

**IM EXPLORATION INC.**

**CONDENSED INTERIM FINANCIAL STATEMENTS  
(EXPRESSED IN CANADIAN DOLLARS)**

(Unaudited)

Six Months Ended September 30, 2019 and 2018

## **NOTICE TO READER**

The accompanying unaudited condensed interim financial statements of IM Exploration Inc. (the "Company") have been prepared by and are the responsibility of management. The unaudited condensed interim financial statements have not been reviewed by the Company's auditors.

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**IM EXPLORATION INC.**

## Condensed Interim Statements of Financial Position

*(Unaudited)*

(expressed in Canadian dollars)

		September 30, 2019	March 31, 2019
	Notes	\$	\$
<b>ASSETS</b>			
<b>Current</b>			
Cash		307,714	192,859
Other receivable		16,695	253
Prepaid expenses	3	5,000	38,825
		<b>329,409</b>	<b>231,937</b>
<b>Non-current assets</b>			
Exploration and evaluation assets	4	45,000	15,000
		<b>45,000</b>	<b>15,000</b>
		<b>374,409</b>	<b>246,937</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payables and accrued liabilities	5, 10	70,817	120,442
		<b>70,817</b>	<b>120,442</b>
<b>EQUITY</b>			
Share capital	6	464,657	289,971
Warrant reserve	7	21,000	-
Contributed surplus		39,152	-
Deficit		<b>(221,217)</b>	<b>(163,476)</b>
		<b>303,592</b>	<b>126,495</b>
		<b>374,409</b>	<b>246,937</b>

Nature of operations and going concern (note 1)

Subsequent events (note 11)

**Approved on behalf of the Board:**

Signed "Yaron Conforti" Director

Signed "Joel Freudman" Director

*The accompanying notes to the unaudited condensed interim financial statements are an integral part of these statements.*

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**IM EXPLORATION INC.**

## Condensed Interim Statements of Loss and Comprehensive Loss

*(Unaudited)*

(in Canadian dollars)

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		Three months ended September 30		Six months ended September 30	
		2019	2018	2019	2018
	Notes	\$	\$	\$	\$
<b>Expenses</b>					
General and administrative		111	997	4,461	1,412
Consulting fees	10	-	7,500	-	17,500
Professional fees	10	23,441	9,845	(34,913)	18,343
One-time bonus	10	-	-	23,000	-
Filing fees		9,795	-	26,041	-
Share-based payments		7,500	-	39,152	-
		<b>40,847</b>	18,342	<b>57,741</b>	37,255
Net loss and comprehensive loss for the period		<b>40,847</b>	18,342	<b>57,741</b>	37,255
<b>Weighted average number of common shares outstanding</b>		<b>10,400,000</b>	5,553,846	<b>9,354,098</b>	3,515,847
<b>Basic and diluted net loss per share</b>		<b>\$0.00</b>	\$0.00	<b>\$0.01</b>	\$0.01

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**IM EXPLORATION INC.**

## Condensed Interim Statements of Changes in Equity

*(Unaudited)*

(in Canadian dollars)

	Number of Shares	Share Capital \$	Shares subscribed, to be issued \$	Reserves			Total Equity \$
				Contributed Surplus \$	Warrants \$	Deficit \$	
<b>Balance, March 31, 2018</b>	<b>1,500,000</b>	<b>30,000</b>	<b>45,000</b>	-	-	<b>(46,781)</b>	<b>28,219</b>
Shares issued during the period	4,900,000	245,000	(45,000)	-	-	-	200,000
Subscriptions received in advance	-	-	25,000	-	-	-	25,000
Net loss for period	-	-	-	-	-	(37,255)	(37,255)
<b>Balance, September 30, 2018</b>	<b>6,400,000</b>	<b>275,000</b>	<b>25,000</b>	-	-	<b>(84,036)</b>	<b>215,964</b>
<b>Balance, March 31, 2019</b>	<b>7,100,000</b>	<b>289,971</b>	-	-	-	<b>(163,476)</b>	<b>126,495</b>
Shares issued during the period	3,000,000	300,000	-	-	-	-	300,000
Share issue costs	-	(155,314)	-	-	21,000	-	(134,314)
Share issue for property	300,000	30,000	-	-	-	-	30,000
Share-based payments	-	-	-	39,152	-	-	39,152
Net loss for period	-	-	-	-	-	(57,741)	(57,741)
<b>Balance, September 30, 2019</b>	<b>10,400,000</b>	<b>464,657</b>	-	<b>39,152</b>	<b>21,000</b>	<b>(221,217)</b>	<b>303,592</b>

