# CANADIAN METALS INC.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Year ended

July 31, 2017

(Fourth Quarter)

This management discussion and analysis ("MD&A") of Canadian Metals Inc., ("Canadian Metals" or "CME" or the "Company") follows rule 51-102 of the Canadian Securities Administrators regarding continuous disclosure.

The following MD&A is a narrative explanation, through the eyes of the management of Canadian Metals, on how the Company performed during the three-month period and year ended July 31, 2017. It includes a review of the Company's financial condition and a review of operations for the three-month period and year ended July 31, 2017 as compared to the three-month period and year ended July 31, 2016.

This MD&A complements the audited financial statements for the year ended July 31, 2017 but does not form part of them. It is intended to help the reader understand and assess the significant trends, risks and uncertainties related to the results of operations and it should be read in conjunction with the audited financial statements as at July 31, 2017 and related notes thereto.

The audited financial statements for the years ended July 31, 2017 and 2016 have been prepared in accordance with the International Financial Reporting Standards ("IFRS") applicable to the preparation of annual financial statements. The accounting policies applied in the financial statements are based on IFRS issued and effective as at July 31, 2017. On November 24, 2017, the Board of Directors approved, for issuance, the annual financial statements.

All figures are in Canadian dollars unless otherwise stated. Additional information relating to the Company can be found on SEDAR at www.sedar.com. The shares of Canadian Metals are listed on the Canadian Securities Exchange ("CSE") under the symbol "CME".

## REPORT'S DATE

The MD&A was prepared with the information available as at November 24, 2017.

## CAUTION REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains forward-looking statements that are based on the Company's expectations, estimates and projections regarding its business, the mining industry in general and the economic environment in which it operates as of the date of the MD&A. To the extent that any statements in this document contain information that is not historical, the statements are essentially forward-looking and are often identified by words such as "anticipate", "expect", "estimate", "intend", "project", "plan" and "believe". In the interest of providing shareholders and potential investors with information regarding Canadian Metals, including management's assessment of future plans and operations, certain statements in this MD&A are forward-looking and are subject to the risks, uncertainties and other important factors that could cause the Company's actual performance to differ materially from that expressed in or implied by such statements. Such factors include, but are not limited to: volatility and sensitivity to market metal prices, impact of change in foreign currency exchange rates and interest rates, imprecision in reserve estimates, environmental risks including increased regulatory burdens, unexpected geological conditions, adverse mining conditions, changes in government regulations and policies, including laws and policies; and failure to obtain necessary permits and approvals from government authorities, and other development and operating risks. The preliminary assessments contained in the Technical Report referred to in this MD&A, and the estimates contained therein to date are preliminary in nature and are based on a number of assumptions, any one of which, if incorrect, could materially change the projected outcome.

Although the Company believes that the expectations conveyed by the forward-looking statements are based upon information available on the date that such statements were made, there can be no assurance that such expectations will prove to be correct. The reader is cautioned not to rely on these forward-looking statements. The Company disclaims any obligation to update these forward-looking statements unless required to do so by applicable Securities laws. All subsequent forward-looking statements, whether written or orally attributable to the Company or persons acting on its behalf, are expressly qualified in their entirety by these cautionary statements.

## NATURE OF ACTIVITIES

Canadian Metals, incorporated on August 17, 2012 under the *Québec Business Corporations Act,* the company is solely focused on the exploration and development of its Langis silica deposit in connection with a proposed downstream integration into ferrosilicon production.

## BUSINESS DEVELOPMENT HIGHLIGHTS

- **Resignation of Claude Dufresne as Director:**

  On September 15, 2016, the Company announced the resignation of Mr. Claude Dufresne as a member of the Board of Directors.

- **In November 2016, the Company has selected the Municipality of Baie-Comeau in the Northern region of Québec to conduct its pre-feasibility study for its Hybrid Flex plant:**

  **Cautionary Note:** Before the pre-feasibility study phase of the project, the Company will conduct a series of activities as recommended by the engineering firm CIMA+. These activities include drilling, 3-D modeling of the deposit, resource estimation, metallurgical analysis and testing. This will allow the Company to evaluate the Hybrid Flex option with the base case 100% silicon metal.

- **Financing:**

  On December 12, 2016, the Company completed a convertible debentures financing of $610,000 (610 units at $1,000 per unit) for net proceeds of $557,759 after deducting convertible debentures issuance costs of $52,241. The convertible debentures will maturing on December 31, 2020 and bear interest at 10% per year. Interest is payable semi-annually on June 30 and December 31 of each year, commencing on June 30, 2017.

  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 proceeds of $249,000.

- **Appointment of Hubert Vallée as President and CEO:**

  On December 14, 2016, the Company announced the nomination of Mr. Hubert Vallée as President and CEO of Canadian Metals Inc. in replacement of Mr. Stéphane Leblanc, who will now act as chief investment officer (CIO) and a director of the Company.

  Mr. Vallée graduated from Laval University. He has been a leader in the mining industry for 30 years. He joined Quebec Cartier Mining as Project Engineer and was promoted to Director of Operations for its Pellet Plant in 2001. He managed the Iron Ore Company of Canada's Pellet Plant in Sept-Iles before joining Domtar Inc. as Mill Manager of its pulp mill in Lebel-sur-Quévillon. He joined Consolidated Thompson in 2006 and was one of the key people who made this project happen. After the sale of Consolidated Thompson to Cliffs, Mr. Vallée acted as VP Project Development for Phase II of Bloom Lake operation. He has also been involved as Senior Vice President, Project Development, at Century Iron Mines. From February 2014, he acting as CEO and President of Lamelee Iron Ore Ltd. Mr. Vallée is known for its superior abilities to bring projects on stream cost-effectively through design innovation and management processes, maintaining relationships with stakeholders.

- **Financing:**

  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.

- **Annual Meeting of the Company (February 3rd, 2017):**

  At the Meeting, Mr. Claude Rousseau and Mr. Dany Paradis did not renew their mandate as director of the Company.

- **Grant of share options:**

  On February 21, 2017, the Company granted 500,000 share options to an officer 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 $0.105 per share and expire on February 21, 2022.

- **Corporate structure:**

  Mr. Pierre Renaud resigned as director and will remain on the advisory Board. Mr. Guy Simard has been appointed to the Board of directors, effective on March 1st, 2017.

  Mr. Simard has more than twenty years as CEO and business development officer for organizations in the areas of economic and regional development in Quebec. He has assisted many entrepreneurs and many enterprises in the realization of investment projects and technical feasibility studies in various business sectors, mainly in the natural resources (mining, forestry, energy) and metallurgy.

  Mr. Simard is an officer on numerous boards of directors of public and private companies. He has been chairman of the Manicouagan regional health and social services, an organization of 1 350 employees and has an operating budget of 100M$ million for the waiver health service for a population of over 50,000 people.

