

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, 2016**

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

(State or other jurisdiction of incorporation or organization)

20-4644299

(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)

Securities registered under section 12(g) of the Exchange Act: Common shares with no par value.

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, or a smaller reporting company.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

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 14, 2016, the registrant had 86,328,952 outstanding shares of common stock.

I-Minerals Inc.
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Item 1. Financial Statements



I-Minerals Inc.

Condensed Consolidated Financial Statements
For the nine months ended January 31, 2016
(Unaudited - Expressed in US dollars)

I-Minerals Inc.
Condensed Consolidated Balance Sheets

(Unaudited - Expressed in US dollars)

	Notes	January 31, 2016 \$	April 30, 2015 \$
ASSETS			
Current assets			
Cash		206,937	272,040
Receivables		37,707	33,500
Prepays		141,026	252,819
		<u>385,670</u>	<u>558,359</u>
Equipment		11,635	14,632
Mineral property interest	3	305,850	305,850
Deposits		14,932	14,932
		<u>718,087</u>	<u>893,773</u>
TOTAL ASSETS			
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	4,9	770,672	876,844
		<u>770,672</u>	<u>876,844</u>
Promissory notes	5	5,644,578	5,543,991
Second promissory notes	6	4,188,780	1,432,565
Derivative liabilities	2,7,8	780,020	1,245,456
		<u>11,384,050</u>	<u>9,098,856</u>
TOTAL LIABILITIES			
CAPITAL DEFICIT			
Capital Stock			
Authorized:			
Unlimited common shares with no par value			
Issued and fully paid: 86,328,952 (April 30, 2015 - 79,255,728)	8	17,963,265	16,586,067
Additional paid-in capital		1,839,639	1,827,780
Commitment to issue shares	5,6	21,327	136,735
Deficit		(30,490,194)	(26,755,665)
		<u>(10,665,963)</u>	<u>(8,205,083)</u>
TOTAL CAPITAL DEFICIT			
		<u>718,087</u>	<u>893,773</u>
TOTAL LIABILITIES AND CAPITAL DEFICIT			

On behalf of the Board

“Thomas M. Conway” 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

(Unaudited - Expressed in US dollars)

	Notes	Three months ended January 31,		Nine months ended January 31,	
		2016 \$	2015 \$	2016 \$	2015 \$
OPERATING EXPENSES					
Amortization		922	1,416	2,997	4,238
Management and consulting fees	8,9	53,145	272,913	150,346	366,149
Mineral property expenditures		848,075	464,615	2,382,611	1,118,699
General and miscellaneous		120,214	117,315	412,267	271,463
Professional fees		36,028	120,933	309,150	484,208
		(1,058,384)	(977,192)	(3,257,371)	(2,244,757)
OTHER (EXPENSE) INCOME					
Foreign exchange (loss) gain		(646)	3,774	(361)	5,313
Loss on settlement of liabilities	5,6	-	-	(31,512)	-
Accretion expense	5,6	(98,711)	(35,806)	(261,743)	(84,548)
Interest expense	5,6	(306,882)	(173,061)	(843,229)	(485,163)
Change in fair value of derivative liabilities	2,7,8	502,358	754,598	659,687	2,730,303
LOSS FOR THE PERIOD		(962,265)	(427,687)	(3,734,529)	(78,852)
Loss per share – basic and diluted		(0.01)	(0.01)	(0.05)	(0.00)
Weighted average number of shares outstanding		84,367,010	78,158,611	82,311,551	77,055,768

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, 2016 and 2015

(Unaudited - Expressed in US dollars)

	2016	2015
	\$	\$
OPERATING ACTIVITIES		
Loss for the period	(3,734,529)	(78,852)
Items not involving cash:		
Amortization	2,997	4,238
Stock-based compensation	34,900	294,186
Loss on settlement of liabilities	31,512	-
Accretion expense	261,743	84,548
Change in fair value of derivative liabilities	(659,687)	(2,730,303)
Change in non-cash operating working capital items:		
Receivables	(4,207)	(176,893)
Prepays	111,793	(59,410)
Accounts payable and accrued liabilities	845,926	661,025
Cash flows used in operating activities	(3,109,552)	(2,001,461)
INVESTING ACTIVITIES		
Deposits paid	-	(6,204)
Purchase of equipment	-	(804)
Cash flows used in investing activities	-	(7,008)
FINANCING ACTIVITIES		
Proceeds from exercise of stock options and warrants	4,449	9,185
Promissory notes received	-	1,233,000
Second promissory notes received	3,040,000	217,000
Cash flows from financing activities	3,044,449	1,459,185
DECREASE IN CASH	(65,103)	(549,284)
CASH, BEGINNING OF THE PERIOD	272,040	604,936
CASH, END OF THE PERIOD	206,937	55,652
SUPPLEMENTAL CASH FLOW INFORMATION (Note 11)		
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, 2015

(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, 2015	79,255,728	16,586,067	136,735	1,827,780	(26,755,665)	(8,205,083)
Issued during the period:						
Shares issued as a debt discount	1,832,108	409,031	(136,735)	-	-	272,296
Shares issuable as a debt discount	-	-	21,327	-	-	21,327
Shares issued to settle accounts payable and accrued liabilities	5,216,116	963,718	-	19,892	-	983,610
Shares issued on exercise of warrants	25,000	4,449	-	-	-	4,449
Share-based payments – vesting	-	-	-	3,333	-	3,333
Reallocation of vested options to liabilities	-	-	-	(11,366)	-	(11,366)
Loss for the period	-	-	-	-	(3,734,529)	(3,734,529)
Balance at January 31, 2016	86,328,952	17,963,265	21,327	1,839,639	(30,490,194)	(10,665,963)

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, 2016

(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 OTCQX 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. 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, 2016, the Company had not yet achieved profitable operations, had an accumulated deficit of \$30,490,194 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.

