



Consolidated Financial Statements

For the Year Ended May 31, 2022

(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, 2022 and 2021, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity, and cash flows 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, 2022 and 2021, 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 audit 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 audit 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 had a working capital of \$1,826,507 during the year ended May 31, 2022 and, as of that date, the Company had an accumulated deficit of \$44,603,683. 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.

A handwritten signature in black ink that reads "Davidson & Company LLP". The signature is written in a cursive, flowing style.

Vancouver, Canada

Chartered Professional Accountants

September 26, 2022

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

	Notes	May 31, 2022	May 31, 2021
ASSETS			
Current			
Cash		\$ 1,984,495	\$ 882,471
Amounts receivable		19,359	18,674
Prepays		67,191	102,559
		2,071,045	1,003,704
Non-current			
Exploration and evaluation assets	3	4,379,954	3,138,646
Equipment	4	8,469	12,097
TOTAL ASSETS		\$ 6,459,468	\$ 4,154,447
LIABILITIES			
Current			
Accounts payable and accrued liabilities		\$ 47,702	\$ 268,212
Due to related parties	5	-	6,133
Flow-through premium liability	8	187,291	16,170
Note payable	6	9,545	9,045
Total liabilities		244,538	299,560
SHAREHOLDERS' EQUITY			
Capital stock	7	46,179,894	42,926,281
Reserves	7	4,638,719	3,875,598
Deficit		(44,603,683)	(42,946,992)
Total shareholders' equity		6,214,930	3,854,887
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 6,459,468	\$ 4,154,447

Nature of operations and going concern – Note 1
Contingencies – Note 14

These consolidated financial statements were authorized for issue by the Board of Directors on Sept 26, 2022. They are signed on the Company's behalf by:

"Johan Grandin"

Director

"Saf Dhillon"

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)

	Notes	2022	2021
OPERATING EXPENSES			
Consulting	5	\$ 360,561	\$ 593,922
Depreciation	4	3,628	5,185
Interest		500	500
Marketing		691,450	498,549
Office and administration		35,736	55,268
Property investigation		-	34,934
Professional fees	5	138,725	255,426
Share-based payments	5&7	412,121	351,000
Transfer agent and listing fees		78,177	50,834
Travel and promotion		10,926	9,551
Loss from operations		(1,731,824)	(1,855,169)
OTHER ITEMS			
Write-down exploration and evaluation asset		(7,162)	-
Amortization of flow-through premium liability	8	22,118	-
Gain on debt settlement	3&7	60,177	-
		75,133	-
Loss and comprehensive loss for the year		\$ (1,656,691)	\$ (1,855,169)
Loss per common share – basic and diluted		\$ (0.12)	\$ (0.18)
Weighted average number of common shares outstanding - basic and diluted		14,334,599	10,274,063

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,
(Expressed in Canadian Dollars)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	\$ (1,656,691)	\$ (1,855,169)
Items not affecting cash:		
Gain on debt settlement	60,177	-
Depreciation	3,628	5,185
Interest expense	500	500
Share-based payments	412,121	351,000
Amortization of FT Premium liability	(22,118)	-
Write-down exploration and evaluation asset	7,162	-
Changes in non-cash working capital items:		
Amounts receivable	(685)	(8,304)
Prepays	35,368	(87,414)
Accounts payable and accrued liabilities	(195,683)	158,219
Due to related parties	(6,133)	(155,110)
Net cash used in operating activities	(1,362,354)	(1,591,093)
CASH FLOWS FROM INVESTING ACTIVITIES		
Exploration and evaluation assets	(374,074)	(293,530)
Net cash used in investing activities	(374,074)	(293,530)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of capital stock	3,000,000	2,891,800
Share issuance costs	(161,548)	(125,564)
Net cash provided by financing activities	2,838,452	2,766,236
Change in cash for the year	1,102,024	881,613
Cash, beginning of the year	882,471	858
Cash, end of the year	\$ 1,984,495	\$ 882,471
Supplemental cash flow Information (Note 12)		

