CANADIAN METALS INC.

Condensed Interim Financial Statements

(Unaudited and unreviewed by the Company's Independent Auditors)

Three-month and six-month periods ended January 31, 2017 and 2016

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Condensed Interim Financial Statements

CANADIAN METALS INC.
Condensed Interim Statements of Financial Position
As at January 31, 2017 and July 31, 2016
(in Canadian dollars)

	Note	January 31 2017	July 31 2016
		$	$
Assets			
Current assets:			
Cash and cash equivalents	5	581,010	201,001
Other receivables	6	95,707	90,159
Prepaid expenses		18,343	23,192
Total current assets		695,060	314,352
Non-current assets:			
Mining properties	7	152,000	152,000
Exploration and evaluation assets	8	876,863	753,684
Total non-current assets		1,028,863	905,684
Total assets		1,723,923	1,220,036
Liabilities and Equity			
Current liabilities:			
Trade accounts payable and accrued liabilities		233,801	137,796
Liability related to flow-through shares		49,800	-
Total current liabilities		283,601	137,796
Non-current liabilities:			
Convertible debentures	9	947,781	567,452
Total non-current liabilities		947,781	567,452
Equity:			
Share capital	10	2,859,196	2,663,943
Warrants	10	475,741	473,770
Share options	11	494,705	501,456
Equity component of the convertible debentures	9	330,498	77,640
Contributed surplus		498,574	465,735
Deficit		(4,166,173)	(3,667,756)
Total equity		492,541	514,788
Total liabilities and equity		1,723,923	1,220,036

Nature of operations and going concern, see Note 2.

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

These financial statements were approved and authorized for issue by the Board of Directors on March 28 2017.

(S) Stéphane Leblanc	(S) Victor Cantore
Director	Director

CANADIAN METALS INC.

Condensed Interim Statements of Comprehensive Loss

Three-month and six-month periods ended January 31, 2017 and 2016

(in Canadian dollars)

		Three-month period ended		Six-month period ended	
	Note	January 31 2017	January 31 2016	January 31 2017	January 31 2016
		$	$	$	$
General and administrative expenses :					
Management and consulting fees		103,960	192,437	202,995	307,037
Rent and office expenses		12,880	29,579	19,652	36,223
Professional fees		36,711	7,378	61,709	12,162
Registration, listing fees and shareholders information		26,694	11,715	37,730	16,244
Travel and promotion		29,207	15,746	71,898	34,712
Share-based compensation	11	-	-	26,088	-
Depreciation of property and equipment		-	71	-	495
Loss from operating activities		209,452	256,926	420,072	406,873
Finance income		(2)	(14)	(45)	(17)
Finance expense	12	46,207	25,400	78,390	50,240
Total net finance expense		46,205	25,386	78,345	50,223
Loss before income taxes		255,657	282,312	498,417	457,096
Deferred income tax expense (recovery)		-	-	-	-
Net loss and comprehensive loss		255,657	282,312	498,417	457,096
Weighted average number of common shares outstanding		41,393,560	33,453,930	41,037,364	33,030,951
Basic and diluted loss per share		0.006	0.008	0.012	0.014

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

CANADIAN METALS INC.
Condensed Interim Statements of Changes in Equity
Three-month and six-month periods ended January 31, 2017 and 2016
(in Canadian dollars)

	Note	Number of shares outstanding	Share capital	Warrants	Share options	Equity component of the convertible debentures	Contributed surplus	Deficit	Total equity
			$	$	$	$	$	$	$
Balance as at July 31 2016		40,680,082	2,663,943	473,770	501,456	77,640	465,735	(3,667,756)	514,788
Shares issued:									
Private placements net of a liability of flow-through shares of $49,800		1,660,000	199,200						199,200
As payment of expenses	10	100,000	20,000						20,000
Share issuance costs			(23,947)						(23,947)
Warrants issued to brokers				1,971					1,971
Convertible debentures issued	9					252,858			252,858
Share options expired					(32,839)		32,839		-
Share-based compensation	11				26,088				26,088
Transactions with owners		1,760,000	195,253	1,971	(6,751)	252,858	32,839	-	476,170
Net loss and comprehensive loss for the period								(498,417)	(498,417)
Balance as at January 31 2017		42,440,082	2,859,196	475,741	494,705	330,498	498,574	(4,166,173)	492,541
Balance as at July 31 2015		32,607,971	1,832,444	238,738	271,307	77,640	307,807	(2,234,046)	493,890
Shares issued:									
Private placements	10	1,300,666	171,140	23,960					195,100
As settlement of accounts payable and payment of expenses		1,540,000	202,632	28,368					231,000
As a settlement of interest payment on the debentures		361,515	35,000						35,000
Share issuance costs			(1,280)						(1,280)
Warrants expired				(75,430)			75,430		-
Transactions with owners		3,202,181	407,492	(23,102)	-	-	75,430	-	459,820
Net loss and comprehensive loss for the period								(457,096)	(457,096)
Balance as at January 31 2016		35,810,152	2,239,936	215,636	271,307	77,640	383,237	(2,691,142)	496,614

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

CANADIAN METALS INC.
Condensed Interim Statements of Cash Flows
Three-month and six-month periods ended January 31, 2017 and 2016
(in Canadian dollars)