Accordingly, the financial statements do not include all of the information and footnotes required by US GAAP 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, 2016 are not necessarily indicative of the results that may be expected for the full year ending April 30, 2016. 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, 2015 included in the Company's Annual Report on Form 10-K filed on July 28, 2015.

The Company's ability to continue as a going concern is dependent upon its ability to complete a feasibility study, 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 is currently receiving funds from a company controlled by a director of the Company through promissory notes (Notes 5, 6 and 13). 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:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

I-Minerals Inc.

Notes to the Condensed Consolidated Financial Statements For the nine months ended January 31, 2016

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

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 and Second 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, 2016, the Promissory Notes had a fair value of \$5,603,841 (April 30, 2015 – \$5,479,007) and the Second Promissory Notes had a fair value of \$4,476,164 (April 30, 2015 - \$1,532,123).

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, 2016 and April 30, 2015. As at January 31, 2016, 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 for the nine months ended January 31, 2016 and 2015 is as follows:

	January 31, 2016 \$	January 31, 2015 \$
Warrants (Note 7)		
Beginning fair value	1,128,841	3,211,386
Issuance	151,318	70,878
Change in fair value	(631,185)	(2,686,359)
Ending fair value	648,974	595,905
Non-employee options (Note 8(c))		
Beginning fair value	116,615	68,859
Vesting	42,933	70,000
Change in fair value	(28,502)	(43,944)
Ending fair value	131,046	94,915
Total Level 3 liabilities	780,020	690,820

Certain assets and liabilities are measured at fair value on a nonrecurring basis; that is, the instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustments only in certain circumstances (for example, when there is evidence of impairment). There were no assets or liabilities measured at fair value on a nonrecurring basis during the periods ended January 31, 2016 and April 30, 2015.

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, 2016, loss per share excludes

I-Minerals Inc.

Notes to the Condensed Consolidated Financial Statements For the nine months ended January 31, 2016

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

30,414,438 (2015 – 29,288,934) potentially dilutive common shares (related to outstanding options and warrants) as their effect was anti-dilutive.

3. MINERAL PROPERTY INTEREST:

Helmer-Bovill Property – Latah County, Idaho

The Company entered into a purchase and sale agreement with Idaho Industrial Minerals LLC (“IIM”), a company in which one of the Company’s directors has a 25% interest, under which the Company had the right to acquire a 100% interest in 11 lease applications that comprise the Helmer-Bovill property by issuing to IIM a total of 1,750,000 shares of the Company. During fiscal 2009, 50,000 shares were issued in return for an extension of the agreement. During fiscal 2010, the terms of the agreement were further amended and the agreement was extended until August 2013. Under the terms of the amended agreement, the shares were to be issued based on certain development-based benchmarks being attained as follows:

- 100,000 shares upon assignment of the mineral lease applications to the Company (issued);
- 350,000 shares upon the State of Idaho issuing mineral leases to the Company (issued);
- 600,000 shares upon the completion of a feasibility study (issued); and,
- 700,000 shares upon completion of the permitting process necessary to construct and operate a mining facility (issued).

On January 21, 2013, the Company issued the final 1,300,000 shares to IIM. With the issuances of the final tranches of shares, the Company believes it has now fulfilled all its obligations under the purchase and sale agreement with IIM (Note 11).

During the year ended April 30, 2012, the Company acquired an undivided 100% interest in two State of Idaho mineral leases contiguous to the Helmer-Bovill Property. The Company paid \$10,000 and issued 50,000 shares at the fair value of \$15,170. The two State of Idaho mineral leases are subject to a 3% production royalty on gross sales.

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES:

	January 31, 2016	April 30, 2015
	\$	\$
Trade payables	384,184	383,977
Amounts due to related parties (Note 9)	178,278	175,789
Interest payable on promissory notes and second promissory notes	208,210	317,078
Total accounts payable and accrued liabilities	770,672	876,844

5. PROMISSORY NOTES:

	January 31, 2016	April 30, 2015
	\$	\$
Promissory notes	5,644,578	5,543,991
Total promissory notes	5,644,578	5,543,991

I-Minerals Inc.

Notes to the Condensed Consolidated Financial Statements For the nine months ended January 31, 2016

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

On September 13, 2013 and January 27, 2014, the Company entered into agreements with a company controlled by a director of the Company (the "Lender") pursuant to which \$5,787,280 was advanced to the Company in tranches (the "Promissory Notes"). The Promissory Notes mature as to \$3,000,000 on December 2, 2016 and the balance due on December 31, 2016. 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.

The following table outlines the estimated cash payments required in order to repay the principal balance of the Promissory Notes:

2016	2017	2018	2019	2020	Total
\$	\$	\$	\$	\$	\$
-	5,787,280	-	-	-	5,787,280

The Promissory Notes bear interest at the rate of 12% per annum and during the nine months ended January 31, 2016, the Company recorded interest of \$525,136 (2015 - \$483,982). Interest is payable semi-annually as calculated on May 31st and November 30th. Interest is to be paid either in cash or in common shares at the option of the Lender. In July 2015, the Company settled \$345,616 of interest payable on the Promissory Notes by the issuance of 1,980,840 common shares at the fair value of \$373,142 based on their quoted market price at the date of issuance. Accordingly, the Company recorded a loss on settlement of liabilities of \$27,526. The interest settled was for the period from December 1, 2014 to May 31, 2015. In December 2015, the Company settled \$348,188 of interest payable by the issuance of 1,844,982 common shares at the fair value of \$335,741. The Company recorded an increase in additional paid-in capital on extinguishment of debt of \$12,447. The interest settled was for the period from June 1, 2015 to November 30, 2015.

The Company and the Lender agreed that the Lender would receive bonus shares equal to 6% of each loan tranche advanced divided by the Company's common share market price where, for purposes of calculating the number of shares issuable for each loan tranche, the Company's common share market share price is discounted by 25% as allowed by regulation. The amount of bonus shares issued were subject to a minimum price of CAD\$0.105 and a maximum of 1,720,649 bonus shares. In addition, the Company would issue the Lender an equal number of share purchase warrants for each loan tranche advanced. Each bonus share purchase warrant entitles 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 1, 2016 and (b) the date the advance has been repaid in full, including interest.