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

iMetal Resources Inc.
Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)

	Capital Stock		Reserves	Deficit	Total
	Number of shares	Amount			
Balance – May 31, 2020	4,738,201	\$ 40,168,745	\$ 3,432,598	\$ (41,091,823)	\$ 2,509,520
Shares issued for private placement	5,376,836	2,891,800	-	-	2,891,800
Shares issuance costs	-	(217,564)	-	-	(217,564)
Shares issued for debt settlement	39,036	21,470	-	-	21,470
Shares issued for exploration and evaluation assets	120,000	78,000	-	-	78,000
Finders' warrants	-	-	92,000	-	92,000
Share-based payments	-	-	351,000	-	351,000
Flow-through premium	-	(16,170)	-	-	(16,170)
Loss and comprehensive loss for the year	-	-	-	(1,855,169)	(1,855,169)
Balance – May 31, 2021	10,274,063	\$ 42,926,281	\$ 3,875,598	\$ (42,946,992)	\$ 3,854,887
Shares issued for debt settlement	72,000	14,400	-	-	14,400
Shares issued for private placement	23,333,334	3,000,000	-	-	3,000,000
Shares issued for exploration and evaluation assets	3,500,000	945,000	-	-	945,000
Finders' warrants	-	(351,000)	351,000	-	-
Share issuance costs	-	(161,548)	-	-	(161,548)
Share-based payments	-	-	412,121	-	412,121
Flow-through premium	-	(193,239)	-	-	(193,239)
Loss and comprehensive loss for the year	-	-	-	(1,656,691)	(1,656,691)
Balance – May 31, 2022	37,179,397	\$ 46,179,894	\$ 4,638,719	\$ (44,603,683)	\$ 6,214,930

On January 14, 2022, the Company consolidated its share capital on a ratio of one (1) new post-consolidated common share for every five (5) old pre-consolidated common shares. All shares and per share references in these consolidated financial statements have been retroactively restated accordingly unless noted otherwise.

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, 2022 and 2021

(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. At May 31, 2022, the Company has a working capital of \$1,826,507 (2021 - \$704,144), incurred losses since inception and at May 31, 2022 has an accumulated deficit of \$44,603,683 (2021 - \$42,946,992).

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

On January 14, 2022, all issued and outstanding common shares of the Company were consolidated on a 5:1 basis. All references to share and per share amounts have been retroactively restated to reflect the share consolidation.

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

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

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

These consolidated financial statements of the Company for the year ended May 31, 2022 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, 2022.

iMetal Resources Inc.

Notes to the Consolidated Financial Statements

For the years ended May 31, 2022 and 2021

(Expressed in Canadian Dollars)

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

These consolidated financial statements have been prepared on a historical basis except for items at fair value and have been prepared using the accrual basis of accounting, except cash flow information. These 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. These consolidated financial statements include the accounts of iMetal Resources Inc. and its wholly-owned subsidiary Risorse Dei Minerali Naturali S.R.L. ("RMN"), a company incorporated in the province of Grosseto, Italy.

Significant Accounting Judgments, Estimates and Assumptions

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosures of contingent assets and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period.

Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Differences may be material.

Fair value of stock options and warrants

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

Recovery of deferred tax assets

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

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

iMetal Resources Inc.

Notes to the Consolidated Financial Statements

For the years ended May 31, 2022 and 2021

(Expressed in Canadian Dollars)

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 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.

Foreign Currency Translation

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

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

Financial Instruments*Classification*

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

*Measurement***Financial assets at FVTOCI**

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

Financial assets and liabilities at amortized cost

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

iMetal Resources Inc.

Notes to the Consolidated Financial Statements

For the years ended May 31, 2022 and 2021

(Expressed in Canadian Dollars)

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

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

Impairment of financial assets at amortized cost

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

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

*Derecognition*Financial assets

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

Financial liabilities

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

iMetal Resources Inc.

