imetal resources inc

Condensed Consolidated Interim Financial Statements

For the Nine Months Ended February 28, 2019

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

NOTICE TO READER

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

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

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

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

		February 28, 2019		**May 31, 2018**
ASSETS				
Current				
Cash	$	270,254	$	140,997
Amounts receivable		21,610		4,660
Prepaids		126,364		13,761
		418,228		159,418
Non-current				
Exploration and evaluation assets (Note 3)		1,697,783		1,060,347
TOTAL ASSETS	$	2,116,011	$	1,219,765
LIABILITIES				
Current				
Accounts payable and accrued liabilities	$	65,751	$	41,480
Due to related parties (Note 4)		1,563		16,791
Note payable (Note 5)		7,918		7,544
Total liabilities		75,232		65,815
SHAREHOLDERS' EQUITY				
Capital stock (Note 6)		38,958,141		37,513,108
Reserves (Note 6)		3,363,395		3,220,597
Deficit		(40,280,757)		(39,579,755)
Total shareholders' equity		2,040,779		1,153,950
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$	2,116,011	$	1,219,765

Nature of operations and going concern – Note 1
Subsequent events – Note 11

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on April 29, 2019. They are signed on the Company's behalf by:

"Johan Grandin"	*"Mark Fedikow"*
Director	Director

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

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

	Three months ended February 28, 2019	Three months ended February 28, 2018	Nine months ended February 28, 2019	Nine months ended February 28, 2018
OPERATING EXPENSES				
Consulting (Note 4)	$ 76,239	$ 76,282	$ 251,202	$ 213,038
Interest	123	-	374	-
Marketing	36,732	19,461	75,471	19,461
Office and salaries	21,985	1,919	46,375	10,223
Professional fees (Note 4)	25,229	16,861	74,597	57,868
Share-based payments (Note 6)	40,521	21,167	232,245	215,490
Transfer agent and listing fees	12,560	9,363	20,738	27,850
Travel and promotion	-	1,074	-	5,942
Loss from operations	(213,389)	(146,127)	(701,002)	(549,872)
Gain on accounts payable and accrued liabilities	-	-	-	26,308
Net loss and comprehensive loss for the period	**$ (213,389)**	**$ (146,127)**	**$ (701,002)**	**$ (523,564)**
Loss per common share – basic and diluted	$ (0.00)	$ (0.00)	$ (0.01)	$ (0.01)
Weighted average number of common shares outstanding - basic and diluted	97,373,903	79,726,015	88,770,066	73,301,292

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

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

	Nine months ended February 28,	
	2019	**2018**
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	$ (701,002)	$ (523,564)
Items not affecting cash:		
Interest on notes payable	374	-
Share-based payments	232,245	215,490
Gain on accounts payable and accrued liabilities	-	(26,308)
Changes in non-cash working capital items:		
Amounts receivable	(16,950)	10,142
Prepaids	(112,603)	(28,068)
Accounts payable and accrued liabilities	16,579	(54,755)
Due from related party	-	8,927
Due to related parties	(15,228)	(650)
Net cash used in operating activities	(596,585)	(398,786)
CASH FLOWS FROM INVESTING ACTIVITIES		
Exploration and evaluation assets	(479,744)	(249,134)
Net cash used in investing activities	(479,744)	(249,134)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of capital stock	676,000	422,697
Share issuance costs	(13,130)	(23,055)
Exercise of stock options	57,500	115,000
Exercise of warrants and finder’s warrants	485,216	96,900
Net cash provided by financing activities	1,205,586	611,542
Change in cash for the period	129,257	(36,378)
Cash, beginning of period	140,997	362,956
Cash, end of period	$ 270,254	$ 326,578

Supplemental cash flow Information (Note 10)

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

iMetal Resources Inc.
Condensed Consolidated Interim Statements of Changes in Shareholders' Equity
For the nine months ended February 28, 2019 and 2018
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

