

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: **January 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)

**British Columbia, 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	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
(Do not check if a smaller reporting company)		Emerging growth company	<input checked="" type="checkbox"/>

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 March 15, 2019, the registrant had 92,676,115 outstanding shares of common stock.

**I-Minerals Inc.**  
**TABLE OF CONTENTS**

Part I. Financial Information

Item 1. Financial Statements (Unaudited)

Condensed consolidated balance sheets – January 31, 2019 and April 30, 2018

Condensed consolidated statements of loss – Three and nine months ended January 31, 2019 and 2018

Condensed consolidated statements of cash flows – Nine months ended January 31, 2019 and 2018

Condensed consolidated statements of capital deficit – Nine months ended January 31, 2019 and 2018

Notes to the condensed consolidated financial statements – January 31, 2019

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Item 4. Controls and Procedures

Part II. Other Information

Item 1. Legal Proceedings

Item 1A. Risk Factors

Item 2. Unregistered Sales of Equity Securities and use of Proceeds

Item 3. Defaults Upon Senior Securities

Item 4. Mine Safety Disclosures

Item 5. Other Information

Item 6. Exhibits

Signatures



***I-Minerals Inc.***

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

**I-Minerals Inc.**  
**Condensed Consolidated Balance Sheets**

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

	Notes	January 31, 2019 \$	April 30, 2018 \$
<b>ASSETS</b>			
Current assets			
Cash		533,322	213,322
Receivables		6,789	6,801
Prepays		15,058	35,725
		555,169	255,848
Equipment		15,487	14,118
Mineral property interest and deferred development costs	3	1,831,523	1,145,906
Deposits		28,728	28,728
<b>TOTAL ASSETS</b>		<b>2,430,907</b>	<b>1,444,600</b>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable and accrued liabilities	4,8	842,519	1,475,121
Promissory notes	5	22,383,802	18,240,855
Derivative liabilities	2,6,7	13,089	300,690
		23,239,410	20,016,666
<b>CAPITAL DEFICIT</b>			
Capital Stock			
Authorized:			
Unlimited common shares with no par value			
Issued and fully paid: 92,676,115 (April 30, 2018 – 89,831,955)	7	19,118,229	18,787,998
Additional paid-in capital		1,867,381	1,890,220
Commitment to issue shares	5	94,200	50,625
Deficit		(41,888,313)	(39,300,909)
<b>TOTAL CAPITAL DEFICIT</b>		<b>(20,808,503)</b>	<b>(18,572,066)</b>
<b>TOTAL LIABILITIES AND CAPITAL DEFICIT</b>		<b>2,430,907</b>	<b>1,444,600</b>

On behalf of the Board

\_\_\_\_\_  
“John Theobald” Director

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

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

**I-Minerals Inc.**  
**Condensed Consolidated Statements of Loss**  
**For the three and nine months ended January 31, 2019 and 2018**

*(Unaudited - Expressed in US dollars)*

	Notes	Three months ended		Nine months ended	
		2019	2018	2019	2018
		\$	\$	\$	\$
<b>OPERATING EXPENSES</b>					
Amortization		1,256	710	3,633	2,279
Management and consulting fees	7,8	46,660	24,813	144,954	83,123
Mineral property expenditures		139,883	119,765	255,413	336,892
General and miscellaneous		144,758	107,538	469,068	354,092
Professional fees	8	37,769	47,561	110,418	195,992
		(370,326)	(300,387)	(983,486)	(972,378)
<b>OTHER (EXPENSE) INCOME</b>					
Foreign exchange gain (loss)		1,273	(10,919)	1,152	(22,536)
Accretion expense	5	(86,828)	(84,621)	(217,408)	(403,893)
Interest expense	5	(603,977)	(466,563)	(1,714,037)	(1,413,245)
Change in fair value of derivative liabilities	2,6,7	33,172	152,809	268,615	992,869
Gain on debt settlement	5	57,760	2,712	57,760	2,712
<b>LOSS FOR THE PERIOD</b>		<b>(968,926)</b>	<b>(706,969)</b>	<b>(2,587,404)</b>	<b>(1,816,471)</b>
Loss per share – basic and diluted		(0.01)	(0.01)	(0.03)	(0.02)
Weighted average number of shares outstanding		90,998,232	89,514,980	90,533,821	89,466,339