Notes to the Consolidated Financial Statements

For the years ended May 31, 2022 and 2021

(Expressed in Canadian Dollars)

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

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

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

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

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

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

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

Equipment

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

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

Cash and Cash Equivalents

Cash and cash equivalents is comprised of cash at banks and on hand, short-term deposits with an original maturity of three months or less, and bank overdrafts. At May 31, 2022 and 2021, the Company did not have any cash equivalents.

Share Capital

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

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

iMetal Resources Inc.

Notes to the Consolidated Financial Statements

For the years ended May 31, 2022 and 2021

(Expressed in Canadian Dollars)

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

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

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

Warrants issued in equity financing transactions

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

Income Taxes

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

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

iMetal Resources Inc.

Notes to the Consolidated Financial Statements

For the years ended May 31, 2022 and 2021

(Expressed in Canadian Dollars)

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

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

Flow-Through Financing

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

Restoration and Environmental Obligations

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

New accounting standards and policies**IAS 16, Property, Plant and Equipment - Proceeds before Intended Use**

Effective for periods beginning on or after January 1, 2022, the amendment to IAS 16 prohibits deducting from the cost of property, plant and equipment amounts received from selling items produced while preparing the asset for its intended use. Instead, a company will recognize such sale proceeds and related cost in profit or loss. The Company does not expect the adoption of this new amendment to have a significant impact on the consolidated financial statements.

IAS 37, Provisions, Contingent Liabilities and Contingent Assets

Effective for periods beginning on or after January 1, 2022, the changes in Onerous Contracts — Cost of Fulfilling a Contract specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts. The Company does not expect the adoption of this new amendment to have a significant impact on the consolidated financial statements.

iMetal Resources Inc.

Notes to the Consolidated Financial Statements

For the years ended May 31, 2022 and 2021

(Expressed in Canadian Dollars)

3. Exploration and Evaluation Assets

	Gowganda West	Ghost Mountain	Kerrs Gold	Mosher Lake	Carheil	Temagami North	Other Properties	Total
Balance – May 31, 2020	\$ 1,887,791	\$ 164,176	\$ -	\$ 278,731	\$ 370,547	\$ 7,162	\$ 7,893	\$ 2,716,300
Acquisition costs:	99,200	-	-	-	-	-	-	99,200
Exploration costs:								
Assays, staking and mapping	15,749	-	-	-	-	-	-	15,749
Consulting	86,657	-	-	-	-	-	-	86,657
Equipment rental and field work	5,604	-	-	-	-	-	-	5,604
Geological/Geophysical	155,234	-	-	-	-	-	-	155,234
Office, miscellaneous and travel	26,366	-	-	-	-	-	-	26,366
Rent	33,536	-	-	-	-	-	-	33,536
	422,346	-	-	-	-	-	-	422,346
Balance – May 31, 2021	2,310,137	164,176	-	278,731	370,547	7,162	7,893	3,138,646
Acquisition costs:	-	475	1,005,000	-	-	-	-	1,005,475
Exploration costs:								
Assays, staking and mapping	14,561	-	651	-	-	-	-	15,212
Consulting	47,685	36,282	880	-	-	-	-	84,847
Equipment rental and field work	27,599	-	-	-	-	-	-	27,599
Geological/Geophysical	90,549	-	700	-	-	-	2,897	94,146
Office, miscellaneous and travel	20,491	-	-	-	-	-	-	20,491
Rent	700	-	-	-	-	-	-	700
Write off property	-	-	-	-	-	(7,162)	-	(7,162)
	201,586	36,757	1,007,231	-	-	(7,162)	2,897	1,241,308
Balance – May 31, 2022	\$ 2,511,723	\$ 200,933	\$1,007,231	\$ 278,731	\$ 370,547	\$ -	\$ 10,790	\$ 4,379,954

iMetal Resources Inc.

