



Consolidated Financial Statements

For the Year Ended May 31, 2023

(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, 2023 and 2022, 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, 2023 and 2022, 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 financial statements, which indicates that the Company requires additional funds to continue operations, to explore its mineral properties and to maintain its property interests. The Company has incurred losses since inception and as at May 31, 2023, the Company had an accumulated deficit of \$46,748,903. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that casts significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matter described below to be the key audit matter to be communicated in our auditor's report:

Assessment of Impairment Indicators of Exploration and Evaluation Assets ("E&E Assets")

As described in Note 3 to the consolidated financial statements, the carrying amount of the Company's E&E Assets was \$6,281,856 as of May 31, 2023. As more fully described in Note 2 to the consolidated financial statements, management assesses E&E Assets for indicators of impairment at each reporting period.



The principal considerations for our determination that the assessment of impairment indicators of the E&E Assets is a key audit matter are that there was judgment made by management when assessing whether there were indicators of impairment for the E&E Assets, specifically relating to the assets' carrying amount which is impacted by the Company's intent and ability to continue to explore and evaluate these assets. This in turn led to a high degree of auditor judgment, subjectivity, and effort in performing procedures to evaluate audit evidence relating to the judgments made by management in their assessment of indicators of impairment that could give rise to the requirement to prepare an estimate of the recoverable amount of the E&E Asset.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. Our audit procedures included, but were not limited to:

- Obtaining an understanding of the key controls associated with evaluating the E&E Assets for indicators of impairment.
- Evaluating management's assessment of impairment indicators.
- Evaluating the intent for the E&E Assets through discussion and communication with management.
- Reviewing the Company's recent expenditure activity.
- Assessing compliance with agreements and expenditure requirements including reviewing option agreements and vouching cash payments and share issuances.
- Assessing the Company's rights to explore E&E Assets including sending confirmation requests to optionors to ensure good standing of agreements.
- Obtaining, on a test basis, confirmation of title to ensure mineral rights underlying the E&E Assets are in good standing.

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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

August 30, 2023

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

	Notes	May 31, 2023	May 31, 2022
ASSETS			
Current			
Cash		\$ 893,539	\$ 1,984,495
Amounts receivable		96,852	19,359
Prepays		143,760	67,191
		1,134,151	2,071,045
Non-current			
Exploration and evaluation assets	3	6,281,856	4,379,954
Equipment	4	5,928	8,469
TOTAL ASSETS		\$ 7,421,935	\$ 6,459,468
LIABILITIES			
Current			
Accounts payable and accrued liabilities		\$ 246,458	\$ 47,702
Due to related parties	5	31,471	-
Flow-through premium liability	8	124,799	187,291
Note payable	6	-	9,545
Total liabilities		402,728	244,538
SHAREHOLDERS' EQUITY			
Capital stock	7	49,133,964	46,179,894
Reserves	7	4,634,146	4,638,719
Deficit		(46,748,903)	(44,603,683)
Total shareholders' equity		7,019,207	6,214,930
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 7,421,935	\$ 6,459,468

Nature of operations and going concern – Note 1

Contingencies – Note 13

Subsequent events- Note 15

These consolidated financial statements were approved by the Board of Directors on August 30, 2023. They were signed on the Company's behalf by:

"Scott Davis"

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	2023	2022
OPERATING EXPENSES			
Consulting	5	\$ 378,104	\$ 360,561
Depreciation	4	2,541	3,628
Interest		-	500
Marketing		1,480,106	691,450
Office and administration		88,801	35,736
Property investigation		9,453	-
Professional fees	5	127,847	138,725
Share-based payments	5&7	116,879	412,121
Transfer agent and listing fees		113,843	78,177
Travel and promotion		124,308	10,926
Loss from operations		(2,441,882)	(1,731,824)
OTHER ITEMS			
Write-down of exploration and evaluation asset	3	-	(7,162)
Amortization of flow-through premium liability	8	287,117	22,118
Gain on debt settlement	6	9,545	60,177
		296,662	75,133
Loss and comprehensive loss for the year		\$ (2,145,220)	\$ (1,656,691)
Loss per common share – basic and diluted		\$ (0.05)	\$ (0.12)
Weighted average number of common shares outstanding - basic and diluted		40,596,976	14,334,599

