

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: **October 31, 2019**

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: **000-55321**



**I-MINERALS INC.**

(Exact name of registrant as specified in its charter)

**Canada**

**20-4644299**

(State or other jurisdiction of incorporation or  
organization)

(I.R.S. Employer Identification No.)

**Suite 880, 580 Hornby Street, Vancouver, BC, Canada V6C 3B6**

(Address of principal executive offices)(Zip Code)

**(877) 303-6573**

Registrant's telephone number, including area code

**Not applicable**

(Former name or former address if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company.

Large accelerated filer ☐

Accelerated filer ☐

Non-accelerated filer ☐

Smaller reporting company ☒

(Do not check if a smaller reporting company)

Emerging growth company ☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of December 13, 2019, the registrant had 92,676,115 outstanding shares of common stock.

**I-Minerals Inc.**  
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***I-Minerals Inc.***

Condensed Interim Consolidated Financial Statements  
**For the six months ended October 31, 2019**  
(Unaudited - Expressed in US dollars)

**I-Minerals Inc.**  
**Condensed Interim Consolidated Balance Sheets**  
**October 31, 2019 and April 30, 2019**

*(Unaudited - Expressed in US dollars)*  
*(Prepared in accordance with US GAAP)*

	Notes	October 31, 2019 \$	April 30, 2019 \$
<b>ASSETS</b>			
Current assets			
Cash		34,106	241,721
Receivables		6,023	5,708
Prepays		38,837	54,163
		78,966	301,592
Equipment		13,870	14,517
Mineral property interest and deferred development costs	3	1,892,410	1,892,410
Deposits		28,728	28,728
<b>TOTAL ASSETS</b>		<b>2,013,974</b>	<b>2,237,247</b>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable and accrued liabilities	4,7	1,769,101	1,464,724
Promissory notes	5	24,784,305	22,685,537
Derivative liabilities	2,6	4,868	6,191
		26,558,274	24,156,452
<b>CAPITAL DEFICIT</b>			
Capital Stock			
Authorized:			
Unlimited common shares with no par value			
Issued and fully paid: 92,676,115 (April 30, 2019 – 92,676,115)	6	19,118,229	19,118,229
Additional paid-in capital		1,865,342	1,866,274
Commitment to issue shares	5	106,858	106,858
Deficit		(45,634,729)	(43,010,566)
<b>TOTAL CAPITAL DEFICIT</b>		<b>(24,544,300)</b>	<b>(21,919,205)</b>
<b>TOTAL LIABILITIES AND CAPITAL DEFICIT</b>		<b>2,013,974</b>	<b>2,237,247</b>

Going concern (Note 1)

Subsequent event (Note 10)

On behalf of the Board

\_\_\_\_\_  
“John Theobald” Director

\_\_\_\_\_  
“W. Barry Girling” Director

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

# I-Minerals Inc.

## Condensed Interim Consolidated Statements of Loss For the three and six months ended October 31, 2019 and 2018

(Unaudited - Expressed in US dollars)

	Notes	Three months ended October 31,		Six months ended October 31,	
		2019	2018	2019	2018
		\$	\$	\$	\$
<b>OPERATING EXPENSES</b>					
Amortization		981	1,190	3,305	2,377
Management and consulting fees	6, 7	44,569	49,210	101,513	98,294
Mineral property expenditures		444,967	61,964	724,205	115,530
General and miscellaneous		72,928	147,180	136,811	294,203
Professional fees	7	49,030	28,669	111,398	102,756
		(612,475)	(288,213)	(1,077,232)	(613,160)
<b>OTHER (EXPENSE) INCOME</b>					
Foreign exchange loss		(1,310)	(1,993)	(1,015)	(121)
Accretion expense	5	(34,810)	(68,249)	(60,348)	(130,580)
Interest expense	5	(751,201)	(559,429)	(1,488,711)	(1,110,060)
Change in fair value of derivative liabilities	2,6,7	7,457	98,320	3,143	235,443
<b>LOSS FOR THE PERIOD</b>		<b>(1,392,339)</b>	<b>(819,564)</b>	<b>(2,624,163)</b>	<b>(1,618,478)</b>
Loss per share – basic and diluted		(0.02)	(0.01)	(0.03)	(0.02)
Weighted average number of shares outstanding		92,676,115	90,758,233	92,676,115	90,301,615

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

**I-Minerals Inc.**  
**Condensed Interim Consolidated Statements of Cash Flows**  
**For the six months ended October 31, 2019 and 2018**

*(Unaudited - Expressed in US dollars)*

	2019 \$	2018 \$
<b>OPERATING ACTIVITIES</b>		
Loss for the period	(2,624,163)	(1,618,478)
Items not involving cash:		
Amortization	3,305	2,377
Stock-based compensation	888	5,865
Accretion expense	60,348	130,580
Change in fair value of derivative liabilities	(3,143)	(235,443)
Unrealized foreign exchange (gain) loss	-	(4,535)
Change in non-cash operating working capital items:		
Receivables	(315)	397
Prepays	15,326	1,720
Accounts payable and accrued liabilities	1,667,750	1,099,452
Cash flows used in operating activities	(880,004)	(618,065)
<b>INVESTING ACTIVITIES</b>		
Additions to mineral property interest and deferred development	(4,953)	(511,482)
Purchase of equipment	(2,658)	(3,865)
Cash flows used in investing activities	(7,611)	(515,347)
<b>FINANCING ACTIVITIES</b>		
Proceeds from exercise of stock options and warrants	-	46,084
Promissory notes received	680,000	1,115,000
Cash flows from financing activities	680,000	1,161,084
(DECREASE) INCREASE IN CASH	(207,615)	27,672
CASH, BEGINNING OF THE PERIOD	241,721	213,322
CASH, END OF THE PERIOD	34,106	240,994
<b>SUPPLEMENTAL CASH FLOW INFORMATION (Note 9)</b>		
Interest paid	-	-
Taxes paid	-	-

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

# I-Minerals Inc.

## Condensed Interim Consolidated Statements of Capital Deficit For the six months ended October 31, 2019 and 2018

(Unaudited - Expressed in US dollars)

	Number of Shares #	Amount \$	Commitment to Issue Shares \$	Additional Paid-in Capital \$	Accumulated Deficit \$	Total Capital Deficit \$
Balance at April 30, 2018	89,831,955	18,787,998	50,625	1,890,220	(39,300,909)	(18,572,066)
Issued during the period:						
Shares issued on exercise of options	600,000	94,002	-	(24,878)	-	69,124
Shares issued as a debt discount	361,657	81,000	(81,000)	-	-	-
Shares issuable as a debt discount	-	-	72,975	-	-	72,975
Share-based payments - vesting	-	-	-	5,865	-	5,865
Loss for the period	-	-	-	-	(1,618,478)	(1,618,478)
Balance at October 31, 2018	90,793,612	18,963,000	42,600	1,871,207	(40,919,387)	(20,042,580)
Balance at April 30, 2019	92,676,115	19,118,229	106,858	1,866,274	(43,010,566)	(21,919,205)
Share-based payments – vesting	-	-	-	888	-	888
Reallocation of vested options to liabilities	-	-	-	(1,820)	-	(1,820)
Loss for the period	-	-	-	-	(2,624,163)	(2,624,163)
Balance at October 31, 2019	92,676,115	19,118,229	106,858	1,865,342	(45,634,729)	(24,544,300)

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

# I-Minerals Inc.

## Notes to the Condensed Interim Consolidated Financial Statements For the six months ended October 31, 2019 and 2018

*(Unaudited - Expressed in US dollars except where otherwise indicated)*

### 1. NATURE OF BUSINESS AND BASIS OF PRESENTATION AND LIQUIDITY:

I-Minerals Inc. (the "Company") was incorporated under the laws of British Columbia, Canada, in 1984. The Company is listed for trading on the TSX Venture Exchange under the symbol "IMA" and the OTCQB marketplace under the symbol "IMAHF".

