



**Condensed Consolidated Interim Financial Statements**

**For the Nine Months Ended February 29, 2020**

**(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)**

	<b>February 29, 2020</b>	<b>May 31, 2019</b>
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 38,315	\$ 593,705
Amounts receivable	19,010	51,867
Prepays	16,068	62,031
Due from related parties (Note 5)	-	22,629
	<b>73,393</b>	<b>730,232</b>
<b>Non-current</b>		
Exploration and evaluation assets (Note 3)	2,689,414	2,092,812
Equipment (Note 4)	19,134	24,689
<b>TOTAL ASSETS</b>	<b>\$ 2,781,941</b>	<b>\$ 2,847,733</b>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 138,416	\$ 93,122
Due to related parties (Note 5)	28,569	1,313
Note payable (Note 6)	8,418	8,044
<b>Total liabilities</b>	<b>175,403</b>	<b>102,479</b>
<b>SHAREHOLDERS' EQUITY</b>		
Capital stock (Note 7)	40,106,556	39,792,986
Reserves (Note 7)	3,439,713	3,396,065
Deficit	(40,939,731)	(40,443,797)
<b>Total shareholders' equity</b>	<b>2,606,538</b>	<b>2,745,254</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 2,781,941</b>	<b>\$ 2,847,733</b>

Nature of operations and going concern – Note 1  
Contingencies – Note 12  
Subsequent events – Note 13

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on April 24, 2020. They are signed on the Company's behalf by:

“Johan Grandin”  
Director

“Mark Fedikow”  
Director

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

**iMetal Resources Inc.**  
**Consolidated Statements of Loss and Comprehensive Loss**  
**(Expressed in Canadian Dollars)**  
**(Unaudited – Prepared by Management)**

	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>February 29 and 28,</b>		<b>February 29 and 28,</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
<b>OPERATING EXPENSES</b>				
Consulting (Note 5)	\$ 52,750	\$ 76,239	\$ 203,000	\$ 251,202
Depreciation (Note 4)	1,851	-	5,555	-
Interest	123	123	374	374
Marketing	8,312	36,732	62,551	75,471
Office and salaries	8,021	21,985	34,513	46,375
Professional fees (Note 5)	32,467	25,229	92,290	74,597
Share-based payments (Note 7)	6,738	40,521	49,373	232,245
Transfer agent and listing fees	8,459	12,560	29,551	20,738
Travel and promotion	11,318	-	18,727	-
<b>Loss from operations</b>	<b>(130,039)</b>	<b>(213,389)</b>	<b>(495,934)</b>	<b>(701,002)</b>
<b>Loss and comprehensive loss for the period</b>	<b>\$ (130,039)</b>	<b>\$ (213,389)</b>	<b>\$ (495,934)</b>	<b>\$ (701,002)</b>
Loss per common share – basic and diluted	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.01)
Weighted average number of common shares outstanding - basic and diluted	112,198,614	97,373,903	95,039,519	88,770,066

*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 nine months ended February 29 and 28,**  
**(Expressed in Canadian Dollars)**  
**(Unaudited – Prepared by Management)**

	<b>2020</b>	<b>2019</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the period	\$ (495,934)	\$ (701,002)
Items not affecting cash:		
Depreciation	5,555	-
Interest on notes payable	374	374
Share-based payments	49,373	232,245
Changes in non-cash working capital items:		
Amounts receivable	32,857	(16,950)
Prepays	45,963	(112,603)
Accounts payable and accrued liabilities	11,294	16,579
Due to related parties	49,885	(15,228)
Net cash used in operating activities	(300,633)	(596,585)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Exploration and evaluation assets	(562,602)	(479,744)
Net cash used in investing activities	(562,602)	(479,744)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issuance of capital stock	309,995	676,000
Share issuance costs	(7,550)	(13,130)
Shares issued for exercise of options	5,400	57,500
Shares subscribed for exercise of warrants	-	-
Exercise of warrants and finders' warrants	-	485,216
Net cash provided by financing activities	307,845	1,205,586
Change in cash for the period	(555,390)	129,257
Cash, beginning of period	593,705	140,997
Cash, end of period	\$ 38,315	\$ 270,254