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**IM EXPLORATION INC.**

## Condensed Interim Statements of Cash Flow

*(Unaudited)*

(in Canadian dollars)

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	Six months ended September 30	
	2019	2018
	\$	\$
<b>Operating activities</b>		
Net loss for the period	(57,741)	(37,255)
Adjustments for:		
Share-based payments	39,152	-
Changes in non-cash working capital items:		
Other receivable	(16,442)	(1,959)
Prepaid expenses	33,825	5,000
Accounts payables and accrued liabilities	(49,625)	7,526
<b>Net cash used in operating activities</b>	<b>(50,831)</b>	<b>(26,688)</b>
<b>Financing Activities</b>		
Proceeds from share issuances	300,000	200,000
Cash proceeds from shares subscribed, not issued	-	25,000
Share issue costs	(134,314)	-
Due from / to related party	-	5,000
<b>Net cash provided by financing activities</b>	<b>165,686</b>	<b>230,000</b>
<b>Increase (decrease) in cash</b>	<b>114,855</b>	<b>203,312</b>
<b>Cash - beginning of period</b>	<b>192,859</b>	<b>38,440</b>
<b>Cash - end of period</b>	<b>307,714</b>	<b>241,752</b>

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## **IM EXPLORATION INC.**

### Notes to the Condensed Interim Financial Statements

As at and for the six months ended September 30, 2019

( In Canadian dollars, Unaudited )

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#### **1. Nature of operations and going concern**

IM Exploration Inc. (the "Company") was incorporated under the Canada Business Corporations Act on April 19, 2017. The Company is in the business of acquiring, exploring and evaluating mineral resource properties. The address of the Company's corporate office and principal place of business is Suite 4400, 181 Bay Street, Brookfield Place, Toronto, Ontario.

These financial statements have been prepared on a going concern basis which assumes that the Company will continue in operations for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. Realization values may be substantially different from carrying values as shown and the 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.

The mineral properties of the Company are in the exploration stage and, as a result, the Company has no source of operating cash flow. The exploration and development of the Company's properties depend on the ability of the Company to obtain financing.

The Company's future viability depends upon the acquisition and financing of mineral exploration or other projects. If the mineral projects are to be successful, additional funds will be required for development and, if warranted, to place them into commercial production. The sources of future funds presently available to the Company is through the issuance of common shares or through the sale of an interest in any of its properties or assets in whole or in part. The ability of the Company to arrange such financing or the sale of an interest will depend, in part, on prevailing market conditions as well as the business performance of the Company. These events and conditions indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. There can be no assurance that the Company will be successful in its efforts to arrange the necessary financing, if needed, on terms satisfactory to the Company. If additional financing is arranged through the issuance of shares, control of the Company may change and shareholders may suffer significant dilution.

#### **2. Significant accounting policies**

##### *Statement of compliance*

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). These unaudited condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by IASB and interpretations issued by IFRIC.

The policies applied in these unaudited condensed interim financial statements are based on IFRSs issued and outstanding as of November 26, 2019, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these unaudited condensed interim financial statements as compared with the most recent annual financial statements as at and for the year ended March 31, 2019. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year ending March 31, 2020 could result in restatement of these unaudited condensed interim financial statements.

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**IM EXPLORATION INC.**

## Notes to the Condensed Interim Financial Statements

As at and for the six months ended September 30, 2019

( In Canadian dollars, Unaudited )

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**2. Significant accounting policies (continued)****New standards adopted**

The Company has adopted the following amendment to accounting standards, effective April 1, 2019. This change was made in accordance with the applicable transitional provision.

**IFRIC 23 – Uncertainty Over Income Tax Treatments (“IFRIC 23”)**

IFRIC 23 was issued in June 2017 and clarifies the accounting for uncertainties in income taxes. The interpretation committee concluded that an entity shall consider whether it is probable that a taxation authority will accept an uncertain tax treatment. If an entity concludes it is probable that the taxation authority will accept an uncertain tax treatment, then the entity shall determine taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the entity shall reflect the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates. Effective April 1, 2019, the Company adopted the following and there was no material impact on the Company's financial statements.

**New standards not yet adopted and interpretations issued but not yet effective**

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 1, 2019. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IAS 1 – Presentation of Financial Statements (“IAS 1”) and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors (“IAS 8”) were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2020.