The Company's principal business is the development of the Helmer-Bovill industrial mineral property ("the Property") located in Latah County, Idaho. Since inception, the Company has been in the exploration and evaluation stage but moved into the development stage in fiscal 2018. In fiscal 2019, the Company reverted back to the evaluation stage as management determined that the Feasibility Study on the property should be considered non-current. The Helmer-Bovill property is comprised of eleven mineral leases that host potentially economic deposits of feldspar, quartz and kaolinitic clays, primarily kaolinite and halloysite.

#### **Basis of Presentation and Liquidity**

The accompanying unaudited condensed interim consolidated financial statements have been prepared by the Company in accordance with accounting principles generally accepted in the United States of America ("US GAAP") for interim financial information as well as Article 10 of Regulation S-X on the basis that the Company will continue as a going concern, which assumes that the Company will be able to meet its obligations and continue its operations for the next year. Realization values may be substantially different from carrying values as shown and these financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. At October 31, 2019, the Company had not yet achieved profitable operations, had an accumulated deficit of \$45,634,729 since inception and expects to incur further losses in the development of its business, all of which casts substantial doubt upon the Company's ability to continue as a going concern and, therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business.

The financial statements do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of our management, all adjustments (consisting of only normal recurring accruals) considered necessary for a fair presentation of the interim financial statements have been included. Operating results for the six months ended October 31, 2019 are not necessarily indicative of the results that may be expected for the full year ending April 30, 2020. All amounts presented are in US dollars except where otherwise indicated. For further information refer to the financial statements and footnotes thereto for the year ended April 30, 2019 included in the Company's Annual Report on Form 10-K filed on July 29, 2019.

The Company's ability to continue as a going concern is dependent upon its ability to obtain the necessary financing to develop the Property and to meet its obligations and repay its liabilities arising from normal business operations when they come due. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. The Company has been receiving funds from a company controlled by a director of the Company through promissory notes (Notes 5 and 10). Management has no formal plan in place to address this concern but considers that the Company will be able to obtain additional funds by equity financing and/or promissory notes; however there is no assurance of additional funding being available. The Company has historically satisfied its capital needs primarily by issuing equity securities and/or promissory notes. Management plans to continue to provide for its capital needs by issuing equity securities and/or promissory notes.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

#### **Financial Instruments and Fair Value Measures**

The book value of cash, receivables, accounts payable and accrued liabilities approximate their fair values due to the immediate or short-term maturity of those instruments. The fair value hierarchy under US GAAP is based on



# I-Minerals Inc.

## Notes to the Condensed Interim Consolidated Financial Statements For the six months ended October 31, 2019 and 2018

*(Unaudited - Expressed in US dollars except where otherwise indicated)*

three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value which are the following:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - observable inputs other than Level 1, quoted prices for similar assets or liabilities in active prices whose inputs are observable or whose significant value drivers are observable; and
- Level 3 - assets and liabilities whose significant value drivers are unobservable by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Company's promissory notes are based on Level 2 inputs in the ASC 820 fair value hierarchy. The Company calculated the fair value of these instruments by discounting future cash flows using rates representative of current borrowing rates. October 31, 2019, the promissory notes had a fair value of \$24,210,914 (April 30, 2019 – \$22,602,379).

The Company had certain Level 3 liabilities required to be recorded at fair value on a recurring basis in accordance with US GAAP as at October 31, 2019 and April 30, 2019. As at October 31, 2019, the Company's Level 3 liabilities consisted of share purchase options granted to non-employees.

The resulting Level 3 liabilities have no active market and are required to be measured at their fair value each reporting period based on information that is unobservable.

A summary of the Company's Level 3 liabilities for the six months ended October 31, 2019 and 2018 is as follows:

	2019	2018
	\$	\$
<b>Warrants</b>		
Beginning fair value	-	95,570
Issuance	-	1,602
Change in fair value	-	(97,111)
Ending fair value	-	61
<b>Non-employee options (Note 6(c))</b>		
Beginning fair value	6,191	205,120
Transfer value on exercise	-	(23,040)
Fair value of options on vesting	1,820	-
Change in fair value	(3,143)	(138,332)
Ending fair value	4,868	43,748
<b>Total Level 3 liabilities</b>	<b>4,868</b>	<b>43,809</b>

Certain assets and liabilities are measured at fair value on a nonrecurring basis; that is, the instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustments only in certain circumstances (for example, when there is evidence of impairment). There were no assets or liabilities measured at fair value on a nonrecurring basis during the periods ended October 31, 2019 and 2018.

### Earnings (Loss) Per Share

The basic loss per common share is computed by dividing net loss available to common stockholders by the weighted average number of common shares outstanding. Diluted loss per common share is computed similar to basic loss per common share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential common shares had been issued and if the

# I-Minerals Inc.

## Notes to the Condensed Interim Consolidated Financial Statements For the six months ended October 31, 2019 and 2018

*(Unaudited - Expressed in US dollars except where otherwise indicated)*

additional common shares were dilutive. For the six months ended October 31, 2019, loss per share excludes 5,979,097 (2018 – 11,340,737) potentially dilutive common shares (related to outstanding options and warrants as well as shares committed to be issued pursuant to the Fifth Promissory Notes) as their effect was anti-dilutive.

### **New Accounting Pronouncements**

#### **Leases**

In February 2016, the FASB issued ASU 2016-02, as amended, Leases (Topic 842), which requires a lessee to record a right-of-use asset and a lease liability for all leases with a term greater than twelve months regardless of whether the lease is classified as an operating lease or a financing lease. Effective May 1, 2019, the Company adopted the new standard under the modified retrospective approach, applying the current-period adjustment method. Under the transition guidance of the modified retrospective approach there are a number of optional practical expedients made available to simplify the transition of the new standard. The Company has elected the following:

- The condensed consolidated balance sheets for reporting periods beginning on or after May 1, 2019 are presented under the new guidance, while prior period amounts are not adjusted and continue to be reported in accordance with ASC Topic 840, Leases. The Company did not recognize any cumulative effect adjustment to the opening balance of deficit as there was no impact on adoption of the new standard.
- The Company has elected to utilize the package of practical expedients permitted under the transition guidance in the standard, which allowed the Company to not reassess (i) whether any expired or existing contracts contain leases, (ii) historical lease classification, and (iii) initial direct costs.
- The Company has elected to keep leases with an initial term of 12 months or less off of the balance sheet.

Upon adoption, the Company did not record any adjustments to the balance sheet, statement of loss or statement of cash flows.

#### **Fair Value Measurements**

In August 2018, the FASB issued ASU No. 2018-13, "Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement" which adds the disclosure of the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements. Certain alternatives apply. This ASU is effective for interim and annual reporting periods beginning after December 15, 2019. The Company is assessing the impact of this standard.

### **3. MINERAL PROPERTY INTEREST AND DEFERRED DEVELOPMENT COSTS:**

#### *Helmer-Bovill Property – Latah County, Idaho*

The Company has an undivided 100% interest in 11 State of Idaho mineral leases. The State of Idaho mineral leases are subject to a 5% production royalty on gross sales. The mineral leases are in good standing until March 1, 2023 at which time they will be held by us contingent on production.

