

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

10. Financial Instruments and Financial Risk Factors**Financial instruments**

Financial instruments must be classified at one of three levels within a fair value hierarchy according to the relative reliability of the inputs used to estimate their values. The three levels of the hierarchy are as follows:

- Level 1: Unadjusted quoted price in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3: Inputs that are not based on observable market data.

The fair value hierarchal classification of the Company's financial instruments measured at fair value is as follows:

| August 31, 2021 | Level 1 | Level 2 | Level 3 | Total |
|-----------------|------------|---------|---------|------------|
| Cash | \$ 538,794 | \$ - | \$ - | \$ 538,794 |

| May 31, 2021 | Level 1 | Level 2 | Level 3 | Total |
|--------------|------------|---------|---------|------------|
| Cash | \$ 888,471 | \$ - | \$ - | \$ 882,471 |

Cash is measured using Level 1 inputs. The Company does not have any financial instruments that are measured using Level 2 or Level 3 inputs. During the year ended August 31, 2021, there were no transfers between Level 1, Level 2, and Level 3 classified assets and liabilities.

The Company's financial instruments are exposed to certain financial risks, including liquidity risk and foreign exchange risk. The Company's financial instruments consist of cash, amounts receivable, accounts payable and accrued liabilities, note payable and due to related parties. The fair value of these financial instruments approximates their carrying values due to their short term to maturity.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. To the extent that the Company does not believe it has sufficient liquidity to meet obligations, it will consider securing additional equity funding, or engage in negotiations to extend terms with creditors. The Company manages liquidity risk through the management of its capital structure (see Note 9).

Foreign Exchange Risk

The Company raises its capital in Canadian dollars. The Company holds its cash mainly in Canadian dollars. The Company minimizes its exposure to foreign currency risk by minimizing the amount of funds in currencies other than the Canadian dollar. The Company does not undertake currency hedging activities. The Company continuously monitors its exposure to foreign exchange risk to determine if any mitigation strategies warrant consideration.

iMetal Resources Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended August 31, 2021

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

11. Supplemental Cash Flow Information

| | Period ended August 31, 2021 | Year ended May 31, 2021 |
|--|---|------------------------------------|
| Non-Cash Investing and Financing Activities: | | |
| Finders' warrants issued in private placement | \$ - | \$ 92,000 |
| Common shares issued pursuant to mineral property agreements | \$ - | \$ 78,000 |
| Transfer to share capital on exercise of stock options | \$ - | \$ - |
| Accounts payable included in exploration and evaluation assets | \$ - | \$ 77,212 |
| Shares issued to settle debt | \$ - | \$ 21,470 |

12. Contingencies

During the year ended May 31, 2020, the Company received a lawsuit in the Supreme Court of British Columbia from a shareholder citing that the Company terminated a consulting agreement between the shareholder and the Company and is seeking damages for breach of contract. However, in the opinion of management, the claim is without merit and the outcome is unknown. No provision has been recorded for this lawsuit.