	Three-month period ended		Six-month period ended	
	January 31 2017	January 31 2016	January 31 2017	January 31 2016
	$	$	$	$
Operating activities:				
Net loss	(255,657)	(282,312)	(498,417)	(457,096)
Adjustments for:				
Expenses paid through issuance of shares	-	-	20,000	-
Share-based compensation	-	-	26,088	-
Depreciation of property and equipment	-	71	-	495
Effective interest costs on convertible debentures	20,297	12,028	34,043	23,112
Interest costs capitalized on loans	25,857	12,953	43,356	26,358
Operating activities before changes in working capital items	(209,503)	(257,260)	(374,930)	(407,131)
Change in other receivables	(208)	(34,748)	4,452	(67,122)
Change in prepaid expenses	10,864	13,196	4,849	28,737
Change in trade accounts payable and accrued liabilities	(47,972)	248,635	34,161	178,786
	(37,316)	227,083	43,462	140,401
Cash flows used for operating activities	(246,819)	(30,177)	(331,468)	(266,730)
Financing activities:				
Proceeds from convertible debenture issued	600,000	-	600,000	5,000
Convertible debentures issuance costs	(47,083)		(47,083)	-
Proceeds from issuance of shares	249,000	195,100	249,000	195,100
Share issuance costs	(28,735)	(1,280)	(33,130)	(1,280)
Cash flows (used for) from financing activities	773,182	193,820	768,787	198,820
Investing activities:				
Increase in exploration and evaluation assets	(6,996)	(247,848)	(57,310)	(282,186)
Cash flows used for investing activities	(6,996)	(247,848)	(57,310)	(282,186)
Net change in cash and cash equivalents	519,367	(84,205)	380,009	(350,096)
Cash and cash equivalents, beginning of period	61,643	162,594	201,001	428,485
Cash and cash equivalents, end of period	581,010	78,389	581,010	78,389

Additional disclosures of cash flows information (Note 13).

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

1. Reporting entity:

Canadian Metals Inc. (the "Company" or "Canadian Metals" or "CME") is a company domiciled in Canada. Canadian Metals was incorporated on August 17, 2012 under the *Québec Business Corporations Act.* Canadian Metals is a public company listed on the Canadian Securities Exchange ("CSE") and its trading symbol is "CME".

The Company's head office, which is also the main establishment is located at 1 Place Ville-Marie, suite 1670, Montréal, Québec, Canada H3B 2B6 and its web site is www.canadianmetalsinc.com.

The Company specializes in the acquisition, exploration and evaluation of mineral properties. The Company is focused on the exploration of its Langis Project, a high-purity silica deposit located in Matane area.

2. Nature of operations and going concern:

The accompanying financial statements have been prepared on the basis of the going concern assumption meaning the Company will be able to realize its assets and discharge its liabilities in the normal course of business. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, 12 months from the end of the reporting period.

Management is aware, in making its assessment, of material uncertainties related to events and conditions that may cast a significant doubt on the Company's ability to continue as a going concern and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities, expenses and financial position classifications that would be necessary if the going concern assumption was not appropriate. These adjustments could be material. After the period end, the Canadian Metals completed a new financing. See details in Note 17.

For the period ended January 31, 2017, the Company recorded a net loss of $498,417 ($457,096 in 2016) and has an accumulated deficit of $4,166,173 as at January 31, 2017 ($3,667,756 as at July 31, 2016). Besides the usual needs for working capital, the Company must obtain funds to enable it to meet the timelines of its exploration programs and to pay its overhead and administrative costs. As at January 31, 2017, the Company had a working capital of $411,459 (working capital of $176,556 as at July 31, 2016) consisting of cash and cash equivalents of $581,010 ($201,001 as at July 31, 2016). Management believes that these funds will not be sufficient to meet the obligations and liabilities of the Company. These uncertainties cast significant doubt regarding the Company's ability to continue as a going concern. Any funding shortfall may be met in the future in a number of ways, including but not limited to, the issuance of new equity instruments. Given that the Company has not yet determined whether its mineral properties contain mineral deposits that are economically recoverable, the Company has not yet generated income nor cash flows from its operations. The recovery of the cost of exploration and evaluation assets as well as other tangible and intangible assets, is subject to certain conditions: the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to continue the exploration, evaluation, development, construction and ultimately disposal of these assets. While management has been successful in raising financing in the past, there is no assurance that it will succeed in obtaining additional financing in the future.

3. Basis of preparation:

3.1 Statement of compliance:

These unaudited and unreviewed condensed interim financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS"), issued by the International Accounting Standards Board ("IASB") in accordance with IAS 34, Interim Financial Reporting. On March 28, 2017 the Board of Directors approved, for issuance, these financial statements.

Certain information, in particular the accompanying notes, normally included in the audited annual financial statements prepared in accordance with IFRS has been omitted or condensed. Accordingly, these unaudited condensed interim financial statements do not include all the information required for full annual financial statements, and, therefore, should be read in conjunction with the audited annual financial statements of the Company and the notes thereto for the year ended July 31, 2016.

3.2 Basis of measurement:

These unaudited and unreviewed condensed interim financial statements have been prepared on the historical cost basis.

3. Basis of preparation (continued):

3.3 Functional and presentation currency:

These unaudited and unreviewed condensed interim financial statements are presented in Canadian dollars, which is the Company's functional currency.