During the nine months ended January 31, 2016, the Company issued 13,588 bonus shares to the Lender at the fair value of \$2,640, based on their quoted market price at the date the advances were received. At April 30, 2015, the \$2,640 was recorded in commitment to issue shares.

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, based on the later of the original maturity dates and one year after the resolution of the IIM litigation using the effective interest method. The unamortized debt discount as at January 31, 2016 is \$142,702 (April 30, 2015 - \$243,289).

The Promissory Notes are collateralized by the Company's Helmer-Bovill Property.

I-Minerals Inc.

Notes to the Condensed Consolidated Financial Statements For the nine months ended January 31, 2016

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

6. SECOND PROMISSORY NOTES:

	January 31, 2016 \$	April 30, 2015 \$
Second promissory notes	4,188,780	1,432,565
Total second promissory notes	4,188,780	1,432,565

On February 18, 2015, the Company entered into an agreement with a company controlled by a director of the Company (the "Lender") pursuant to which up to \$4,463,000 will be advanced to the Company in tranches (the "Second Promissory Notes"). On December 1, 2015, the Company entered into an amending agreement whereby the Lender agreed to advance an additional \$1,000,000 in tranches. As at January 31, 2016, \$4,657,000 had been advanced to the Company. The Second Promissory Notes mature as to \$1,000,000 on December 2, 2016, \$2,000,000 on June 2, 2017 and the balance due on December 2, 2017. 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 following table outlines the estimated cash payments required in order to repay the principal balance of the Second Promissory Notes:

	2016 \$	2017 \$	2018 \$	2019 \$	2020 \$	Total \$
	-	1,000,000	3,657,000	-	-	4,657,000

The Second Promissory Notes bear interest at the rate of 12% per annum and during nine months ended January 31, 2016, the Company recorded interest of \$318,093 (2015 - \$1,181). Interest is payable semi-annually as calculated on May 31st and November 30th. Interest is to be paid either in cash or in common shares at the option of the Lender. In July 2015, the Company settled \$50,049 of interest payable on the Second Promissory Notes by the issuance of 286,845 common shares at the fair value of \$54,035. Accordingly, the Company recorded a loss on settlement of liabilities of \$3,986. The interest settled was for the period from January 8, 2015 to May 31, 2015. In December 2015, the Company settled \$208,245 of interest payable by the issuance of 1,103,449 common shares at the fair value of \$200,800. The Company recorded an increase in additional paid-in capital on extinguishment of debt of \$7,445. The interest settled was for the period from June 1, 2015 to November 30, 2015.

The Company and the Lender agreed that the Lender is to receive bonus shares equal to 7.5% of each loan tranche advanced 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, 2016, the Company issued 1,818,520 bonus shares to the Lender at the fair value of \$406,391, based on their quoted market price at the date the advances were received, including 679,985 shares having a fair value of \$134,095 that the Company had previously committed to issue. At January 31, 2016, the Company was committed to issuing an additional 85,308 bonus shares to the Lender at the fair value of \$21,327. 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, 2016

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

The fair value of 1,223,843 bonus share purchase warrants committed to be issued (based on advances received during the period) during the nine months ended January 31, 2016 of \$151,318 was estimated using the Black-Scholes option pricing model with the following weighted average assumptions: stock price – CAD\$0.24; exercise price – CAD\$0.25; expected risk-free interest rate – 1.03%; expected life – 3.38 years; expected volatility – 105% and expected dividend rate – 0%.

The aggregate finance fees (bonus shares and bonus warrants) are recorded against the Second Promissory Notes balance and are being amortized to the Statement of Loss over the life of the Second Promissory Notes, based on two years after the resolution of the IIM litigation, using the effective interest method. The unamortized debt discount as at January 31, 2016 is \$468,220 (April 30, 2015 – \$184,435).

The Second Promissory Notes are collateralized by the Company's Helmer-Bovill Property.

7. WARRANT LIABILITIES:

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

The Company records the fair value of the share purchase warrants in accordance with ASC 815, "Derivatives and Hedging". The Company uses the Black-Scholes option pricing model to calculate the fair values of the derivative liabilities. The fair value of the derivative liability is revalued on each balance sheet date with corresponding gains and losses recorded in the consolidated statement of loss.

	\$
Balance, April 30, 2015	1,128,841
Bonus warrants issued pursuant to Second Promissory Notes (Note 6)	151,318
Change in fair value of warrant derivatives	(631,185)
Balance, January 31, 2016	648,974

Warrant Derivative Liabilities

At January 31, 2016, the Company determined the fair value of Warrant Derivative Liabilities to be \$648,974 (April 30, 2015 - \$1,128,841) as estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	January 31, 2016	April 30, 2015
Stock price (CAD\$)	0.26	0.25
Exercise price (CAD\$)	0.37	0.38
Risk-free interest rate (%)	0.86	1.11
Expected life (years)	0.54	0.79
Expected volatility (%)	95	87
Expected dividends (\$)	Nil	Nil

8. SHARE CAPITAL:

Common shares

I-Minerals Inc.

Notes to the Condensed Consolidated Financial Statements For the nine months ended January 31, 2016

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

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, 2016, the Company completed the following stock transactions:

- i) On July 10, 2015, the Company issued 1,085,297 common shares with a fair value of \$228,775 including 693,573 shares having a fair value of \$136,735 which the Company had committed to issue at April 30, 2015. The common shares were issued as debt discounts pursuant to the Promissory Notes and the Second Promissory Notes (Notes 5 and 6).
- ii) On July 14, 2015, the Company issued 2,267,685 common shares with a fair value of \$427,177 as settlement of accrued interest payable on Promissory Notes and Second Promissory Notes (Notes 5 and 6).
- iii) On December 15, 2015, the Company issued 2,948,431 common shares with a fair value of \$536,541 as settlement of accrued interest payable on Promissory Notes and Second Promissory Notes (Notes 5 and 6).
- iv) On January 5, 2016, the Company issued 746,811 common shares with a fair value of \$180,256. The common shares were issued as debt discounts pursuant to the Second Promissory Notes (Note 6).
- v) On January 29, 2016, the Company issued 25,000 shares on the exercise of share purchase warrants.