Notes to the Consolidated Financial Statements

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(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 included cash payments totalling \$200,000 and share issuances totalling 80,000 common shares under the following terms:

- The Vendors would receive \$50,000 upon signing the definitive agreement (paid);
- The Vendors would receive \$50,000 each year for three years starting one year after the signing of the definitive agreement (paid). During the year ended May 31, 2018 the agreement was amended in that the first payment was satisfied in two \$10,000 payments and one \$30,000 payment; the final payment was made during the year ended May 31, 2020.
- The Company would issue 20,000 shares to the vendors upon the signing of the definitive agreement (issued at a fair value of \$25,000);
- The Company would issue 20,000 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 would have the first right of refusal to participate in up to 10% of all future financings in the Company; and
- The Vendors would be entitled to a 3% NSR royalty. The Company had the option to acquire half of the NSR for \$1,000,000 up until the end of the 3 year term of this agreement.

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

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

Each of the four underlying property vendors agreed to modify the existing NSR agreements to the new terms in exchange for a cash payment of \$5,000 (paid) and the issuance of 30,000 (issued) common shares of the Company to each.

iMetal Resources Inc.

Notes to the Consolidated Financial Statements

For the years ended May 31, 2022 and 2021

(Expressed in Canadian Dollars)

3. Exploration and Evaluation Assets (cont'd)

Ontario, Canada (cont'd)

Ghost Mountain Property

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

- The Vendors would receive \$25,000 upon signing of the definitive agreement (paid);
- The Vendors would receive \$25,000 one year from signing the definitive agreement (paid);
- The Company would issue 30,000 shares to the Vendors upon the signing of the definitive agreement (issued at a fair value of \$41,250);
- The Company would issue 30,000 shares one year from signing the definitive agreement (issued at a fair value of \$67,500);
- The Vendors would have the first right of refusal to participate in up to 10% of all future financings in the Company; and
- The Vendors would be entitled to a 3% NSR royalty. The Company had the option to acquire 50% of the NSR for \$1,000,000 up until the end of the 3-year term of this agreement. (Subsequently amended, see note 3 *Gowganda West Property*)

Mosher Lake Property

During the year ended May 31, 2018, the Company entered into an option agreement for mineral properties in Gowganda, Ontario. The option agreement includes cash payments totalling \$50,000 and share issuances totalling 120,000 common shares under the following terms:

- The Vendors would receive \$20,000 upon signing a definitive agreement (paid);
- The Vendors would receive \$15,000 each year for two years starting one year after the signing of the definite agreement (paid);
- The Company would issue 40,000 shares to the Vendors upon signing a definitive agreement (issued at a fair value of \$70,000);
- The Company would issue 40,000 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 was reserved by the Vendors on the property. The Company had 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 had the first right of refusal to participate in up to 10% of all future financings in the Company. (Subsequently amended, see note 3 *Gowganda West Property*)

iMetal Resources Inc.

Notes to the Consolidated Financial Statements

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3. Exploration and Evaluation Assets (cont'd)**Ontario, Canada (cont'd)***Kerrs Gold Property*

On January 24, 2022, the Company entered into a purchase option agreement (the "Option Agreement") with Gravel Ridge Resources Ltd. And 1544230 Ontario Inc. (collectively, the "Vendors") pursuant to which it would be granted the right to acquire the Kerrs Gold Deposit ("Deposit").

To acquire the Deposit, the Company was required to issue 3,500,000 common shares (the "Consideration Shares") and complete a series of four cash payments totaling \$210,000 to the Vendors. The transaction details as below:

Due date	Cash	Common shares
Upon receipt of the TSX Venture Exchange's approval (the Exchange Approval")	\$ 60,000 (paid)*	3,500,000 (issued)*
Upon the first anniversary of the Exchange Approval	\$50,000	-
Upon the second anniversary of the Exchange Approval	\$40,000	-
Upon the second anniversary of the Exchange Approval	\$60,000	-

*The Company received the Exchange Approval on April 1, 2022, and therefore, the Company paid \$60,000 in cash and issued 3,500,000 common shares as per option agreement.

Following completion of the above cash payments and share issuances, the Company acquired the Deposit and granted to the Vendors a three percent royalty (the "Royalty") on net smelter returns from the Deposit. The Company may acquire 2% of the Royalty from the Vendors at any time by completing a one-time cash payment of \$2,000,000.