  His extensive knowledge of business management, governance of public and private companies and its network of established contacts in government circles is a valued contribution to any management team.

  Mr. Simard holds a Bachelor of Business Administration and a Certificate in Applied Studies in Urban Planning from the University of Quebec at Montreal and completed his master's degree in management of small and medium enterprises (SME) and their environment at the Université du Québec à Trois-Rivières.

  On February 3rd, 2017, Mr. Stéphane Leblanc was named Chairman of the Board.

  On March 1st, 2017, Ms. Anik Gendron was named Corporate Lawyer of CME.

- **New Website:**

  On April 24, 2017, the Company launched its new website (www.canadianmetalsinc.com), which is more modern and ergonomic with an easy-to-read interface that provides detailed and organized information.

- **Ressources Québec Inc. confirms an investment in CME:**

  On July 12, 2017, the Company is planning to complete a total of $8 million in funding over the next few months. This investment will complete the $9.2 million global financing plan which was developed in order to undertake all phases of project implementation. As a result, the Company is pleased to announce that Ressources Québec Inc., a wholly owned subsidiary of Investissement Québec, acting as agent for the Government of Québec, has obtained authorization from its principal to invest $2.125 million in Canadian Metals in the form of share capital at a price to be determined by and to the satisfaction of Ressources Québec, particularly in order to support the implementation phases of the project including the feasibility study and the environmental impact study, as well as the application for a certificate of authorization for the silicon alloy plant project.

### BUSINESS DEVELOPMENT SUBSEQUENT EVENTS

- **Resignation of Roland Courtemanche as Director:**

  On September 13, 2017, the Company announced the resignation of Mr. Roland Courtemanche as a member of the Board of Directors.

- **Appointment of Luigi Nardella as Director:**

  On September 19, 2017, the Company announced the nomination of Mr. Luigi Nardella as member of the Board of Directors of Canadian Metals Inc. Mr. Nardella brings to the Company over 39 years of experience in the heavy construction industry.

  Mr. Nardella is the founder and Managing Director of L. Nardella Associates Ltd., a professional project and construction management consulting firm. Mr. Nardella has been operating L. Nardella Associates Ltd. for 24 years.

  Mr. Nardella is also a senior Project Manager and Construction Manager, with a strong background experience in the heavy Construction industry, which was acquired over more than 39 years of working as a Construction Manager, Project and Construction Planner, Contract Manager/Administrator, Cost Controller, field supervisor and Estimator.

  He brings constructability and construction optimization valued experience, which has been acquired in the heavy construction industry within the various industries such as pulp and paper, mining, tissue, energy, petroleum and others across Canada and the United States.

- **Private Placement:**

  On October 16, 2017, the Company concluded a private placement by issuing 1,201,667 units at a price of $.075 per unit for proceeds of $90,125. Each unit consists of one common share and one-half warrant. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of $0.15 until April 16, 2019.

### EXPLORATION HIGHLIGHTS

- **The Company modifies its disclosure of April 28th, 2016 and files an amended Technical Report for the Revised Preliminary Economic Assessment (PEA):**

  On October 4, 2016, the Company announces filing of an amended Technical Report for the revised Langis Preliminary Economic Assessment (PEA). The revision was required based on comments from the Autorité Des Marchés Financiers (AMF) regarding the resource model and metallurgical plant final products.

  On June 22, 2016 a PEA report was filed to support the April 28th 2016 PEA disclosure. At the request of the AMF, the Company prepared an amended technical report including the required principal modifications: a Qualified person to sign-off mineral resources with appropriate CIM 2014 guidelines disclosure, adjust the project so the PEA reflects the mineral resources available on the Langis property without 3rd party feed purchase of feed and a revised achievable plan of the mineral resources processing for the targeted product and the associated cash flow.

  The revised divulgation and the revised PEA technical report supersede the disclosure of April 28, 2016 and the technical report of June 22, 2016 should not be relied upon.

  The strategy for the work plan was developed around existing resource model for Hybrid Flex with Base Case 100% Ferro Silicon (FeSi). This, as well as other changes to the project assumptions during the revision stage had an impact on the values attributed to the project as announced in the press release of April 28, 2016, a reduction in the NPV, Capex and IRR with light increase in payback time, the project is still positive.

- **Drilling Campaign in Langis:**

  In June 2017, the Company starts a drilling campaign to update the mineral resource of its Langis Silica Project. The campaign of 600 meters will include validation drilling of the high-grade zones and of the extensions of certain mineralized zones, for eventual open pit mining. As of June 21st as reported by GoldMinds, 9 Diamond drill holes were completed under GoldMinds supervision and holes drilled by Forages André Roy.

- **CME expands its Langis silica deposit 250 metres Northeast of previous drilling:**

  In July 5, 2017, the Company announced the completion of its diamond drilling program at Langis. A total of 528m has been drilled in 16 holes. A preliminary highlight is the extension of the sandstone formation 250m northeast of the area already having been drilled. This opens the opportunity for a potential increase of mineral resources. The consultant has established an exploration target of 8 to 12 Million tonnes of sandstone at surface probably usable for various application like Ferrosilicon with similar grades as adjacent analyzed holes in the range of 97.5 to 99.5% $SiO_2$, same geological sedimentary formation where mineral resources have been defined 250m away. This potential has been established by the area and the thicknesses of intersections in the typical sandstone previously intersected in 2013 & 2015 drilling program.

- **Reception of Hydro-Québec Exploratory Study:**

  On June 21, 2017, the Company confirms receipt of Hydro-Québec's exploratory study for the power supply of its silicon alloy plant located in the Jean-Noel Tessier industrial park in Baie-Comeau. This study confirms the capacity of the network to connect the 120 MW power requirement of hydro-electricity for the production of silicon alloy. This study also confirms one of the essential premises that favored our choice of Baie-Comeau. The current network of substations and power lines at Baie-Comeau at the point of connection in the Baie-Comeau Industrial Harbor Zone is undoubtedly one of the most efficient and competitive in Quebec for high-energy projects such as the one of Canadian Metals.

### EXPLORATION SUBSEQUENT EVENTS

- **The Company has signed a letter in intent for the sale of 35% of its by-product (silica fume):**

  On August 15, 2017, the Company announced the signing of a letter of intent with a Canadian leader in the production of cement ("CDF"), for the sale of a minimum quantity of 5,000 tons of silica fume (microsilica), representing at least 35% of the expected annual production in the initial phase, which will be produced in Canadian Metals' future silicon alloy plant in Baie-Comeau, Québec.

- **The Company has intersected 37 metres at 98.47% SIO2 200 metres of North Est of existing mineral resources:**

  On September 11, 2017, CME announced the results of its diamond drilling program at Langis. A total of 533 metres has been drilled in 16 holes.