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, 2016, the Company had 3,797,895 stock options available for grant pursuant to the Plan (April 30, 2015 - 2,790,573).

The Company's stock options outstanding as at January 31, 2016 and April 30, 2015 and the changes for the periods then ended are as follows:

	Number Outstanding		Weighted Average Exercise Price
Balance outstanding at April 30 , 2015	5,135,000	CAD\$	0.22
Granted	200,000	CAD\$	0.25
Expired	(500,000)	CAD\$	0.40
Balance outstanding at January 31, 2016	4,835,000	CAD\$	0.20
Balance exercisable at January 31, 2016	4,225,000	CAD\$	0.21

I-Minerals Inc.

Notes to the Condensed Consolidated Financial Statements For the nine months ended January 31, 2016

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

Summary of stock options outstanding at January 31, 2016:

Security	Number Outstanding	Exercise Price	Expiry Date	Remaining Contractual Life (years)
Stock options	1,300,000	CAD\$ 0.10	July 30, 2018	2.50
Stock options	260,000	CAD\$ 0.15	July 30, 2018	2.50
Stock options	300,000	CAD\$ 0.25	July 30, 2018	2.50
Stock options	200,000	CAD\$ 0.25	November 19, 2018	2.80
Stock options	150,000	CAD\$ 0.25	January 8, 2019	2.94
Stock options	300,000	CAD\$ 0.25	May 23, 2019	3.31
Stock options	150,000	CAD\$ 0.25	December 16, 2017	1.88
Stock options	1,975,000	CAD\$ 0.25	January 29, 2020	4.00
Stock options	200,000	CAD\$ 0.25	August 4, 2020	4.51

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, 2016, there were no non-employee stock option awards that had not vested (April 30, 2015 – 112,500).

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, 2016 and 2015:

	2016	2015
	\$	\$
Fair value of non-employee options, beginning of the period	116,615	68,859
Fair value of non-employee options, at vesting	42,933	70,000
Change in fair value of non-employee stock options during the period	(28,502)	(43,944)
Fair value of non-employee options, end of the period	131,046	94,915

The Company determined the fair value of its non-employee stock options as at January 31, 2016 and April 30, 2015 using the Black-Scholes option pricing model with the following weighted average assumptions:

	January 31, 2016	April 30, 2015
Stock price (CAD\$)	0.26	0.25
Exercise price (CAD\$)	0.21	0.19
Risk-free interest rate (%)	1.18	1.23
Expected life (years)	3.25	3.82
Expected volatility (%)	96	101
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, 2016

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

As at January 31, 2016, the unamortized compensation cost of options is \$41,579 and the intrinsic value of options expected to vest is \$138,338 (CAD\$193,750).

Share-based payments are classified in the Company's Statement of Loss during the nine months ended January 31, 2016 and 2015 as follows:

	2016	2015
	\$	\$
Management and consulting fees	34,900	294,186
	34,900	294,186

d) Share purchase warrants:

A summary of fully-exercisable share purchase warrants as at January 31, 2016 and April 30, 2015 and the changes for the periods then ended are as follows:

	Number Outstanding		Weighted Average Exercise Price
Balance at April 30, 2015	24,555,595	CAD\$	0.37
Issued	1,223,843	CAD\$	0.25
Expired	(175,000)	CAD\$	0.25
Exercised	(25,000)	CAD\$	0.25
Balance at January 31, 2016	25,579,438	CAD\$	0.37

Summary of warrants outstanding and issuable at January 31, 2016:

Security	Number Outstanding	Exercise Price	Expiry Date
Warrants	1,550,000	CAD\$ 0.40	January 31, 2017
Warrants	20,000,000	CAD\$ 0.40	April 29, 2016
Warrants	667,520	CAD\$ 0.14	December 1, 2016 ⁽¹⁾
Warrants	122,142	CAD\$ 0.14266	December 1, 2016 ⁽¹⁾
Warrants	104,119	CAD\$ 0.165	December 1, 2016 ⁽¹⁾
Warrants	76,723	CAD\$ 0.17	December 1, 2016 ⁽¹⁾
Warrants	87,818	CAD\$ 0.17223	December 1, 2016 ⁽¹⁾
Warrants	111,762	CAD\$ 0.185	December 1, 2016 ⁽¹⁾
Warrants	132,208	CAD\$ 0.217	December 1, 2016 ⁽¹⁾
Warrants	62,002	CAD\$ 0.222	December 1, 2016 ⁽¹⁾
Warrants	58,181	CAD\$ 0.225	December 1, 2016 ⁽¹⁾
Warrants	165,326	CAD\$ 0.23	December 1, 2016 ⁽¹⁾
Warrants	51,202	CAD\$ 0.25	December 1, 2016 ⁽¹⁾
Warrants	92,357	CAD\$ 0.276	December 1, 2016 ⁽¹⁾
Warrants	200,091	CAD\$ 0.28	December 1, 2016 ⁽¹⁾
Warrants	45,439	CAD\$ 0.29	December 1, 2016 ⁽¹⁾
Warrants	96,261	CAD\$ 0.292	December 1, 2016 ⁽¹⁾
Warrants	52,459	CAD\$ 0.305	December 1, 2016 ⁽¹⁾
Warrants	730,848	CAD\$ 0.22	December 31, 2018 ⁽¹⁾
Warrants	242,545	CAD\$ 0.23	December 31, 2018 ⁽¹⁾
Warrants	194,344	CAD\$ 0.24	December 31, 2018 ⁽¹⁾
Warrants	37,203	CAD\$ 0.245	December 31, 2018 ⁽¹⁾

I-Minerals Inc.