3.4 Use of estimates and judgements:

The preparation of the condensed interim financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Critical judgments in applying the accounting policies of the Company in the preparation of these condensed interim financial statements and key assumptions related to these estimation uncertainties are the same as the ones listed and described in the annual audited financial statements of the Company as at July 31, 2016.

4. Significant accounting policies:

These condensed interim financial statements have been prepared following the same accounting policies used in the audited financial statements for the year ended July 31, 2016.

4.1 Adoption of new accounting standards:

The Company did not adopt any new standards, amendments to standards and interpretations during the three-month period ende January 31, 2017.

4.2 New standards, interpretations and amendments issued but not yet effective:

Since the issuance of the Company's audited financial statements for the year ended July 31, 2016, the IASB and IFRIC have issued no additional new and revised standards and interpretations which are applicable to the Company.

5. Cash and cash equivalents:

	January 31 2017	**July 31 2016**
	$	**$**
Cash	570,510	201,001
Cash in trust	10,500	-
	581,010	201,001

Funds reserved for E&E expenditures

On December 29, 2016, the Company completed a flow-through private placement of $249,000. The Comopany has until December 31, 2017 to incur eligible exploration and evaluation expenditures in order to comply with the requirements of flow-through private placement.

There is no guarantee that the Company's exploration and evaluation expenditures will qualify as Canadian exploration expenses, even if the Company is committed to taking all the necessary measures in this regard. Refusal of certain expenses by the tax authorities could have a negative tax impact for investors.

(in Canadian dollars)

6. Other receivables:

	January 31 2017	July 31 2016
	$	$
Sales tax receivable	39,370	43,022
Balance receivable related to convertible debentures	10,000	-
Tax credits receivable and mining tax receivable	46,337	46,337
Other	-	800
	95,707	90,159

7. Mining properties:

Mining properties can be detailed as follows:

	Royalties	Interest	July 31 2016	Acquisition	Disposition	Impairment	January 31 2017
	%	%	$	$	$	$	$
Québec:							
Langis [(2)]	-	100	152,000	-	-	-	152,000
			152,000	-	-	-	152,000

	Royalties	Interest	July 31 2015	Acquisition	Disposition	Impairment	July 31 2016
	%	%	$	$	$	$	$
Québec:							
Massicotte [(1)]	2	100	19,968	-	-	(19,968)	-
Langis [(2)]	-	100	152,000	-	-	-	152,000
			171,968	-	-	(19,968)	152,000

1) Massicotte Property:

On August 31, 2012, the Company entered into an agreement with two private companies, one of which is controlled by an officer and director of the Company and an individual for the acquisition of 403 mining rights (claims) consisting of Blocks “A, B, C, D", located in the Matagami area, province of Quebec. Block “A” consists of 111 claims, block “B” 54 claims, block "C" 90 claims and block “D” 148 claims. As per the agreement, the Company agreed to issue 1,500,000 common shares to the vendors. The Company determined the value of these shares at the fair value of mining properties which were estimated at $31,500. Furthermore, the vendor is entitled to a net smelter return (NSR) of 1.4% (revised from 2% following the waiver of the NSR by the company controlled by an officer)), when commercial production is to begin. If this situation were happened, the Company would have had the option to redeem the seller, 0.7% (revised from 1%) of the royalty for a cash consideration of $700,000 (revised from 1.0M) payable to the seller. As at July 31, 2015, the Company held only 32 claims of the block "A". On January 7, 2014, the Company transferred 40% of a property consisting of 172 mining rights to a public company controlled by an officer and director, in exchange for the payment of up to $80,000 for an airborne campaign which took place during the year 2014. The exploration and evaluation expenditures were paid directly to the supplier and therefore have not been recorded as exploration and evaluation assets in the financial statements of the Company. Subsequent expenditures on the property will be made accordance with the proportion of the participation held by each company in the project.

During the year ended July 31, 2015, the Company identified 28 mining rights that were not renewed or that were not to be renewed. Consequently, the fair value of these mining rights and exploration costs was estimated at $0 and an impairment loss of $1,173 on mining properties was recorded in net earnings.

During the year ended July 31, 2016, the Company wrote down to $Nil the cost of the Massicotte property, as it no longer fit the Company's development strategy. Consequently, an impairment loss of $19,968 on mining properties and $168,117 on exploration and evaluation assets was recorded in net earnings.

(in Canadian dollars)

7. Mining properties (continued):

2) Langis Property :

On September 16, 2013, the Company acquired from a private company controlled by an officer and director of the Company, the mining rights on the Langis property located in Matane area (Quebec) for a consideration of 2.5 million warrants, estimated at $152,000 at the signing of the agreement and 3% of a Net Smelter Return ("NSR") on mining claims in the event of commercial production of a deposit on the property. The Company was committed, on or before August 1, 2014, to appoint a firm of qualified consultants to conduct an environmental study and a preliminary economic assessment of the property. The economic evaluation report was to be made available within six months following the date of the mandate and the environmental study report but no later than twelve (12) months following the date on which the mandate was given. The Company had to appoint a qualified firm to conduct a feasibility study on the property or engineering report within six months of receipt of the preliminary economic assessment report that was to be completed and filed no later than twelve (12) months following the date on which the mandate was given. Finally, the Company had to obtain the necessary permits, including an operating lease to carry out exploration and exploitation work on the property; in the event of termination of the agreement or non-compliance of the obligations mentioned above, the Company had agreed to pay an amount of $200,000 as a penalty. No monetary consideration was paid to the seller in connection with this acquisition. Because the agreement was not respected, an amount of $200,000 was paid by the Company during the year ended July 31, 2015 and was recorded in general exploration expenditures.

