



Consolidated Financial Statements

For the Year Ended May 31, 2019

(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
iMetal Resources Inc.

Opinion

We have audited the accompanying consolidated financial statements of iMetal Resources Inc. (the "Company"), which comprise the consolidated statements of financial position as at May 31, 2019 and 2018, and the consolidated statements of loss and comprehensive loss, cash flows, and changes in shareholders' equity for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at May 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements, which indicates that the Company has incurred losses since inception and at May 31, 2019, has an accumulated deficit of \$40,443,797. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.



We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Glenn Parchomchuk.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada

Chartered Professional Accountants

September 27, 2019

iMetal Resources Inc.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

| | May 31, 2019 | May 31, 2018 |
|---|-------------------------|-------------------------|
| ASSETS | | |
| Current | | |
| Cash | \$ 593,705 | \$ 140,997 |
| Amounts receivable | 51,867 | 4,660 |
| Prepays | 62,031 | 13,761 |
| Due from related parties (Note 5) | 22,629 | - |
| | 730,232 | 159,418 |
| Non-current | | |
| Exploration and evaluation assets (Note 3) | 2,092,812 | 1,060,347 |
| Equipment (Note 4) | 24,689 | - |
| TOTAL ASSETS | \$ 2,847,733 | \$ 1,219,765 |
| LIABILITIES | | |
| Current | | |
| Accounts payable and accrued liabilities | \$ 93,122 | \$ 41,480 |
| Due to related parties (Note 5) | 1,313 | 16,791 |
| Note payable (Note 6) | 8,044 | 7,544 |
| Total liabilities | 102,479 | 65,815 |
| SHAREHOLDERS' EQUITY | | |
| Capital stock (Note 7) | 39,792,986 | 37,513,108 |
| Reserves (Note 7) | 3,396,065 | 3,220,597 |
| Deficit | (40,443,797) | (39,579,755) |
| Total shareholders' equity | 2,745,254 | 1,153,950 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | \$ 2,847,733 | \$ 1,219,765 |

Nature of operations and going concern – Note 1
Contingencies – Note 13

These consolidated financial statements were authorized for issue by the Board of Directors on September 27, 2019. They are signed on the Company's behalf by:

“Johan Grandin”
Director

“Mark Fedikow”
Director

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

iMetal Resources Inc.
Consolidated Statements of Loss and Comprehensive Loss
For the Years Ended May 31,
(Expressed in Canadian Dollars)

| | 2019 | 2018 |
|--|---------------------|---------------------|
| OPERATING EXPENSES | | |
| Consulting (Note 5) | \$ 310,434 | \$ 301,783 |
| Depreciation (Note 4) | 4,357 | - |
| Interest | 500 | 500 |
| Marketing | 123,103 | 41,119 |
| Office and salaries | 43,674 | 13,527 |
| Professional fees (Note 5) | 118,883 | 100,872 |
| Share-based payments (Note 7) | 205,726 | 275,297 |
| Transfer agent and listing fees | 25,647 | 30,236 |
| Travel and promotion | 31,718 | 14,149 |
| Loss from operations | (864,042) | (777,483) |
| Gain on extinguishment of accounts payable and accrued liabilities | - | 820 |
| Loss and comprehensive loss for the year | \$ (864,042) | \$ (776,663) |
| Loss per common share – basic and diluted | \$ (0.01) | \$ (0.01) |
| Weighted average number of common shares outstanding - basic and diluted | 93,549,177 | 75,436,171 |

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

iMetal Resources Inc.
Consolidated Statements of Cash Flows
For the years ended May 31, 2019 and 2018
(Expressed in Canadian Dollars)