In May 2017, the Idaho Department of Lands accepted our operation and reclamation plan. Together with a water rights permit from the Idaho Department of Water Resources, we were able to proceed with development and construction of the mine, subject to obtaining sufficient financing. As a result, Management made the decision to begin capitalizing all development expenditures directly related to the Helmer-Bovill Property. In February 2019, the Company determined that the Feasibility Study should be considered non-current and accordingly, the Company has returned to the evaluation stage for accounting purposes.

# I-Minerals Inc.

## Notes to the Condensed Interim Consolidated Financial Statements For the six months ended October 31, 2019 and 2018

(Unaudited - Expressed in US dollars except where otherwise indicated)

### 4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES:

	October 31, 2019 \$	April 30, 2019 \$
Trade payables	311,925	150,766
Amounts due to related parties (Note 7)	203,407	190,480
Interest payable on promissory notes (Note 5)	1,253,769	1,123,478
Total accounts payable and accrued liabilities	1,769,101	1,464,724

### 5. PROMISSORY NOTES:

	October 31, 2019 \$	April 30, 2019 \$
Third promissory notes	22,159,774	20,908,690
Fifth promissory notes	2,624,531	1,776,847
Total promissory notes	24,784,305	22,685,537

The Company has Third Promissory Notes and Fifth Promissory Notes due to a company controlled by a director of the Company (the "Lender"). The Third Promissory Notes were due on June 30, 2019. On June 28, 2019, the Company entered into an amending agreement with the Lender extending the maturity date to October 31, 2019 for no consideration. The Fifth Promissory Notes were due on December 31, 2019. On October 25, 2019, the Company entered into an amending agreement with the Lender extending the maturity date for both notes, for no consideration, to the earlier of (i) June 30, 2020 and (ii) 60 days after a pre-feasibility study has been filed on SEDAR. The Sixth Promissory Notes have the same maturity date.

In accordance with the guidance of ASC 470-50 and ASC 470-60, the Company determined that the June 28, 2019 and October 25, 2019 extension agreements qualify as troubled debt restructurings. However, as the Company did not transfer assets or grant an equity interest to the Lender and since the carrying amount of the promissory notes at the time of the restructurings did not exceed the total future cash payments specified by the new terms, there was no accounting impact from the debt modifications.

Certain conditions may result in early repayment including immediate repayment in the event a person currently not related to the Company acquires more than 40% of the outstanding common shares of the Company.

#### Third Promissory Notes

The Third Promissory Notes bear interest at the rate of 12% per annum and during the six months ended October 31, 2019, the Company recorded interest of \$1,327,764 (2018 - \$1,177,442), of which \$nil was capitalized to mineral property interest (2018 - \$87,434) and \$1,327,764 was expensed (2018 - \$1,090,008). Interest is payable semi-annually as calculated on May 31<sup>st</sup> and November 30<sup>th</sup> of each year. Interest is to be paid either in cash, in common shares or deemed an advance of principal at the option of the Lender. A 5% late payment penalty may apply if payment is not paid within ten days after the due date. During the six months ended October 31, 2019, the Lender elected to have interest payable from December 1, 2018 to May 31, 2019 of \$1,251,084 deemed as advances.

# I-Minerals Inc.

## Notes to the Condensed Interim Consolidated Financial Statements For the six months ended October 31, 2019 and 2018

*(Unaudited - Expressed in US dollars except where otherwise indicated)*

### Fifth Promissory Notes

On September 11, 2018, the Company entered into a Loan Agreement with the Lender pursuant to which up to \$2,500,000 will be advanced to the Company in tranches (the "Fifth Promissory Notes"). As at October 31, 2019, the Company had received \$2,500,000 (April 30, 2019 - \$1,820,000) in advances pursuant to the Fifth Promissory Notes.

The Fifth Promissory Notes bear interest at the rate of 14% per annum and during the six months ended October 31, 2019, the Company recorded interest of \$160,947 (2018 - \$8,450). Interest is payable semi-annually as calculated on May 31<sup>st</sup> and November 30<sup>th</sup> of each year. Interest is to be paid either in cash, in common shares or deemed an advance of principal at the option of the Lender. A 5% late payment penalty may apply if payment is not paid within ten days after the due date. During the six months ended October 31, 2019, the Lender elected to have interest payable from December 1, 2018 to May 31, 2019 of \$107,336 deemed as advances.

The Company and the Lender agreed that the Lender is to receive bonus shares equal to 6% of each loan tranche advanced under the Fifth Promissory Notes divided by the Company's common share market price up to a maximum of 1,054,097 bonus shares. At October 31, 2019 and April 30, 2019, the Company was committed to issuing 1,054,097 bonus shares to the Lender with a fair value of \$106,858. The fair value of the bonus shares was determined by reference to the trading price of the Company's common shares on the date the advances were received.

The aggregate finance fees (bonus shares) are recorded against the promissory notes balance and are being amortized to the Statement of Loss over the life of the promissory notes using the effective interest method. The accretion expense in respect of the debt discount recorded on the issuance of bonus shares totalled \$60,348 for the six months ended October 31, 2019 (2018 - \$2,538). The unamortized debt discount as at October 31, 2019 is \$nil (April 30, 2019 - \$60,348).

### Sixth Promissory Notes

On October 25, 2019, the Company entered into a Loan Agreement with the Lender pursuant to which up to \$700,000 will be advanced to the Company in tranches (the "Sixth Promissory Notes"). Subsequent to October 31, 2019, the Company received advances of \$500,000.

The Sixth Promissory Notes bear interest at the rate of 14% per annum. Interest is payable semi-annually as calculated on May 31<sup>st</sup> and November 30<sup>th</sup> of each year. Interest is to be paid either in cash, in common shares or deemed an advance of principal at the option of the Lender. A 5% late payment penalty may apply if payment is not paid within ten days after the due date.

The Third Promissory Notes, the Fifth Promissory Notes and the Sixth Promissory Notes are collateralized by the Company's Helmer-Bovill Property.

The following table outlines the estimated cash payments required, by calendar year, in order to repay the principal balance of the Third Promissory Notes, the Fifth Promissory Notes and the Sixth Promissory Notes:

2019	2020	2021	2022	2023	Total
\$	\$	\$	\$	\$	\$
-	24,784,305	-	-	-	24,784,305

## 6. SHARE CAPITAL:

### Common shares

#### a) Authorized:

Unlimited number of common shares, without par value.

# I-Minerals Inc.

## Notes to the Condensed Interim Consolidated Financial Statements For the six months ended October 31, 2019 and 2018

*(Unaudited - Expressed in US dollars except where otherwise indicated)*

The holders of common shares are entitled to receive dividends which are declared from time to time, and are entitled to one vote per share at meetings of the Company. All shares are ranked equally with regards to the Company's residual assets.

### b) Stock transactions:

During the six months ended October 31, 2019, the Company did not complete any stock transactions.

During the six months ended October 31, 2018, the Company completed the following stock transactions:

- i) On July 30, 2018, the Company issued 600,000 common shares on the exercise of stock options with an exercise price of CAD\$0.10 per common share resulting in gross proceeds of CAD\$60,000 (\$46,085).
- ii) On August 10, 2018, the Company issued 361,657 common shares with a fair value of \$81,000. The common shares were issued as debt discounts pursuant to the Third Promissory Notes (Note 5).

### c) Stock options:

The Company has granted stock options under the terms of its Stock Option Plan (the "Plan"). The Plan provides that the directors of the Company may grant options to purchase common shares to directors, officers, employees and service providers of the Company on terms that the directors of the Company may determine are within the limitations set forth in the Plan. The maximum number of shares available under the Plan is limited to 10% of the issued common shares. The maximum term of stock options is ten years. All stock options vest on the date of grant, unless otherwise stated. As at October 31, 2019, the Company had 4,342,612 stock options available for grant pursuant to the Plan (April 30, 2019 – 3,642,612).