8. Exploration and evaluation assets:

Exploration and evaluation assets by nature are detailed as follows:

	January 31 2017	July 31 2016
	$	$
Exploration and evaluation costs:		
Drilling	-	19,215
Geology	-	27,109
Metallurgy	-	1,789
Technical Reports	108,576	335,656
Environment	8,777	38,506
Supervision	5,826	-
	123,179	422,275
Other items:		
Tax credit related to resources and mining tax	-	(14,289)
Write-down of exploration and evaluation assets	-	(168,117)
	-	(182,406)
Balance at the beginning	753,684	513,815
Balance at the end	876,863	753,684

Exploration and evaluation assets by properties are detailed as follows:

	July 31 2016	Exploration costs	Tax credits and mining tax	Disposition	Impairment	January 31 2017
	$	$	$	$	$	$
Québec:						
Langis (2)	753,684	123,179	-	-	-	876,863
	753,684	123,179	-	-	-	876,863

	July 31 2015	Exploration costs	Tax credits and mining tax	Disposition	Impairment	July 31 2016
	$	$	$	$	$	$
Québec:						
Massicotte (1)	163,253	7,231	(2,367)	-	(168,117)	-
Langis (2)	350,562	415,044	(11,922)	-	-	753,684
	513,815	422,275	(14,289)	-	(168,117)	753,684

(in Canadian dollars)

9. Convertible debentures:

	January 31 2017	July 31 2016
	$	$
Convertible debentures (1)		
Convertible debentures bearing interest at 10% payable semi-annually and maturing in July 2018. [a]	631,663	567,452
Convertible debentures (2)		
Convertible debentures bearing interest at 10% payable semi-annually and maturing in December 2020. [b]	316,118	-
	947,781	567,452

(a) Debentures (1) from related parties:

	January 31 2017	July 31 2016
	$	$
Director	13,536	12,160
Companies under control of directors	27,071	48,638
Company under control of an officer and director	13,536	12,160
	54,143	72,958

(b) Debentures (2) from related parties:

	January 31 2017	July 31 2016
	$	$
Directors	15,546	-
Officers	10,364	
Company under control of a director	5,182	-
Company under control of an officer	10,883	
Company under control of an officer and director	7,773	-
	49,748	-

Convertible debentures (1)

On July 27, 2015, the Company completed a convertible debentures financing of $700,000. The maturity of the convertible debentures is three years and bear interest at 10% per year. Interest is payable on June 30 and December 31 of each year. The first year, the Company has the option to pay interest in cash or in shares. The second and third year, interest will be paid in cash. If payment are in shares, the conversion price in number of shares will be equal at 85% of the average of the last twenty (20) trading days ending five (5) trading days preceding the payment date. The payment of the interests of $35,000 due on December 31, 2016 will be paid before the end of the fiscal year.

A commission of 8.5% of the amount was paid in cash for a total amount of $ 94,271. Of this amount, $80,008 was recorded as a reduction of liabilities and $14,263 as a reduction of equity. In addition, a number of 175,000 warrants representing 5% of the investment were granted to brokers. Each warrant entitles the holder to subscribe to one common share at an exercise price of $0.20 per share until July 27, 2017. The value of the warrants was estimated at $11,308 at the grant date using the Black-Scholes option pricing model. The assumptions used for the calculation were:

Expected dividend yield	0.0%
Share price at grant date	0.13$
Expected volatility [2]	100.00%
Risk-free interest rate	0.41%
Expected life	2.0 years

(2) The volatility was determined in comparison with the volatility of comparable publicly traded companies.

(in Canadian dollars)

9. Convertible debentures (continued):

For purposes of determining the fair value of the liability component, an effective interest rate of 15% was used which is the estimated market rate that the Company would have obtained for a similar financing without the conversion option. The liability component is accreted up to the face value of the debenture over the term of the debentures as an interest expense. As at January 31, 2017 , the equity component is $106,211 and is presented net of income tax in the amount of $28,571.

Convertible debentures (2)

On December 12, 2016, the Company completed a convertible debentures financing of $610,000. The maturity of the convertible debentures is four years and bear interest at 10% per year. Interest is payable on June 30 and December 31 of each year. The first year, the Company has the option to pay interest in cash or in shares. The second, third and fourth year, interest will be paid in cash or shares. If a minimum of 66.6% of the debentures holders (in terms of amounts of dollars) vote in favor of either a payment in cash or shares, the Company will pay all debentures holders the same way. If payment are in shares, the conversion price in number of shares will be equal at 85% of the average of the last twenty (20) trading days ending five (5) trading days preceding the payment date.