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)

	Note	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the year		\$ (2,145,220)	\$ (1,656,691)
Items not affecting cash:			
Gain on debt settlement		(9,545)	60,177
Depreciation	4	2,541	3,628
Interest expense	6	-	500
Share-based payments	7	116,879	412,121
Amortization of flow-through premium liability	8	(287,117)	(22,118)
Write-down of exploration and evaluation asset		-	7,162
Changes in non-cash working capital items:			
Amounts receivable		(77,493)	(685)
Prepays		(76,569)	35,368
Accounts payable and accrued liabilities		111,811	(195,683)
Due to related parties	5	31,471	(6,133)
Net cash used in operating activities		(2,333,242)	(1,362,354)
CASH FLOWS FROM INVESTING ACTIVITIES			
Exploration and evaluation assets		(1,798,957)	(374,074)
Net cash used in investing activities		(1,798,957)	(374,074)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share issuance	7	1,883,250	3,000,000
Share issue costs	7	(87,140)	(161,548)
Proceeds from warrants exercised	7	1,245,133	-
Net cash provided by financing activities		3,041,243	2,838,452
Change in cash for the year		(1,090,956)	1,102,024
Cash, beginning of the year		1,984,495	882,471
Cash, end of the year		\$ 893,539	\$ 1,984,495
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, 2021	10,274,063 \$	42,926,281 \$	3,875,598 \$	(42,946,992) \$	3,854,887
Share 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
Shares issued for private placement	7,275,000	1,883,250	-	-	1,883,250
Shares issued for property acquisition	200,000	16,000	-	-	16,000
Shares issued for warrants exercised	6,225,666	1,408,585	(163,452)	-	1,245,133
Finder's warrants	-	-	42,000	-	42,000
Share issuance costs	-	(129,140)	-	-	(129,140)
Flow-through premium	-	(224,625)	-	-	(224,625)
Share-based payments	-	-	116,879	-	116,879
Loss and comprehensive loss for the year	-	-	-	(2,145,220)	(2,145,220)
Balance – May 31, 2023	50,880,063 \$	49,133,964 \$	4,634,146 \$	(46,748,903) \$	7,019,207

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

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, 2023, the Company has a working capital of \$731,423 (May 31, 2022 - \$1,826,507), incurred losses since inception and at May 31, 2023 has an accumulated deficit of \$46,748,903 (May 31, 2022 - \$44,603,683).

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 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" and on the OTCQB under the symbol "IMRFF" as well as on the Frankfurt Exchange under the symbol "A7V".

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, 2023 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, 2023.

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.

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.

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.

iMetal Resources Inc.
Notes to the Consolidated Financial Statements
For the Year Ended May 31, 2023
(Expressed in Canadian Dollars)

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.

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, 2023 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 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.

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 Year Ended May 31, 2023
(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, 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 of property	-	-	-	-	-	(7,162)	-	(7,162)
	201,585	36,757	1,007,231	-	-	(7,162)	2,897	1,241,308
Balance – May 31, 2022	\$ 2,511,722	\$ 200,933	\$ 1,007,231	\$ 278,731	\$ 370,547	\$ -	\$ 10,790	\$ 4,379,954
Acquisition costs:	\$ 4,960	\$ -	\$ 66,400	\$ -	\$ -	\$ -	\$ -	\$ 71,360
Exploration costs:								
Assays, staking and mapping	152,837	17,537	-	-	18,463	-	12,364	201,201
Consulting	273,081	15,767	68,178	144	75,624	-	144	432,938
Claims leases and permits	15,402	-	-	-	2,758	-	-	18,160
Drilling	836,236	-	-	-	164,941	-	-	1,001,177
Equipment rental and field work	85,643	-	-	-	9,882	-	-	95,525
Geological/Geophysical	21,929	-	-	-	-	-	-	21,929
Office, miscellaneous and travel	40,000	897	-	-	18,715	-	-	59,612
	1,430,088	34,201	134,578	144	290,383	-	12,508	1,901,902
Balance – May 31, 2023	\$ 3,941,810	\$ 235,134	\$ 1,141,809	\$ 278,875	\$ 660,930	\$ -	\$ 23,298	\$ 6,281,856

iMetal Resources Inc.
Notes to the Consolidated Financial Statements
For the Year Ended May 31, 2023
(Expressed in Canadian Dollars)

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.