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

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

*(Unaudited - Expressed in US dollars)*

	2019	2018
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Loss for the period	(2,587,404)	(1,816,471)
Items not involving cash:		
Amortization	3,633	2,279
Stock-based compensation	4,491	8,632
Accretion expense	217,408	403,893
Change in fair value of derivative liabilities	(268,615)	(992,869)
Unrealized foreign exchange (gain) loss	(7,360)	20,219
Gain on settlement of debt	(57,760)	-
Change in non-cash operating working capital items:		
Receivables	12	(408)
Prepays	20,667	47,203
Accounts payable and accrued liabilities	1,728,184	1,472,034
<b>Cash flows used in operating activities</b>	<b>(946,744)</b>	<b>(855,488)</b>
<b>INVESTING ACTIVITIES</b>		
Additions to mineral property interest and deferred development	(749,338)	(525,054)
Purchase of equipment	(5,002)	(2,917)
Deposits	-	(20,000)
<b>Cash flows used in investing activities</b>	<b>(754,340)</b>	<b>(547,971)</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from exercise of stock options and warrants	46,084	-
Promissory notes received	1,975,000	1,350,000
<b>Cash flows from financing activities</b>	<b>2,021,084</b>	<b>1,350,000</b>
<b>INCREASE (DECREASE) IN CASH</b>	<b>320,000</b>	<b>(53,459)</b>
<b>CASH, BEGINNING OF THE PERIOD</b>	<b>213,322</b>	<b>287,282</b>
<b>CASH, END OF THE PERIOD</b>	<b>533,322</b>	<b>233,823</b>
<b>SUPPLEMENTAL CASH FLOW INFORMATION (Note 10)</b>		
Interest paid	-	-
Taxes paid	-	-

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

**I-Minerals Inc.**  
**Condensed Consolidated Statements of Capital Deficit**  
**For the nine months ended January 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, 2017	89,372,359	18,658,118	29,625	1,948,384	(36,617,260)	(15,981,133)
Issued during the period:						
Shares issued as a debt discount	403,844	115,875	(115,875)	-	-	-
Shares issuable as a debt discount	-	-	101,250	-	-	101,250
Shares issued as a debt settlement	55,752	14,005	-	-	-	14,005
Share-based payments – vesting	-	-	-	8,632	-	8,632
Reallocation of vested options to liabilities	-	-	-	(66,796)	-	(66,796)
Loss for the period	-	-	-	-	(1,816,471)	(1,816,471)
<b>Balance at January 31, 2018</b>	<b>89,831,955</b>	<b>18,787,998</b>	<b>15,000</b>	<b>1,890,220</b>	<b>(38,433,731)</b>	<b>(17,740,513)</b>
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	-	-	124,575	-	-	124,575
Shares issued pursuant to settlement of debt and interest	1,882,503	155,229	-	-	-	155,229
Share-based payments – vesting	-	-	-	4,491	-	4,491
Reallocation of vested options to liabilities	-	-	-	(2,452)	-	(2,452)
Loss for the period	-	-	-	-	(2,587,404)	(2,587,404)
<b>Balance at January 31, 2019</b>	<b>92,676,115</b>	<b>19,118,229</b>	<b>94,200</b>	<b>1,867,381</b>	<b>(41,888,313)</b>	<b>(20,808,503)</b>

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

# I-Minerals Inc.

## Notes to the Condensed Consolidated Financial Statements For the nine months ended January 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 stage but moved into the development stage in fiscal 2018. 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 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 January 31, 2019, the Company had not yet achieved profitable operations, had an accumulated deficit of \$41,888,313 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 nine months ended January 31, 2019 are not necessarily indicative of the results that may be expected for the full year ending April 30, 2019. 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, 2018 included in the Company's Annual Report on Form 10-K filed on August 3, 2018.