	Capital Stock				
	Number of shares	**Amount**	**Reserves**	**Deficit**	**Total**
Balance – May 31, 2017	**68,992,466**	**$ 36,609,274**	**$ 3,055,142**	**$ (38,803,092)**	**$ 861,324**
Shares issued for private placement	7,044,950	422,697	-	-	422,697
Shares issuance costs		(44,591)	21,536	-	(23,055)
Exercise of warrants and finders' warrants	1,615,000	96,900	-	-	96,900
Transfer to share capital on exercise of finders' warrants		8,332	(8,332)	-	-
Exercise of stock options	2,300,000	115,000	-	-	115,000
Transfer to share capital on exercise of stock options	-	123,047	(123,047)	-	-
Shares issued for exploration and evaluation assets	1,500,000	95,000	-	-	95,000
Share-based payments	-	-	215,490	-	215,490
Net loss and comprehensive loss for the period	-	-	-	(523,564)	(523,564)
Balance – February 28, 2018	**81,452,416**	**$ 37,425,659**	**$ 3,160,789**	**$ (39,326,656)**	**$ 1,259,792**
Balance – May 31, 2018	**82,534,916**	**$ 37,513,108**	**$ 3,220,597**	**$ (39,579,755)**	**$ 1,153,950**
Shares issued for private placement	8,450,000	676,000	-	-	676,000
Share issuance costs		(23,504)	10,374	-	(13,130)
Exercise of warrants and finder's warrants	6,933,600	485,216	-	-	485,216
Transfer to share capital on exercise of finder's warrants	-	10,307	(10,307)	-	-
Exercise of stock options	850,000	57,500	-	-	57,500
Transfer to share capital on exercise of stock options	-	55,514	(55,514)	-	-
Shares issued for memorandum of understanding	400,000	34,000	-	-	34,000
Shares issued for exploration and evaluation assets	1,500,000	150,000	-	-	150,000
Share-based payments	-	-	198,245	-	198,245
Net loss and comprehensive loss for the period	-	-	-	(701,002)	(701,002)
Balance – February 28, 2019	**100,668,516**	**$ 38,958,141**	**$ 3,363,395**	**$ (40,280,757)**	**$ 2,040,779**

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

1. Nature of Operations and Going Concern

The Company is engaged in the exploration and development 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 development of historic resources. There is no assurance that the Company will be successful in its search and development. The business of exploring for minerals and mining involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. Major expenses may be required to establish ore reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. It is impossible to ensure that the current exploration and evaluation programs planned by the Company will result in a profitable commercial mining operation. The amounts shown as exploration and evaluation assets represent net costs to date, less amounts written-off, and do not necessarily represent present or future values. The recovery of the amounts shown for exploration and evaluation assets is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the exploration and evaluation of such a property or properties and ultimately upon future profitable production from a property or properties or the realisation of proceeds from the disposition thereof. The Company has incurred losses since inception and at February 28, 2019 has an accumulated deficit of $40,280,757 (May 31, 2018 - $39,579,755).

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

The head office, principal address, registered address and records office of the Company are located at 510 – 580 Hornby Street, Vancouver, British Columbia, Canada, V6C 3B6. The Company's shares are traded on the Tier 2 of the TSX Venture Exchange ("TSX-V") under the symbol "IMR.V" and on the Frankfurt Stock Exchange ("FWB") under the symbol "A7V.F".

2. Significant Accounting Policies

Statement of Compliance

These condensed consolidated interim financial statements of the Company for the period ended February 28, 2019 have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting. The significant accounting policies applied in these condensed consolidated interim financial statements are based on the IFRS issued and outstanding as of February 28, 2019.

2. Significant Accounting Policies (cont'd)

Basis of Presentation

These condensed consolidated interim financial statements have been prepared on the basis of accounting policies and methods of computation consistent with those applied in the Company's annual consolidated financial statements for the year ended May 31, 2018. These condensed consolidated interim financial statements have been prepared on a historical basis and have been prepared using the accrual basis of accounting, except cash flow information. These condensed consolidated interim financial statements are presented in Canadian dollars unless otherwise noted.