| | 2019 | 2018 |
|--|--------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Loss for the year | \$ (864,042) | \$ (776,663) |
| Items not affecting cash: | | |
| Depreciation | 4,357 | - |
| Interest on notes payable | 500 | 500 |
| Share-based payments | 205,726 | 275,297 |
| Gain on extinguishment of accounts payable and accrued liabilities | - | (820) |
| Changes in non-cash working capital items: | | |
| Amounts receivable | (47,207) | 9,507 |
| Prepays | (48,270) | 1,239 |
| Accounts payable and accrued liabilities | 5,353 | (49,616) |
| Due to related parties | (15,478) | 14,829 |
| Net cash used in operating activities | (759,061) | (525,727) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Exploration and evaluation assets | (722,176) | (336,651) |
| Purchase of equipment | (29,046) | - |
| Due from related party | (22,629) | 8,927 |
| Net cash used in investing activities | (773,851) | (327,724) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Issuance of capital stock | 926,000 | 422,697 |
| Share issuance costs | (24,880) | (23,055) |
| Exercise of stock options | 67,500 | 115,000 |
| Exercise of warrants and finder's warrants | 1,017,000 | 116,850 |
| Net cash provided by financing activities | 1,985,620 | 631,492 |
| Change in cash for the year | 452,708 | (221,959) |
| Cash, beginning of year | 140,997 | 362,956 |
| Cash, end of year | \$ 593,705 | \$ 140,997 |
| Supplemental cash flow Information (Note 11) | | |

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

iMetal Resources Inc.
Consolidated Statements of Changes in Shareholders' Equity
For the years ended May 31, 2019 and 2018
(Expressed in Canadian Dollars)

| | Capital Stock | | Reserves | Deficit | Total |
|--|--------------------|----------------------|---------------------|------------------------|---------------------|
| | Number of shares | Amount | | | |
| Balance – May 31, 2017 | 68,992,466 | \$ 36,609,274 | \$ 3,055,142 | \$ (38,803,092) | \$ 861,324 |
| Shares issued for private placement | 7,044,950 | 422,697 | - | - | 422,697 |
| Shares issuance costs | | (44,591) | 21,536 | - | (23,055) |
| Exercise of warrants and finders' warrants | 1,947,500 | 116,850 | - | - | 116,850 |
| Transfer to share capital on exercise of finders' warrants | | 8,332 | (8,332) | - | - |
| Exercise of stock options | 2,300,000 | 115,000 | - | - | 115,000 |
| Transfer to share capital on exercise of stock options | - | 123,046 | (123,046) | - | - |
| Shares issued for exploration and evaluation assets | 2,250,000 | 162,500 | - | - | 162,500 |
| Share-based payments | - | - | 275,297 | - | 275,297 |
| Loss and comprehensive loss for the year | - | - | - | (776,663) | (776,663) |
| Balance – May 31, 2018 | 82,534,916 | 37,513,108 | 3,220,597 | (39,579,755) | 1,153,950 |
| Shares issued for private placement | 10,116,667 | 892,667 | 33,333 | - | 926,000 |
| Share issuance costs | | (40,889) | 16,009 | - | (24,880) |
| Exercise of warrants and finder's warrants | 15,130,000 | 1,017,000 | - | - | 1,017,000 |
| Transfer to share capital on exercise of finder's warrants | - | 11,317 | (11,317) | - | - |
| Exercise of stock options | 1,050,000 | 67,500 | - | - | 67,500 |
| Transfer to share capital on exercise of stock options | - | 68,283 | (68,283) | - | - |
| Shares issued for mineral property agreements | 400,000 | 34,000 | - | - | 34,000 |
| Shares issued for exploration and evaluation assets | 3,000,000 | 230,000 | - | - | 230,000 |
| Share-based payments | - | - | 205,726 | - | 205,726 |
| Loss and comprehensive loss for the year | - | - | - | (864,042) | (864,042) |
| Balance – May 31, 2019 | 112,231,583 | \$ 39,792,986 | \$ 3,396,065 | \$ (40,443,797) | \$ 2,745,254 |

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

iMetal Resources Inc.

Notes to the Consolidated Financial Statements
For the years ended May 31, 2019 and 2018
(Expressed in Canadian Dollars)

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 May 31, 2019 has an accumulated deficit of \$40,443,797 (2018 - \$39,579,755).

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 consolidated 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" and on the Frankfurt Stock Exchange ("FWB") under the symbol "A7V.F".

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

These consolidated financial statements of the Company for the year ended May 31, 2019 have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The significant accounting policies applied in these consolidated financial statements are based on the IFRS issued and outstanding as of May 31, 2019.

Basis of Presentation

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

Basis of consolidation

These consolidated 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 consolidated financial statements from the date that control commences until the date that control ceases. All intercompany transactions and balances have been eliminated.

iMetal Resources Inc.