**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**  
**For the nine months ended February 29, 2020 and 2019**  
**(Expressed in Canadian Dollars)**  
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	Capital Stock		Reserves	Deficit	Total
	Number of shares	Amount			
<b>Balance – May 31, 2018</b>	<b>82,534,916</b>	<b>\$ 37,513,108</b>	<b>\$ 3,220,597</b>	<b>\$ (39,579,755)</b>	<b>\$ 1,153,950</b>
Shares issued for private placement	8,450,000	676,000	-	-	676,000
Share issuance costs		(23,504)	10,374	-	(13,130)
Exercise of warrants and finder's warrants	6,933,600	485,216	-	-	485,216
Transfer to share capital on exercise of finder's warrants	-	10,307	(10,307)	-	-
Exercise of stock options	850,000	57,500	-	-	57,500
Transfer to share capital on exercise of finder's warrants	-	55,514	(55,514)	-	-
Shares issued for mineral memorandum of understanding	400,000	34,000	-	-	34,000
Shares issued for exploration and evaluation assets	1,500,000	150,000	-	-	150,000
Share-based payments	-	-	198,245	-	198,245
Loss and comprehensive loss for the period	-	-	-	(701,002)	(701,002)
<b>Balance – February 28, 2019</b>	<b>100,668,516</b>	<b>\$ 38,958,141</b>	<b>\$ 3,363,395</b>	<b>\$ (40,280,757)</b>	<b>\$ 2,040,779</b>
<b>Balance – May 31, 2019</b>	<b>112,231,583</b>	<b>\$ 39,792,986</b>	<b>\$ 3,396,065</b>	<b>\$ (40,443,797)</b>	<b>\$ 2,745,254</b>
Shares issued for private placement	4,428,500	309,995	-	-	309,995
Share issuance costs		(7,550)	-	-	(7,550)
Exercise of stock options	105,000	5,400	-	-	5,400
Transfer to share capital on exercise of stock options	-	5,725	(5,725)	-	-
Share-based payments	-	-	49,373	-	49,373
Loss and comprehensive loss for the period	-	-	-	(495,934)	(495,934)
<b>Balance – February 29, 2020</b>	<b>116,765,083</b>	<b>\$ 40,106,556</b>	<b>\$ 3,439,713</b>	<b>\$ (40,939,731)</b>	<b>\$ 2,606,538</b>

*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 nine months ended February 29, 2020 and February 28, 2019  
(Expressed in Canadian Dollars)  
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**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. The Company has incurred losses since inception and at February 29, 2020 has an accumulated deficit of \$40,939,731 (May 31, 2019 - \$40,443,797).

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.

The head office, principal address, registered address and records office of the Company are located at 510 – 580 Hornby Street, Vancouver, British Columbia, Canada, V6C 3B6. The Company's shares are traded on the Tier 2 of the TSX Venture Exchange ("TSX-V") under the symbol "IMR.V".

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

These condensed consolidated interim financial statements of the Company for the period ended February 29, 2020 have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting. The significant accounting policies applied in these condensed consolidated interim financial statements are based on the IFRS issued and outstanding as of February 29, 2020.

**Basis of Presentation**

These condensed consolidated interim financial statements have been prepared on the basis of accounting policies and methods of computation consistent with those applied in the Company's annual consolidated financial statements for the year ended May 31, 2019. These condensed consolidated interim financial statements have been prepared on a historical basis 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.

These condensed consolidated interim financial statements do not include all of the information required for full annual consolidated financial statements and should be read in conjunction with the annual consolidated financial statements of the Company for the year ended May 31, 2019.

**iMetal Resources Inc.**

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**2. Significant Accounting Policies (cont'd)****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 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.



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**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.

**New Accounting Standards Adopted During the Period****IFRS 16 – Leases**

IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The IASB issued IFRS 16, Leases, in January 2016, which replaces the current guidance in IAS 17. Under IAS 17, lessees were required to make a distinction between a finance lease and an operating lease. IFRS 16 requires lessees to recognize a lease liability reflecting future lease payments and a “right-of-use asset” for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted, but only in conjunction with IFRS 15. The Company assessed the impact of IFRS 16 and concluded that it has no affect on the condensed consolidated interim financial statements.