Commission of 4.0% to 8.5% of the amount and legal fees were paid in cash for a total amount of $ 52,421. Of this amount, $28,471 was recorded as a reduction of liabilities and $23,770 as a reduction of equity. In addition, a number of 25,950 warrants were granted to brokers. Each warrant entitles the holder to subscribe to one common share at an exercise price of $0.20 per share until December 12, 2018. The value of the warrants was estimated at $1,971 at the grant date using the Black-Scholes option pricing model. Of this amount, $1,074 was recorded as a reduction of liabilities and $897 as a reduction of equity. The assumptions used for the calculation were:

Expected dividend yield	0.0%
Share price at grant date	$0.125
Expected volatility (1)	141.53%
Risk-free interest rate	0.76%
Expected life	2.0 years

(1) The volatility was determined by reference to historical data of the Company shares.

For purposes of determining the fair value of the liability component, an effective interest rate of 28.43% was used which is the estimated market rate that the Company would have obtained for a similar financing without the conversion option. The liability component is accreted up to the face value of the debenture over the term of the debentures as an interest expense. As at January 31, 2017 , the equity component is $252,858.

10. Share capital and warrants:

(a) Authorized:

The Company is authorized to issue an unlimited number of common shares without par value. The share capital comprises only of fully paid common shares.

(b) Issued and outstanding:

	Number	Amount
		$
Balance as at July 31, 2015	32,607,971	1,832,444
Issued for cash:		
Private placement (common shares)	5,334,000	486,578
Issued as settlement of accounts payable and payment of expenses	2,268,571	274,921
Issued as a settlement of interest payment on the debentures	469,540	70,000
Balance as at July 31, 2016	40,680,082	2,663,943

	Number	Amount
		$
Balance as at July 31, 2016	40,680,082	2,663,943
Issued for cash:		
Private placement (flow-through shares)	1,660,000	175,253
Issued as payment of expenses	100,000	20,000
Balance as at January 31, 2017	42,440,082	2,859,196

10. Share capital and warrants (continued):

(b) Issued and outstanding (continued):

2017:

On October 31, 2016, the Company issued to a service provider 100,000 common shares valued at $20,000 for promotion fees.

On December 29, 2016, the Company concluded a private placement by issuing 1,660,000 flow-through common shares at a price of $0.15 per share for net proceeds of $225,053 after deducting share issuance costs of $23,947. A liability related to flow-through shares has been recorded at a value of $49,800 based on the residual value method. As at December 31, 2016, The Company has the obligation to incur $249,000 in exploration expenditures no later than December 31, 2017. As at January 31, 2017, the Company incurred $Nil in exploration expenditures and therefore had the obligation to incur $249,000 in exploration expenditures.

2016:

On December 15, 2015, the Company concluded a private placement by issuing 1,440,666 units at a price of $0.15 per unit for total of $216,100. From the 1,440,666 units issued, 140,000 units were issued in settlement of accounts payable for an amount of $21,000. The remaining 1,300,666 units were issued for net proceeds of $194,166 after deducting share issuance costs of $934. No commission was paid in connection with this private placement. Each unit consists of one common share and one warrant for a total of 1,440,666 common shares and 1,440,666 warrants. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of $0.25 until June 15, 2017. These warrants have been recorded at a value of $71,096 based on the Black-Scholes option pricing model using the assumptions described below (Note 10 (c)). An amount of $64,826 has been allocated to the units issued in consideration of cash and the remaining balance of $6,270 has been allocated to the units issued in settlement of accounts payable. The difference between the value of the 140,000 shares as per the agreement and the value of the shares on the issuance day resulted in a gain of $2,130 in loss on settlement of accounts payable recognized in earnings.

On January 8, 2016, the Company issued 361,515 common shares for interests payable of $35,000 on convertible debentures. The interests were payable on December 31, 2015. No commission was paid in connection with this transaction. As at July 31, 2016, 58,654 common shares remain to be issued on this interest payment.

On March 23, 2016, the Company issued 1,378,571 common shares with a fair value of $172,321 in settlement of accounts payable in the amount of $96,500. No commission was paid in connection with this transaction. These settlements resulted in a loss of $75,821 on settlement of accounts payable, in earnings. Furthermore, the Company issued to a director and an officer 750,000 common shares valued at $90,000 for management and consulting fees.

On April 6, 2016, the Company concluded a private placement by issuing 3,433,335 units at a price of $0.15 per unit for net proceeds of $507,777 after deducting share issuance costs of $7,223. No commission was paid in connection with this private placement. Each unit consists of one common share and one warrant for a total of 3,433,335 common shares and 3,433,335 warrants. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of $0.25 until October 6, 2017. These warrants have been recorded at a value of $202,079 based on the Black-Scholes option pricing model using the assumptions described below (Note 10 (c)).

On April 15, 2016, the Company concluded a private placement by issuing 599,999 units at a price of $0.15 per unit for net proceeds of $88,827 after deducting share issuance costs of $1,173. No commission was paid in connection with this private placement. Each unit consists of one common share and one warrant for a total of 599,999 common shares and 599,999 warrants. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of $0.25 until October 15, 2017. These warrants have been recorded at a value of 37,287 based on the Black-Scholes option pricing model using the assumptions described below (Note 10 (c)).

On July 25, 2016, the Company issued 108,025 common shares for interests payable of $35,000 on convertible debentures. The interests were payable on June 30, 2016. No commission was paid in connection with this transaction. As at July 31, 2016, 16,187 common shares remain to be issued on this interest payment.