These condensed consolidated interim financial statements do not include all of the information required for full annual consolidated financial statements and should be read in conjunction with the annual consolidated financial statements of the Company for the year ended May 31, 2018.

These condensed consolidated interim financial statements include accounts of iMetal Resources Inc. and its wholly-owned subsidiary Risorse Dei Minerali Naturali S.R.L ("RMN"), a company incorporated in the province of Grosseto, Italy. All significant inter-company transactions and balances have been eliminated on consolidation.

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.

2. Significant Accounting Policies (cont'd)

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 condensed consolidated interim financial statements:

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

New Accounting Standards Issued But Not Yet Effective

IFRS 16 – Leases

IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The IASB issued IFRS 16, Leases, in January 2016, which replaces the current guidance in IAS 17. Under IAS 17, lessees were required to make a distinction between a finance lease and an operating lease. IFRS 16 requires lessees to recognize a lease liability reflecting future lease payments and a "right-of-use asset" for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted, but only in conjunction with IFRS 15. The Company has not yet completed the process of assessing the impact of IFRS 16 will have on its condensed consolidated interim financial statements, or whether to early adopt this new requirement.

New Accounting Standards Adopted During The Period

IFRS 9 – Financial Instruments ("IFRS 9")

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

IFRS 15 – Revenue from Contracts with Customers ("IFRS 15")

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

(Expressed in Canadian Dollars)

3. Exploration and Evaluation Assets

	Gowganda West	Ghost Mountain	Mosher Lake	Carheil	Temagami North	Total
Balance – May 31, 2017	**$ 126,633**	**$ 66,250**	**$ -**	**$ 361,042**	**$ 7,162**	**$ 561,087**
Acquisition costs	79,295	92,500	90,000	3,460	-	265,255
Exploration costs:						
Assays, staking and mapping	138,939	-	278	-	-	139,217
Consulting	3,000	2,500	-	5,813	-	11,313
Equipment rental and field work	20,526	-	900	-	-	21,426
Geological/Geophysical	26,106	-	763	-	-	26,869
Office, miscellaneous and travel	34,084	806	290	-	-	35,180
	301,950	95,806	92,231	9,273	-	499,260
Balance – May 31, 2018	**428,583**	**162,056**	**92,231**	**370,315**	**7,162**	**1,060,347**
Acquisition costs:	100,000	-	115,000	3,461	-	218,461
Exploration costs:						
Assays, staking and mapping	9,636	-	-	-	-	9,636
Consulting	5,799	-	1,500	5,288	-	12,587
Claims, leases and permits	11,500	-	-	-	-	11,500
Drilling	112,586	-	-	-	-	112,586
Equipment rental and field work	79,903	-	-	-	-	79,903
Excavation	55,083	-	-	-	-	55,083
Geological/Geophysical	119,263	-	-	-	-	119,263
Office, miscellaneous and travel	18,417	-	-	-	-	18,417
	512,187	-	116,500	8,749	-	637,436
Balance – February 28, 2019	**$ 940,770**	**$ 162,056**	**$ 208,731**	**$ 379,064**	**$ 7,162**	**$ 1,697,783**

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

Ontario, Canada

Gowganda West Property

During the year ended May 31, 2017, the Company entered into an option agreement for mineral properties in Gowganda, Ontario. The option agreement includes cash payments totalling $200,000 and share issuances totalling 2,000,000 under the following terms:

- The Vendors will receive $50,000 upon signing the definitive agreement (paid);
- The Vendors will receive $50,000 each year for three years starting one year after the signing of the definitive agreement (year one and year two paid). During the year ended May 31, 2018 the agreement was amended in that the first payment was satisfied in two $10,000 payments and one $30,000 payment;
- The Company will issue 500,000 shares to the vendors upon the signing of the definitive agreement (issued at a fair value of $25,000);
- The Company will issue 500,000 shares each year for three years, starting one year after the signing of the definitive agreement (year one issued at a fair value of $25,000 and year two issued at a fair value of $50,000);
- The Vendors will have the first right of refusal to participate in up to 10% of all future financings in the Company; and
- The Vendors will be entitled to a 3% NSR royalty. The Company has the option to acquire half of the NSR for $1,000,000 up until the end of the 3 year term of this agreement.