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**3. Exploration and Evaluation Assets**

	Gowganda West	Ghost Mountain	Mosher Lake	Carheil	Temagami North	Other Properties	Total
<b>Balance – May 31, 2018</b>	<b>\$ 428,583</b>	<b>\$ 162,056</b>	<b>\$ 92,231</b>	<b>\$ 370,315</b>	<b>\$ 7,162</b>	<b>\$ -</b>	<b>\$ 1,060,347</b>
<b>Acquisition costs:</b>	125,000	-	185,000	3,461	-	-	313,461
<b>Exploration costs:</b>							
Assays, staking and mapping	33,364	-	-	-	-	-	33,364
Consulting	68,762	-	1,500	5,288	-	-	75,550
Claims, leases and permits	49,382	-	-	-	-	-	49,382
Drilling	104,246	-	-	-	-	-	104,246
Equipment rental and field work	180,390	-	-	-	-	-	180,390
Excavation	92,583	-	-	-	-	-	92,583
Geological/Geophysical	131,389	-	-	-	-	-	131,389
Office, miscellaneous and travel	38,200	-	-	-	-	-	38,200
Rent	13,900	-	-	-	-	-	13,900
	837,216	-	186,500	8,749	-	-	1,032,465
<b>Balance – May 31, 2019</b>	<b>1,265,799</b>	<b>162,056</b>	<b>278,731</b>	<b>379,064</b>	<b>7,162</b>	<b>-</b>	<b>2,092,812</b>
<b>Acquisition costs:</b>	54,420	-	-	-	-	-	54,420
<b>Exploration costs:</b>							
Assays, staking and mapping	17,988	-	-	-	-	-	17,988
Consulting	88,067	-	-	179	-	-	88,246
Claims, leases and permits	-	-	-	-	-	1,200	1,200
Drilling	132,623	-	-	-	-	-	132,623
Equipment rental and field work	57,611	950	-	-	-	4,210	62,771
Geological/Geophysical	194,865	-	-	-	-	-	194,865
Office, miscellaneous and travel	15,317	1,170	-	-	-	2,483	18,970
Rent	34,215	-	-	-	-	-	34,215
Cost recoveries	-	-	-	(8,696)	-	-	(8,696)
	595,106	2,120	-	(8,517)	-	7,893	596,602
<b>Balance – February 29, 2020</b>	<b>\$ 1,860,905</b>	<b>\$ 164,176</b>	<b>\$ 278,731</b>	<b>\$ 370,547</b>	<b>\$ 7,162</b>	<b>\$ 7,893</b>	<b>\$ 2,689,414</b>

**iMetal Resources Inc.**

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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 2,000,000 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 (year one and year two 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 subsequent to the period ended November 30, 2019.
- The Company will issue 500,000 shares to the vendors upon the signing of the definitive agreement (issued at a fair value of \$25,000);
- The Company will issue 500,000 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.

*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 750,000 shares to the Vendors upon the signing of the definitive agreement (issued at a fair value of \$41,250);
- The Company will issue 750,000 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 half of the NSR for \$1,000,000 up until the end of the 3 year term of this agreement.

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**3. Exploration and Evaluation Assets (cont'd)**

**Ontario, Canada (cont'd)**

*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 3,000,000 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 1,000,000 shares to the Vendors upon signing a definitive agreement (issued at a fair value of \$70,000);
- The Company will issue 1,000,000 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.

*Temagami North Property*

The Company holds several claims on the Temagami North Property.

**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 400,000 shares to Skyworld upon the closing of the transaction (issued at a value of \$20,000);
- The Company will issue 500,000 additional shares per year each year for three years for a total of 1,500,000 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 190,000 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 2022.