The Company's stock options outstanding as at October 31, 2019 and the changes for the period then ended are as follows:

	Number Outstanding	Weighted Average Exercise Price (in CAD\$)
Balance outstanding at April 30, 2019	5,625,000	0.26
Expired	(300,000)	0.25
Forfeited	(400,000)	0.30
Balance outstanding at October 31, 2019	4,925,000	0.25
Balance exercisable at October 31, 2019	3,675,000	0.25

Summary of stock options outstanding at October 31, 2019:

Security	Number Outstanding	Number Exercisable	Exercise Price (CAD\$)	Expiry Date	Remaining Contractual Life (years)
Stock options	1,975,000	1,975,000	0.25	January 29, 2020	0.25
Stock options	200,000	200,000	0.25	August 4, 2020	0.76
Stock options	300,000	300,000	0.30	July 21, 2021	1.72
Stock options	1,000,000	1,000,000	0.25	April 20, 2022	2.47
Stock options	<sup>(1)</sup> 1,450,000	<sup>(1)</sup> 200,000	0.25	August 9, 2023	3.78

#### Notes:

- <sup>(1)</sup> 1,250,000 stock options vest on the completion of certain milestones including equity financing, project financing, mine construction and achieving commercial production. 200,000 stock options vested as to 25% every three months from the date of grant.

# I-Minerals Inc.

## Notes to the Condensed Interim Consolidated Financial Statements For the six months ended October 31, 2019 and 2018

(Unaudited - Expressed in US dollars except where otherwise indicated)

### Non-Employee Stock Options

In accordance with the guidance of ASC 815-40-15, stock options awarded to non-employees that are fully vested and exercisable in Canadian dollars are required to be accounted for as derivative liabilities because they are considered not to be indexed to the Company's stock due to their exercise price being denominated in a currency other than the Company's functional currency. Stock options awarded to non-employees that are not vested are accounted for as equity awards until the terms associated with their vesting requirements have been met. As at October 31, 2019, there were nil (April 30, 2019 – 100,000) non-employee stock option awards that had not yet vested.

The non-employee stock options are accounted for at their respective fair values and are summarized as follows for the six months ended October 31, 2019 and 2018:

	2019 \$	2018 \$
Fair value of non-employee options, beginning of the period	6,191	205,120
Transfer value on exercise of options	-	(23,040)
Fair value of options on vesting	1,820	-
Change in fair value of non-employee stock options during the period	(3,143)	(138,332)
Fair value of non-employee options, end of the year	4,868	43,748

The Company determined the fair value of its non-employee stock options as at October 31, 2019 and April 30, 2019 using the Black-Scholes option pricing model with the following weighted average assumptions:

	October 31, 2019	April 30, 2019
Stock price (CAD\$)	0.03	0.07
Exercise price (CAD\$)	0.26	0.26
Risk-free interest rate (%)	1.74	1.52
Expected life (years)	2.16	2.23
Expected volatility (%)	106	64
Expected dividends (\$)	Nil	Nil

The non-employee options are required to be re-valued with the change in fair value of the liability recorded as a gain or loss on the change of fair value of derivative liability and included in other items in the Company's Consolidated Statements of Loss at the end of each reporting period. The fair value of the options will continue to be classified as a liability until such time as they are exercised, expire or there is an amendment to the respective agreements that renders these financial instruments to be no longer classified as a liability.

As at October 31, 2019, the unamortized compensation cost of options is \$93,382 and the intrinsic value of options expected to vest is \$nil.

Share-based payments are classified in the Company's Statement of Loss during the six months ended October 31, 2019 and 2018 as follows:

	2019 \$	2018 \$
Management and consulting fees	888	5,865
	888	5,865

# I-Minerals Inc.

## Notes to the Condensed Interim Consolidated Financial Statements For the six months ended October 31, 2019 and 2018

*(Unaudited - Expressed in US dollars except where otherwise indicated)*

### 7. RELATED PARTY TRANSACTIONS:

During the six months ended October 31, 2019, management and consulting fees of \$48,000 (2018 - \$48,000) were charged by RJG Capital Corporation, a wholly-owned company of W. Barry Girling, Director. Wayne Moorhouse, Director, charged \$8,320 (2018 - \$1,363) in management and consulting fees. Gary Childress, Director, charged \$6,805 (2018 - \$nil) in management and consulting fees. \$12,760 (2018 - \$13,117) was charged by Malaspina Consultants Inc. for the services of Matt Anderson, CFO, and are included in professional fees.

Included in accounts payable and accrued liabilities are amounts owed to directors or officers or companies controlled by them. As at October 31, 2019, the amount was \$203,407 (April 30, 2019 – \$190,480). All amounts are non-interest bearing, unsecured, and due on demand.

The promissory notes received from a company controlled by a director (Notes 5 and 10) are related party transactions.

### 8. SEGMENT DISCLOSURES:

The Company considers its business to comprise a single operating segment being the exploration and development of its resource property. Substantially all of the Company's long-term assets and operations are located in Latah County, Idaho.

### 9. NON-CASH TRANSACTIONS:

Investing and financing activities that affect recognized assets or liabilities but that do not result in cash receipts or cash payments are excluded from the consolidated statements of cash flows. During the six months ended October 31, 2019, the following transactions were excluded from the consolidated statement of cash flows:

- a) The transfer of \$1,358,420 of interest payable on the Third and Fifth Promissory Notes from accounts payable and accrued liabilities to promissory notes; and,
- b) Deferred mineral property expenditures of \$52,791 included in accounts payable and accrued liabilities at October 31, 2019, less \$57,744 included in accounts payable at April 30, 2019 (net inclusion of \$4,953).

During the six months ended October 31, 2018, the following transactions were excluded from the consolidated statement of cash flows:

- a) The commitment to issue 478,377 common shares at the fair value of \$72,975 and 139,984 warrants at the fair value of \$1,602 pursuant to the promissory notes;
- b) The transfer of \$1,069,392 of interest payable on the Third Promissory Notes from accounts payable and accrued liabilities to promissory notes; and,
- c) Deferred mineral property expenditures of \$89,849 included in accounts payable and accrued liabilities at October 31, 2018, less \$140,561 included in accounts payable at April 30, 2018 (net inclusion of \$50,712).

### 10. SUBSEQUENT EVENT:

Subsequent to October 31, 2019:

- i) The Company received advances of \$500,000 under the Sixth Promissory Notes (Note 5);

## **CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

Certain statements contained in this Quarterly Report constitute "forward-looking statements." These statements, identified by words such as "plan," "anticipate," "believe," "estimate," "should," "expect" and similar expressions include our expectations and objectives regarding our future financial position, operating results and business strategy. Forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, general business, economic, competitive, political and social uncertainties; the actual results of current exploration and development activities; changes in project parameters as plans continue to be refined; changes in labour costs or other costs of production; future mineral prices; equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the mining industry, including but not limited to environmental hazards, cave-ins, pit-wall failures, flooding, rock bursts and other acts of God or unfavourable operating conditions and losses; delays in obtaining governmental approvals or financing or in the completion of development or construction activities, as well as those factors discussed in the section titled "Risk Factors" in our Annual Report on Form 10-K which was filed with the SEC on July 29, 2019.