Ghost Mountain Property

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

- The Vendors will receive $25,000 upon signing of the definitive agreement (paid);
- The Vendors will receive $25,000 one year from signing the definitive agreement (paid);
- The Company will issue 750,000 shares to the Vendors upon the signing of the definitive agreement (issued at a fair value of $41,250);
- The Company will issue 750,000 shares one year from signing the definitive agreement (issued at a fair value of $67,500);
- The Vendors will have the first right of refusal to participate in up to 10% of all future financings in the Company; and
- The Vendors will be entitled to a 3% NSR royalty. The Company has the option to acquire half of the NSR for $1,000,000 up until the end of the 3 year term of this agreement.

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

Ontario, Canada *(cont'd)*

Mosher Lake Property

During the year ended May 31, 2018, the Company entered into an option agreement for mineral properties in Gowganda, Ontario. The option agreement includes cash payments totalling $50,000 and share issuances totalling 3,000,000 under the following terms:

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

Temagami North Property

The Company holds several claims on the Temagami North Property.

Quebec, Canada

Carheil Property

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

- Skyworld will receive $15,000 upon signing of a definitive agreement (paid);
- Skyworld will receive $10,000 each year for five years for a total of $50,000 starting in the year following the year of the initial $15,000 payment and the signing of the definitive agreement (paid in full);
- The Company will issue 400,000 shares to Skyworld upon the closing of the transaction (issued at a value of $20,000);
- The Company will issue 500,000 additional shares per year each year for three years for a total of 1,500,000 shares, starting in the year following the year after the closing of the transaction (issued in full at a value of $75,000); and
- Finder's fees were paid by issuing 190,000 shares valued at $9,500 to an arm's length third party in connection with this transaction.

During the year ended May 31, 2017, the Company renewed the 43 claims for two years and also staked an additional 189 contiguous claims.

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

Quebec, Canada *(cont'd)*

Carheil Property (cont'd)

During the year ended May 31, 2018, the Company renewed the 54 claims to August 2020 and during the period ended February 28, 2019, the Company renewed the 54 claims to August 2022.

4. Related Party Transactions

The Company incurred $216,388 (2018 - $239,904) to related parties during the period ended February 28, 2019 as follows:

- $Nil (2018 - $90,000) in consulting fees to a former director of the Company.
- $135,000 (2018 - $90,000) in consulting fees to a company owned by the Company's chief executive officer and director of the Company.
- $10,000 (2018 - $11,250) in consulting fees to a company controlled by a director of the Company.
- $3,700 (2018 - $Nil) in consulting fees to a company controlled by a director of the Company.
- $67,500 (2018 - $45,000) in professional fees to a firm where an officer and director of the Company is a partner.
- $188 (2018 - $3,654) in consulting fees to an officer of the Company.

As at February 28, 2019, the Company owed $1,563 (May 31, 2018 - $16,791) to related parties as follows:

- $1,313 (May 31, 2018 - $3,079) to a company controlled by a director of the Company.
- $Nil (May 31, 2018 - $12,600) to a company where an officer and director of the Company is a partner.
- $Nil (May 31, 2018 - $1,112) to a company controlled by a director of the Company.
- $250 (May 31, 2018 - $Nil) to a company owned by the Company's chief executive officer and director of the Company.

5. Note Payable

In March 2013, the Company entered into a promissory note for $5,000 that accrues interest at 10% per annum. As at February 28, 2019, the Company had recorded interest payable of $2,918 (May 31, 2018 - $2,544).

6. Equity

a) Share capital

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

As at February 28, 2019, the Company had 100,668,516 shares issued and outstanding.