Notes to the Condensed Consolidated Financial Statements For the nine months ended January 31, 2016

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

Warrants	85,308	CAD\$ 0.25	December 31, 2018 ⁽¹⁾
Warrants	192,206	CAD\$ 0.259	December 31, 2018 ⁽¹⁾
Warrants	126,843	CAD\$ 0.265	December 31, 2018 ⁽¹⁾
Warrants	198,750	CAD\$ 0.272	December 31, 2018 ⁽¹⁾
Warrants	95,781	CAD\$ 0.291	December 31, 2018 ⁽¹⁾

Notes:

- (1) The warrants are exercisable until the earlier of the date disclosed or the date that the promissory note or second promissory note advance, including interest, is repaid (Notes 5 and 6).

9. RELATED PARTY TRANSACTIONS:

During the nine months ended January 31, 2016, the Company settled \$952,098 of interest payable on the Promissory Notes and Second Promissory Notes owed to a company controlled by a Director by issuing 5,216,116 common shares at the fair value of \$963,718 (Notes 5 and 6).

During the nine months ended January 31, 2016, management and consulting fees of \$72,099 (2015 - \$53,654) were charged by RJG Capital Corporation, a wholly-owned company of W. Barry Girling, Director. Wayne Moorhouse, Director, charged \$2,293 (2015 - \$nil) in management and consulting fees. \$17,776 (2015 - \$23,044) 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, 2016, the amount was \$178,278 (April 30, 2015 - \$175,789). All amounts are non-interest bearing, unsecured, and due on demand.

The promissory notes and second promissory notes received from a company controlled by a director (Notes 5, 6 and 13) are related party transactions.

10. SEGMENT DISCLOSURES:

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

11. 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 condensed consolidated statements of cash flows. During the nine months ended January 31, 2016, the following transactions were excluded from the condensed consolidated statement of cash flows:

- The issuance by the Company of 3,825,822 common shares at the fair value of \$708,883 as payment of interest on the Promissory Notes;
- The issuance by the Company of 1,390,294 common shares at the fair value of \$54,035 as payment of interest on the Second Promissory Notes; and
- The commitment to issue 1,223,843 common shares at the fair value of \$293,623 and 1,223,843 warrants at the fair value of \$151,318 pursuant to the Second Promissory Notes.

I-Minerals Inc.

Notes to the Condensed Consolidated Financial Statements For the nine months ended January 31, 2016

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

During the nine months ended January 31, 2015, the following transactions were excluded from the condensed consolidated statement of cash flows:

- a) The issuance by the Company of 2,363,262 common shares at the fair value of \$523,866 as payment of interest on the Promissory Notes;
- b) The commitment to issue 472,998 common shares at the fair value of \$98,640 and 472,998 warrants at the fair value of \$60,161 pursuant to the Promissory Notes; and,
- c) The commitment to issue 82,368 common shares at the fair value of \$16,275 and 82,368 warrants at the fair value of \$10,717 pursuant to the Second Promissory Notes.

12. IIM LITIGATION:

On June 6, 2014, the Company was named as a defendant in a lawsuit in Latah County, State of Idaho (the "Latah County Lawsuit"). The plaintiffs who filed the Latah County Lawsuit, Hoodoo Resources, LLC ("Hoodoo") and Brent Thomson as trustee for the Brent Thomson Family Trust (the "Thomson Family Trust") (collectively referred to as the "Plaintiffs"), alleged both direct claims and derivative claims on behalf of Idaho Industrial Minerals, LLC ("IIM"). The derivative claims alleged by the Plaintiffs against the Company sought damages for breach of the terms of the August 10, 2001 agreement, as amended, between the Company and IIM (the "IIM Agreement") and the return of the Idaho state mineral leases of the Helmer-Bovill Property to IIM.

During the nine months ended January 31, 2016, a court-ordered mediation was held. The mediation was successful and all parties entered into an agreement in principle to settle the parties' claims against one another that was documented in a Binding Settlement Term Sheet whereby the Company agreed to pay \$100,000 (accrued in accounts payable and accrued liabilities) of the Plaintiffs legal fees and the Plaintiffs agreed to dismiss the Latah County Lawsuit. On December 2, 2015, the Latah County Lawsuit was dismissed and the Company paid a total of \$100,000.

13. SUBSEQUENT EVENTS:

Subsequent to January 31, 2016:

- a) The Company received an aggregate of \$400,000 of Second Promissory Notes (Note 6).

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 activities; changes in project parameters as plans continue to be refined; changes in labour costs or other costs of production; future mineral prices; equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the mining industry, including but not limited to environmental hazards, cave-ins, pit-wall failures, flooding, rock bursts and other acts of God or unfavourable operating conditions and losses; delays in obtaining governmental approvals or financing or in the completion of development or construction activities, as well as those factors discussed in the section titled "Risk Factors" in our Annual Report on Form 10-K which was filed with the SEC on July 28, 2015.

Forward looking statements are based on a number of material factors and assumptions, including the results of exploration and drilling activities, the availability and final receipt of required approvals, licenses and permits, that sufficient working capital is available to complete proposed exploration and drilling activities, that contracted parties provide goods and/or services on the agreed time frames, the equipment necessary for exploration 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 our Annual Report on Form 10-K which was filed with the SEC on July 28, 2015.

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 registration statement. 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. 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" 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 the 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 registration statement 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.”

We are an exploration stage company engaged in the exploration and development of our Helmer-Bovill industrial minerals property (the “Helmer-Bovill Property”). The Helmer-Bovill Property, in which we hold a 100% interest, is comprised of 11 mineral leases totaling 5,140.64 acres located approximately 6 miles southwest of Bovill, Latah County, Idaho.

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.

To date, we have not earned significant revenues from the operation of our mineral properties. 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 its ability to compete for investor support of its projects.