Forward looking statements are based on a number of material factors and assumptions, including the results of exploration/development and drilling activities, the availability and final receipt of required approvals, licenses and permits, that sufficient working capital is available to complete proposed exploration/development and drilling activities, that contracted parties provide goods and/or services on the agreed time frames, the equipment necessary for exploration/development is available as scheduled and does not incur unforeseen break downs, that no labour shortages or delays are incurred and that no unusual geological or technical problems occur. While we consider these assumptions may be reasonable based on information currently available to it, they may prove to be incorrect. Actual results may vary from such forward-looking information for a variety of reasons, including but not limited to risks and uncertainties disclosed in the section titled "Risk Factors" in this Quarterly Report.

We intend to discuss in our Quarterly Reports and Annual Reports any events or circumstances that occurred during the period to which such documents relate that are reasonably likely to cause actual events or circumstances to differ materially from those disclosed in this Quarterly Report. New factors emerge from time to time, and it is not possible for management to predict all of such factors and to assess in advance the impact of each such factor on our business or the extent to which any factor, or combination of such factors, may cause actual results to differ materially from those contained in any forwarding looking statement.

## **CAUTIONARY NOTE TO U.S. INVESTORS REGARDING ESTIMATES OF MEASURED, INDICATED AND INFERRED RESOURCES AND PROVEN AND PROBABLE RESERVES**

The terms "mineral reserve", "proven mineral reserve" and "probable mineral reserve" as used in this Quarterly Report are Canadian mining terms as defined in accordance with Canadian National Instrument 43-101 – Standards of Disclosure for Mineral Projects ("NI 43-101") and the Canadian Institute of Mining, Metallurgy and Petroleum (the "CIM") – CIM Definition Standards on Mineral Resources and Mineral Reserves, adopted by the CIM Council, as amended (the "CIM Definition Standards"). These definitions differ from the definitions in the United States Securities and Exchange Commission ("SEC") Industry Guide 7 ("SEC Industry Guide 7") under the United States Securities Act of 1933, as amended (the "Securities Act"). Under SEC Industry Guide 7 standards, a "final" or "bankable" feasibility study is required to report reserves, the three-year historical average price is used in any reserve or cash flow analysis to designate reserves, and the primary environmental analysis or report must be filed with the appropriate governmental authority.

In addition, the terms "mineral resource", "measured mineral resource", "indicated mineral resource" and "inferred mineral resource" are defined in and required to be disclosed by NI 43-101; however, these terms are not defined terms under SEC Industry Guide 7 and are normally not permitted to be used in reports and registration statements filed with the SEC. Investors are cautioned not to assume that all or any part of a mineral deposit in these categories will ever be converted into reserves. "Inferred mineral resources" have a great amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all, or any part, of an inferred mineral resource will ever be upgraded to a higher category. Under Canadian rules, estimates of inferred mineral resources may not form the basis of feasibility or pre-feasibility studies, except in rare cases. Investors are cautioned not to assume that all or any part of an inferred mineral resource exists or is economically or legally mineable. Disclosure of unit measures in a resource is permitted disclosure under Canadian regulations; however, the SEC only permits issuers to report mineralization that does not constitute "reserves" by SEC standards as in place tonnage and grade without reference to unit measures.

Accordingly, information contained in this Quarterly Report and any documents incorporated by reference herein contain descriptions of our mineral deposits that may not be comparable to similar information made public by U.S. companies subject to the reporting and disclosure requirements under the United States federal securities laws and the rules and regulations thereunder.



As used in this Quarterly Report, unless the context otherwise requires, “we,” “us,” “our,” the “Company” and “I-Minerals” refers to I-Minerals Inc. All dollar amounts in this Quarterly Report are in U.S. dollars unless otherwise stated.

## **PART I**

### **Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.**

#### **General**

We were incorporated under the laws of British Columbia, Canada in 1984. In 2004, we changed our corporate jurisdiction from a British Columbia company to a Canadian corporation. In December 2011, we amended our articles to change our name from “i-minerals inc.” to “I-Minerals Inc.”

The Company is engaged in the exploration, evaluation and development of our Helmer-Bovill industrial minerals property (the “Helmer-Bovill Property”). The Helmer-Bovill Property, in which we hold a 100% interest, is comprised of 11 mineral leases totaling 5,140.64 acres located approximately 6 miles northwest of Bovill, Latah County, Idaho. Since inception, the Company has been in the exploration stage but moved into the development stage in fiscal 2018. In fiscal 2019, the Company reverted back to the evaluation stage.

We acquired the Helmer-Bovill Property from Idaho Industrial Minerals (“IIM”) pursuant to an Assignment Agreement with Contingent Right of Reverter (the “IIM Agreement”) dated August 12, 2002, as amended August 10, 2005, August 10, 2008 and January 21, 2010, between I-Minerals USA (formerly Alchemy Kaolin Corporation), our wholly owned subsidiary, and IIM. Under the terms of the IIM Agreement, we issued a total of 1,800,000 common shares to IIM.

Our principal executive office is located at Suite 880, 580 Hornby Street, Vancouver, British Columbia, Canada and our telephone number is (877) 303-6573. Our operations office is located at 13403 N. Government Way, #102, Hayden, Idaho.

To date, we have not earned significant revenues from the operation of our Helmer-Bovill Property. Accordingly, we are dependent on debt and equity financing as our primary source of operating working capital. Our capital resources are largely determined by the strength of the junior resource markets and by the status of our projects in relation to these markets, and its ability to compete for investor support of its projects.

#### **Our Principal Projects**

Our activities at the Helmer-Bovill Property are focused on developing the Bovill Kaolin Project and the WBL Tailings Project.

##### **The Bovill Kaolin Project**

Our lead project, the Bovill Kaolin Project, is a strategically located long term resource of quartz, potassium feldspar (“K-spar”), halloysite and kaolinite formed through weathering of a border phase of the Idaho Batholith causing all minerals to be contained within a fine white clay-sand mixture referred to as “primary clay.” The Bovill Kaolin Project is located within 3 miles of state highways with electricity and natural gas already at the property boundary.

Since 2010, our exploration work has focused diamond drilling on the Bovill Kaolin Project. To date, a total of 322 diamond drill holes have been drilled totaling 35,909 feet. As a result of these drill campaigns, four deposits have been identified: Kelly’s Hump, Kelly’s Hump South, Middle Ridge and WBL.

In June 2014, we completed an updated pre-feasibility study on the Bovill Kaolin Project (the “2014 PFS”) and on March 8, 2016, we announced the economic results of our initial feasibility study (the “2016 FS”). However, based on the results of an updated independent market study it is apparent that fundamental changes in the businesses that consume our minerals has taken place over the past several years. These changes include offshoring and reformulation wherein industries that had previously used K-spar for example have reformulated their production batches using alternate minerals. Markets do exist for all of the minerals contained within the Bovill Kaolin Project but not in the volumes contemplated in the 2016 FS. Accordingly, the 2016 FS is considered not to be current and should not be relied upon and previously disclosed proven and probable reserve estimates for the Bovill Kaolin Project should no longer be classified or relied upon as such.

Although the reserves and subsequent financial analyses disclosed in the 2016 FS are no longer current, the mineral resources stated in the 2016 FS remain current and have recently been re-stated in a standalone technical report prepared by SRK Consulting (U.S.) recently completed an updated resource estimate. The updated mineral resource statement from this report contains the same tonnages and grades as were disclosed in the 2016 FS and is summarized below.

In addition, the Company engaged Millcreek Engineering of Salt Lake City, Utah to estimate the capital and operating costs for a smaller plant capable of producing up to 20,000 tons of metakaolin and 10,000 tons of halloysite per year. The estimated Operating Costs and Capital Cost fell in line with expectations and the Company has retained Millcreek to complete a Pre-Feasibility Study of a metakaolin and halloysite operation. It is envisioned that the sand fraction (K-spar and quartz) will be screened and sold into lower value industrial applications.