**3. Prepaid expenses**

	<b>September 30,</b>	March 31,
	<b>2019</b>	2019
Prepaid expenses	-	12,500
Deposits	<b>5,000</b>	26,325
	<b>5,000</b>	<b>38,825</b>

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**IM EXPLORATION INC.**

## Notes to the Condensed Interim Financial Statements

As at and for the six months ended September 30, 2019

( In Canadian dollars, Unaudited )

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**4. Exploration and evaluation assets**

On November 30, 2017, the Company entered into an option agreement to earn a 90% interest in the Mulloy project situated in the Rowlandson Township, Porcupine Division in Ontario in exchange for \$15,000 (paid) and 300,000 common shares of the Company which are to be issued upon the Company's initial public offering (see note 6).

Pursuant to the option agreement, the Company is required to make the aforementioned payments and complete a feasibility study to earn 90% interest free and clear of all encumbrances.

A 2% royalty on net smelter returns ("NSR") from all production by the Company at the property will be payable in cash or in kind. The Company can purchase 1% of the NSR for \$1,000,000.

The Company's exploration and evaluation assets consist of the following:

	Mulloy Property	Total
<b>Balance, March 31, 2018 and September 30, 2018</b>	<b>15,000</b>	15,000

	Mulloy Property	Total
<b>Balance, March 31, 2019</b>	<b>15,000</b>	15,000
Value of shares issued to Mulloy optionors	30,000	30,000
<b>Balance, September 30, 2019</b>	<b>45,000</b>	45,000

**5. Accounts payable and accrued liabilities**

	September 30, 2019	March 31, 2019
Trade payables	37,408	795
Accrued liabilities	-	15,347
Accrued professional fees	12,909	104,300
Accrued bonuses (note 10)	20,500	-
	<b>70,817</b>	<b>120,442</b>

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**IM EXPLORATION INC.**

## Notes to the Condensed Interim Financial Statements

As at and for the six months ended September 30, 2019

( In Canadian dollars, Unaudited )

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**6. Share capital**

## a) Authorized share capital

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

## b) Common shares issued

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	Number of common shares	Amount \$
<b>Balance at March 31, 2018</b>	1,500,000	30,000
Private placements	4,900,000	245,000
<b>Balance at September 30, 2018</b>	<b>6,400,000</b>	<b>275,000</b>
<b>Balance, March 31, 2019</b>	<b>7,100,000</b>	<b>289,971</b>
Initial public offering (i)	3,000,000	300,000
Share issue costs (i)	-	(155,314)
Shares issued for property acquisition (note 4)	300,000	30,000
<b>Balance, September 30, 2019</b>	<b>10,400,000</b>	<b>464,657</b>

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- (i) On May 29, 2019, the Company completed an initial public offering ("Offering") pursuant to which it has issued an aggregate of 3,000,000 common shares at a price of \$0.10 per common share to raise aggregate gross proceeds of \$300,000, all pursuant to a final prospectus dated March 29, 2019. In connection with the offering, a cash commission of \$30,000, a corporate finance fee of \$12,500, legal and other fees of \$91,814 was paid and, 100,000 agent's warrants and 300,000 compensation warrants was issued, each such warrant entitling the holder to acquire one common share at an exercise price of \$0.10 for a period of 24 months from the date of closing of the Offering. These warrants were assigned a value of \$21,000 using the Black-Scholes valuation model. The underlying weighted average assumptions used in the estimation of fair value in the Black-Scholes valuation model are as follows: risk free rate - 1.53%; expected life - 2 years; expected volatility - 100%; and weighted average share price - \$0.10.

**7. Warrants**

The following table reflects the continuity of warrants for the six months ended September 30, 2019 and September 30, 2018:

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	Number of warrants	Amount \$
<b>Balance, March 31, 2018, September 30, 2018 and March 31, 2019</b>	-	-
Issued (note 6)	400,000	21,000
<b>Balance, September 30, 2019</b>	<b>400,000</b>	<b>21,000</b>

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The following table reflects the actual warrants outstanding and exercisable as of September 30, 2019:

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Number of warrants outstanding	Grant date fair value (\$)	Exercise Price (\$)	Expiry date
400,000	21,000	0.10	May 29, 2021

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**IM EXPLORATION INC.**

## Notes to the Condensed Interim Financial Statements

As at and for the six months ended September 30, 2019

( In Canadian dollars, Unaudited )

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**8. Stock options**

The stock option plan of the Company was adopted on November 26, 2018 and amended on July 15, 2019, provides that the Board of Directors of the Company may from time to time, in its discretion and in accordance with the Exchange requirements, grant to directors, officers, consultants and employees of the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the total issued and outstanding common shares of the Company, exercisable for a period of up to 10 years from the date of the grant.