Notes to the Consolidated Financial Statements
For the years ended May 31, 2019 and 2018
(Expressed in Canadian Dollars)

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

These consolidated 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.

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 consolidated 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.

iMetal Resources Inc.

Notes to the Consolidated Financial Statements
For the years ended May 31, 2019 and 2018
(Expressed in Canadian Dollars)

2. Significant Accounting Policies (cont'd)**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. Non-monetary items that are measured in terms of historical cost that are denominated in foreign currencies are not retranslated.

Financial Instruments**IFRS 9 – Financial Instruments (“IFRS 9”)**

The Company adopted all of the requirements of IFRS 9 Financial Instruments (“IFRS 9”) as of June 1, 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 utilizes a revised model for recognition and measurement of financial instruments and a single, forward-looking “expected loss” impairment model. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, so the Company's accounting policy with respect to financial liabilities is unchanged. As a result of the adoption of IFRS 9, management has changed its accounting policy for financial assets retrospectively, for assets that continued to be recognized at the date of initial application. The change did not impact the carrying value of any financial assets or financial liabilities on the transition date.

The following is the Company's new accounting policy for financial instruments under IFRS 9.

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.

iMetal Resources Inc.

Notes to the Consolidated Financial Statements
 For the years ended May 31, 2019 and 2018
 (Expressed in Canadian Dollars)

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

The Company completed a detailed assessment of its financial assets and liabilities as at June 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

| Financial assets/ liabilities | Original classification IAS 39 | New classification IFRS 9 |
|--|---|--------------------------------------|
| Cash | FVTPL | FVTPL |
| Receivables | Loans and receivables | Amortized cost |
| Due from related parties | Loans and receivables | Amortized cost |
| Accounts payable and accrued liabilities | Other liabilities | Amortized cost |
| Due to related parties | Other liabilities | Amortized cost |
| Loans payable | Other liabilities | Amortized cost |

*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.

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.

iMetal Resources Inc.

Notes to the Consolidated Financial Statements
For the years ended May 31, 2019 and 2018
(Expressed in Canadian Dollars)

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

Financial Instruments (*cont'd*)

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.

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.

iMetal Resources Inc.

Notes to the Consolidated Financial Statements
For the years ended May 31, 2019 and 2018
(Expressed in Canadian Dollars)

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

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 May 31, 2019 and 2018, 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.

Share-based Payments

Obligations for issuance of common shares 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.

iMetal Resources Inc.

Notes to the Consolidated Financial Statements

For the years ended May 31, 2019 and 2018

(Expressed in Canadian Dollars)

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

Loss per Share

Loss per share is calculated by dividing net loss available to common shareholders by the weighted average number of common shares outstanding for the reporting period. For diluted earnings per share, dilutive effect is recognized from the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period.

The basic loss per share figure has been calculated using the weighted average number of common shares outstanding during the respective period. Diluted loss per share is equal to basic loss per share as the effect of outstanding options and warrants is anti-dilutive.

Deferred Income Taxes

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.

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.

iMetal Resources Inc.

Notes to the Consolidated Financial Statements
For the years ended May 31, 2019 and 2018
(Expressed in Canadian Dollars)

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

New Accounting Standards Issued But Not Yet Effective**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 does not expect the adoption of IFRS 16 will have any impact on its financial statements, as the Company is not party to any lease agreement.

New Accounting Standards Adopted During The Year**IFRS 9 – Financial Instruments (“IFRS 9”)**

In July 2014, the IASB issued the final version of IFRS 9 which replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on an entity’s business model and the contractual cash flow of the financial asset. Classification is made at the time the financial asset is initially recognized, namely when the entity becomes a party to the contractual provisions of the instrument. IFRS 9 amends some of the requirements of IFRS 7 Financial Instruments: Disclosures, including added disclosures about investments in equity instruments measured at fair value in other comprehensive income, reclassification of certain assets and liabilities, and guidance on financial liabilities and derecognition of financial instruments. The Company adopted IFRS 9 on June 1, 2018 retrospectively and no differences of any significance have been noted in relation to the adoption of the standard.

IFRS 15 – Revenue from Contracts with Customers (“IFRS 15”)

In May 2014, the IASB issued IFRS 15 to replace IAS 18 – Revenue, which establishes a new single five-step control-based revenue recognition model for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The amended standard was adopted on June 1, 2018 and did not have an impact on the consolidated financial statements.

iMetal Resources Inc.