Our Principal Projects

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

The Bovill Kaolin Project

Our lead project, the Bovill Kaolin Project, is a strategically located long term resource of 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 243 diamond drill holes have been drilled totaling 26,753 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, which included the following highlights:

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

- *Updated Mineral Reserves. All figures are in thousands of tons.*

Reserve	Proven	Probable	Total P&P
Tons (1000s)	4,155	4,548	8,702
Halloysite %	4.8	4.0	4.4
Halloysite Tons (1000s)	200	182	382
Kaolinite %	11.1	12.5	11.8
Kaolinite Tons (1000s)	460	568	1,028
Sand %	77.8	76.8	77.3
Sand Tons (1000s)	3,234	3,491	6,725

Note that values presented here have been rounded to reflect the level of accuracy. Proven and Probable Mineral Reserves are presented using a \$57.00 NSR cutoff grade.

- *Economic Analysis*
 - US\$386 million Pre-Tax NPV; US\$250 million After Tax NPV using a 6% discount rate.
 - 31.6% Pre-Tax IRR; 25.8% After Tax IRR.
 - Initial Capital Cost of \$108.3 million and Total Life of Mine capital costs \$120.0 million.
 - Life of Mine in excess of 25 years with a stripping ratio of 0.54:1 (waste:ore).
 - 3 year estimated after tax payback.

The full National Instrument (“NI”) 43-101 report will be filed before the end of April 2016. Going forward our focus is to complete the detailed engineering and commence efforts to raise the capital necessary to build the mine.

The WBL Tailings Project

We also plan to commence mining operations at the WBL Tailings Project. The WBL Tailings Project is feldspathic sands deposited as tailings from clay mining operations during the period from 1961 to 1974. In September 2012, we received approval of our Mine Plan of Operations (“MPO”) from the Idaho Department of Lands. The MPO allows us to mine up to 50,000 tons per annum of feldspathic sands from June to October for a period of 10 years.

Settlement Agreement

On December 2, 2015, we received final court approval of its settlement of the lawsuit against us by Idaho Industrial Minerals, LLC (“IIM”), Hoodoo Resources, LLC (“Hoodoo”), the principal of Hoodoo, Robert Lemke (“Lemke”), Brent Thomson (“Thomson”) and The Thomson Family Trust (the “Thomson Trust”) (IIM, Hoodoo, Lemke, Thomson and the Thomson Trust collectively referred to as the “Plaintiffs”) in Latah County, Idaho.

The terms of the settlement are set forth in a formal definitive settlement agreement (the “Settlement Agreement”) among the Plaintiffs, the Estate of Philip Nisbet, Allen Ball (“Ball”), the Allen Ball and Connie Ball Family Trust (the “Ball Trust”), Ball Ventures, LLC (“BV”) and BV Natural Resources, LLC (“BVNR”) (Ball, the Ball Trust, BV and BVNR collectively referred to as the “Ball Entities”) and Northwest Kaolin, Inc. (“NWK”). In addition to the Latah County lawsuit, two additional lawsuits received court approval and dismissal: the lawsuit between the Ball Entities and the Plaintiffs filed in Ada County, Idaho; and the lawsuit between the Ball Entities and the Plaintiffs filed in Nez Perce County, Idaho.

Under the terms of the Settlement Agreement, we paid IIM the sum of \$100,000 in exchange for a full release and dismissal with prejudice of the claims made against us by the Plaintiffs, as well as the acknowledgement by IIM and NWK that we are the sole owner of the mineral leases that make up our Helmer-Bovill property.

Also under the Settlement Agreement, BVNR, an entity controlled by Allen Ball, one of our directors and a member of IIM, has agreed to grant to IIM options to purchase certain of our common shares owned by BVNR. The option grant by BVNR to IIM is separate and apart from the payment to be made by us to IIM, and does not affect the rights and obligations of us under the Settlement Agreement. However, we have agreed to file a registration statement with the United States Securities and Exchange Commission for the resale of our common shares by BVNR to IIM as a result of the options.

Plan of Operation

During the next twelve months, our plan of operation is to complete and file the formal NI 43-101 feasibility study on our Bovill Kaolin Project and, subject to successful capital raising efforts, complete detailed engineering to build an operation at the Bovill Kaolin Project. For the next few years, we will also continue production at our WBL Tailings Project.

Feasibility Study of the Bovill Kaolin Project

As recommended in the 2014 PFS, in January 2015 we commenced the feasibility study of the Bovill Kaolin Project. In order to bring the Bovill Kaolin Project to feasibility, we had to undertake additional exploration and drilling, complete mining, tailings and environmental studies and complete additional material testing. With the Technical Economic Model of the feasibility study complete, the feasibility study is now approximately 95% complete with only the formal report outstanding, which will be completed before the end of April 2016.

Outlook

Our focus continues to be the detailed assessment of all of our mineral assets and advancing the Bovill Kaolin Project towards production. With the economic model of the FS now completed, the next steps are the completion of the formal NI 43-101 report and final permitting activities with the mine permit expected late in the second or early third calendar quarter of 2016.

A second bulk sample has been sent to Ginn Mineral Research with separation of the clay minerals (kaolin and halloysite) now complete. The sand fraction from the second bulk sample has been delivered to Minerals Research Laboratory at North Carolina State University ("MRL"). Processing of the sand fraction (quartz and K-spar) from the initial bulk sample is nearing completion at MRL. Metallurgical work on the K-spar and single float Q1 quartz products are now complete with the final runs of the three float high purity Q3 product nearing completion at the time of writing. The purpose of the current round of pilot scale separations is to confirm grades and separation characteristics of all areas of the deposits and provide samples for melt tests and customer tests. The processing of the bulk samples at Ginn Mineral Research created halloysite and metakaolin products of sufficient samples for marketing purposes. The second bulk sample was necessary as the combined halloysite and kaolin only represented about 18% of the raw ore limiting the amount of sample produced. The processing of the first bulk sample at MRL to create K-spar and quartz products is expected to be complete by the end of March 2016. After that, MRL will do some optimization work on a bench scale to see how high a K₂O feldspar product can be produced. This work should be completed in the second calendar quarter of 2016.