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 (Note 5). 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, accounts receivable, 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 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:



## I-Minerals Inc.

### Notes to the Condensed Consolidated Financial Statements For the nine months ended January 31, 2019 and 2018

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

- 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. At January 31, 2019, the promissory notes had a fair value of \$22,364,135 (April 30, 2018 – \$17,797,330).

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 January 31, 2019 and April 30, 2018. As at January 31, 2019, the Company's Level 3 liabilities consisted of the warrants issued in connection with the Company's offering of equity units in a private placement and warrants issued as financing fees as well as the grant of share purchase options 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 as at and for the nine months ended January 31, 2019 and 2018 is as follows:

	2019	2018
	\$	\$
<b>Warrants (Note 6)</b>		
Beginning fair value	95,570	742,583
Issuance	1,602	20,861
Change in fair value	(97,172)	(629,003)
Ending fair value	-	134,441
<b>Non-employee options (Note 7(c))</b>		
Beginning fair value	205,120	446,354
Transfer value on exercise	(23,040)	-
Fair value of options on vesting	2,452	66,796
Change in fair value	(171,443)	(363,866)
Ending fair value	13,089	149,284
<b>Total Level 3 liabilities</b>	<b>13,089</b>	<b>283,725</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 non-recurring basis during the periods ended January 31, 2019 and 2018.

# I-Minerals Inc.

## Notes to the Condensed Consolidated Financial Statements For the nine months ended January 31, 2019 and 2018

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

### 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 additional common shares were dilutive. For the nine months ended January 31, 2019, loss per share excludes 6,501,127 (2018 – 11,197,855) 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.

### 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 are 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. Subsequent to period end, 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.

	\$
Balance at April 30, 2018	1,145,906
Engineering and consulting	177,820
Metallurgy	263,056
Permitting and environmental	17,684
Interest on Promissory Notes	146,379
Other direct costs	80,678
Balance at January 31, 2019	1,831,523

### 4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES:

	January 31, 2019 \$	April 30, 2018 \$
Trade payables	194,236	314,343
Amounts due to related parties (Note 8)	193,274	268,801
Interest payable on promissory notes (Note 5)	455,009	891,977
Total accounts payable and accrued liabilities	842,519	1,475,121

## I-Minerals Inc.

### Notes to the Condensed Consolidated Financial Statements For the nine months ended January 31, 2019 and 2018

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

#### 5. PROMISSORY NOTES:

	January 31, 2019 \$	April 30, 2018 \$
Third promissory notes	20,866,993	18,053,412
Fourth promissory notes	-	187,443
Fifth promissory notes	1,516,809	-
Total promissory notes	22,383,802	18,240,855
Current	22,383,802	18,240,855
Non-current	-	-

#### Third Promissory Notes

On June 1, 2016, October 25, 2017, January 19, 2018 and March 30, 2018, the Company entered into agreements with a company controlled by a director of the Company (the "Lender") pursuant to which up to an additional \$4,045,000 will be advanced to the Company in tranches (the "Third Promissory Notes"). In addition, the First Promissory Notes and the Second Promissory Notes were amended and combined with the Third Promissory Notes with a modified maturity date of March 31, 2019.

As at April 30, 2018, the Company had received \$3,640,000 in advances pursuant to the Third Promissory Notes. During the nine months ended January 31, 2019, the Company received the final \$405,000 in advances.

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. Debt issuance costs will be amortized over the estimated maturity life of the promissory notes.

The Third Promissory Notes bear interest at the rate of 12% per annum and during the nine months ended January 31, 2019, the Company recorded interest of \$1,798,172 (2017 - \$1,448,167), of which \$146,379 was capitalized to mineral property interest and \$1,651,793 was expensed. 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. As part of the Third Promissory Notes agreement dated June 1, 2016, interest payable of \$640,130 was transferred to the promissory notes balance as a deemed advance. This balance transferred was not subject to bonus shares or bonus warrants. The \$640,130 of interest was for the period from December 1, 2015 to May 31, 2016. The lender also elected to have interest payable from June 1, 2016 to November 30, 2018 of \$4,811,128 deemed as advances (not subject to bonus shares or bonus warrants).