Notes to the Consolidated Financial Statements

For the years ended May 31, 2019 and 2018

(Expressed in Canadian Dollars)

3. Exploration and Evaluation Assets

| | Gowganda West | Ghost Mountain | Mosher Lake | Carheil | Temagami North | Total |
|----------------------------------|--------------------------|-----------------------|--------------------|-------------------|---------------------------|---------------------|
| Balance – May 31, 2017 | \$ 126,633 | \$ 66,250 | \$ - | \$ 361,042 | \$ 7,162 | \$ 561,087 |
| Acquisition costs | 79,295 | 92,500 | 90,000 | 3,460 | - | 265,255 |
| Exploration costs: | | | | | | |
| Assays, staking and mapping | 138,939 | - | 278 | - | - | 139,217 |
| Consulting | 3,000 | 2,500 | - | 5,813 | - | 11,313 |
| Equipment rental and field work | 20,526 | - | 900 | - | - | 21,426 |
| Geological/Geophysical | 26,106 | - | 763 | - | - | 26,869 |
| Office, miscellaneous and travel | 34,084 | 806 | 290 | - | - | 35,180 |
| | 301,950 | 95,806 | 92,231 | 9,273 | - | 499,260 |
| Balance – May 31, 2018 | 428,583 | 162,056 | 92,231 | 370,315 | 7,162 | 1,060,347 |
| Acquisition costs: | 125,000 | - | 185,000 | 3,461 | - | 313,461 |
| Exploration costs: | | | | | | |
| 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 |
| Balance – May 31, 2019 | \$1,265,799 | \$ 162,056 | \$ 278,731 | \$ 379,064 | \$ 7,162 | \$ 2,092,812 |

iMetal Resources Inc.

Notes to the Consolidated Financial Statements
For the years ended May 31, 2019 and 2018
(Expressed in Canadian Dollars)

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 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.

iMetal Resources Inc.

Notes to the Consolidated Financial Statements

For the years ended May 31, 2019 and 2018

(Expressed in Canadian Dollars)

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.

iMetal Resources Inc.

Notes to the Consolidated Financial Statements
For the years ended May 31, 2019 and 2018
(Expressed in Canadian Dollars)

4. Equipment

| Vehicle | |
|----------------------------------|-----------|
| Cost: | |
| Balance at May 31, 2019 | \$ 29,046 |
| Accumulated depreciation: | |
| Additions | \$ 4,357 |
| Balance at May 31, 2019 | \$ 4,357 |
| Carrying amount: | |
| May 31, 2019 | \$ 24,689 |

5. Related Party Transactions

The Company incurred \$287,638 (2018 - \$332,434) to related parties during the year ended May 31, 2019 as follows:

- \$Nil (2018 - \$120,000) in consulting fees to a former director of the Company.
- \$180,000 (2018 - \$120,000) in consulting fees to a company owned by the Company's chief executive officer and director of the Company.
- \$13,750 (2018 - \$15,000) in consulting fees to a company controlled by a director of the Company.
- \$3,700 (2018 - \$1,062) in consulting fees to a company controlled by a director of the Company.
- \$90,000 (2018 - \$72,000) in professional fees to a firm where an officer and director of the Company is a partner.
- \$188 (2018 - \$4,372) in consulting fees to an officer of the Company.

As at May 31, 2019, the Company owed \$1,313 (2018 - \$16,791) to related parties as follows:

- \$1,313 (2018 - \$3,079) to a company controlled by a director of the Company.
- \$Nil (2018 - \$12,600) to a company where an officer and director of the Company is a partner.
- \$Nil (2018 - \$1,112) to a company controlled by a director of the Company.

As at May 31, 2019 the Company advanced \$22,629 (2018 - \$nil) to a company controlled by a director of the Company.

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

During the year ended May 31, 2019 the Company granted 200,000 (2018 - 2,500,000) stock options with a fair value of \$18,009 (2018 - \$171,034) to a director of the Company.

iMetal Resources Inc.

Notes to the Consolidated Financial Statements

For the years ended May 31, 2019 and 2018

(Expressed in Canadian Dollars)

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 May 31, 2019, the Company had recorded interest payable of \$3,044 (2018 - \$2,544).