Temagami North Property

The Company holds several claims on the Temagami North Property. During the year ended May 31, 2022, the Company terminated the option with the underlying concession holder and has no further obligation with respect to the project. There were \$7,192 in historical capitalized costs associated with this project which were written off during the year ended May 31, 2022.

iMetal Resources Inc.

Notes to the Consolidated Financial Statements

For the years ended May 31, 2022 and 2021

(Expressed in Canadian Dollars)

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

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

- Skyworld would receive \$15,000 upon signing of a definitive agreement (paid);
- Skyworld would 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 would issue 16,000 shares to Skyworld upon the closing of the transaction (issued at a value of \$20,000);
- The Company would issue 20,000 additional shares per year each year for three years for a total of 60,000 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 7,600 shares valued at \$9,500 to an arm's length third party in connection with this transaction.

During the year ended May 31, 2018, the Company renewed the 54 claims to August 2020 and during the year ended May 31, 2019, the Company renewed the 54 claims to August 2023.

Property Investigation, Ontario, Canada

On February 10, 2021, the Company announced the purchase of the Oakes, Pichette and Longrose projects in northwestern Ontario by issuing 1,600,000 common shares. A one-time bonus of \$500,000 in cash or share consideration is also owed if drill results of 100 g/m gold are found at any of the three properties from Riverside Resources Inc. ("Riverside Resources"), while Riverside Resources would be retaining a 2.5% Net Smelter Royalty (NSR) on each project.

On November 30, 2021, the Company terminated the proposed acquisition with Riverside Resources and therefore, the Company has no further obligation with respect to the project. Related accounts payable of \$34,934, in connection with the Oakes expenditures from February to May 30, 2021, were reversed and recognized as a gain on debt settlement accordingly.

iMetal Resources Inc.

Notes to the Consolidated Financial Statements

For the years ended May 31, 2022 and 2021

(Expressed in Canadian Dollars)

4. Equipment

	Vehicle
Cost:	
Balance at May 31, 2021 and 2022	\$ 29,046
Accumulated depreciation:	
Balance at May 31, 2020	\$ 11,764
Amortization	5,185
Balance at May 31, 2021	\$ 16,949
Amortization	3,628
Balance at May 31, 2022	\$ 20,577
Carrying amount:	
May 31, 2021	\$ 12,097
May 31, 2022	\$ 8,469

5. Related Party Transactions

The Company incurred expenses to related parties during the year ended May 31, 2022 as follows:

- \$60,000 (2021 - \$240,000) in consulting fees to a company owned by the Company's chief executive officer and director of the Company.
- \$nil (2021 - \$6,250) in consulting fees to a company controlled by a former director of the Company.
- \$155,000 (2021- \$219,000) in consulting fees to a company controlled by a director of the Company.
- \$60,000 (2021- \$45,000) in consulting fees capitalized to exploration and evaluation assets to a company controlled by a director of the Company.
- \$20,250 (2021 - \$138,372) in professional fees to a firm providing accounting and corporate secretary services where an officer and director of the Company is a partner.
- \$12,000 (2021 - \$nil) in consulting fees to a company controlled by an officer of the Company.

As at May 31, 2022, the Company owed \$nil (2021 – \$584) to a company controlled by a director of the Company.

As at May 31, 2022, the Company owed \$nil (2021 – \$5,250) to a company controlled by a director of the Company.

As at May 31, 2022, the Company owed a director of the Company is a partner and \$nil (2021 - \$299) as expense reimbursement.

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

During the year ended May 31, 2022, the Company issued 1,600,000 (2021 –2,125,000) stock options with a fair value of \$323,201 (2021- \$266,228) to related directors and officers of the Company. During the year ended May 31, 2022, \$412,121 in total (2021 - \$351,000) has been included in share-based compensation.

iMetal Resources Inc.

Notes to the Consolidated Financial Statements

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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 May 31, 2022, the Company had recorded interest payable of \$4,545 (2021 - \$4,045) and recognized and accrued \$500 interest expense.