The Company and the Lender agreed that the Lender is to receive bonus shares equal to 7.5% of each loan tranche advanced under the Third Promissory Notes divided by the Company's common share market price. In addition, the Company will issue the Lender an equal number of share purchase warrants for each loan tranche advanced. Each bonus share purchase warrant will entitle the Lender to purchase one common share of the Company at a price equal to the greater of (a) the market price of the Company's common shares on the date of the advance and (b) the volume weighted average price of the Company's common shares over the twenty trading days immediately prior to the date of the advance. The bonus share purchase warrants expire on the earlier of (a) December 31, 2018 and (b) the date the advance has been repaid in full, including interest.

During the nine months ended January 31, 2019, the Company issued 361,657 bonus shares to the Lender at the fair value of \$81,000, based on their quoted market price at the date the advances were receiving, including 221,673 shares having a fair value of \$50,625 that the Company had committed to issue as at April 30, 2018. 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.

## I-Minerals Inc.

### Notes to the Condensed Consolidated Financial Statements For the nine months ended January 31, 2019 and 2018

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

The fair value of 139,984 bonus share purchase warrants committed to be issued (based on advances received during the period) during the nine months ended January 31, 2019 of \$1,602 was estimated using the Black-Scholes option pricing model with the following weighted average assumptions: stock price – CAD\$0.239; exercise price – CAD\$0.290; expected risk-free interest rate – 0.73%; expected life – 0.57 years; expected volatility – 43% and expected dividend rate – 0%.

The aggregate finance fees (bonus shares and bonus warrants) 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 and warrants totalled \$186,273 for the nine months ended January 31, 2019 (2018 - \$398,583). The unamortized debt discount as at January 31, 2019 is \$41,695 (April 30, 2018 – \$195,991).

#### **Fourth Promissory Notes**

On March 13, 2017, the Company entered into a loan agreement with an arm's-length lender pursuant to which CAD\$250,000 (\$186,846) was advanced to the Company (the "Fourth Promissory Notes"). The loan bore interest at a rate of 12% per annum and was due on or before December 31, 2018. On January 22, 2019, the Company issued 1,882,503 common shares at the fair value of \$155,229 as full settlement of CAD\$283,699 (USD\$212,989) of principal and accrued interest, resulting in a gain on debt settlement of \$57,760.

During the nine months ended January 31, 2019, the Company recorded interest of \$16,233 (2018 - \$17,755). The aggregate finance fees (bonus shares and bonus warrants) were recorded against the Fourth Promissory Notes balance and were being amortized to the Statement of Loss over the life of the Fourth Promissory Notes using the effective interest method. The accretion expense in respect of the debt discount totalled \$7,322 for the nine months ended January 31, 2019 (2018 - \$7,965).

#### **Fifth Promissory Notes**

On September 11, 2018, the Company entered into a Loan Agreement with a company controlled by a director of the Company (the "Lender") pursuant to which up to \$2,500,000 will be advanced to the Company in tranches (the "Fifth Promissory Notes").

As at January 31, 2019, the Company had received \$1,570,000 in advances pursuant to the Fifth Promissory Notes.

The Fifth Promissory Notes bear interest at the rate of 14% per annum 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. During the nine months ended January 31, 2019 the Company recorded interest of \$46,011. The lender elected to have interest payable of \$17,195 from September 11, 2018 to November 30, 2018 deemed as advances (not subject to bonus shares).

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. The Fifth Promissory Notes are collateralized by the Company's Helmer-Bovill Property. The Fifth Promissory Notes are due on or before December 31, 2019.

At January 31, 2019, the Company was committed to issuing 876,127 bonus shares to the Lender at the fair value of \$94,200. 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 \$23,813 for the nine months ended January 31, 2019 (2018 - \$nil). The unamortized debt discount as at January 31, 2019 is \$70,387 (April 30, 2018 – \$nil).