During the period ended February 28, 2019, the Company:

i. Completed a non-brokered private placement by issuing 8,450,000 units for gross proceeds of $676,000. Each unit consists of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one additional common share, exercisable at a price of $0.10 per share for a period of 24 months from the date of issue. The Company paid cash finder's fees totaling $13,130 and issued 112,500 finder's warrants exercisable at a price of $0.10 per share for a period of 24 months from the date of issue. The finder's warrants were ascribed a fair value of $10,374.

ii. Issued 6,933,600 common shares of the Company for proceeds of $485,216 for warrants and finder's warrants exercised and issued 850,000 common shares of the Company for proceeds of $57,500 for stock options exercised.

iii. Signed a memorandum of understanding with multiple First Nation communities to advance its Gowganda West Gold-Copper-Cobalt Project in Northern Ontario. Under the MOU, the Company issued 400,000 shares at a fair value of $34,000 recorded to share-based payments.

iv. Issued 1,500,000 common shares at a fair value of $150,000 for exploration and evaluation assets.

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

i. Completed a non-brokered private placement by issuing 7,044,950 units for gross proceeds of $422,697. Each unit consists of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one additional common share, exercisable at a price of $0.10 per share for a period of 24 months from the date of issue. The Company paid cash finder's fees totaling $23,055 and issued 290,000 finder's warrants exercisable at a price of $0.10 per share for a period of 24 months from the date of issue. The finder's warrants were ascribed a fair value of $21,536.

ii. Issued 1,947,500 common shares of the Company for proceeds of $116,850 for warrants and finder's warrants exercised.

iii. Issued 2,300,000 common shares of the Company for proceeds of $115,000 for stock options exercised.

iv. Issued 2,250,000 common shares of the Company valued at $162,500 for exploration and evaluation assets (Note 3).

(Expressed in Canadian Dollars)

6. Equity *(cont'd)*

b) Share purchase options

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

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

During the period ended February 28, 2019, the Company granted 2,200,000 (2018 – 3,150,000) stock options at a weighted average exercise price of $0.09 (2018 - $0.07) per share and recorded share-based payments of $198,245 (2018 - $215,490). The Company issued 400,000 shares at a fair value of $34,000 recorded to share-based payments (Note 6(a)).

The continuity of share purchase options is as follows:

	Outstanding Options	Weighted Average Exercise Price
Balance, May 31, 2017	6,450,000	$ 0.05
Granted	3,850,000	0.07
Expired/cancelled	(1,350,000)	0.05
Exercised	(2,300,000)	0.05
Balance, May 31, 2018	6,650,000	0.06
Granted	2,200,000	0.11
Exercised	(850,000)	0.06
Balance, February 28, 2019	8,000,000	$ 0.07

(Expressed in Canadian Dollars)

6. Equity *(cont'd)*

a) Share purchase options *(cont'd)*

At February 28, 2019, the following incentive stock options were outstanding to directors, officers and consultants:

Number of Options Outstanding	Exercise Price	Expiry Date	Number of Options Exercisable
2,700,000	$ 0.05	May 19, 2021	2,700,000
200,000*	0.05	April 17, 2022	200,000
100,000	0.05	July 28, 2022	100,000
100,000	0.05	August 8, 2022	100,000
100,000	0.05	August 15, 2022	100,000
1,750,000	0.07	October 11, 2022	1,750,000
150,000	0.15	January 17, 2023	150,000
100,000	0.075	April 8, 2023	100,000
300,000	0.085	May 7, 2023	300,000
300,000	0.075	May 31, 2023	300,000
100,000	0.08	June 13, 2023	100,000
50,000	0.085	November 2, 2023	50,000
1,600,000	0.11	November 15, 2023	1,600,000
450,000	0.11	December 13, 2023	450,000
8,000,000			8,000,000

* Subsequent to February 28, 2019, 200,000 options were exercised

The weighted average remaining life of the options at February 28, 2019 is 3.49 years (2018 – 3.98 years).