- **Updated Measured and Indicated Resource Estimate**
  - Measured Resources of 5.7 million tons containing 76.5% quartz/K-spar sand, 12.3% Kaolinite and 4.0% Halloysite.
  - Indicated Resources of 15.5 million tons containing 57.0% quartz/K-spar sand, 15.5% Kaolinite and 2.8% Halloysite.
  - 667,000 tons of contained halloysite, 3,119,000 tons of contained kaolinite and 13,235,000 tons of contained quartz/K-spar.

In May 2017, the Idaho Department of Lands (“IDL”) accepted our operation and reclamation plan. We have since re-engaged with the IDL to discuss changes to the operation and reclamation plan given the reduced impacts of the smaller operation.

## **Plan of Operation**

During the next twelve months, our plan of operation is to complete a Prefeasibility study (“PFS”) being undertaken by Millcreek Engineering (“Millcreek”) and assuming the results of the PFS are satisfactory, move to a full Feasibility Study (“FS”). In May 2017, the IDL accepted our Operation and Reclamation Plan on the Bovill Kaolin Project. We have advised the IDL we will be amending our Operation and Reclamation plan to reflect the smaller operation. We have received initial power demand estimates from Millcreek and will discuss our power needs with Avista, the local utility, to see if the electricity grid requires upgrading as was required for the larger of our mineral operation. In the interim we will continue to strengthen our customer list and continue discussions to raise the capital to fund the mine construction.

## **Outlook**

Our focus continues to be the detailed assessment of all of our mineral assets and advancing the Bovill Kaolin Project towards production. The Company has elected to initially focus on the development of a metakaolin and halloysite operation. After receiving operating cost and capital cost estimates from Millcreek Engineering it has engaged Millcreek to complete a PFS. The envisaged plant would produce 10,000 tons of halloysite and 20,000 tons of metakaolin annually. Mine Development Associates of Reno (“MDA”) have been engaged to amend the mine plan to target the more clay rich (kaolin and halloysite) sections of the deposit. Preliminary results from MDA indicate focusing mining efforts on the more weathered material will materially increase the halloysite and kaolinite grade. Completion of the prefeasibility study is expected in the first calendar quarter of 2020.

With respect to work at GMT, a bulk sample of approximately 60 tons of primary clay material has been processed. Changes to the process flow sheet as compared with prior GMT pilot plants included the installation of a hammer mill at the front end of the circuit and the incorporation of a new hydrocyclone processing step to improve clay/sand separation. Pilot scale hydrocyclone test work resulted in the clay yields increasing to about 30% as compared with a yield of 22% as demonstrated in previous pilot plant work. Successful implementation of the hydrocyclone processing has resulted in increased production of ULTRA Hallopure® and HalloPure® halloysite products and kaolin for metakaolin production beyond the rates achieved in pilot plant work associated with the feasibility study. With the pilot plant completed, the kaolin has been calcined into a metakaolin product. Small portions of the halloysite have been successfully beneficiated into value added products for testing in air and gas filtration applications. Results from the current pilot plant will be incorporated into the ongoing PFS by Millcreek.

Concrete test results using our fine ground metakaolin have been received from CTL | Thomson. Excellent strength numbers were generated while staying within the ASTM C-618 water demand requirements. This batch of metakaolin being tested was produced using flash calcination technologies. Management believes a highly reactive metakaolin would be an attractive pozzolan in the Pacific Northwest as pozzolans with comparable characteristics are too expensive for use in many cement applications.

At present we have inventory of all minerals for distribution to customers.

Sample requests for halloysite have come from North America, Europe, the Middle East, South America and Asia showing both the scarcity of halloysite in general and the quality of I-Minerals halloysite in particular. While we currently have inventory of ULTRA Hallopure® and HalloPure® several companies have advanced their halloysite consuming products to near commercialization and have indicated a need for multiple tons of halloysite to complete the commercialization process.

## Results of Operation

### *Six months ended October 31, 2019*

We recorded a loss of \$2,624,163 (\$0.03 per share) for the six months ended October 31, 2019 as compared to a loss of \$1,618,478 (\$0.02 per share) for the six months ended October 31, 2018. The increase in the loss recorded for the period ended October 31, 2019 as compared to the period ended October 31, 2018 is the net result of changes to a number of expenses. Of note are the following items:

- Management and consulting fees of \$101,513 (2018 - \$98,294) are comprised of fees to manage our Company and stock-based compensation. The stock-based compensation recognized in the current period was \$888 (2018 - \$5,865). Approximately 75% of the fees to manage our Company are charged to management and consulting fees and the other 25% is charged to mineral property expenditures.
- Mineral property expenditures of \$724,205 (2018 - \$115,530) are costs incurred on our Helmer-Bovill Property. The expenses increased this period compared to the 2018 period as we are now expensing all mineral property expenditures while in the 2018 period, we capitalized \$460,770 of development costs. The main components of costs during the current period included engineering and consulting (\$288,263) and metallurgy (\$215,727). During the current period, the Company continued mineral product optimization and work on the Prefeasibility Study.
- General and miscellaneous expenses of \$136,811 (2018 - \$294,203) are comprised of office and telephone expenses, payroll taxes, medical benefits, insurance premiums, travel expenses, promotional expenses, shareholder communication fees, transfer agent fees and filing fees. The decrease during the current period was due to a reduction in shareholder communications fees and severance costs.
- Professional fees of \$111,398 (2018 - \$102,756) include legal fees, audit fees and financial consulting fees.
- Accretion expense of \$60,348 (2018 - \$130,580) is the amortization of the fair value of bonus shares and bonus warrants issued to the lender of the promissory notes. The bonus shares and bonus warrants are amortized over the life of the promissory notes.
- Interest expense of \$1,488,711 (2018 - \$1,110,060) is from promissory notes that bear interest at the rates of 12%-14% per year. Interest increased as additional funds were advanced.
- We recorded a gain on change in fair value of derivative liabilities of \$3,143 (2018 - gain of \$235,443). The change in fair value of derivative liabilities is based on the change in remaining term of derivative instruments and our stock price. The derivatives include warrants as well as stock options granted to non-employees. The derivative liabilities do not represent cash liabilities. During Q3 fiscal 2019, the derivative warrants expired unexercised.

## Liquidity and Capital Resources

Our aggregate operating, investing and financing activities during the six months ended October 31, 2019 resulted in a net cash outflow of \$207,615 (2018 - inflow of \$27,672). As at October 31, 2019, we had a working capital deficiency of \$26,479,308.

During the six months ended October 31, 2019, \$2,562,765 was used in operations before changes in non-cash operating working capital items (2018 - \$1,719,634). During the six months ended October 31, 2019, we spent \$7,611 on investing activities (2018 - \$515,347) and we received \$680,000 from financing activities (2018 - \$1,161,084).

We have been financed by advances pursuant to promissory notes advanced by BV Lending LLC, an entity controlled by Allen L. Ball, a member of our Board of Directors and our largest shareholder (the "Lender"). During the six months ended October 31, 2019, the Company was receiving advances pursuant to the Fifth Promissory Notes. As at October 31, 2019, the principal balance of the promissory notes was \$24,784,305.

On October 25, 2019, the Company entered into a loan agreement with the Lender pursuant to which up to \$700,000 will be advanced to the Company in tranches (the "Sixth Promissory Notes"). Subsequent to October 31, 2019, the Company received advances of \$500,000. An additional \$200,000 of advances are available under the Sixth Promissory Notes.