During the year ended May 31, 2021, 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 common shares (issued) of the Company. The amended residual Net Smelter Return (NSR) royalties to the underlying property vendors include:

- 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;

As a result, the Company acquired the substantial ownership of the Gowganda West Property as per the amended option agreement stated above.

During the year ended May 31, 2023, the Company incurred acquisition costs of \$4,960 related to an application for a claim extension for the Gowganda West Property.

Ghost Mountain Property

During the year ended May 31, 2021, the Company acquired the substantial ownership of the Ghost Mountain Property as per the amended option agreement mentioned in Note 3 *Gowganda West Property*.

Mosher Lake Property

During the year ended May 31, 2021, the Company acquired the substantial ownership of the Mosher Lake Property as per the amended option agreement mentioned in Note 3 *Gowganda West Property*.

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 TSXV's approval on April 1, 2022	\$60,000 (Paid)	3,500,000 (issued)
On April 1, 2023	\$50,000 (Paid)	-
On April 1, 2024	\$40,000	-
On April 1, 2025	\$60,000	-

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.

iMetal Resources Inc.
Notes to the Consolidated Financial Statements
For the Year Ended May 31, 2023
(Expressed in Canadian Dollars)

On September 28, 2022, the Company further completed and expanded its existing option agreement with Gravel Ridge Resources Ltd. And 1544230 Ontario Inc. (collectively, the “Vendors”) to expand the scope of the Kerrs Gold Deposit by acquiring an additional 137 hectares of the Property. As a result of the extension of acquisition, the Company issued the Vendors a further 200,000 common shares at a fair market value of \$16,000 and reimbursed the Vendor for the expenses of \$48,130 associated with maintaining the additional area. The Company also incurred acquisition cost of \$400 related to an application for a claim extension for the Kerrs Gold Property.

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.

Quebec, Canada

Carheil Property

During the year ended May 31, 2016, the Company acquired mineral properties 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 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

4. Equipment

	Vehicle \$
Cost:	
Balance at May 31, 2021, 2022 and 2023	29,046
Accumulated depreciation:	
Balance at May 31, 2021	(16,949)
Depreciation	(3,628)
Balance at May 31, 2022	(20,577)
Depreciation	(2,541)
Balance at May 31, 2023	(23,118)
Carrying amount:	
May 31, 2022	8,469
May 31, 2023	5,928

iMetal Resources Inc.
Notes to the Consolidated Financial Statements
For the Year Ended May 31, 2023
(Expressed in Canadian Dollars)

5. Related Party Transactions

The Company incurred expenses to related parties during the year ended May 31, 2023.

- \$Nil (2022 - \$60,000) in consulting fees to a company owned by a former director of the Company.
- \$12,500 (2022 - \$20,250) in consulting fees to a firm previously providing accounting and corporate secretary services where a director of the Company is a partner.
- \$210,000 (2022 - \$155,000) in consulting fees to a company controlled by the Company's chief executive officer and director of the Company.
- \$63,701 (2022 - \$60,000) in consulting fees, \$41,377 capitalized to exploration and evaluation assets, \$5,261 expensed to mineral property investigation expenses and \$17,063 expensed to corporate consulting fees to a company controlled by a director of the Company.
- \$25,000 (2022 - \$12,000) in consulting fees to a company controlled by a former officer of the Company.
- \$2,000 (2022 - \$nil) in consulting fees to a company controlled by an officer of the Company.
- \$168,000 (2022 - \$nil) in consulting fees, \$165,000 capitalized to exploration and evaluation assets and \$3,000 expensed to mineral property investigation expenses to a company controlled by an officer of the Company.
- \$12,500 (2022 - \$nil) in consulting fees to a company controlled by a director of the Company.

As at May 31, 2023, the Company owed \$4,199 (2022 – \$nil) to a company controlled by a director of the Company.

As at May 31, 2023, the Company owed \$27,273 (2022 – \$nil) to a company controlled by an officer of the Company.