# I-Minerals Inc.

## Notes to the Condensed Consolidated Financial Statements For the nine months ended January 31, 2019 and 2018

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

The Third Promissory Notes and the Fifth 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 Fourth Promissory Notes and the Fifth Promissory Notes:

2018	2019	2020	2021	2022	Total
\$	\$	\$	\$	\$	\$
-	22,495,885	-	-	-	22,495,885

### 6. WARRANT LIABILITIES:

The Company had share purchase warrants exercisable into common shares at an exercise price denominated in Canadian dollars. As a variable amount of US dollars were exercisable into a fixed number of common shares, the share purchase warrants were classified as derivative liabilities.

The Company recorded the fair value of the share purchase warrants in accordance with ASC 815, "Derivatives and Hedging". The Company used the Black-Scholes option pricing model to calculate the fair values of the derivative liabilities. The fair value of the derivative liability was revalued on each balance sheet date with corresponding gains and losses recorded in the consolidated statement of loss. All of the warrants expired during the nine months ended January 31, 2019.

	\$
Balance, April 30, 2018	95,570
Bonus warrants issuable pursuant to promissory notes (Note 5)	1,602
Change in fair value of warrant derivatives	(97,172)
Balance, January 31, 2019	-

### 7. SHARE CAPITAL:

#### Common shares

#### a) Authorized:

Unlimited number of common shares, without par value.

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 nine months ended January 31, 2019, 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).

## I-Minerals Inc.

### Notes to the Condensed Consolidated Financial Statements For the nine months ended January 31, 2019 and 2018

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

iii) On January 22, 2019, the Company issued 1,882,503 common shares with a fair value of \$155,229. The common shares were issued as settlement of principal and accrued interest pursuant to the Fourth 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 January 31, 2019, the Company had 3,642,612 stock options available for grant pursuant to the Plan (April 30, 2018 - 2,578,196).

The Company's stock options outstanding as at January 31, 2019 and April 30, 2018 and the changes for the period then ended are as follows:

	Number Outstanding	Weighted Average Exercise Price (in CAD\$)
Balance outstanding at April 30, 2018	6,405,000	0.22
Granted	1,450,000	0.25
Exercised	(600,000)	0.10
Expired	(1,630,000)	0.17
<b>Balance outstanding at January 31, 2019</b>	<b>5,625,000</b>	<b>0.26</b>
<b>Balance exercisable at January 31, 2019</b>	<b>4,225,000</b>	<b>0.26</b>

Summary of stock options outstanding at January 31, 2019:

Security	Number Outstanding	Number Exercisable	Exercise Price (CAD\$)	Expiry Date	Remaining Contractual Life (years)
Stock options	300,000	300,000	0.25	May 23, 2019	0.31
Stock options	1,975,000	1,975,000	0.25	January 29, 2020	1.00
Stock options	200,000	200,000	0.25	August 4, 2020	1.51
Stock options	300,000	300,000	0.30	July 21, 2021	2.47
Stock options	400,000	400,000	0.30	November 3, 2021	2.76
Stock options	1,000,000	1,000,000	0.25	April 20, 2022	3.22
Stock options	<sup>(1)</sup> 1,450,000	<sup>(1)</sup> 50,000	0.25	August 9, 2023	4.53

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 vest as to 25% every three months from the date of grant.

The weighted average grant date fair value of stock options granted during the nine months ended January 31, 2019 of CAD\$0.09 (2018 – \$nil) was estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

## I-Minerals Inc.

### Notes to the Condensed Consolidated Financial Statements For the nine months ended January 31, 2019 and 2018

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

	2019
Stock price (CAD\$)	0.20
Exercise price (CAD\$)	0.25
Risk-free interest rate (%)	1.6
Expected life (years)	5.0
Expected volatility (%)	58
Expected dividends (\$)	Nil

Expected volatility was determined by reference to the historical volatility of the Company's common shares trading on the TSX Venture Exchange.