(in Canadian dollars)

10. Share capital and warrants (continued):

(c) Warrants:

The changes to the number of outstanding warrants granted by the Company and their weighted average exercise price are as follows:

		January 31 2017		July 31 2016
	Number of outstanding warrants	Weighted average exercise price	Number of outstanding warrants	Weighted average exercise price
		$		$
Outstanding at beginning	8,149,000	0.22	4,781,334	0.20
Granted	25,950	0.20	5,474,000	0.25
Expired	-	-	(2,106,334)	0.25
Outstanding at end	8,174,950	0.22	8,149,000	0.22

The following table provides outstanding warrants information as at January 31, 2017:

		Outstanding warrants	
Expiry date	Number of outstanding warrants	Exercise price	Remaining life
		$	(years)
June 15, 2017	1,440,666	0.25	0.4
July 27, 2017	175,000	0.20	0.5
October 6, 2017	3,433,335	0.25	0.7
October 15, 2017	599,999	0.25	0.7
September 15, 2018	2,500,000	0.15	1.6
December 12, 2018	25,950	0.20	1.9
	8,174,950	0.22	0.9

The following table provides outstanding warrants information as at July 31, 2016:

		Outstanding warrants	
Expiry date	Number of outstanding warrants	Exercise price	Remaining life
		$	(years)
June 15, 2017	1,440,666	0.25	0.9
July 27, 2017	175,000	0.20	1.0
October 6, 2017	3,433,335	0.25	1.2
October 15, 2017	599,999	0.25	1.2
September 15, 2018	2,500,000	0.15	2.1
	8,149,000	0.22	1.4

2017:

As part of the debentures financing in December 2016 (Note 9), the Company issued 25,950 warrants to brokers. Each warrant entitles the holder to subscribe to one common share at an exercise price of $0.20 per share until December 12, 2018. The value of the warrants was estimated at $1,971 at the grant date using the Black-Scholes option pricing model. The assumptions used for the calculation were:

Expected dividend yield	0.0%
Share price at grant date	$0.125
Expected volatility (1)	141.53%
Risk-free interest rate	0.76%
Expected life	2.0 years

(in Canadian dollars)

10. Share capital and warrants (continued):

(c) Warrants (continued):

2016:

On December 15, 2015, the Company issued 1,440,666 warrants to shareholders who subscribed to 1,440,666 units offering. Each warrant entitles the holder to subscribe to one common share at an exercise price of $0.25 per share until June 15, 2017. The value of the warrants was estimated at $71,096 at the grant date using the Black-Scholes option pricing model. The assumptions used for the calculation were:

Expected dividend yield	0.0%
Share price at grant date	$0.09
Expected volatility [(1)]	161.06%
Risk-free interest rate	0.52%
Expected life	1.5 years

On April 6, 2016, the Company issued 3,433,335 warrants to shareholders who subscribed to 3,433,335 units offering. Each warrant entitles the holder to subscribe to one common share at an exercise price of $0.25 per share until October 6, 2017. The value of the warrants was estimated at $202,079 at the grant date using the Black-Scholes option pricing model. The assumptions used for the calculation were:

Expected dividend yield	0.0%
Share price at grant date	$0.175
Expected volatility [(1)]	169.31%
Risk-free interest rate	0.54%
Expected life	1.5 years

On April 15, 2016, the Company issued 599,999 warrants to shareholders who subscribed to 599,999 units offering. Each warrant entitles the holder to subscribe to one common share at an exercise price of $0.25 per share until October 15, 2017. The value of the warrants was estimated at $37,287 at the grant date using the Black-Scholes option pricing model. The assumptions used for the calculation were:

Expected dividend yield	0.0%
Share price at grant date	$0.250
Expected volatility [(1)]	171.39%
Risk-free interest rate	0.59%
Expected life	1.5 years

(1) The volatility was determined by reference to historical data of the Company shares.

11. Share-based compensation:

(a) Share option plan:

The Company has a share option plan whereby the Board of Directors, may grant to directors, officers, employees and consultants of the Company, options to acquire common shares. The Board of Directors has the authority to determine the terms and conditions relating to the granting of options. The maximum number of shares that can be issued under the share-based compensation plan is 10% of the Company's shares issued at the time of the option grant, with a vesting period of up to eighteen months at the directors' discretion. All share-based compensation shall be settled in equity instruments. The number of share options granted to a beneficiary are determined by the Board of Directors.

The exercise price of any option granted under the Plan is determined by the Board of Directors at the time of the grant and cannot be less than the market price per common share the day before the grant. The term of an option will not exceed five years from the date of grant. Options are not transferable and can be exercised under the plan terms when a beneficiary who is a director, officer, employee or consultant of the Company ceases to occupy his functions, according to the terms of the Company's share-based compensation plan.

The options granted during the three-month period ended January 31, 2017 and during the year ended July 31, 2016 were issued at a price equal to the closing price the day before the grant.