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

During the year ended May 31, 2023, the Company issued 700,000 (May 31, 2022 - 1,600,000) stock options with a fair value of \$70,059 (May 31, 2022- \$323,201) to related directors and officers of the Company. During the year ended May 31, 2023, \$116,879 in total (May 31, 2022 - \$412,121) has been included in share-based compensation.

6. Note Payable

In March 2013, the Company entered into a promissory note of \$5,000 that incurred interest at 10% per annum. As at May 31, 2023, the Company had recorded interest payable of \$4,545 (May 31, 2022 - \$4,545) Given that the note has been outstanding for more than 10 years and the company has received no communications from the lender, it is unforeseeable that the lender would attempt to collect this note. Therefore, as per statute of limitations in BC the principal balance of the promissory note, any remaining interest payable and accrued interest expenses can be written off as of May 31, 2023.

7. Equity

a) Share capital

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

As at May 31, 2023, the Company had 50,880,063 shares issued and outstanding.

During the year ended May 31, 2023:

- At September 28, 2022, the Company issued 200,000 common shares at a fair value of \$16,000 for the property acquisition of Kerrs Gold Property (Note 3).

At December 30, 2022, the Company completed its non-brokered flow-through private placement by issuing 2,150,000 units for gross proceeds \$602,000. The Company incurred finders' fees totaling \$42,140 and issued

iMetal Resources Inc.
Notes to the Consolidated Financial Statements
For the Year Ended May 31, 2023
(Expressed in Canadian Dollars)

150,500 finders' warrants with a fair value of \$20,000 upon closing of the financing. The finders' warrants are exercisable at a price of \$0.35 until December 30, 2024. A flow-through premium liability of \$99,975 was recognized with respect to these flow-through shares. Please refer to Note 8 for the details of flow through premium liability.

- At March 31, 2023, the Company completed its non-brokered flow-through private placement by issuing 2,000,000 Quebec flow-through units at \$0.25 per unit for gross proceeds of \$500,000. Each Quebec flow-through unit consists of one common share of the Company and one common share purchase warrant exercisable to acquire an additional common share at \$0.35 per unit until March 31, 2025. The Company incurred finders' fees totaling of \$30,000 and issued 120,000 warrants with a value of \$13,000 under the same terms upon closing of the financing to an arm's length third party who introduced the subscriber to the Company. All securities issued in connection with the Non-brokered FTTP are subject to a statutory hold period until August 1, 2023, in accordance with applicable securities laws. A flow-through premium liability of \$94,000 was recognized with respect to these flow through shares. Please refer to Note 8 for the details of flow through premium liability.
- At April 6, 2023, the Company completed its non-brokered flow-through private placement by issuing 3,125,000 flow-through units at \$0.25 per unit for gross proceeds of \$781,250. Each flow-through unit consists of one common share of the Company and one common share purchase warrant exercisable to acquire an additional common share at \$0.30 per unit until April 6, 2025. The Company incurred finders' fees totaling of \$15,000 and issued 60,000 warrants with a value of \$9,000 under the same terms upon closing of the financing to an arm's length third party who introduced the subscriber to the Company. All securities issued in connection with the Non-brokered FTTP are subject to a statutory hold period until August 7, 2023, in accordance with applicable securities laws. A flow-through premium liability of \$30,650 was recognized with respect to these flow through shares. Please refer to Note 8 for the details of flow through premium liability.
- During the year end May 31, 2023, the Company issued 6,225,666 shares pursuant to the exercise of 6,225,666 warrants at a price of \$0.20 per share for gross proceed \$1,245,133.

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

- At December 14, 2021, 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.
- At April 1, 2022, the Company issued 3,500,000 common shares at a fair value of \$945,000 for the property acquisition of Kerrs Gold Property (Note 3).
- At April 8, 2022, the Company 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.

At April 8, 2022, the Company 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

iMetal Resources Inc.
Notes to the Consolidated Financial Statements
For the Year Ended May 31, 2023
(Expressed in Canadian Dollars)

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.

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, 2023, the Company granted 1,050,000 (May 31, 2022 - 2,170,000) stock options at a weighted average exercise price of \$0.11 (May 31, 2022 - \$0.20) per share and recorded share-based payments of \$89,000 (May 31, 2022 – \$412,121). In addition, a share-based payment of \$27,879 is vested for options granted in April 2022.