The Third Promissory Notes, the Fifth Promissory Notes and the Sixth Promissory Notes have a maturity date of the earlier of (i) June 30, 2020 and (ii) 60 days after a pre-feasibility study has been filed on SEDAR.

We have not as yet put into commercial production any mineral properties and as such have no operating revenues. Accordingly, we are dependent on debt and equity financing as the primary source of operating working capital. Our capital resources are largely determined by the strength of the junior resource markets and by the status of our projects in relation to these markets, and our ability to compete for investor support of our projects.

We remain dependent on additional financing to fund development requirements on the Helmer-Bovill property and for general corporate costs. With respect to funds required for capital cost items, State-sponsored debt financing instruments may be available on attractive terms, and we intend to pursue such financial instruments to cover portions of the capital costs associated with placing the Bovill Kaolin deposits into production.

We do not have the ability to internally generate sufficient cash flows to support our operations for the next twelve months. We have been receiving funds from a company controlled by a director of the Company through promissory notes. We have no formal plan in place to address this going concern issue but consider that we will be able to obtain additional funds by equity financing and/or debt financing; however, there is no assurance of additional funding being available. As a result, our auditors included an emphasis of matter note in their report on the financial statements for the year ended April 30, 2019 about our ability to continue as a going concern.

### **Off-Balance Sheet Arrangements**

We have no significant off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to shareholders.

### **Critical Accounting Policies**

#### *Measurement Uncertainty*

The preparation of these consolidated financial statements in conformity with US GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. We regularly evaluate estimates and assumptions related to the useful life and recoverability of long lived assets, stock-based compensation, valuation of convertible debentures and derivative liabilities, and deferred income tax asset valuation allowances. We base our estimates and assumptions on current facts, historical experience and various other factors that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the accrual of costs and expenses that are not readily apparent from other sources. The actual results experienced by us may differ materially and adversely from our estimates. To the extent there are material differences between the estimates and the actual results, future results of operations will be affected. The most significant estimates with regard to our condensed consolidated financial statements relate to the determination of fair values of derivative liabilities and stock-based transactions.

#### *Stock-based Compensation*

We account for all stock-based payments and awards under the fair value based method. Stock-based payments to non-employees are measured at the fair value of the consideration received, or the fair value of the equity instruments issued, or liabilities incurred, whichever is more reliably measurable.

The fair value of stock-based payments to non-employees is periodically re-measured until the counterparty performance is complete, and any change therein is recognized over the vesting period of the award and in the same manner as if we had paid cash instead of paying with or using equity based instruments. The cost of the stock-based payments to non-employees that are fully vested and non-forfeitable as at the grant date is measured and recognized at that date, unless there is a contractual term for services in which case such compensation would be amortized over the contractual term.

We account for the granting of stock options to employees using the fair value method whereby all awards to employees will be recorded at fair value on the date of the grant. The fair value of all stock options is expensed over their vesting period with a corresponding increase to additional paid-in capital.

Compensation costs for stock-based payments that do not include performance conditions are recognized on a straight-line basis. Compensation cost associated with a share based award having a performance condition is recognized on the probable outcome of that performance condition during the requisite service period. Share based awards with a performance condition are accrued on an award by award basis.

We use the Black-Scholes option valuation model to calculate the fair value of stock options at the date of the grant. Option pricing models require the input of highly subjective assumptions, including the expected price volatility. Changes in these assumptions can materially affect the fair value estimates.

### *Derivative Liabilities*

We evaluate our financial instruments and other contracts to determine if those contracts or embedded components of those contracts qualify as derivatives to be separately accounted for in accordance with ASC 815. The result of this accounting treatment is that the fair value of the embedded derivative is marked-to-market at each balance sheet date and recorded as a liability and the change in fair value is recorded in the consolidated statement of loss. Upon conversion or exercise of a derivative instrument, the instrument is marked to fair value at the conversion date and then that fair value is reclassified to equity.

The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is re-assessed at the end of each reporting period. Derivative instruments that become subject to reclassification are reclassified at the fair value of the instrument on the reclassification date. Derivative instrument liabilities are classified in the balance sheet as current as settlement of the derivative instruments are at the option of the holder.

We use the Black-Scholes option valuation model to value derivative liabilities. This model uses Level 3 inputs in the fair value hierarchy established by ASC 820 Fair Value Measurement.

### *Mineral Property Acquisition and Exploration Costs*

Mineral property acquisition costs are capitalized when incurred. Acquisition costs include cash consideration and the fair market value of shares issued on the acquisition of mineral property claims.

Costs related to the development of our mineral reserves are capitalized when it has been determined an ore body can be economically developed. The development stage begins when an ore body is determined to be economically recoverable based on proven and probable reserves and appropriate permits are in place, and ends when the production stage or exploitation of reserves begins. Major mine development expenditures are capitalized, including primary development costs such as costs of building access ways, tailings impoundment, development of water supply and infrastructure developments.

Exploration costs include those relating to activities carried out (a) in search of previously unidentified mineral deposits, or (b) at undeveloped concessions. Pre-development activities involve costs incurred in the exploration stage that may ultimately benefit production that are expensed due to the lack of evidence of economic development, which is necessary to demonstrate future recoverability of these expenses. Secondary development costs are incurred for preparation of an ore body for production in a specific ore block or work area, providing a relatively short-lived benefit only to the mine area they relate to, and not to the ore body as a whole.

Once production has commenced, capitalized costs will be depleted using the units-of-production method over the estimated life of the proven and probable reserves. If mineral properties are subsequently abandoned or impaired, any capitalized costs will be charged to the Consolidated Statements of Loss in that period.

We assess the carrying cost of our mineral properties for impairment whenever information or circumstances indicate the potential for impairment. Such evaluations compare estimated future net cash flows with our carrying costs and future obligations on an undiscounted basis. If it is determined that the future undiscounted cash flows are less than the carrying value of the property, a write down to the estimated fair value is charged to the Consolidated Statements of Loss for the period. Where estimates of future net cash flows are not available and where other conditions suggest impairment, management assesses if the carrying value can be recovered.

For significant exploration and development projects, interest is capitalized as part of the historical cost of developing and constructing assets in accordance with ASC 835-20. Interest is capitalized until the asset is ready for service. Capitalized interest is determined by multiplying the Company's weighted-average borrowing cost on general debt by the average amount of qualifying costs incurred. Once an asset subject to interest capitalization is completed and placed in service, the associated capitalized interest is expensed through depletion or impairment.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

Not applicable

#### Item 4. Controls and Procedures.

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures as of October 31, 2019. Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of October 31, 2019. There were no material changes in the Company's internal control over financial reporting during the second quarter of fiscal 2020.

## PART II

#### Item 1. Legal Proceedings.

None.

#### Item 1A. Risk Factors.

There have been no material changes from the risk factors as previously disclosure in our Annual Report on Form 10-K which was filed with the SEC on July 29, 2019.

#### Item 2. Sale of Unregistered Securities.

All unregistered sales of equity securities during the period covered by the Quarterly Report were previously disclosed in our current reports on Form 8-K and our Annual Report on Form 10-K.

#### Item 3. Defaults Upon Senior Securities.

None.

#### Item 4. Mine Safety Disclosures.

Pursuant to Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (The "Dodd-Frank Act"), issuers that are operators, or that have a subsidiary that is an operator, of a coal or other mine in the United States are required to disclose in their periodic reports filed with the SEC information regarding specified health and safety violations, orders and citations, related assessments and legal actions, and mining-related fatalities. During the six months ended October 31, 2019, our U.S. exploration and evaluation property was not subject to regulation by the Federal Mine Safety and Health Administration ("MSHA") under the Federal Mine Safety and Health Act of 1977 (the "Mine Act").