(in Canadian dollars)

11. Share-based compensation (continued):

(a) Share option plan (continued):

The changes to the number of outstanding share options granted by the Company and their weighted average exercise price are as follows:

		January 31 2017		July 31 2016
	Number of outstanding share options	Weighted average exercise price	Number of outstanding share options	Weighted average exercise price
		$		$
Outstanding at beginning	4,080,000	0.15	2,875,000	0.12
Granted	125,000	0.26	2,000,000	0.18
Forfeited	(450,000)	(0.10)	(795,000)	0.11
Outstanding at end	3,755,000	0.16	4,080,000	0.15
Exercisable at end	3,755,000	0.16	4,080,000	0.15

The following table provides outstanding share options information as at January 31, 2017:

				Share options outstanding
Expiry date	Number of granted share options	Number of exercisable share options	Exercise price	Remaining life
			$	(years)
July 22, 2018	200,000	200,000	0.19	1.5
October 2, 2018	400,000	400,000	0.12	1.7
April 8, 2019	80,000	80,000	0.14	2.2
February 25 2020	450,000	450,000	0.10	3.1
March 6, 2020	300,000	300,000	0.135	3.1
June 12, 2020	200,000	200,000	0.17	3.4
February 26, 2021	1,400,000	1,400,000	0.10	4.1
May 7, 2021	600,000	600,000	0.37	4.3
June 20, 2021	125,000	125,000	0.26	4.4
	3,755,000	3,755,000	0.16	3.4

The following table provides outstanding warrants information as at July 31, 2016:

				Share options outstanding
Expiry date	Number of granted share options	Number of exercisable share options	Exercise price	Remaining life
			$	(years)
February 20, 2018	200,000	200,000	0.10	1.6
July 22, 2018	200,000	200,000	0.19	2.0
October 2, 2018	450,000	450,000	0.12	2.2
April 8, 2019	80,000	80,000	0.14	2.7
February 25 2020	650,000	650,000	0.10	3.6
March 6, 2020	300,000	300,000	0.14	3.6
June 12, 2020	200,000	200,000	0.17	3.9
February 26, 2021	1,400,000	1,400,000	0.100	4.6
May 7, 2021	600,000	600,000	0.37	4.8
	4,080,000	4,080,000	0.15	3.8

(in Canadian dollars)

11. Share-based compensation (continued):

(a) Share option plan (continued):

2017 :

During the six-month period ended January 31, 2017, the Company granted 125,000 share options to a director. The options are fully vested on the day of granting, in accordance with the share option plan. The options issued are exercisable at an exercise price of $0.26 per share and expire on June 20, 2021. The fair value of the options was estimated at $26,088 using the Black-Scholes option pricing model. The assumptions used for the calculation were:

Expected dividend yield	0.0%
Share price at grant date	$0.260
Expected volatility (2)	114.43%
Risk-free interest rate	0.66%
Expected life	5.0 years

2016 :

On February 26, 2016, the Company granted 1,400,000 share options to officers, directors and consultants. The options are fully vested on the day of granting, in accordance with the share option plan. The options issued are exercisable at an exercise price of $0.10 per share and expire on February 26, 2021. The fair value of the options was estimated at $129,587 using the Black-Scholes option pricing model. The assumptions used for the calculation were:

Expected dividend yield	0.0%
Share price at grant date	$0.115
Expected volatility (2)	111.37%
Risk-free interest rate	0.67%
Expected life	5.0 years

On May 7, 2016, the Company granted 600,000 share options to directors. The options are fully vested on the day of granting, in accordance with the share option plan. The options issued are exercisable at an exercise price of $0.37 per share and expire on May 7, 2021. The fair value of the options was estimated at $183,060 using the Black-Scholes option pricing model. The assumptions used for the calculation were:

Expected dividend yield	0.0%
Share price at grant date	$0.380
Expected volatility (2)	113.79%
Risk-free interest rate	0.72%
Expected life	5.0 years

(1) The volatility was determined by reference to historical data of the Company shares.
(2) The volatility was determined in comparison with the volatility of comparable publicly traded companies.

For the three-month period ended January 31, 2017, the share-based compensation recognized in the statement of comprehensive loss is $0 ($Nil for the three-month period ended January 31, 2016).

12. Finance expense:

Finance expense recognized in the net loss of the year is as follows:

	Three-month period ended		Six-month period ended	
	January 31 2017	January 31 2016	January 31 2017	January 31 2016
	$	$	$	$
Bank charges	257	419	536	770
Interest on convertible debentures	46,154	24,981	77,399	49,470
Exchange loss	(204)	-	455	-
Finance expense	46,207	25,400	78,390	50,240

(in Canadian dollars)

13. Supplemental cash flow information:

The Company entered into the following transactions which had no impact on the cash flows:

	January 31 2017	January 31 2016
	$	$
Non-cash financing activities:		
Convertible debentures issuance costs in trade accounts payable and accrued liabilities	5,158	-
Convertible debentures issuance costs paid through the issuance of warrants	1,971	-
Non-cash investing activities:		
Exploration and evaluation assets in trade accounts payable and accrued liabilities	75,553	147,349

14. Related party transactions:

In addition to the related party transactions presented elsewhere in these financial statements, the following is a summary of other transactions:

During the three-month and six-month periods ended January 31, 2017, a company controlled by a director and an officer have billed a total of $Nil for the rental of office space ($1,000 and $2,500 respectively for the three-month and six-month periods ended January 31, 2016).