- **The Company has secured a favourable power agreement with Québec Government:**

  On September 12, 2017, The Company announced that it has received a favorable notice from the Québec Department of Energy and Natural Resources. This notice confirms the granting of a 120 megawatt block from Hydro-Québec to the industrial rate (L), which will be made available to the Company for its silicon alloy plant in Baie-Comeau. With this energy, Canadian Metals will be able to supply its silicon alloys plant with hydroelectric power, having that, Canadian metals will be one of the silicon alloys producer with the lowest greenhouse gas (GHG) emissions on the market.

- **The Company has received an exclusive operating lease from the Québec Ministry of Energy and Natural Resources:**

  On October 3, 2017, the Company announced that it has received its operating lease from the Québec Ministry of Energy and Natural Resources. This lease is one of the two main regulatory approvals required to begin the operation of the Langis project and it was issued by the Québec authorities after more than two years of official studies, community engagement and public consultation.

- **The Company acquired 100% interest in two silica properties:**

  On November 12, 2017, the Company acquired from an arm's length company (the "Vendor") a 100% interest in nine (9) mineral claims covering one mineral showing known as "Chesnaye Silica" in Baie-Comeau and a 100% interest in one (1) mineral exploration property known as "Chisholm Brook Silica" in New Brunswick. On November 24, 2017, CME acquired the 100% interest by issuing 5,000,000 common shares to the Vendor and grant a 1.5% net smelter return royalty (the "NSR") on the Property to a related company of the Vendor. The Company will have the right to re-purchase half of the NSR for $1,000,000 at any time.

## EXPLORATION ACTIVITIES

### Projects

As of July 31, 2017, the Company held a portfolio of one property totalling 4 claims covering 228 hectares or 2.27 $km^2$ in Matane area in the province of Québec.

During the last year, all the claims of the Massicotte property have not been renewed following the Company's decision to focus on the Langis Project.

### Exploration activities for the three-month period ended July 31, 2017

During the three-month period ended July 31, 2017, the Company invested $161,379 in exploration and evaluation assets ($19,083 for the three-month period ended July 31, 2016) of which 100% of the total was spent on the Langis property.

During the last quarter, the Company finalized its diamond drilling program started in June 2017 and continued its focus on the development of the industrial part of the project.

**Exploration and evaluation assets**
**For the three-month period ended July 31, 2017**

| | Massicotte | Langis | Total |
|---|---|---|---|
| | $ | $ | $ |
| **Exploration and evaluation costs:** | | | |
| Drilling | - | 114,431 | 114,431 |
| Technical Reports | - | - | - |
| Environment | - | 38,812 | 38,812 |
| Supervision | - | 8,136 | 8,136 |
| | - | 161,379 | 161,379 |
| **Other item:** | | | |
| Impairment of exploration and evaluation costs | - | - | - |
| Tax credit related to resources and mining tax | - | 31,557 | 31,557 |
| | - | 31,557 | 31,557 |
| **Balance, beginning of period** | - | 941,668 | 941,668 |
| **Balance, end of period** | - | 1,134,604 | 1,134,604 |

**Exploration and evaluation assets**
**For the three-month period ended July 31, 2016**

| | Massicotte | Langis | Total |
|---|---|---|---|
| | $ | $ | $ |
| **Exploration and evaluation costs:** | | | |
| Drilling | - | - | - |
| Technical Reports | - | 10,634 | 10,634 |
| Environment | - | 8,449 | 8,449 |
| Supervision | - | - | - |
| | - | 19,083 | 19,083 |
| **Other item:** | | | |
| Impairment of exploration and evaluation costs | (168,117) | - | (168,117) |
| Tax credit related to resources and mining tax | - | 96,523 | 96,523 |
| | (168,117) | 96,523 | (71,594) |
| **Balance, beginning of period** | 168,117 | 638,078 | 806,195 |
| **Balance, end of period** | - | 753,684 | 753,684 |

**Exploration activities for the year ended July 31, 2017**

During the year ended July 31, 2017, the Company invested $349,363 in exploration and evaluation assets ($422,275 for the year ended July 31, 2016) of which approximately 100% of the total was spent on the Langis property.

During the fiscal year ended July 31, 2017, the Company finalized and filed a PEA reflecting the minerals resources available on the Langis property, finalized its diamond drilling program started in June 2017 and focused on the development of the industrial part of the project.

**Exploration and evaluation assets**
**For the year ended July 31, 2017**

| | Massicotte | Langis | Total |
|---|---|---|---|
| | $ | $ | $ |
| **Exploration and evaluation costs:** | | | |
| Drilling | - | 127,057 | 127,057 |
| Geology | - | 5,400 | 5,400 |
| Metallurgy | - | - | - |
| Technical Reports | - | 108,576 | 108,576 |
| Environment | - | 89,899 | 89,899 |
| Supervision | - | 18,431 | 18,431 |
| | - | 349,363 | 349,363 |
| **Other items:** | | | |
| Impairment of exploration and evaluation costs | - | - | - |
| Tax credit related to resources and mining tax | - | 31,557 | 31,557 |
| | - | 31,557 | 31,557 |
| **Balance, beginning of year** | - | 753,684 | 753,684 |
| **Balance, end of year** | - | 1,134,604 | 1,134,604 |

**Exploration and evaluation assets**
**For the year ended July 31, 2016**

| | Massicotte | Langis | Total |
|---|---|---|---|
| | $ | $ | $ |
| **Exploration and evaluation costs:** | | | |
| Drilling | - | 19,215 | 19,215 |
| Geology | 7,231 | 19,878 | 27,109 |
| Metallurgy | - | 1,789 | 1,789 |
| Technical Reports | - | 335,656 | 335,656 |
| Environment | - | 38,506 | 38,506 |
| Supervision | - | - | - |
| | 7,231 | 415,044 | 422,275 |
| **Other items:** | | | |
| Impairment of exploration and evaluation costs | (168,117) | - | (168,117) |
| Tax credit related to resources and mining tax | (2,367) | (11,922) | (14,289) |
| | (170,484) | (11,922) | (182,406) |
| **Balance, beginning of year** | 163,253 | 350,562 | 513,815 |
| **Balance, end of year** | - | 753,684 | 753,684 |

**Massicotte Property (Matagami)**

The Massicotte property consists of 172 claims for a total area of 95.74 km2, divided into three blocks, C, D and E. The property is subject to a royalty (NSR) of 1.4% for blocks C and D, of which 0.7% Can be repurchased for $ 700,000 and 2% for block E of which 1% is redeemable for $ 500,000. On January 7, 2014, an agreement was reached between the Company and Synergy Acquisition Corp. (Now Genius Properties Ltd), which would finance an electromagnetic and magnetic helicopter survey of the Massicotte property's 172 claims for an amount of $ 80,000 to acquire a 40% interest in these rights.