7. Equity**a) Share capital**

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

As at May 31, 2022, the Company had 37,179,397 shares issued and outstanding.

During the year ended May 31, 2022, the Company:

- Settled \$54,643 of debt by the issuance of 72,000 common shares with a value of \$14,400 from the date of issuance at a price of \$0.20 per share and a cash payment of \$15,000, resulting in a gain on debt settlement of \$25,243.
- Issued 3,500,000 common shares at a fair value of \$945,000 for the property acquisition of Kerrs Gold Property (Note 3).
- Completed its non-brokered private placement by issuing 16,666,667 units for gross proceeds of \$2,000,000. Each unit consists of one common share and one share purchase warrant exercisable for a period of 24 months from the date of issue at a price of \$0.20 per share. The Company paid cash finder's fees of \$127,744 and issued an aggregate total of 1,064,533 finder's warrants at a fair value of \$290,000 under the same terms upon closing of the financing.
- Completed its non-brokered flow-through private placement by issuing 6,666,667 units for gross proceeds \$1,000,000. Each unit consists of one flow-through common share and one share purchase warrant exercisable for a period of 24 months from the date of issue at a price of \$0.20 per share. The private placement included participation by Funds Managed by Sprott Asset Management LP, which subscribed for flow-through units and agreed to waive entitlement to 2,644,669 warrants they would otherwise have been entitled to receive in connection with their subscription. As a result, a total of 4,021,998 warrants were issued to subscribers in connection with the private placement. The Company incurred finders' fees totaling \$33,804 and issued 225,360 finders' warrants with a fair value of \$61,000 under the same terms upon closing of the financing. A flow through premium liability of \$193,239 was recognized with respect to these flow through shares. Please refer to Note 8 for the details of flow through premium liability.

iMetal Resources Inc.

Notes to the Consolidated Financial Statements

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(Expressed in Canadian Dollars)

7. Equity (cont'd)**a) Share capital (cont'd)**

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

- Closed its non-brokered private placement by issuing 3,721,436 units for gross proceeds of \$2,046,790. Each unit consists of one common share and one share purchase warrant exercisable for a period of 24 months from the date of issue at a price of \$1.00 per share. The Company paid cash finder's fees of \$71,834 and issued an aggregate total of 130,608 finder's warrants at a fair value of \$44,000 under the same terms upon closing of the financing.
- Settled \$21,470 of debt by the issuance of 39,036 units with a value of \$21,470. Each unit consists of one common share and one share purchase warrant exercisable for a period of 24 months from the date of issuance at a price of \$1.00 per share.
- Issued 120,000 common shares at a fair value of \$78,000 for exploration and evaluation assets pursuant to various mineral property agreements (Note 3).
- Closed its non-brokered private placement by issuing 1,540,000 units for gross proceeds of \$770,000. Each unit consists of one common share and one share purchase warrant exercisable for a period of 24 months from the date of issue at a price of \$1.00 per share. The Company paid cash finder's fees of \$48,790 and issued an aggregate total of 97,580 finder's warrants at a fair value of \$44,495 under the same terms upon closing of the financing.
- Completed its non-brokered private placement of flow through shares for gross proceeds of \$75,010. The Company issued 115,400 flow-through shares at a price of \$0.65 per share. The Company incurred finders' fees totaling \$4,940 and issued 7,600 finders' warrants with a fair value of \$3,505, exercisable at \$1.00 for 24 months. A flow through liability of \$16,170 was recognized with respect to these flow through shares.

b) Share purchase options

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

During the year ended May 31, 2022, the Company granted 2,170,000 (2021 – 580,000) stock options at a weighted average exercise price of \$0.20 (2021 - \$0.16) per share and recorded share-based payments of \$412,121 (2021 – \$351,000). The granted options details as follows:

- On July 15, 2021, the Company granted 20,000 incentive stock options (the "Options") to a Consultant of the Company with a fair value of \$4,000 at the date of grant. The Options are exercisable at \$0.50 per share for a period of 12 months from the date of grant. Options granted to individuals in their capacity as a consultant vest immediately.
- On April 8, 2022, the Company granted 2,000,000 stock options to certain directors, officers and consultants of the Company with a fair value of \$404,000 at the date of grant. The options are exercisable at \$0.33 per share for a period of five years from the date of grant.

iMetal Resources Inc.