Based upon opportunities identified in the Charles Rivers report, internal marketing efforts and customer leads generated through the website, strong interest has been generated in all of the Company's mineral products with ever increasing interest in the K-spar. Samples continue to be sent to customers for testing and the response has generally been very favorable.

Results of Operation

Nine months ended January 31, 2016

We recorded a loss of \$3,734,529 (\$0.05 per share) for the nine months ended January 31, 2016 as compared to a loss of \$78,852 (\$0.00 per share) for the nine months ended January 31, 2015. The increase in the loss recorded in the nine months ended January 31, 2016 as compared to the loss in the nine months ended January 31, 2015 is the net result of changes to a number of expenses. Of note are the following items:

- Management and consulting fees of \$150,346 (2015 - \$366,149) are comprised of fees to manage our Company and stock-based compensation. The stock-based compensation recognized in the current period was \$34,900 (2015 - \$294,186). Approximately half of the fees to manage our Company are charged to management and consulting fees and the other half is charged to mineral property expenditures.
- Mineral property expenditures of \$2,382,611 (2015 - \$1,118,699) are costs incurred on our Helmer-Bovill Property. The main expenses incurred during the current period included engineering and consulting (\$1,493,890) and mineral analysis and processing (\$391,395). We were working on completing a feasibility study during the current period. In the prior period, the Company incurred \$434,451 of engineering and consulting expenditures and mineral analysis and processing of \$284,934 as part of updating the pre-feasibility study.
- General and miscellaneous expenses of \$412,267 (2015 - \$271,463) are comprised of office and telephone expenses, payroll taxes, medical benefits, insurance premiums, travel expenses, promotional expenses, shareholder communication fees, transfer agent fees and filing fees. The increase during the current period was due primarily to an increase marketing activities of our property as well as investor relations activities.

- Professional fees of \$309,150 (2015 - \$484,208) include legal fees, audit fees and financial consulting fees. The decrease in fees in the current period was due to the transition from IFRS to US GAAP during the prior period, as well as a reduction of legal fees relating to the IIM litigation and legal fees relating to the Unimin Temporary Restraining Order.
- Loss on settlement of liabilities of \$31,512 (2015 – \$nil) represents the change in fair value of common shares between the date the Company agreed to settled liabilities for common shares and the date that the common shares were ultimately issued. The Company used common shares to settle interest payable pursuant to promissory notes and second promissory notes.
- Accretion expense of \$261,743 (2015 - \$84,548) is the amortization of the fair value of bonus shares and bonus warrants issued to the lender of the promissory notes and the second promissory notes. The bonus shares and bonus warrants are amortized over the life of the promissory notes.
- Interest expense of \$843,229 (2015 - \$485,163) is from promissory notes and second promissory notes that bear interest at a rate of 12% per year. Interest increased as additional funds were advanced.
- We recorded a gain on change in fair value of derivative liabilities of \$659,687 (2015 – gain of \$2,730,303). 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.

Three months ended January 31, 2016

We recorded a loss of \$962,265 (\$0.01 per share) for the three months ended January 31, 2016 as compared to a loss of \$427,687 (\$0.01 per share) for the three months ended January 31, 2015. The increase in the loss recorded in the three months ended January 31, 2016 as compared to three months ended January 31, 2015 is the net result of changes to a number of expense items as noted above under the nine months ended January 31, 2016 and 2015. Management and consulting fees of \$53,145 (2015 - \$272,913) decreased due to stock-based compensation recognized during the prior period.

Liquidity and Capital Resources

Our aggregate operating, investing and financing activities during the nine months ended January 31, 2016 resulted in a net cash outflow of \$65,103 (2015 – outflow of \$549,284). As at January 31, 2016, we had working capital deficiency of \$385,002, including cash of \$206,937.

During the nine months ended January 31, 2016, we used \$4,063,064 on cash flows from operations before changes in non-cash operating working capital items (2015 - \$2,426,183). The increase in these cash flows was due primarily to an increase in mineral property expenditures. During the nine months ended January 31, 2016, we spent \$nil on investing activities (2015 - \$7,008) and we received \$3,044,449 from financing activities (2015 - \$1,459,185).

We are being financed by advances pursuant to Promissory Notes and Second 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. BV Lending agreed to advance up to \$5,787,280 pursuant to the Promissory Notes. The final advance pursuant to the Promissory Notes was received in January 2015 and the balance due at January 31, 2016 was \$5,787,280. On February 18, 2015, we entered into the Second Promissory Notes with BV Lending pursuant to which BV Lending agreed to advance up to an additional \$4,463,000. On November 20, 2015, the Second Promissory Notes were amended with BV Lending agreeing to an advance an additional \$1,000,000. The balance due pursuant to the Second Promissory Notes at January 31, 2016 was \$4,657,000.

The Promissory Notes are due as to \$3,000,000 on December 2, 2016 and the balance due on December 31, 2016. Certain conditions may result in early repayment.

The Second Promissory Notes mature as to \$1,000,000 on December 2, 2016, \$2,000,000 on June 2, 2017 and the balance due on December 2, 2017. Certain conditions may result in early repayment.

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 once a feasibility study is completed, 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 are currently 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 have expressed substantial doubt in their auditors' report in the financial statements for the year ended April 30, 2015 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 will be classified in the balance sheet as current or non-current based on whether or not settlement of the derivative instrument is expected within 12 months of the balance sheet date.

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.

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, 2016. 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, 2016. There were no material changes in the Company's internal control over financial reporting during the third quarter of 2016.

Part II – OTHER INFORMATION

Item 1. Legal Proceedings.