7. Equity**a) Share capital**

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

As at May 31, 2019, the Company had 112,231,583 shares issued and outstanding.

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).

iMetal Resources Inc.

Notes to the Consolidated Financial Statements

For the years ended May 31, 2019 and 2018

(Expressed in Canadian Dollars)

7. Equity (cont'd)

a) Share capital (cont'd)

During the year ended May 31, 2018, the Company:

- i. Completed a non-brokered private placement by issuing 7,044,950 units for gross proceeds of \$422,697. 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 \$23,055 and issued 290,000 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 \$21,536.
- ii. Issued 1,947,500 common shares of the Company for proceeds of \$116,850 for warrants and finder's warrants exercised.
- iii. Issued 2,300,000 common shares of the Company for proceeds of \$115,000 for stock options exercised.
- iv. Issued 2,250,000 common shares of the Company valued at \$162,500 for exploration and evaluation assets (Note 3).

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 year ended May 31, 2019, the Company granted 2,200,000 stock options at a weighted average exercise price of \$0.11 per share and recorded share-based payments of \$205,726.

During the year ended May 31, 2018, the Company granted 3,850,000 stock options at a weighted average exercise price of \$0.07 per share and recorded share-based payments of \$275,297. In January 2018, the Company granted 2,000,000 stock options to directors, officers and consultants at an exercise price of \$0.15 per share for a period of five years. Of the 2,000,000 options granted, directors and officers voluntarily returned 1,350,000 to the Company in the same month.

iMetal Resources Inc.

Notes to the Consolidated Financial Statements
For the years ended May 31, 2019 and 2018
(Expressed in Canadian Dollars)

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

The continuity of share purchase options is as follows:

| | Outstanding Options | Weighted Average Exercise Price |
|-----------------------|--------------------------------|--|
| Balance, May 31, 2017 | 6,450,000 | \$ 0.05 |
| Granted | 3,850,000 | 0.07 |
| Expired/cancelled | (1,350,000) | 0.05 |
| Exercised | (2,300,000) | 0.05 |
| 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 |

At May 31, 2019, 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 |
| 100,000 | 0.05 | July 28, 2022 | 100,000 |
| 100,000 | 0.05 | August 8, 2022 | 100,000 |
| 100,000 | 0.05 | August 15, 2022 | 100,000 |
| 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 | 1,350,000 |
| 450,000 | 0.11 | December 13, 2023 | 450,000 |
| 7,800,000 | | | 7,550,000 |

The weighted average remaining life of the options at May 31, 2019 is 3.24 years (2018 – 3.84 years).

The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted during the years ended May 31, 2019 and 2018:

| | 2019 | 2018 |
|--------------------------------|-------------|-------------|
| Risk-free interest rate | 2.19% | 1.82% |
| Expected life of options | 5 years | 5 years |
| Expected annualized volatility | 152.07% | 180.50% |
| Expected dividend rate | - | - |
| Fair value per option | \$0.09 | \$0.07 |

iMetal Resources Inc.

Notes to the Consolidated Financial Statements
 For the years ended May 31, 2019 and 2018
 (Expressed in Canadian Dollars)

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

The continuity of share purchase warrants for the years ended May 31, 2019 and 2018 is as follows:

| | Outstanding Warrants | Weighted Average Exercise Price |
|-------------------------------|---------------------------------|--|
| Balance, May 31, 2017 | 16,910,000 | \$ 0.06 |
| Granted – warrants | 7,044,950 | 0.10 |
| Granted – finders' warrants | 290,000 | 0.10 |
| Exercised – warrants | (1,782,500) | 0.06 |
| Exercised – finders' warrants | (165,000) | 0.06 |
| 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 |

At May 31, 2019, the following warrants were outstanding:

| Number of Warrants | Exercise Price | Expiry Date |
|-------------------------------|---------------------------|------------------------|
| 5,604,950 | \$ 0.10 | December 14, 2019 |
| 7,562,500 | 0.10 | November 5, 2020 |
| 1,666,667 | 0.20 | March 18, 2021 |
| 65,000 | 0.16 | March 18, 2021 |
| 14,899,117 | | |

The weighted average remaining life of the warrants at May 31, 2019 is 1.14 years (2018 – 1.08 years).