During the last year, all the claims of the Massicotte property have not been renewed following the Company's decision to focus on the Langis Project.

**Langis Property (Matane)**

Canadian Metals inc. owns a 100% interest in Langis property. The property is subject to a 3% net smelter return (NSR) royalty in favor of 9285-3696 Québec Inc., a privately-owned company belonging to an administrator and director of the Company. Langis silica property is located between the towns of Amqui and Matane, in the Matapédia region in Québec province.

The property encompass a highly siliceous sandstone block which is a potential silica supply. The sandstone is within the Val Brillant geologic formation and is composed of white to pink quartz-arenite. On the property, the Val Brillant formation constitute a 60-meter thick erosional block and lays on the Awantjish formation green shales. The outcropping sandstone block is 1700 meters long and exposure varies between 250 to 500 meters in width. The existing historical quarry of Uniquartz covers an approximate area of 90 meters by 90 meters.

The first exploration in the region started in 1844 with the work of the Geological Survey of Canada. Until 1978, only the provincial and federal governments conducted exploration works, which mostly consisted of large scale geological surveys. Uniquartz Inc. is the only mining company that conducted relevant exploration work by drilling 22 holes for a total of 1215.5 meters in 1982. Out of the 22 holes, 12 were located directly on the Langis property for a total of 649.9 meters. Afterward, physicochemical testing were made to determine the sandstone characteristics of the Langis and Tessier deposits. Furthermore, two 2.5 tonnes bulk samples were excavated. Historical resources of 27.6 million tonnes grading 1.12% $Fe_2O_3$ and 0.41% $Al_2O_3$ were calculated. However, the $SiO_2$ grade was unknown. In 1985, Uniquartz revised the available tonnage and grade of the Langis deposit at 25.5 million tonnes grading 0.12% $Fe_2O_3$ and 0.41% $Al_2O_3$. The resources stated in this paragraph are historical and does not meet the NI 43-101 standards of disclosure for mineral project. Even though a quarry was in operation, no data is available on its development or production after 1985.

Following the acquisition of the property in summer 2013, the Company undertook an exploration campaign to characterize the Langis deposit's silica. The campaign consisted of 9 diamond drill holes totaling 456 meters. However, only 3 holes were analyzed. The campaign also included 3 grab samples from the quarry wall to complete the metallurgical and heat shock resistance tests. Genivar published a NI 43-101 report in December 2013. The main results of this report are summarized in the following paragraph.

Laboratory testing provided essential data about the Langis deposit chemical, physical and thermal properties. This report showed the high purity silica sandstone potential for a number of uses. The impurity content is about 1% with a silica grade of 98.55% and a loss on ignition of 0.36%. After the correction for loss on ignition incurred in high temperature applications, the average silica grade is 98.95%. Thermal shock testing also revealed that the silica has a high grouting potential which is appropriate for high temperature furnaces.

Attrition washing can produce silica sand with average grades of 99.56% $SiO_2$, 0.03%$Fe_2O_3$, 0.16% $Al_2O_3$ and 0.03% $TiO_2$. Magnetic separation only removes a small quantity of iron oxides and other impurities. The physical properties of granulometric distribution, average fineness rating, uniformity coefficient, roundness, sphericity and impact resistance of the silica sand were measured. Based on the 2013 summer exploration campaign results, the Langis silica deposit can be considered as a potential supply of material for ferrosilicon production as well as a flux agent in base metal smelting.

Within the property, considering a longitudinal extension of 600 to 800 meters, a width of 275 to 325 meters, a thickness of 30 to 40 meters and a density of 2.65 t/m3, a mineral potential of 30 to 40 million tonnes grading from 98.1% to 99.2% $SiO_2$ has been calculated. Important note: The quantity and grade of the mineral potential stated above is conceptual in nature as there has not been sufficient exploration to define mineral resources. It is uncertain if additional exploration will result in the target being delineated as mineral resources.

A second drilling program was completed between June 1 and 22, 2015. The goal of this campaign was to delineate mineral resources by reducing the drilling pattern and therefore increasing the trust in the geological interpretation. A total of 18 holes totaling 701.6m were drilled on an approximate 50-meter grid. A total of 418 samples, representing 731.7 meters, combining cores from both campaigns were sent to ALS Chemex laboratory in Val-d'Or, Québec.

In October 2016, GoldMinds Geoservices published a NI 43-101 mineral resource estimate for the Langis property. The mineral resource estimate stands at 9.95 million tonnes in-pit grading an average of 98.71% $SiO_2$, 0.38% $Al_2O_3$, 0.05% $TiO_2$, 0.12% $Fe_2O_3$. The pit generated by GoldMinds Geoservices also contains 3.76 million tonnes of waste for a stripping ratio of 0.38 to 1.

**Cautionary Note: Mineral resources that are not mineral reserves have not demonstrated economic viability. Additional trenching and/or drilling will be required to convert inferred mineral resources to indicated or measured mineral resources. There is no certainty that the resources development, production, and economic forecasts on which this PEA is based will be realized.**

**What is Ferrosilicon?**

The following best describes Ferrosilicon:

- Ferrosilicon is the major ferroalloy by tonnage;
- Ferrosilicon is used mainly as a master alloy during iron- and steelmaking. Actually, the production of one tonne of steel consumes 4-5 kg FeSi;
- Ferrosilicon is essential for the production of magnesium metal (Pidgeon's process);
- As an alloying element it improves the electrical and mechanical properties of steel along with corrosion resistance;
- One of the fastest growing categories within steelmaking is the stainless sector, stainless steel has a specific consumption of ferrosilicon 5–10 times higher than regular carbon steel. One tonne of SS needs approximately 20 kilograms of FeSi, and
- Ferrosilicon major use is as deoxidizer to remove oxygen from hot metal.

**What has been done so far:**

At the beginning of February 2015, ELECTROCHEM TECHNOLOGIES & MATERIALS INC. was mandated to identify, qualify and supervise several R & D facilities around the world. The targeted institutions were all world-renowned facilities with the systems required for pilot testing of ferrosilicon production. After a comparative study based on key selection criteria such as production capacities, expertise, timing, and overall costs, an agreement was finally signed with MINTEK, whose facilities are in Randburg, South Africa. At this stage of the project, it was decided that the work would be executed in two successive phases. The objectives of Phase 1 were to demonstrate the technical feasibility of producing ferrosilicon from Langis quartzite, in order to assess the quality of the ferrosilicon produced and to provide the operational and metallurgical parameters necessary to prepare valuable information that will be used in a preliminary economic evaluation. The objective of Phase 2 was to corroborate the previous results and experimental performance and to proceed in conducting continuous pilot-scale ferrosilicon production.