Notes to the Consolidated Financial Statements

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(Expressed in Canadian Dollars)

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

- On April 14, 2022, the Company granted a consultant 150,000 incentive stock options with a fair value of \$32,000 at the date of grant, which is exercisable at a price of \$0.38 until April 14, 2027. The options will vest in four equal parts over a twelve-month period in accordance with the policies of the TSX Venture Exchange.

The continuity of share purchase options is as follows:

	Outstanding Options	Weighted Average Exercise Price \$
Balance, May 31, 2020	338,800	1.89
Granted	580,000	0.70
Expired	(279,800)	1.90
Balance, May 31, 2021	639,000	0.81
Granted	2,170,000	0.20
Expired	(50,000)	0.90
Balance, May 31, 2022	2,759,000	0.33

At May 31, 2022, the following incentive stock options were outstanding to directors, officers and consultants:

Number of Options Outstanding	Exercise Price \$	Weight Average remaining in years	Expiry Date	Number of Options Exercisable
4,000	1.250	0.16	July 28, 2022	4,000
4,000	1.250	0.21	August 15, 2022	4,000
23,000	1.625	0.35	October 4, 2022	23,000
4,000	1.750	0.36	October 11, 2022	4,000
6,000	1.750	0.53	December 10, 2022	6,000
4,000	1.875	0.85	April 8, 2023	4,000
12,000	1.875	1.00	May 31, 2023	12,000
2,000	2.125	1.42	November 2, 2023	2,000
530,000	0.700	3.47	November 18, 2025	530,000
20,000	0.500	0.12	July 15, 2022	20,000
2,000,000	0.330	4.86	April 8, 2027	2,000,000
150,000	0.380	4.87	April 14, 2027	19,315
2,759,000				2,628,315

The weighted average remaining life of the options at May 31, 2022 is 4.47 years (2021 – 3.88 years).

iMetal Resources Inc.

Notes to the Consolidated Financial Statements

For the years ended May 31, 2022 and 2021

(Expressed in Canadian Dollars)

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 years ended May 31, 2022 and 2021:

	2022	2021
Risk-free interest rate	1.36%	0.44%
Expected life of options	1 year	4.66 years
Expected annualized volatility	154.15%	157.72%
Expected dividend rate	-	-
Fair value per option	\$0.20	\$0.12

c) Warrants

The continuity of share purchase warrants for the year ended May 31, 2022 is as follows:

	Outstanding Warrants	Weighted Average Exercise Price \$
Balance, May 31, 2020	548,907	2.80
Granted – warrants	5,300,473	1.00
Granted – finders' warrants	235,788	1.00
Exercised – warrants	(364,667)	2.95
Expired – finders' warrants	(7,100)	3.05
Balance, May 31, 2021	5,713,401	1.05
Granted – warrants	21,978,558	0.20
Expired- warrants	(177,140)	2.50
Balance, May 31, 2022	27,514,819	0.36

iMetal Resources Inc.

Notes to the Consolidated Financial Statements

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(Expressed in Canadian Dollars)

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

At May 31, 2022, the following warrants were outstanding:

Number of Warrants	Weight Average remaining in years	Exercise Price (\$)	Expiry Date
3,256,255	0.33	1.00	September 30, 2022
305,182	0.47	1.00	November 18, 2022
160,000	0.53	1.00	December 9, 2022
130,608	0.54	1.00	December 15, 2022
39,036	0.73	1.00	February 23, 2023
1,540,000	1.00	1.00	May 31, 2023
97,580	1.00	1.00	May 31, 2023
7,600	1.00	1.00	May 31, 2023
16,666,667	1.85	0.20	April 7, 2024
4,021,998	1.85	0.20	April 7, 2024
1,064,533	1.85	0.20	April 7, 2024
225,360	1.85	0.20	April 7, 2024
27,514,819			

The weighted average remaining life of the warrants at May 31, 2022 is 1.59 years (2021– 1.52 years).