The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted during the periods ended February 28, 2019 and 2018:

	2019	2018
Risk-fee interest rate	2.19%	1.76%
Expected life of options	5 years	5 years
Expected annualized volatility	152.07%	162.56%
Expected dividend rate	-	-

(Expressed in Canadian Dollars)

6. Equity *(cont'd)*

10) Warrants

The continuity of share purchase warrants for the period ended February 28, 2019 is as follows:

	Outstanding Warrants	Weighted Average Exercise Price
Balance, May 31, 2017	16,910,000	$ 0.06
Granted – warrants	7,044,950	0.10
Granted – finders' warrants	290,000	0.10
Exercised – warrants	(1,782,500)	0.06
Exercised – finders' warrants	(165,000)	0.06
Balance, May 31, 2018	22,297,450	0.07
Granted – warrants	8,450,000	0.10
Granted – finders' warrants	112,500	0.10
Exercised – warrants	(6,743,600)	0.07
Exercised – finders' warrants	(190,000)	0.07
Balance, February 28, 2019	23,926,350	$ 0.08

At February 28, 2019, the following warrants were outstanding:

Number of Warrants	Exercise Price	Expiry Date
9,758,900	$0.06	April 10, 2019*
5,604,950	0.10	December 14, 2019
8,562,500	0.10	November 5, 2020**
23,926,350		

*Subsequent to February 28, 2019, 7,196,400 warrants were exercised and 2,562,500 warrants expired unexercised.
**Subsequent to February 28, 2019, 1,000,000 warrants were exercised.

The weighted average remaining life of the warrants at February 28, 2019 is 0.83 years (2018 – 1.34 years).

7. Segmented Information

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

(Expressed in Canadian Dollars)

8. Capital Management

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

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

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

9. Financial Instruments and Financial Risk Factors

Financial instruments

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

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

The fair value hierarchal classification of the Company's financial instruments measured at fair value for the period ended February 28, 2019 and the year ended May 31, 2018 is as follows:

February 28, 2019	Level 1	Level 2	Level 3	Total
Cash	$ 270,254	$ -	$ -	$ 270,254

May 31, 2018	Level 1	Level 2	Level 3	Total
Cash	$ 140,997	$ -	$ -	$ 140,997

Cash is measured using Level 1. The Company does not have any financial instruments that are measured using Level 2 or Level 3 inputs. During the period ended February 28, 2019, there were no transfers between Level 1, Level 2, and Level 3 classified assets and liabilities.

The Company's financial instruments are exposed to certain financial risks, including liquidity risk and foreign exchange risk.

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

Fair Value

The Company's financial instruments include cash, amounts receivable (excluding GST), accounts payable and accrued liabilities, due to related parties, and note payable. Cash is classified as "held for trading" and measured at fair value, amounts receivable and due to related party are classified as "loans and receivables" and measured at amortized cost, while accounts payable and accrued liabilities, due to related parties, and note payable are classified as "other financial liabilities" initially recognized at fair value less directly attributable transactions costs, then subsequently recognized at amortized cost.

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 8).

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.

10. Supplemental Information

	February 28, 2019	
	2019	**2018**
Non-Cash Investing and Financing Activities:		
Common shares issued for exploration and evaluation assets	$ 150,000	$ 95,000
Finder's warrants issued in private placement	$ 10,374	$ 21,536
Transfer to share capital on exercise of finder's warrants	$ 10,307	$ 8,332
Transfer to share capital on exercise of stock options	$ 55,514	$ 123,047

11. Subsequent Events

Subsequent to February 28, 2019, the Company closed a private placement at $0.15 per unit for gross proceeds of $250,000. The Company issued 1,666,667 units with each unit consisting of one common share of the Company and one share purchase warrant. Each warrant entitles the holder to purchase one additional common share, exercisable at a price of $0.20 per share for a period of 24 months from the date of issue. The Company paid cash finder's fees of $9,750 and issued 65,000 warrants exercisable at $0.16 for a period of 24 months from the date of issue.