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	Number of Stock Options	Weighted Average Exercise Price \$
<b>Balance, March 31, 2018, September 30, 2018 and March 31, 2019</b>	-	-
Issued	825,000	0.10
<b>Balance, September 30, 2019</b>	<b>825,000</b>	<b>0.10</b>

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On May 29, 2019, the Company granted 725,000 stock options to directors, officers and consultant which are exercisable for a period of five years from the date of the grant at an exercise price of \$0.10 per common share. The options will vest as follows: 375,000 immediately, 150,000 on October 31, 2019 and 200,000 on the earlier of: (i) April 30, 2020; and (ii) the notice of a triggering event as defined in the plan. The estimated fair value of the options at the grant date was \$54,000 using the Black-Scholes option pricing model. The estimated fair value of the options has been charged to the statement of loss and comprehensive loss and credited to contributed surplus in the shareholders' equity. The underlying weighted average assumptions used in the estimation of fair value in the Black-Scholes valuation model are as follows: expected dividend yield of 0%; share price of \$0.10; expected volatility of 100%; risk-free interest rate of 1.46%; and an expected average life of 5 years. During the six months ended September 30, 2019, \$31,862 (six months ended September 30, 2018 - \$nil) was expensed.

On July 2, 2019, the Company granted 100,000 stock options to a consultant in accordance with the Company's stock option plan. These stock options have a 5 year term and an exercise price of \$0.10 each, and vest immediately. The fair value of the stock options granted during the six months ended September 30, 2019 was estimated to be \$0.075 per stock option using the Black-Scholes option pricing model with the following assumptions: Risk-free interest rate - 1.46%, volatility - 100%, dividend yield - 0%, expected life - 5 years. During the six months ended September 30, 2019, \$7,500 (six months ended September 30, 2018 - \$nil) was expensed.

The following table reflects the actual stock options issued and outstanding as of September 30, 2019:

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Expiry date	Exercise price (\$)	Weighted average remaining contractual life (years)	Number of options outstanding	Number of options vested (exercisable)
May 29, 2024	0.10	4.67	725,000	375,000
July 2, 2024	0.10	4.75	100,000	100,000

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**9. Loss per share**

For the six months ended September 30, 2019, basic and diluted loss per share has been calculated based on the loss attributable to common shareholders of \$57,741 (six months ended September 30, 2018 - \$37,255) and the weighted average number of common shares outstanding of 9,354,098 (six months ended September 30, 2018 - 3,515,847).

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## IM EXPLORATION INC.

### Notes to the Condensed Interim Financial Statements

As at and for the six months ended September 30, 2019

( In Canadian dollars, Unaudited )

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#### 10. Related party transactions

Related parties include the Board of Directors, officers, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions.

a) The Company has entered into the following transactions with related parties:

	Three months ended September 30		Six months ended September 30	
	2019	2018	2019	2018
	\$	\$	\$	\$
Marrelli Support Services Inc. ("Marrelli Support") (i)	8,429	(192)	14,926	8,306
2411763 Ontario Incorporated ("2411763 ONT") (ii)	-	7,500	-	7,500
	8,429	7,308	14,926	15,806

i) For the three and six months ended September 30, 2019, the Company expensed \$8,429 and \$14,926, respectively, (three and six months ended September 30, 2018 - \$(192) and \$8,306) to Marrelli Support for bookkeeping services. Victor Hugo, former CFO of the Company, is an employee of Marrelli Support. As at September 30, 2019, Marrelli Support was owed \$nil (March 31, 2019 - \$15,350) and this amount was included in accounts payable and accrued liabilities.

ii) For the three and six months ended September 30, 2019, the Company expensed \$nil, (three and six months months ended September 30, 2018 - \$7,500) to 2411763 ONT, for strategic advisory services provided to the Company. 2411763 ONT is a corporation controlled by a director of the Company.

(b) The Company defines its key management as the Board of Directors, Chief Executive Officer and Chief Financial Officer. Remuneration of directors and key management personnel of the Company was as follows:

	Three months ended September 30		Six months ended September 30	
	2019	2018	2019	2018
	\$	\$	\$	\$
One-time bonus (i)	-	-	20,500	-
Share-based compensation (note 8)	-	-	24,203	-
	-	-	44,703	-

(i) While the CEO and directors of the Company have not received any compensation as at the date the Offering, they received bonuses upon completion of the Offering. The amount of \$20,500 have been accrued for and is included in accounts payable and accrued liabilities.

#### 11. Subsequent events

i) On October 1, 2019, the Company granted an aggregate of 50,000 stock options to the new Chief Financial Officer and Corporate Secretary of the Company at an exercise price of \$0.09 each with a term of 5 years.