The following weighted average assumptions were used for the Black-Scholes valuation of finders' warrants granted for the year ended May 31, 2022:

	2022	2021
Risk-free interest rate	0.55%	0.28%
Expected life of options	2.00 years	2.00 years
Expected annualized volatility	170.02%	177.62%
Expected dividend rate	-	-
Fair value per option	0.27	0.08

8. Flow through share premium liability

Flow-through share premium liabilities include the liability portion of the flow-through shares issued. The following is a continuity schedule of the liability portion of the flow-through shares issuance.

Balance at May 31, 2020	\$	-
Premium liability incurred on flow-through shares		16,170
Balance at May 31, 2021	\$	16,170
Premium liability incurred on flow-through shares		193,239
Amortization of flow-through liability		(22,118)
Balance at May 31, 2022	\$	187,291

iMetal Resources Inc.

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9. Segmented Information

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

10. 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.

11. 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 hierarchical classification of the Company's financial instruments measured at fair value for the years ended May 31, 2022 and 2021 is as follows:

May 31, 2022	Level 1	Level 2	Level 3	Total
Cash	\$ 1,984,495	\$ -	\$ -	\$ 1,984,495

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

Cash is measured using Level 1 inputs. The Company does not have any financial instruments that are measured using Level 2 or Level 3 inputs. During the year ended May 31, 2022, there were no transfers between Level 1, Level 2, and Level 3 classified assets and liabilities.

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

iMetal Resources Inc.

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

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.

12. Supplemental Cash Flow Information

	2022	2021
Non-Cash Investing and Financing Activities:		
Finders' warrants issued in private placement	\$ 351,000	\$ 92,000
Common shares issued pursuant to mineral property agreements	\$ 945,000	\$ 78,000
Accounts payable included in exploration and evaluation assets	\$ 6,608	\$ 77,212
Shares issued to settle debt	\$ 14,400	\$ 21,470

iMetal Resources Inc.

Notes to the Consolidated Financial Statements
For the years ended May 31, 2022 and 2021
(Expressed in Canadian Dollars)

13. Income Taxes

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

	2022	2021
Loss for the year	\$ (1,656,691)	\$ (648,026)
Expected income tax (recovery)	(447,000)	(175,000)
Change in statutory, foreign tax, foreign exchange rates and other	(1,000)	(4,000)
Permanent differences	108,000	14,000
Share issue costs	(34,000)	(2,000)
Adjustment to prior years provision versus statutory tax returns	(35,000)	(87,000)
Change in unrecognized deductible temporary differences	409,000	254,000
Income tax expense (recovery)	\$ -	\$ -

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

	2022	2021
Deferred tax assets (liabilities)		
Non-capital losses available for future periods	\$ 4,785,000	\$ 3,838,000
Exploration and evaluation assets	2,369,000	2,539,000
Property and equipment	79,000	81,000
Allowable capital losses	16,000	16,000
Share issue costs	49,000	10,000
	7,298,000	6,484,000
Unrecognized deferred tax assets	(7,298,000)	(6,484,000)
	\$ -	\$ -

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

	2022	Expiry Date Range	2021	Expiry Date Range
Temporary Differences				
Exploration and evaluation assets	\$8,692,000	No expiry date	\$9,322,000	No expiry date
Investment tax credit	30,000	2030 to 2033	30,000	2030 to 2033
Property and equipment	292,000	No expiry date	299,000	No expiry date
Share issue costs	180,000	2042 to 2046	35,000	2042 to 2045
Allowable capital losses	60,000	No expiry date	60,000	No expiry date
Non-capital losses available for future periods	17,721,000	2027 to 2042	14,215,000	2027 to 2041

14. Contingencies

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