In early June 2015, the first pieces of ferrosilicon were successfully produced at MINTEK. This ferrosilicon was produced from Langis quartzite during a series of prototype tests carried out between the end of May 2015 and the beginning of June 2015. The purpose of this first phase was to give a very rough indication of the technical feasibility of the production of ferrosilicon from Langis quartzite. It involved the fusion of four lots of quartzite, low ash coal, wood chips, and iron ore (hematite) in a 40kW DC electric arc furnace. The load was premixed and introduced into the oven intermittently over a period of 6-8 hours. The furnace was then cooled before collecting the solidified material, weighing it, sampling it and analyzing the product. Four 8-hour trials were conducted. Important variables like the recipe and the target temperature were measured. Furthermore, during the tests, the excellent thermal shock resistance of the Langis quartzite was confirmed in view of the low emission which was observed. All samples were analyzed independently by MINTEK confirming that ferrosilicon can be produced from Langis quartzite.

BBA, an independent Canadian consulting engineering firm, was commissioned to conduct an assessment for the selection of a suitable industrial site in the province of Québec to build a ferro-silicon plant. Since the project was launched last February, Canadian Metals and its technical team have identified and examined three potential industrial sites in Québec. These sites were evaluated by BBA based on key criteria such as the capacity of the electricity grid, and the main infrastructures available, including a deep water port, a railway, roads, utilities, and skilled labor.

Additional drilling and laboratory analyzes were completed in 2015 and the results are currently being analyzed and integrated by Geo-Logic in order to provide an estimate of the high purity silica reserves available on the Langis property.

Biofilia is responsible for carrying out the application for a certificate of authorization required under section 22 of the Québec Environmental Quality Act (EQA) at the MDDELCC. Biofilia will also produce the exclusive lease application for the exploitation of surface mineral substances according to the Ministry of Energy and Natural Resources standards. The project is defined by the operation and expansion of an existing quarry in the municipality of Saint-Vianney, Québec. The services will enable the following deliverables:

- Application for a certificate of authorization from MDDELCC; and
- Request for an exclusive lease from MERN.

Biofilia completed the environmental characterization of the potential sites in the summer of 2015.

Viridis.iQ GmbH (Viridis.iQ), the CME Consulting Engineers, conducted a Preliminary Economic Assessment report (PEA) including conceptual engineering studies, as well as the potential implementation of site comments, the determination of the mining methods, the definition of the conversion process, the choice of equipment, the estimation of investment and operating costs, the definition of a marketing plan and the development of a model and an integrated financial risk analysis, all leading to the completion of a draft PEA report in December 2015, with the final delivery in April 2016.

Celtis Capital was mandated to coordinate the preliminary economic assessment (PEA) of the implementation of a Hybrid Flex plant at a site to be determined in the province of Québec. The proposed Hybrid Flex project is aimed at the partial downstream integration of the Langis silica deposit located in the Matapédia region of Québec. All aspects of the proposed project will be integrated into the PEA developed by various qualified professionals and retained by CME, Including geological studies, process engineering, site selection, plant facility engineering, capital and operating cost estimates, market studies, environmental studies and economic analysis.

On April 28, 2016, the Company released the results of its preliminary economic evaluation report (PEA).

On June 22, 2016, a PEA report was filed to support the April 28th 2016 PEA disclosure. At the request of the AMF the Company prepared an amended technical report including the required principal modifications: a Qualified person to sign-off mineral resources with appropriate CIM 2014 guidelines disclosure, adjust the project so the PEA reflects the mineral resources available on the Langis property without 3rd party feed purchase of feed and a revised achievable plan of the mineral resources processing for the targeted product and the associated cash flow.

On October 4, 2016, the Company announces filing of an amended Technical Report for the revised Langis Preliminary Economic Assessment (PEA). The revision was required based on comments from the Autorité Des Marchés Financiers (AMF) regarding the resource model and metallurgical plant final products.

The revised divulgation and the revised PEA technical report supersede the disclosure of April 28, 2016 and the technical report of June 22, 2016 should not be relied upon.

The strategy for the work plan was developed around existing resource model for Hybrid Flex with Base Case 100% Ferro Silicon (FeSi). This, as well as other changes to the project assumptions during the revision stage had an impact on the values attributed to the project as announced in the press release of April 28, 2016, a reduction in the NPV, Capex and IRR with light increase in payback time, the project is still positive;

The results of April 28, 2016, versus those of the current PEA Amended dated October 3rd 2016:

**Table 1. Summary of the Amended Project Economics Compared to the June 22, 2016 Report**

| Description | Units | US$ October 3, 2016 | US$ (note i) April 28, 2016 |
|---|---|---|---|
| **After tax** | | | |
| Payback Period | Years | 4.8 | 4.2 |
| NVP @ 8% | M US$ | 207.9 * | 380.0 * |
| Internal Rate of Return (IRR) | % | 18.0 | 20.7 |
| Total Capex | M US$ | 232.6 | 302.5 |

**Notes:**

* Discount Rate of 7.3% used.

* A US$/CAN$ exchange rate of 0.7616 w as assumed.

i The numbers in this column are for comparison purposes only and should not be relied upon.

**Cautionary Note: the preliminary economic assessment is preliminary in nature, that it includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves, and there is no certainty that the preliminary economic assessment will be realized.**

On October 4, 2016, the Company announced the successful completion of the Langis Preliminary Economic Assessment (PEA) revision, conducted by CIMA+ With Pre-Tax NPV (at 8% Discount) of CAN$437.9 Million and IRR of 21.8 % and After-Tax NPV (at 8% Discount) of CAN$273.1 Million and IRR of 18% with positive project economics and lots of opportunities to consider during the next stage of the project development.

On November 4, the Company announces filing of an amended Technical Report for the revised Langis Preliminary Economic Assessment (PEA). The revision was required based on comments from the Autorité Des Marchés Financiers (AMF) regarding the resource model and metallurgical plant final products.

The general scope of work involved:

- Geology and Resource Model review;
- Beneficiation Plant design review and optimizations;
- Metallurgical Plant review and optimizations;
- Capital and Operating costs structure optimization and adhering to the local standards and specifics;
- Revised project economics including a new Financial Model, based on the optimized Capital and Operating costs completed in Canadian Dollars (CAN$);
- The Conclusions and Recommendations area revised;
- Complete National Instrument 43-101 Preliminary Economic Assessment Report;
- Introduction of new Qualified Person (QP) under the National Instrument 43-101, qualified to perform the respective mandates with deep understanding and vast experience in their respective fields.

The resources statement was reviewed and revised by the new Qualified Person (QP) Claude Duplessis to the inferred category. In order to increase the quality of the mineral resources to the respective Indicated and Measured resources categories, additional drilling and analysis are required. Canadian Metals Inc. as per latest results of the revised PEA should initiate the recommendation of the PEA to increase resource quality and extent. This is the first step the company will initiate in the forthcoming pre-feasibility study. There are no guaranty the drilling will convert the inferred into measured and indicated resources, the company expect to carry sufficient works to achieve this goal.