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**4. Equipment**

<b>Vehicle</b>	
<b>Cost:</b>	
Balance at May 31, 2019	\$ 29,046
<b>Accumulated depreciation:</b>	
Balance at May 31, 2019	\$ 4,357
Additions	5,555
Balance at February 29, 2020	\$ 9,912
<b>Carrying amount:</b>	
May 31, 2019	\$ 24,689
February 29, 2020	\$ 19,134

**5. Related Party Transactions**

The Company incurred expenses to related parties during the period ended February 29, 2020 as follows:

- \$135,000 (2019 - \$135,000) in consulting fees to a company owned by the Company's chief executive officer and director of the Company.
- \$13,000 (2019 - \$10,000) in consulting fees to a company controlled by a director of the Company.
- \$Nil (2019 - \$3,700) in consulting fees to a company controlled by a director of the Company.
- \$67,500 (2019 - \$67,500) in professional fees to a firm where an officer and director of the Company is a partner.
- \$Nil (2019 - \$188) in consulting fees to an officer of the Company.

As at February 29, 2020, the Company owed \$1,313 (May 31, 2019 - \$1,313) to a company controlled by a director of the Company.

As at February 29, 2020 the Company owed \$16,194 (May 31, 2019 – advanced \$22,629) to a company controlled by a director of the Company.

As at February 29, 2020 the Company owed \$11,062 (May 31, 2019 – \$nil) in professional fees to a firm where an officer and director of the Company is a partner.

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

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### **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 February 29, 2020, the Company had recorded interest payable of \$3,418 (May 31, 2019 - \$3,044).

### **7. Equity**

#### **a) Share capital**

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

As at February 29, 2020, the Company had 116,765,083 shares issued and outstanding.

During the period ended November 30, 2019, the Company:

- i. Completed a non-brokered private placement by issuing 4,280,500 units for gross proceeds of \$309,995. 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 \$0.10 per share for the first 12 months and \$0.15 for the remaining 12 months. The Company paid cash finder's fees totaling \$5,250 and other share issue costs totaling \$2,300.
- ii. Issued 105,000 shares for the exercise of stock options for proceeds of \$5,400 and transferred \$5,725 from reserves to share capital.

During the year ended May 31, 2019, the Company:

- i. Completed a non-brokered private placement by issuing 1,666,667 units for gross proceeds of \$250,000. Each unit consists of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one additional common share, exercisable at a price of \$0.20 per share for a period of 24 months from the date of issue. The Company paid cash finder's fees totaling \$9,750 and other share issue costs totaling \$2,000. The Company issued 65,000 finder's warrants exercisable at a price of \$0.16 per share for a period of 24 months from the date of issue. The finder's warrants were ascribed a fair value of \$5,635 and the warrants in the private placement were ascribed a residual value of \$33,333.
- ii. Completed a non-brokered private placement by issuing 8,450,000 units for gross proceeds of \$676,000. Each unit consists of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one additional common share, exercisable at a price of \$0.10 per share for a period of 24 months from the date of issue. The Company paid cash finder's fees totaling \$13,130 and issued 112,500 finder's warrants exercisable at a price of \$0.10 per share for a period of 24 months from the date of issue. The finder's warrants were ascribed a fair value of \$10,374.
- iii. Issued 15,130,000 common shares of the Company for proceeds of \$1,017,000 for warrants and finder's warrants exercised and issued 1,050,000 common shares of the Company for proceeds of \$67,500 for stock options exercised.
- iv. Signed several mineral property agreements with multiple First Nation communities to advance its Gowganda West Project in Northern Ontario. Under these agreements, the Company issued 400,000 shares at a fair value of \$34,000 recorded to exploration and evaluation assets.
- v. Issued 3,000,000 common shares at a fair value of \$230,000 for exploration and evaluation assets pursuant to various mineral property agreements (Note 3).

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

During the period ended February 29, 2020, the Company granted 900,000 (2019 – 2,200,000) stock options at a weighted average exercise price of \$0.07 (2019 - \$0.11) per share and recorded share-based payments of \$49,373 (2019 – \$232,245).