Unless otherwise stated, none of the transactions incorporated special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

Key management personnel remuneration:

Key management personnel of the Company are members of the Board of Directors, as well as the President, the Chief Financial Officer, the Vice-President Development and a special advisor to the Board of Directors. Key management personnel remuneration includes the following expenses:

	Three-month period ended		Six-month period ended	
	January 31 2017	January 31 2016	January 31 2017	January 31 2016
	$	$	$	$
Management and consulting fees	115,026	56,500	193,500	123,000
Share-based compensation	-	-	26,088	-
	115,026	56,500	219,588	123,000

15. Capital management policies and procedures:

The Company's capital management objectives are:

- to ensure the Company’s ability to continue as a going concern;
- to increase the value of the assets of the business; and
- to provide an adequate return to shareholders of the Company.

These objectives will be achieved by identifying the right exploration projects, adding value to these projects and ultimately taking them through to production or sale and cash flow, either with partners or by the Company's own means.

The Company monitors capital on the basis of the carrying amount of equity. Capital for the reporting periods is presented in the statement of changes in equity.

The Company is not exposed to any externally imposed capital requirements except when the Company issues flow-through shares for which the amount should be used for exploration work. Currently, the Company has no such requirements.

The Company sets the amount of capital in proportion to its overall financing structure, i.e. equity and financial liabilities. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. The Company finances its exploration and evaluation activities principally by raising additional capital either through private placements or public offerings. When financing conditions are not optimal, the Company may enter into option agreements or other solutions to continue its exploration and evaluation activities or may slow its activities until conditions improve. No changes were made in the objectives, policies and processes for managing capital during the reporting periods.

(in Canadian dollars)

16. Financial instrument risks:

The Company is exposed to various risks in relation to financial instruments. The main types of risks the Company is exposed to are credit risk and liquidity risk.

The Company manages risks in close cooperation with the board of directors. The Company focuses on actively securing short- to medium-term cash flows by minimizing the exposure to financial markets.

(a) Credit risk:

Credit risk is the risk that the other party to a financial instrument fails to honour one of its obligations and, therefore, causes the Company to incur a financial loss.

The Company's maximum exposure to credit risk is limited to the carrying amount of financial assets at the reporting date.

The Company's management considers that all of the above financial assets that are not impaired or past due for each of the reporting dates are of good credit quality.

Credit risk of cash and cash equivalents is considered negligible, since the counterparty is a reputable bank with excellent external credit rating.

None of the Company's financial assets is secured by collateral or other credit enhancements.

(b) Liquidity risk:

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Liquidity risk management serves to maintain a sufficient amount of cash and to ensure that the Company has financing sources such as private and public investments for a sufficient amount.

Over the past and during the period ended January 31, 2017 (issuance of flow-through shares and convertible debentures in December 2016), the Company has financed its acquisitions of mining rights, exploration costs and working capital needs through private financings.

Contractual maturities of financial liabilities (including capital and interest) are as follows:

				January 31 2017
	Current		**Total**	**Non-current**
	0-6 months	**6-12 months**		**1-5 years**
	$	$	$	$
Trade and other payables	233,801		233,801	
Convertible debentures (1)	70,000	35,000	105,000	735,000
Convertible debentures (2)	30,500	30,500	61,000	793,000

				July 31 2016
	Current		**Total**	**Non-current**
	0-6 months	**6-12 months**		**1-5 years**
	$	$	$	$
Trade and other payables	137,796		137,796	
Convertible debentures (1)	35,000	35,000	70,000	770,000

(in Canadian dollars)

17. Subsequent events:

On February 3, 2017, the Company concluded a first tranche of a private placement by issuing 2,369,998 units at a price of $0.15 per unit for proceeds of $355,500. Each unit consists of one common share and one warrant. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of $0.20 until February 3, 2018. The Municipality of Baie-Comeau through the Development Manicouagan (IDM), agreed to participate to the private placement for an amount of $340,000 described in the Subsequent events Note published in the last interim financial statements ended October 31, 2016. IDM has demonstrated a clear support to the project from the local community and the Company and IDM will work together to develop and build the next silicon alloys producer, locate in Baie-Comeau, to serve the world market.

On February 21, 2017, the Company granted 500,000 share options to an officer and consultants, to purchase 500,000 common shares of the Company at an exercise price of $0.105 per share and expiring on February 21, 2022.

18. Reclassification:

Certain comparative figures have been reclassified to conform to the presentation adopted in the current period, mainly a reclassification of expenses from professional fees to management and consulting fees. The reclassification has been done to increase the clarity and usefulness of information presented in the financial statements.

	Three-month period ended January 31 2016	Six-month period ended January 31 2016
General and administrative expenses :	**$**	**$**
Professional fees		
Initial balance	179,415	253,199
Adjustments:	(172,037)	(241,037)
Balance after reclassification:	7,378	12,162
General and administrative expenses :		
Management and consulting fees		
Initial balance	20,400	66,000
Adjustments:	172,037	241,037
Balance after reclassification:	192,437	307,037

	Three-month period ended January 31 2016	Six-month period ended January 31 2016
General and administrative expenses :	**$**	**$**
Rent and office expenses		
Initial balance	29,998	36,993
Adjustments:	(419)	(770)
Balance after reclassification:	29,579	36,223
Net finance expense :		
Finance expense		
Initial balance	24,981	49,470
Adjustments:	419	770
Balance after reclassification:	25,400	50,240