Mine plan and schedule were revise accordingly to reflect the new resources as well. Other major changes to the report include:

- Revise the beneficiation plant assumptions and costs to a more mobile plant, that can require less civil work and no structural and steelwork, as well as become more environmentally friendly and easy to dismantle at closure with no impact on the surrounding environment.;
- Revise the Metallurgy (Smelter) option to produce Ferrosilicon (FeSi) as final product instead of the previously assumed silicon metal (mgSi) to reflect the resources model. Capital and operating costs were revise accordingly based on the new mine production plan and to reflect the local labour environment and the new smelter production of FeSi;
- All costs were revise to Canadian Dollar (CAN$) values;
- A complete new Financial Model was developed based on the new production and costs data. In addition the Taxation system was revise to reflect the federal and provincial guidelines and specifics.

During the next stage of development the pre-feasibility study, the mgSi production option will be evaluated in detail to be able to firmly select the best production option for the project.

The following lists the highlights provided by the PEA:

**Mineral Resources Statement**

**Cautionary Note: Mineral resources that are not mineral reserves have not demonstrated economic viability. Additional trenching and/or drilling will be required to convert inferred mineral resources to indicated or measured mineral resources. There is no certainty that the resources development, production, and economic forecasts on which this PEA is based will be realized.**

All classified as Inferred mineral resources (due to the additional drilling work required) 9.95 million tonnes of in-pit resources, with average, $SiO_2$ 98.71%, $Al_2O_3$ 0.38%, $TiO_2$ 0.05%, $Fe_2O_3$ 0.12%:

- Waste in pit: 3.76 Million tonnes for a stripping ratio of 0.38 to 1;
- Mining cost Mineralized Material CAN$5/t;
- Mining Cost waste CAN$4/t;
- Processing Cost of Quarry including G & A CAN$10/t;
- Recovery 95%;
- Slope angle of 45 degrees;
- Product value fixed at CAN$44/t purchase price at the Quarry (these new current mineral resources are free of constrains and surface right limits).

With the above verification, the Author is confident that numbers used in the original mine plan for the in-pit resource for the PEA is reliable and conservative in the context.

**Notes:**

- Mineral Resources are not Mineral Reserves and have no demonstrated economicviability. The estimate of Mineral Resources may be materially affected by mining, processing, metallurgical, infrastructure, economic, marketing, legal, environmental, social and governmental factors.
- CIM definitions of May 10th 2014 were followed with reasonable prospect of economic extraction.
- The resources are pit constrained by the Lerchs-Grossman pit optimizer with MineSight software.
- Density of rock used 2.5 t/$m^3$.
- Parameters used for the definition of mineral resources:
    a. Mining cost of CAN$5/tonne;

b. Processing cost (crushing, screening, hauling to plant plus Quarry G&A) CAN$10/tonne;
c. Plant purchase price to Quarry CAN$44/tonne with mine recovery of 95% with no dilution.

**Mining and Pit optimization**

The final conceptual pit design, summary of the results for it is presented in Table 2 with difference between the optimization (mathematical) and the pit design (operational).

**Table 2. Optimization Results**

| | Total Silica (kt) | Total SiO2 (%) | Total Waste (kt) | Strip Ratio |
|---|---|---|---|---|
| Operational pit | 5.038 | 98.47 | 2.094 | 0.42 |
| Mathematics pit | 4.834 | 98.51 | 1.848 | 0.38 |
| Difference | 4.04% | -0.03% | 11.77% | 8.05% |

**Processing and Smelting**

The Langis silica deposit will be quarried and recovered for use as a feedstock into a downstream ferrosilicon smelter in nearby Matane, the Hybrid Flex Plant to produce metallurgical products such as FeSi75 (Ferrosilicon 75 standard).

Process steps at the quarry site will consist of blasting, crushing, sieving and washing the silica before transportation to the smelter by truck. Silica that is too fine for use in the smelter can be marketed to local industries, while large chunks will be used directly in the smelter.

The smelter in Matane will produce ferrosilicon by a pyrometallurgical process that combines silica from the Langis quarry with a carbon source, iron ore and wood chips in a SAF (submerged arc furnace or simply “furnace”) in which these raw materials are smelted into ferrosilicon. Molten ferrosilicon is tapped from the furnace into ladles, refined as necessary, and then poured into molds to cool and solidify into large ingots. The ingots are removed from the mold after they have cooled sufficiently, then crushed and classified into chunks or powder for sale.

**Capital and Operating Costs Summary**

The capital cost of the project is the cost for the initial development of the project. Summary of the Project Capital Costs is shown below. The improvement in Capital costs is due to optimized mine development, assuming mobile vs static beneficiation plant, actual quotes for camp, offices and infrastructure buildings from local vendors, revised HF Plant cost structure and indirect costs reflecting the local specifics.

**Table 3. Summary of the Project Capital Costs**

| CAPEX Item | Cost in CAN$ Oct.3, 2016 |
|---|---|
| **Direct Costs** | |
| Mine Development/Pre-stripping | 295,201 |
| Mine Equipment | 3,462,107 |
| Mine Infrastructure | 435,000 |
| Beneficiation Plant | 1,338,000 |
| HF Plant | 206,759,839 |
| HF Plant Infrastructure | 20,565,835 |
| **Total Direct Costs** | **232,855,982** |
| **Indirect Costs** | |
| Owner's Costs | 8,544,000 |
| EPCM | 24,139,998 |
| Contingency | 39,830,997 |
| **Total Indirect Costs** | **72,514,995** |
| **Total Direct & Indirect Costs** | **305,370,977** |

The operating costs for the project were estimated annually. A summary of these operating costs are shown in the following Table 4. The improved operating costs are mostly due to actual labor wages in the region, the preferred electricity rate for industrial projects from hydro Québec, and changes from mgSi to FeSi production at the HF Plant operations.

**Table 4. Summary of the Project Operating Costs**

| Area | Annual Cost CAN$ | Unit Cost ($/t FeSi) |
|---|---|---|
| Mining | 1,877,238 | 16.70 |
| Beneficiation | 1,273,532 | 16.19 |
| G&A mining site | 395,000 | 5.02 |
| Transportation to HF Plant | 443,451 | 5.64 |
| HF Plant (after Hydro Quebec Discount) | 63,885,248 | 812.10 |
| **TOTAL** | **67,874,469** | **855.64** |

### Project Economics Summary

**Cautionary Note: The preliminary economic assessment is preliminary in nature, that it includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves, and there is no certainty that the preliminary economic assessment will be realized. Mineral resources that are not mineral reserves do not have demonstrated economic viability. The estimate of Mineral Resources may be materially affected by mining, processing, metallurgical, infrastructure, economic, marketing, legal, environmental, social and government factors. The project cost estimates are deemed to be correct within +/-30%.**

In the analysis, FOB-HF Plant selling prices of US$1,600 per tonne for Ferrosilicon and US$250 per tonne for Silica Fume were used. A US$/CAN$ exchange rate of 0.7407 was assumed. Additional sensitivity analysis is performed to evaluate the effect of potential changes in selling price, exchange rate, capital and operating cost values.