The continuity of share purchase options is as follows:

	Outstanding Options	Weighted Average Exercise Price
Balance, May 31, 2018	6,650,000	\$ 0.06
Granted	2,200,000	0.11
Exercised	(1,050,000)	0.06
Balance, May 31, 2019	7,800,000	0.08
Granted	900,000	0.07
Exercised	(105,000)	0.05
Balance, February 29, 2020	8,595,000	\$ 0.07

At February 29, 2020, the following incentive stock options were outstanding to directors, officers and consultants:

Number of Options Outstanding	Exercise Price	Expiry Date	Number of Options Exercisable
2,700,000	\$ 0.05	May 19, 2021	2,700,000
150,000	0.07	December 10, 2021	150,000
100,000	0.05	July 28, 2022	100,000
100,000	0.05	August 15, 2022	100,000
45,000	0.08	September 27, 2022	45,000
700,000	0.07	October 4, 2022	700,000
1,750,000	0.07	October 11, 2022	1,750,000
150,000	0.15	January 17, 2023	150,000
100,000	0.075	April 8, 2023	100,000
300,000	0.085	May 7, 2023	300,000
300,000	0.075	May 31, 2023	300,000
100,000	0.08	June 13, 2023	100,000
50,000	0.085	November 2, 2023	50,000
1,600,000	0.11	November 15, 2023	1,600,000
450,000	0.11	December 13, 2023	450,000
8,595,000			8,595,000

The weighted average remaining life of the options at February 29, 2020 is 2.50 years (2019 – 3.49 years).

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**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 periods ended February 29, 2020 and 2019:

	2020	2019
Risk-free interest rate	1.40%	2.19%
Expected life of options	3 years	5 years
Expected annualized volatility	147.24%	152.07%
Expected dividend rate	-	-
Fair value per option	\$0.06	\$0.09

**c) Warrants**

The continuity of share purchase warrants for the periods ended February 29, 2020 and 2019 is as follows:

	Outstanding Warrants	Weighted Average Exercise Price
Balance, May 31, 2018	22,297,450	\$ 0.07
Granted – warrants	10,116,667	0.12
Granted – finders' warrants	177,500	0.12
Exercised – warrants	(14,940,000)	0.07
Expired – warrants	(2,477,500)	0.06
Exercised – finders' warrants	(190,000)	0.07
Expired – finders' warrants	(85,000)	0.06
Balance, May 31, 2019	14,899,117	0.11
Granted – warrants	4,428,500	0.10
Expired – warrants	(5,604,950)	0.10
Balance, February 29, 2020	13,722,667	\$ 0.11

At February 29, 2020, the following warrants were outstanding:

Number of Warrants	Exercise Price	Expiry Date
7,562,500	0.10	November 5, 2020
1,666,667	0.20	March 18, 2021
65,000	0.16	March 18, 2021
4,428,500	0.10	November 29, 2021
13,722,667		

The weighted average remaining life of the warrants at February 29, 2020 is 1.08 years (2019 – .83 years).



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**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.

**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 for the period ended February 29, 2020 and the year ended May 31, 2019 is as follows:

February 29, 2020	Level 1	Level 2	Level 3	Total
Cash	\$ 38,315	\$ -	\$ -	\$ 38,315

  

May 31, 2019	Level 1	Level 2	Level 3	Total
Cash	\$ 593,705	\$ -	\$ -	\$ 593,705

Cash is measured using Level 1. The Company does not have any financial instruments that are measured using Level 2 or Level 3 inputs. During the period ended February 29, 2020, 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.

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**10. Financial Instruments and Financial Risk Factors (cont'd)****Fair Value**

The Company's financial instruments consist of cash, amounts receivable, due from related parties, 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. Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices 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 of cash and marketable securities are based on level 1 inputs of the fair value hierarchy.

**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.

**11. Supplemental Cash Flow Information**

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	2020	2019
<b>Non-Cash Investing and Financing Activities:</b>		
Common shares issued for exploration and evaluation assets	\$ -	\$ 150,000
112,500 finders' warrants issued in private placement	\$ -	\$ 10,374
Transfer to share capital on exercise of stock options	\$ 5,725	\$ 55,514
Transfer to share capital on exercise of finder's warrants	\$ -	\$ 10,307
Accounts payable included in exploration and evaluation assets	\$ 88,896	\$ -

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**12. Contingencies**

During the period ended February 29, 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.

**13. Subsequent events**

Subsequent to the period ended February 29, 2020:

- a) The Company extinguished debt of \$78,251 through issuing of 1,565,017 common shares at a deemed price of \$0.05 and recorded a gain of \$31,300 on the debt settlement.
- b) The Company issued 125,000 shares from the exercise of stock options for proceeds of \$8,125 and transferred \$7,114 from reserves to share capital.
- c) 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.