Derivative Complaint

We were named as a defendant in a lawsuit in Latah County, State of Idaho, Case No. CV 2014-1306 (the "Latah County Lawsuit"). The plaintiffs who filed the Latah County Lawsuit, Hoodoo Resources, LLC ("Hoodoo") and Brent Thomson as trustee for the Brent Thomson Family Trust (the "Thomson Family Trust") (Hoodoo and the Thomson Family Trust are sometimes collectively referred to as the "Plaintiffs"), alleged both direct claims and derivative claims on behalf of Idaho Industrial Minerals, LLC ("IIM"). The Plaintiffs' claims were initially brought on June 6, 2014, as third-party claims in response to a complaint filed against Hoodoo and the Thomson Family Trust by another IIM member, the Selling Security Holder, which owns a 25% interest in IIM. The Selling Security Holder's lawsuit against Hoodoo and the Thomson Family Trust was filed in Ada County, State of Idaho, Case No. CV OC 1401549. The Selling Security Holder has also filed a separate action against the Plaintiffs in Nez Perce County, State of Idaho, Case No. CV 14 02312.

On December 2, 2015, all of the foregoing lawsuits were settled pursuant to the terms of the Settlement Agreement. Under the terms of the Settlement Agreement, we paid IIM the aggregate sum of \$100,000 (the "I-Minerals Payment") for the release of any and all claims made against us under the lawsuits by the Ball Entities and the Plaintiffs. In addition, IIM and NWK have expressly acknowledged and agreed that, upon receipt of the I-Minerals Payment, we have fulfilled all of our duties and obligations under the terms of the IIM Agreement relating to our Helmer-Bovill Property, and that any and all rights and claims of IIM and NWK to the mineral leases making up the Helmer-Bovill Property will be released and extinguished. See "*Settlement Agreement*".

Legal Action against Unimin

In July, 2014, we announced the engagement of Dr. Thomas Gallo, a former employee of Unimin Corporation ("Unimin"), as a consultant to oversee our ceramic test work and market development. On August 13, 2014, Unimin obtained a Temporary Restraining Order which restrained and enjoined Dr. Gallo from disclosing to us specifications of Unimin's process in producing high purity quartz. On September 17, 2014, the North Carolina Court of Justice denied Unimin's Motion for a Preliminary Injunction (the "P.I. Motion") pursuant to Rule 65 of the North Carolina Rules of Civil Procedure and determined "Unimin has failed to present sufficient evidence to show that it is will succeed on the merits of its claims." On December 2, 2014, Unimin filed a voluntary dismissal of its lawsuit against the Company and Dr. Gallo.

On March 24, 2015, we filed a suit for Abuse of Process, Malicious Prosecution and Unfair and Deceptive Trade Practices against Unimin arising out of the dismissed Injunction Action. All three claims are centered around I-Minerals' contention that under the guise of a lawsuit to protect Unimin's confidential, proprietary, and/or trade secret information, Unimin was actually attempting to gain information and documents from competitors, to interfere with the business relationships of

competitors, to stifle lawful market competition, and to prevent Dr. Gallo from plying his general skills and knowledge in manufacturing high purity quartz. Unimin sought a Motion to Dismiss, but on September 18, 2015, Unimin's efforts failed. In the words of Judge Max O. Connor of the United States District Court for the Western District of North Carolina: "The court finds that such allegations are more than sufficient to plausibly allege willful acts whereby Defendants allegedly sought to use the existence of the proceeding to gain advantage of the plaintiff in respect to a collateral matter."

Unimin has contacted the company seeking a mediated solution to the action. I-Minerals did not initiate the action nor has any court found it to have undertaken any wrongdoing. Accordingly, it would welcome the opportunity to resolve the action through mediation and has agreed to participate. The mediation is scheduled for March 2016 and the mediators recommendations should be presented to the parties at some point thereafter.

Item 1A. Risk Factors

There have been no material changes from the risk factors as previously disclosure in our Annual Report on Form 10-K which was filed with the SEC on July 28, 2015.

Item 2. Unregistered sales of equity securities and use of proceeds

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 or our Annual Report on Form 10-K.

Item 3. Defaults upon senior securities

None

Item 4. Mine Safety Disclosures.

Pursuant to Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (The "Dodd-Frank Act"), issuers that are operators, or that have a subsidiary that is an operator, of a coal or other mine in the United States are required to disclose in their periodic reports filed with the SEC information regarding specified health and safety violations, orders and citations, related assessments and legal actions, and mining-related fatalities. During the nine months ended January 31, 2016, our U.S. exploration properties were 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.⁽²⁾
- 3.2 Articles of Continuance.⁽²⁾
- 3.3 Certificate of Amendment.⁽²⁾
- 3.4 Articles of Amendment.⁽²⁾
- 3.5 By-Laws.⁽²⁾
- 10.1 Assignment Agreement with Contingent Right of Reverter dated August 10, 2002, between the Company, Idaho Industrial Minerals, LLC and Northwest Kaolin Inc.⁽²⁾
- 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.⁽²⁾
- 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.⁽²⁾
- 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.⁽²⁾
- 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.⁽²⁾
- 10.6 Employment Agreement dated April 1, 2013 between the Company and Thomas M. Conway.⁽²⁾
- 10.7 Loan Agreement dated September 13, 2013 between the Company and BV Lending LLC.⁽²⁾
- 10.8 Stock Option Plan.⁽¹⁾

- 10.9 Sales Agreement dated April 28, 2014 between I-Minerals USA, Inc. and Pre-Mix, Inc.⁽²⁾
- 10.10 Loan Agreement dated February 18, 2015 between the Company and BV Lending LLC.⁽³⁾
- 10.11 Amendment Agreement dated December 1, 2015 between the Company and BV Lending LLC.⁽⁴⁾
- 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.

SIGNATURES

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

I-MINERALS INC.

Date: March 14, 2016

By: /s/ Thomas M. Conway

THOMAS M. CONWAY

Chief Executive Officer and President
(Principal Executive Officer)

Date: March 14, 2016

By: /s/ Matthew Anderson

MATTHEW ANDERSON

Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)