**Table 5. Summary of the Life of Project Production, Revenues and Costs**

| Description | Units | |
|---|---|---|
| Production - Mineralization | k tonnes | 3,900.00 |
| Production - Silica Product Feed to HF Plant | k tonnes | 2,924.70 |
| Revenue | M CAN$ | 4,668.90 |
| Initial Capital Costs (excludes Working Capital) | M CAN$ | 305.40 |
| Sustaining Capital Costs | M CAN$ | 5.80 |
| Operating Costs (excludes royalty payments) | M CAN$ | 2,479.10 |
| Closure Costs | M CAN$ | 3.00 |
| Total Pre-Tax Cash Flow | M CAN$ | 1,735.60 |
| Total After-Tax Cash Flow | M CAN$ | 1,187.30 |

The financial indicators associated with the economic analysis are summarized in Table 6.

**Table 6: Summary of Financial Indicators**

| Description | Units | |
|---|---|---|
| **Pre-tax** | | |
| Payback Period | Years | 4.2 |
| NPV @ 6 % | M CAN$ | 611.9 |
| NPV @ 8 % | M CAN$ | 437.9 |
| NPV @ 10 % | M CAN$ | 312.0 |
| Internal Rate of Return (IRR) | % | 21.8 |
| **After tax** | | |
| Payback Period | Years | 4.8 |
| NPV @ 6 % | M CAN$ | 396.5 |
| **NPV @ 8 %** | **M CAN$** | **273.1*** |
| NPV @ 10 % | M CAN$ | 183.7 |
| Internal Rate of Return (IRR) | % | 18.0 |

**Note:**

* Base Case

## EXPLORATION OUTLOOK

**Cautionary Note: Before the pre-feasibility study phase of the project, the Company will conduct a series of activities as recommended by the engineering firm CIMA+. These activities include drilling, 3-D modeling of the deposit, resource estimation, metallurgical analysis and testing. This will allow the Company to evaluate the Hybrid Flex option with the base case 100% silicon metal.**

## QUALIFIED PERSON

Claude Duplessis, Eng. Goldminds Geoservices Inc., is the independent qualified person under NI 43-101 which have reviewed and prepared the information in the technical report and have approved the technical information contained in this document.

### Quality Control and Assurance

Claude Duplessis, Eng. of Goldminds Geoservices Inc. has reviewed the procedures, the results and quality control on the analytical results with had inclusions of blanks and standards. The results were in line with expected values, certificates of analysis were reviewed against the drill hole database. The site visit has allowed to verify and validate geology and review the core at the core shack where witness core is kept. The

QA/QC, the verifications and the site visit enable the disclosure of reliable mineral resources of the Langis Silica project for the PEA in conformity with CIM standards and National Instrument 43-101.

### FUNCTIONAL AND PRESENTATION CURRENCY

These selected annual financial information, selected quarterly financial information and other financial information are presented in Canadian dollars, the Company's functional currency.

### SELECTED ANNUAL FINANCIAL INFORMATION

The following selected financial information is derived from our audited financial statements for each of the three most recently completed financial years.

**CANADIAN METALS INC.**

**SELECTED ANNUAL FINANCIAL INFORMATION**

| | **July 31 2017** | July 31 2016 | July 31 2015 |
|---|---|---|---|
| | **$** | $ | $ |
| **STATEMENTS OF COMPREHENSIVE LOSS** | | | |
| Operating expenses | **758,173** | 1,313,423 | 966,312 |
| Net finance expense | **194,986** | 121,265 | 2,141 |
| Deferred income tax recovery | **(100,753)** | - | (57,638) |
| Net loss | **852,406** | 1,434,688 | 910,815 |
| Loss per share | | | |
| Basic and diluted | **0.020** | 0.040 | 0.035 |
| **MINING PROPERTIES AND EXPLORATION AND EVALUATION ASSETS** | | | |
| Acquisition of mining properties | **-** | - | - |
| Acquisition of exploration and evaluation assets | **349,363** | 422,275 | 294,067 |
| **STATEMENTS OF CASH FLOWS** | | | |
| Cash flows used for operating activities | **(733,737)** | (653,461) | (668,322) |
| Cash flows from financing activities | **1,129,129** | 812,709 | 1,180,367 |
| Cash flows used for investing activities | **(261,763)** | (386,732) | (204,686) |
| Net change in cash and cash equivalents | **133,629** | (227,484) | 307,359 |

| | **July 31 2017** | July 31 2016 | July 31 2015 |
|---|---|---|---|
| | **$** | $ | $ |
| **STATEMENTS OF FINANCIAL POSITION** | | | |
| Cash and cash equivalents | **334,630** | 201,001 | 428,485 |
| Mining properties | **152,000** | 152,000 | 171,968 |
| Exploration and evaluation assets | **1,134,604** | 753,684 | 513,815 |
| Total assets | **1,694,843** | 1,220,036 | 1,336,252 |
| Non-current financial liabilities | **334,388** | 567,452 | 513,781 |
| Equity | **560,576** | 514,788 | 493,890 |

The basic and diluted loss per share during the year ended July 31, 2017 is $0.020 ($0.040 in 2016 and $0.035 in 2015). During the year ended July 31, 2017, the Company realized a net loss of $852,406 as compared to a net loss of $1,434,688 (a decrease of $582,282 compared to 2016) for the year ended July 31, 2016 and to a net loss of $910,815 (an increase of 523,873 compared to 2015) for the year ended July 31, 2015.

The significant decrease of $582,282 for the year ended July 31, 2017 as compared to 2016 in net loss is mostly attributable to a significant decrease of $555,250 in operating expenses (described below in operating expenses section).

The significant increase of $523,873 for the year ended July 31, 2016 as compared to 2015 in net loss is mostly attributable to a significant increase of $119,124 in finance expense due to the interests of convertible debentures combined with an increase of $347,111 in operating expenses.

The total assets as at July 31, 2017 were $1,694,843 as compared to $1,220,036 and $1,336,252 for the years ended July 31, 2016 and 2015 respectively. There was no major change in 2016 compared to 2015 in total assets.

An increase of $474,807 in total assets in 2017 compared to 2016, mainly due to an increase of $133,629 in cash and cash equivalents ($334,630 in 2017 as compared to $201,001 in 2016) caused by an increase of $316,420 in cash flows from financing activities ($1,129,129 in 2017 as compared to $812,709 in 2016) combined with an increase of $380,920 in exploration and evaluation assets ($1,134,604 in 2017 as compared to $753,684 in 2016) were the main contributing factors to explain the increase of $474,807 in total assets.