The following weighted average assumptions were used for the Black-Scholes valuation of finder's warrants granted during the year ended May 31, 2019 and 2018:

| | 2019 | 2018 |
|--------------------------------|-------------|-------------|
| Risk-free interest rate | 2.08% | 1.60% |
| Expected life of warrants | 2 years | 2 years |
| Expected annualized volatility | 153.92% | 194.69% |
| Expected dividend rate | - | - |

iMetal Resources Inc.

Notes to the Consolidated Financial Statements
For the years ended May 31, 2019 and 2018
(Expressed in Canadian Dollars)

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 year.

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 years ended May 31, 2019 and 2018 is as follows:

| 2019 | Level 1 | Level 2 | Level 3 | Total |
|------|------------|---------|---------|------------|
| Cash | \$ 593,705 | \$ - | \$ - | \$ 593,705 |
| 2018 | Level 1 | Level 2 | Level 3 | Total |
| Cash | \$ 140,997 | \$ - | \$ - | \$ 140,997 |

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 year ended May 31, 2019, 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.

iMetal Resources Inc.

Notes to the Consolidated Financial Statements
For the years ended May 31, 2019 and 2018
(Expressed in Canadian Dollars)

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

| | 2019 | 2018 |
|--|------------|------------|
| Non-Cash Investing and Financing Activities: | | |
| Common shares issued for exploration and evaluation assets | \$ 230,000 | \$ 162,000 |
| Finder's warrants issued in private placement | \$ 16,009 | \$ 21,536 |
| Residual value on warrants in private placement | \$ 33,333 | \$ - |
| Common shares issued pursuant to mineral property agreements | \$ 34,000 | \$ - |
| Transfer to share capital on exercise of finder's warrants | \$ 11,317 | \$ 8,332 |
| Transfer to share capital on exercise of stock options | \$ 68,283 | \$ 123,046 |
| Accounts payable included in exploration and evaluation assets | \$ 54,896 | \$ 8,607 |

iMetal Resources Inc.

Notes to the Consolidated Financial Statements
For the years ended May 31, 2019 and 2018
(Expressed in Canadian Dollars)

12. Income Taxes

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

| | 2019 | 2018 |
|--|--------------|--------------|
| Loss for the year | \$ (864,042) | \$ (776,663) |
| Expected income tax (recovery) | (233,000) | (205,000) |
| Change in statutory, foreign tax, foreign exchange rates and other | 1,000 | (216,000) |
| Permanent differences | 57,000 | 73,000 |
| Share issue costs | (7,000) | (6,000) |
| Adjustment to prior years provision versus statutory tax returns | 1,000 | (70,000) |
| Change in unrecognized deductible temporary differences | 181,000 | 424,000 |
| Income tax expense (recovery) | \$ - | \$ - |

The significant components of the Company's deferred tax assets that have not been included on the consolidated statement of financial position are as follows:

| | 2019 | 2018 |
|---|--------------|--------------|
| Deferred tax assets (liabilities) | | |
| Non-capital losses available for future periods | \$ 3,486,000 | \$ 3,100,000 |
| Exploration and evaluation assets | 2,636,000 | 2,844,000 |
| Property and equipment | 79,000 | 77,000 |
| Allowable capital losses | 16,000 | 16,000 |
| Share issue costs | 13,000 | 12,000 |
| | 6,230,000 | 6,049,000 |
| Unrecognized deferred tax assets | (6,230,000) | (6,049,000) |
| | \$ - | \$ - |

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

| | 2019 | Expiry Date Range | 2018 | Expiry Date Range |
|---|-------------|------------------------------|--------------|------------------------------|
| Temporary Differences | | | | |
| Exploration and evaluation assets | \$9,683,000 | No expiry date | \$10,454,000 | No expiry date |
| Investment tax credit | 30,000 | 2030 to 2038 | 30,000 | 2030 to 2038 |
| Property and equipment | 291,000 | No expiry date | 287,000 | No expiry date |
| Share issue costs | 49,000 | 2020 to 2023 | 43,000 | 2019 to 2022 |
| Allowable capital losses | 60,000 | No expiry date | 60,000 | No expiry date |
| Non-capital losses available for future periods | 12,912,000 | 2027 to 2039 | 11,481,000 | 2027 to 2038 |

13. Contingencies

Subsequent to May 31, 2019, 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.