#### *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 January 31, 2019, there were 150,000 (April 30, 2018 – nil) 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 nine months ended January 31, 2019 and 2018:

	2019	2018
	\$	\$
Fair value of non-employee options, beginning of the period	205,120	446,354
Fair value of options on vesting	2,452	66,796
Transfer value on exercise of options	(23,040)	-
<u>Change in fair value of non-employee stock options during the period</u>	<u>(171,443)</u>	<u>(363,866)</u>
<u>Fair value of non-employee options, end of the period</u>	<u>13,089</u>	<u>149,284</u>

The Company determined the fair value of its non-employee stock options as at January 31, 2019 and April 30, 2018 using the Black-Scholes option pricing model with the following weighted average assumptions:

	January 31, 2019	April 30, 2018
Stock price (CAD\$)	0.09	0.26
Exercise price (CAD\$)	0.26	0.23
Risk-free interest rate (%)	1.34	1.07
Expected life (years)	2.42	1.86
Expected volatility (%)	54	49
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.

## I-Minerals Inc.

### Notes to the Condensed Consolidated Financial Statements For the nine months ended January 31, 2019 and 2018

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

As at January 31, 2019, the unamortized compensation cost of options is \$93,483 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 nine months ended January 31, 2019 and 2018 as follows:

	2019	2018
	\$	\$
Management and consulting fees	4,491	8,632
	4,491	8,632

d) Share purchase warrants:

A summary of fully-exercisable share purchase warrants as at January 31, 2019 and April 30, 2018 and the changes for the periods then ended are as follows:

	Number Outstanding	Weighted Average Exercise Price (CAD\$)
Balance at April 30, 2018	4,887,360	0.32
Issued	139,984	0.29
Expired	(5,027,344)	0.31
Balance at January 31, 2019	-	-

#### 8. RELATED PARTY TRANSACTIONS:

During the nine months ended January 31, 2019, management and consulting fees of \$72,000 (2018 - \$72,000) were charged by RJG Capital Corporation, a wholly-owned company of W. Barry Girling, Director. Wayne Moorhouse, Director, charged \$4,406 (2018 - \$2,491) in management and consulting fees. \$16,595 (2018 - \$17,851) 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 January 31, 2019, the amount was \$193,274 (April 30, 2018 - \$268,801). All amounts are non-interest bearing, unsecured, and due on demand.

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

#### 9. 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.

#### 10. 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 nine months ended January 31, 2019, the following transactions were excluded from the consolidated statement of cash flows:

- The commitment to issue 1,016,111 common shares at the fair value of \$124,575 and 139,984 warrants at the fair value of \$1,602 pursuant to the promissory notes;
- The transfer of \$2,254,287 of interest payable on the Third Promissory Notes from accounts payable and accrued liabilities to promissory notes;



## I-Minerals Inc.

### Notes to the Condensed Consolidated Financial Statements For the nine months ended January 31, 2019 and 2018

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

---

- c) The Company issued 1,882,503 common shares with a fair value of \$155,229. The common shares were issued as settlement of principal and accrued interest pursuant to the Fourth Promissory Notes; and,
- d) Deferred mineral property expenditures of \$76,840 included in accounts payable and accrued liabilities at January 31, 2019, less \$140,561 included in accounts payable at April 30, 2018 (net inclusion of \$63,721).

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

- a) The commitment to issue 379,339 common shares at the fair value of \$101,250 and 379,339 warrants at the fair value of \$20,861 pursuant to the promissory notes; and,
- b) Interest of \$1,797,594 and the \$168,152 loan extension fee were deemed advances under the Third Promissory Notes.

## **Item 2. Management's discussion and analysis of financial condition and results of operations**

### **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 August 3, 2018.

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.

## **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 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.

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.

On February 26, 2018, we appointed John Theobald as President and CEO of the Company to replace outgoing President and CEO, Thomas Conway.