The granted options details as follows:

- On September 28, 2022, the Company granted 850,000 incentive stock options (the “Options”) to directors and consultants of the Company with a fair value of \$46,000 at the date of grant. The Options are exercisable at \$0.075 per share for a period of 5 years from the date of grant. Options granted to individuals in their capacity as a consultant vest immediately.
- On January 4, 2023, the Company granted 200,000 stock options to a director of the Company with a fair value of \$43,000 at the date of grant. The options are exercisable at \$0.24 per share for a period of five years from the date of grant. Options granted to individuals in their capacity as a director vest immediately.
- 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 are fully vested as of May 31, 2023 and incurred a share-based payment of \$27,879 during the year.

The continuity of share purchase options is as follows:

	Outstanding Options	Weighted Average Exercise Price \$
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
Granted	1,050,000	0.11
Expired	(320,000)	0.75
Balance, May 31, 2023	3,489,000	0.31

iMetal Resources Inc.
Notes to the Consolidated Financial Statements
For the Year Ended May 31, 2023
(Expressed in Canadian Dollars)

At May 31, 2023, 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
2,000	2.125	0.02	June 8, 2023*	2,000
387,000	0.700	2.47	November 18, 2025	387,000
1,900,000	0.330	3.86	April 8, 2027	1,900,000
150,000	0.380	3.87	April 14, 2027	150,000
850,000	0.075	4.33	September 28, 2027	850,000
200,000	0.240	4.60	January 4, 2028	200,000
3,489,000				3,489,000

*2,000 options expired unexercised on June 8, 2023, subsequent to May 31, 2023.

The weighted average remaining life of the options at May 31, 2023 is 3.86 years (May 31, 2022 – 4.47 years).

The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted during the year ended May 31, 2023:

	Year ended May 31, 2023	Year ended May 31, 2022
Risk-free interest rate	1.54%	1.36%
Expected life of options	5 years	1 year
Expected annualized volatility	150.77%	154.15%
Expected dividend rate	-	-
Fair value per option	\$0.085	\$0.20

c) Warrants

The continuity of share purchase warrants for the year ended May 31, 2023 is as follows:

	Outstanding Warrants	Weighted Average Exercise Price \$
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	0.35
Granted – warrants	5,455,500	0.32
Exercised- warrants	(6,225,666)	0.20
Expired- warrants	(5,536,261)	1.00
Balance, May 31, 2023	21,208,392	0.23

iMetal Resources Inc.
Notes to the Consolidated Financial Statements
For the Year Ended May 31, 2023
(Expressed in Canadian Dollars)

At May 31, 2023, the following warrants were outstanding:

Number of Warrants	Weight Average remaining in years	Exercise Price (\$)	Expiry Date
13,724,667	0.85	0.20	April 7, 2024
1,338,332	0.85	0.20	April 7, 2024
464,533	0.85	0.20	April 7, 2024
225,360	0.85	0.20	April 7, 2024
150,500	1.59	0.35	December 30, 2024
2,000,000	1.84	0.35	March 31, 2025
120,000	1.84	0.35	March 31, 2025
3,125,000	1.85	0.30	April 6, 2025
60,000	1.85	0.30	April 6, 2025
21,208,392			

The weighted average remaining life of the warrants at May 31, 2023 is 1.11 years (May 31, 2022– 1.59 years).

The following weighted average assumptions were used for the Black-Scholes valuation of finders' warrants granted during the year ended May 31, 2023:

	Year ended May 31, 2023	Year ended May 31, 2022
Risk-free interest rate	1.93%	0.55%
Expected life of warrants	2	2
Expected annualized volatility	130.42%	170.02%
Expected dividend rate	-	-
Fair value per warrant	0.13	0.27

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, 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
Premium liability incurred on flow-through shares		224,625
Amortization of flow-through liability		(287,117)
Balance at May 31, 2023	\$	124,799

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.

iMetal Resources Inc.
Notes to the Consolidated Financial Statements
For the Year Ended May 31, 2023
(Expressed in Canadian Dollars)

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.