#### Item 5. Other Information.

##### 2019 Annual General Meeting Results

On December 10, 2019, the Company held its annual general meeting of the shareholders (the "Meeting"). All items submitted to the shareholders for approval as set out in the Company's Proxy Statement were approved by the requisite majority of votes at the AGM.

The details of the voting results for the election of directors are outlined below:

Director	Votes For		Votes Withheld	
	#	%	#	%
John Theobald	25,382,044	99.64%	92,000	0.36%
Allen L. Ball	25,440,044	99.87%	34,000	0.17%
W. Barry Girling	25,382,044	99.64%	92,000	0.36%
Gary Childress	25,444,044	99.88%	30,000	0.12%
Wayne Moorhouse	25,444,044	99.88%	30,000	0.12%

In addition to the re-election of the directors, shareholders also approved the re-appointment of BDO Canada LLP as auditors of the Company, set the number of directors at five, approved amending the Company's stock option plan and the renewal of the Company's stock option plan.

## Entry into Security Agreements

On December 9, 2019, in accordance with the terms of the Third Promissory Notes, the Fifth Promissory Notes and the Sixth promissory Notes agreements, the Company granted the following security interests to BV Lending LLC:

- (a) a general security interest over all the present and after acquired personal property of the Company pursuant to the terms of a general security agreement between the Company and BV Lending LLC;
- (b) a mortgage on the leases that comprise the Bovill Kaolin Project and a security interest over the present and after acquired personal property of i-minerals USA, Inc. pursuant to a Mortgage and Security Agreement between i-minerals USA, Inc. and BV Lending LLC; and,
- (c) a continuing and unconditional guaranty by I-Minerals, Inc. to BV Lending LLC.

## Item 6. Exhibits.

- 3.1 Certificate of Continuation.<sup>(2)</sup>
- 3.2 Articles of Continuance.<sup>(2)</sup>
- 3.3 Certificate of Amendment.<sup>(2)</sup>
- 3.4 Articles of Amendment.<sup>(2)</sup>
- 3.5 By-Laws.<sup>(2)</sup>
- 10.1 Assignment Agreement with Contingent Right of Reverter dated August 10, 2002, between the Company, Idaho Industrial Minerals, LLC and Northwest Kaolin Inc.<sup>(2)</sup>
- 10.2 Amendment and Ratifications of Assignment Agreement with Contingent Right of Reverter dated August 10, 2005, between the Company, Idaho Industrial Minerals, LLC and Northwest Kaolin Inc.<sup>(2)</sup>
- 10.3 Second Amendment and Ratifications of Assignment Agreement with Contingent Right of Reverter dated August 10, 2005, between the Company, Idaho Industrial Minerals, LLC and Northwest Kaolin Inc.<sup>(2)</sup>
- 10.4 Third Amendment and Ratifications of Assignment Agreement with Contingent Right of Reverter dated August 10, 2008, between the Company, Idaho Industrial Minerals, LLC and Northwest Kaolin Inc.<sup>(2)</sup>
- 10.5 Fourth Amendment and Ratifications of Assignment Agreement with Contingent Right of Reverter dated January 1, 2010, between the Company, Idaho Industrial Minerals, LLC and Northwest Kaolin Inc.<sup>(2)</sup>
- 10.6 Employment Agreement dated April 1, 2013 between the Company and Thomas M. Conway.<sup>(2)</sup>
- 10.7 Loan Agreement dated September 13, 2013 between the Company and BV Lending LLC.<sup>(2)</sup>
- 10.8 Stock Option Plan.<sup>(1)</sup>
- 10.9 Sales Agreement dated April 28, 2014 between I-Minerals USA, Inc. and Pre-Mix, Inc.<sup>(2)</sup>
- 10.10 Loan Agreement dated February 18, 2015 between the Company and BV Lending LLC.<sup>(3)</sup>
- 10.11 Amendment Agreement dated December 1, 2015 between the Company and BV Lending LLC.<sup>(4)</sup>
- 10.12 Loan Agreement dated June 1, 2016 between the Company and BV Lending LLC.<sup>(5)</sup>
- 10.13 Amending Agreement dated October 25, 2017 between the Company and BV Lending LLC.<sup>(6)</sup>
- 10.14 Amending Agreement dated January 18, 2018 between the Company and BV Lending LLC.<sup>(7)</sup>
- 10.15 Amending Agreement dated March 30, 2018 between the Company and BV Lending LLC.<sup>(8)</sup>
- 10.16 Employment Agreement dated March 1, 2018 between the Company and John Theobald.<sup>(9)</sup>
- 10.17 Settlement Agreement dated August 3, 2018 between the Company and Thomas Conway.<sup>(9)</sup>
- 10.18 Loan Agreement dated September 11, 2018 between the Company and BV Lending LLC.<sup>(9)</sup>
- 10.19 Amending Agreement dated March 27, 2019 between the Company and BV Lending LLC.<sup>(10)</sup>
- 10.20 Amending Agreement dated June 28, 2019 between the Company and BV Lending LLC.<sup>(10)</sup>
- 10.21 Amending Agreement dated October 25, 2019 between the Company and BV Lending LLC.
- 10.22 Loan Agreement dated October 25, 2019 between the Company and BV Lending LLC.<sup>(11)</sup>
- 31.1 Certification of Chief Executive Officer pursuant to Section 302 of Sarbanes-Oxley Act of 2002 (Rule 13a-14 and 15d-14 of the Exchange Act)
- 31.2 Certification of Chief Financial Officer pursuant to Section 302 of Sarbanes-Oxley Act of 2002 (Rule 13a-14 and 15d-14 of the Exchange Act)

- 32.1 Certification of Chief Executive Officer pursuant to pursuant to Section 1350 of Title 18 of the United States Code  
32.2 Certification of Chief Financial Officer pursuant to pursuant to Section 1350 of Title 18 of the United States Code

Notes:

- (1) Filed as an exhibit to our Registration Statement on Form 10 filed with the SEC on November 17, 2014.
- (2) Filed as an exhibit to our Registration Statement on Form 10/A filed with the SEC on December 24, 2014.
- (3) Filed as an exhibit to our Current Report on Form 8-K filed with the SEC on March 11, 2015.
- (4) Filed as an exhibit to our Current Report on Form 8-K filed with the SEC on December 7, 2015.
- (5) Filed as an exhibit to our Form 10-Q filed with the SEC on September 14, 2016.
- (6) Filed as an exhibit to our Form 10-Q filed with the SEC on December 15, 2017.
- (7) Filed as an exhibit to our Form 10-Q filed with the SEC on March 14, 2018.
- (8) Filed as an exhibit to our Form 10-K filed with the SEC on August 3, 2018.
- (9) Filed as an exhibit to our Form 10-Q filed with the SEC on September 14, 2018.
- (10) Filed as an exhibit to our Form 10-K filed with the SEC on July 29, 2019.
- (11) Filed as an exhibit to our Current Report on Form 8-K filed with the SEC on November 8, 2019.

**SIGNATURES**

In accordance with Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**I-MINERALS INC.**

Date: December 13, 2019

By: /s/ John Theobald  
**JOHN THEOBALD**  
Chief Executive Officer and President  
(Principal Executive Officer)

Date: December 13, 2019

By: /s/ Matthew Anderson  
**MATTHEW ANDERSON**  
Chief Financial Officer  
(Principal Financial Officer and Principal Accounting Officer)