Mr. Theobald has over thirty-five years in the international mining industry and has been involved with exploration, business development, operations, investments and capital markets. Most recently, Mr. Theobald was a director of ASX listed High Peak Royalties Ltd, director, CEO & COO of London and TSX listed royalty company Anglo Pacific Group plc, and served as Chairman of First Coal Corporation which was successfully sold to Xstrata plc for C\$147 million. From 1999 to 2008 he held a number of senior positions with Sibelco, a major industrial minerals group, where he gained significant experience of kaolin, feldspar, clay and quartz markets and operations. Mr. Theobald has a B.Sc. with Honours in Geology from the University of Nottingham, is a Chartered Engineer with the UK Engineering Council, Fellow of the Institute of Materials Minerals and Mining (UK) and Member of the Institute of Directors (UK).

## **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 long term resource of high purity 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 258 diamond drill holes have been drilled totaling 28,251 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 full 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 Feasibility Study. Accordingly, the Feasibility Study 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. The resources stated in the Feasibility Study remain current and the Company has engaged SRK Consulting (U.S.) to complete an updated resource estimate report. In addition, the Company has 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.

In May 2017, the Idaho Department of Lands (“IDL”) accepted our operation and reclamation plan. Together with a water rights permit from the Idaho Department of Water Resources, we are able to proceed with development and construction of the mine, subject to obtaining sufficient financing. Effective May 1, 2017, the Company entered into the development stage. As the Feasibility Study is now considered not to be current, the Company has moved back into the evaluation stage for accounting purposes.

## **Plan of Operation**

### Engineering work on the Bovill Kaolin Project

We are undertaking additional pilot plant work to produce customer samples for marketing purposes and the related testwork for final equipment selection. Two pilot plants are scheduled to complete, one in April and a second in the 2nd quarter of calendar 2019. The first pilot plant will produce additional K-spar and the second pilot plant will produce both halloysite grades and kaolin for metakaolin production. Additional work is also ongoing to finalize the process plant water balance and utilities consumptions. This work together with the General and Administrative expenses related in part to our continuing financing efforts are estimated to cost about USD\$2.8 million.

## **Outlook**

Our focus continues to be the detailed assessment of all of our mineral assets and advancing the Bovill Kaolin Project towards production. The process of producing minerals through pilot plant work includes shipping the unprocessed primary clay to Ginn Mineral Technologies (“GMT”) who undertakes the separation of the sand fraction (quartz and K-spar) from the clay fraction (kaolin and halloysite). GMT then sends the sand fraction on to Minerals Research Laboratory at North Carolina State University (“MRL”) where MRL separates the K-spar and quartz through flotation. GMT separates the halloysite and kaolin into marketable products.

At the MRL, pilot plant work to produce the K-spar product through flotation is nearing completion. This work has resulted in consistent production of a high quality K-spar product (>14% K<sub>2</sub>O; <0.05% Fe<sub>2</sub>O<sub>3</sub>). Initially, the Company had intended to move forward on pilot plant production of its quartz product upon completion of the K-spar pilot plant. However, given the mineral market changes, it has elected not to proceed with the quartz pilot plant.

With respect to processing at GMT, a bulk sample of approximately 60 tons of primary clay material has arrived at GMT with preliminary processing underway. Changes to the process flow sheet as compared with prior GMT pilot plants include 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 should result in increased production of HalloPure® and ULTRA Hallopure® halloysite products and kaolin for metakaolin production beyond the rates achieved in pilot plant work associated with the feasibility study.

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 and then fine ground. 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, or will have shortly, inventory of all minerals for distribution to customers. Fine grinding of quartz and K-spar still needs to be completed.

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. We are currently assessing the logistics and cost of completing an additional large pilot plant to make multiple tons of ULTRA Hallopure® and HalloPure® available to customers in life science, clean tech and plastic / polymer industries.