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 adjusts it in light of economic conditions. The Company, upon approval from its Board of Directors, will make changes to its capital structure as deemed appropriate under the specific circumstances.

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

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 hierarchal classification of the Company's financial instruments measured at fair value for the year ended May 31, 2023, is as follows:

May 31, 2023	Level 1	Level 2	Level 3	Total
Cash	\$ 893,539	\$ -	\$ -	\$ 893,539

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

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, 2023, there were no transfers between Level 1, Level 2, and Level 3 classified assets and liabilities. Cash is measured at amortized cost.

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

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. To the extent that the Company does not believe it has sufficient liquidity to meet obligations, it will consider securing additional equity funding, or engage in negotiations to extend terms with creditors. The Company manages liquidity risk through the management of its capital structure (see Note 10).

iMetal Resources Inc.
Notes to the Consolidated Financial Statements
For the Year Ended May 31, 2023
(Expressed in Canadian Dollars)

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.

Credit Risk

Credit risk is the risk associated with the counterparty's inability to fulfil its payment obligations. The Company is not exposed to credit risk.

Interest Rate Risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The risk that the Company will realize such a loss is limited because the Company has no interest-bearing financial instruments.

Market Risk

Market risk is the risk that changes in market price, such as foreign exchange rates, commodity prices, and interest rates will affect the Company's net income or the value of financial instruments. These risks are generally outside the control of the Company. The objectives of the Company are to mitigate market risk exposure within acceptable limits, while maximizing returns. The Company has no significant exposure to market risk.

12. Supplemental Cash Flow Information

	Year ended May 31, 2023	Year ended May 31, 2022
	\$	\$
Non-Cash Investing and Financing Activities:		
Finders' warrants issued in private placement	42,000	351,000
Common shares issued pursuant to mineral property agreements	16,000	945,000
Accounts payable included in exploration and evaluation assets	93,553	6,608
Gain on debt settlement	9,545	60,177
Shares issued to settle debt	-	14,400

13. 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.

iMetal Resources Inc.
Notes to the Consolidated Financial Statements
For the Year Ended May 31, 2023
(Expressed in Canadian Dollars)

14. Income Tax

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

	2023	2022
Loss for the year	\$ (2,145,220)	\$ (1,656,691)
Expected income tax (recovery)	(579,000)	(447,000)
Change in statutory, foreign tax, foreign exchange rates and other	1,000	(1,000)
Permanent differences	(38,000)	108,000
Impact of flow through share	547,000	-
Share issue costs	(24,000)	(34,000)
Adjustment to prior years provision versus statutory tax returns	269,000	(35,000)
Change in unrecognized deductible temporary differences	(176,000)	409,000
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:

	2023	2022
Deferred tax assets (liabilities)		
Non-capital losses available for future periods	\$ 5,411,000	\$ 4,785,000
Exploration and evaluation assets	1,552,000	2,369,000
Property and equipment	84,000	79,000
Allowable capital losses	16,000	16,000
Share issue costs	59,000	49,000
	7,122,000	7,298,000
Unrecognized deferred tax assets	(7,122,000)	(7,298,000)
	\$ -	\$ -

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:

	2023	Expiry Date Range	2022	Expiry Date Range
Temporary Differences				
Exploration and evaluation assets	\$5,666,000	No expiry date	\$8,692,000	No expiry date
Investment tax credit	30,000	2030 to 2033	30,000	2030 to 2033
Property and equipment	310,000	No expiry date	292,000	No expiry date
Share issue costs	218,000	2043 to 2047	180,000	2042 to 2046
Allowable capital losses	60,000	No expiry date	60,000	No expiry date
Non-capital losses available for future periods	20,042,000	2027 to 2043	17,721,000	2027 to 2042

15. Subsequent Events

On July 7, 2023, the Company announced the hiring of market consultants, JP Capital LLC (“JP Capital”). JP Capital will provide consulting services to the Company for a minimum term of six months, beginning on July 1st, 2023. They will receive cash consideration of \$6,000 USD per month. In accordance with the agreement and as consideration for the services, the Company will also issue 210,000 incentive stock options, exercisable at a price of \$0.16 per share until December 31, 2025. The options will vest over a period of twelve months in compliance with the TSX Venture Exchange.