## Results of Operation

### *Nine months ended January 31, 2019*

We recorded a loss of \$2,587,404 (\$0.03 per share) for the nine months ended January 31, 2019 as compared to a loss of \$1,816,471 (\$0.02 per share) for the nine months ended January 31, 2018. The increase in the loss recorded for the nine months ended January 31, 2019 as compared to the nine months ended January 31, 2018 is the net result of changes to a number of expenses. Of note are the following items:

- Management and consulting fees of \$144,954 (2018 - \$83,123) are comprised of fees to manage our Company and stock-based compensation. The stock-based compensation recognized in the current period was \$4,491 (2018 - \$8,632). 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 and/or capitalized to mineral property interest.
- Mineral property expenditures of \$255,413 (2018 - \$336,892) are costs incurred on our Helmer-Bovill Property. The expenditures in the current period are pre-development costs that have been expensed during the period. The Company also capitalized \$685,617 of development costs to the balance sheet during the 2019 period. The main components of capitalized costs during the current period included engineering and consulting (\$177,820) and metallurgy (\$263,056). During the current period, the Company continued to optimize the metallurgical processes and detailed engineering.
- General and miscellaneous expenses of \$469,068 (2018 - \$354,092) 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.
- Professional fees of \$110,418 (2018 - \$195,992) include legal fees, audit fees and financial consulting fees.
- Accretion expense of \$217,408 (2018 - \$403,893) is the amortization of the fair value of bonus shares and bonus warrants issued to the lenders of the promissory notes. The bonus shares and bonus warrants are amortized over the life of the promissory notes.
- Interest expense of \$1,714,037 (2018 - \$1,413,245) 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 \$268,615 (2018 - gain of \$992,869). 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.
- We recorded a gain on debt settlement of \$57,760 (2018 - \$2,712) from settling the Fourth Promissory Notes principal and interest in common shares with a fair value less than the book value of the notes.

### *Three months ended January 31, 2019*

We recorded a loss of \$968,926 for the three months ended January 31, 2019 as compared to a loss of \$706,969 for the three months ended January 31, 2018. The increase in the loss recorded for the three months ended January 31, 2019 as compared to the three months ended January 31, 2018 is the net result of changes to a number of expenses as noted above under the nine months ended January 31, 2019 and 2018. In particular, there was a decrease in the gain on change in fair value of derivative liabilities from \$152,809 to \$33,172.

## Liquidity and Capital Resources

Our aggregate operating, investing and financing activities during the nine months ended January 31, 2019 resulted in a net cash inflow of \$320,000 (2018 - outflow of \$53,459). As at January 31, 2019, we had a working capital deficiency of \$22,684,241.

During the nine months ended January 31, 2019, \$2,695,607 was used in operations before changes in non-cash operating working capital items (2018 - \$2,374,317). During the nine months ended January 31, 2019, we spent \$754,340 on investing activities (2018 - \$547,971) and we received \$2,021,084 from financing activities (2018 - \$1,350,000).

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 nine months ended January 31, 2019, the Company was receiving advances pursuant to the Third Promissory Notes and the Fifth Promissory Notes. As at January 31, 2019, the balance of the promissory notes was \$22,495,885.

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") scheduled to be provided from September 2018 to March 2019. As at January 31, 2019, the Company had received \$1,570,000.

The Third Promissory Notes have a maturity date of March 31, 2019. The Company is in discussions with the Lender.

An additional CAD\$250,000 promissory note was issued in March 2017 by an arm's-length lender. On January 22, 2019, the promissory note was settled by issuing 1,882,503 common shares at the fair value of \$155,229.

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 its 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, 2018 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 January 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 January 31, 2019. There were no material changes in the Company's internal control over financial reporting during the third quarter of fiscal 2019.

## **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 August 3, 2018.

### **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 other than the following:

- i) On January 22, 2019, the Company issued 1,882,503 common shares with a fair value of \$155,229. The common shares were issued as settlement of principal and accrued interest pursuant to the Fourth Promissory Notes. As the creditor is not a "U.S. Person", the securities were issued pursuant to the provisions of Regulation S of the Securities Act.

### **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 nine months ended January 31, 2019, our U.S. development 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.**

None.

### **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>(8)</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>(10)</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-Q filed with the SEC on September 14, 2018.

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

### I-MINERALS INC.

Date: March 15, 2019

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

Date: March 15, 2019

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