Non-current financial liabilities as at July 31, 2017 were $334,388 as compared to $567,452 and $513,781 for the years ended July 31, 2016 and 2015 respectively. The decrease of $233,064 in 2017 compared to 2016 is mainly due to the reclassification of the convertible debentures maturing on June 30, 2018 in the current liabilities for an amount of $626,704 combined with the issuance in December 2016 of new convertible debentures maturing in December 2020 valued at $334,388 as at July 31, 2017.

The increase of $53,671 in 2016 compared to 2015 is mainly due to the effective interest costs on convertible debentures of $48,183 combined with an adjustment of $5,488 in convertible debentures issuance costs for the year 2016 as compared to effective interest costs on convertible debentures of $Nil for 2015.

Since its incorporation, the Company has not paid any cash dividends on its outstanding common shares. Any future dividend payment will depend on the Company's financial needs to fund its exploration programs and its future growth, and any other factor that the Board may deem necessary to consider. It is highly unlikely that any dividends will be paid in the near future.

## RESULTS OF OPERATIONS FOR THE YEAR ENDED JULY 31, 2017

### Net (loss) income

During the year ended July 31, 2017, the Company realized a net loss of $852,406 as compared to a net loss of $1,434,688 for the year ended July 31, 2016.

The significant decrease of $582,282 for the year ended July 31, 2017 as compared to 2016 in net loss is mostly attributable to a significant decrease of $555,250 in operating expenses (described below in operating expenses section).

During the year ended July 31, 2016, the Company realized a net loss of $1,434,688 as compared to a net loss of $910,815 for the year ended July 31, 2015.

The significant increase of $523,873 for the year ended July 31, 2016 as compared to 2015 in net loss is mostly attributable to a significant increase of $347,111 in operating expenses (described below in operating expenses section) and an increase of $119,124 in net finance expense (described below in net finance expense section).

**Operating expenses**

During the year ended July 31, 2017, operating expenses were $758,173 as compared to $1,313,423 for the year ended July 31, 2016.

The significant decrease of $555,250 for the year ended July 31, 2017 as compared to 2016 in net loss is mostly attributable to a significant decrease of $243,909 ($68,738 in 2017 compared to $312,647 in 2016) in share-based compensation combined with a decrease of $96,425 in management and consulting fees ($422,421 in 2017 compared to $518,846 in 2016) and a decrease of $168,117 in write-down of exploration and evaluation assets ($Nil in 2017 compared to $168,117 in 2016).

During the year ended July 31, 2016, operating expenses were $1,313,423 as compared to $966,312 for the year ended July 31, 2015.

The significant increase of $347,111 for the year ended July 31, 2016 as compared to 2015 in net loss is mostly attributable to a significant increase of $196,122 in share-based compensation combined with an increase of $141,394 in management and consulting fees and an increase of $40,420 in travel and promotion.

**Net finance expense**

During the year ended July 31, 2017, net finance expense was $194,986 as compared to net finance expense of $121,265 for the year ended July 31, 2016.

The significant increase of $73,721 in 2017 as compared to 2016 in net finance expense is attributable to the interest expenses of the issuance of the new convertible debentures ($610,000 nominal value issued in December 2016) combined with the interest expenses from the convertible debentures issued in July 2015 due to the increase of the accreted interests expenses for the year ended July 31, 2017.

During the year ended July 31, 2016, net finance expense was $121,265 as compared to net finance expense of $2,141 for the year ended July 31, 2015.

The significant increase of $119,124 in 2016 as compared to 2015 in net finance expense is attributable to the interest expenses of the convertible debentures ($700,000 nominal value issued in July 2015) during the year ended July 31, 2016.

**Deferred income tax recovery**

During the year ended July 31, 2017, the Company recorded a deferred income tax recovery of $100,753 as compared to a deferred income tax recovery of $Nil during the year ended July 31, 2016.

The significant increase of $100,753 in 2017 as compared to 2016 in deferred income tax recovery is attributable to the amortization of $26,491 of a liability related to flow-through shares ($26,491 in 2017 compared to $Nil in 2016) combined with a deferred income tax recovery of $74,262 due to the fiscal impact on the equity component following the issuance of the convertible debentures issued in December 2016. The Company filed flow-through shares renunciations during the year ended July 31, 2017 and did not file flow-through shares renunciations during the year ended July 31, 2016. As at July 31, 2017, the Company had the obligation to incur an amount of $116,544 in exploration expenditures no later than December 31, 2017.

During the year ended July 31, 2016, the Company recorded any deferred tax expense or tax recovery as compared to a deferred tax recovery of $57,638 during the year ended July 31, 2015.

The decrease of $57,638 in 2017 as compared to 2016 in deferred income tax recovery is attributable to the amortization of $29,067 of a liability related to flow-through shares ($Nil in 2016 compared to $29,067 in 2015) combined with an deferred income tax recovery of $28,571 due to the fiscal impact on the equity component following the issuance of the convertible debentures issued in July 2015. The Company filed flow-through shares renunciations during the year ended July 31, 2015.

As at December 31, 2015, the Company fulfilled its obligation by incurring $151,500 in exploration expenditures. The Company had the obligation to incur these exploration expenditures no later than December 31, 2015.

### SELECTED QUARTERLY FINANCIAL INFORMATION

Canadian Metals anticipates that the quarterly and annual results of operations will primarily be impacted for the near future by several factors, including the timing and efforts of the exploration's expenditures and efforts related to the development of the Company. Due to these fluctuations, the Company believes that the quarter to quarter and the year-to-year comparisons of the operating results may not be a good indication of its future performance.

The following selected quarterly financial information is derived from our unaudited condensed interim financial statements for each of the two most recently completed financial years.

**CANADIAN METALS INC.**

**SELECTED QUARTERLY FINANCIAL INFORMATION**

| | | | | 2017 | | | | 2016 |
|---|---|---|---|---|---|---|---|---|
| | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| | $ | $ | $ | $ | $ | $ | $ | $ |
| **STATEMENTS OF COMPREHENSIVE LOSS** | | | | | | | | |
| Operating expenses | 138,374 | 199,727 | 209,452 | 210,620 | 741,825 | 164,725 | 256,926 | 149,947 |
| Net finance expense | 61,606 | 55,035 | 46,205 | 32,140 | 32,136 | 38,906 | 25,386 | 24,837 |
| Deferred income tax recovery | (97,148) | (3,605) | - | - | - | - | - | - |
| Net loss | 102,832 | 251,157 | 255,657 | 242,760 | 773,961 | 203,631 | 282,312 | 174,784 |
| Loss per share | | | | | | | | |
| Basic and diluted | 0.002 | 0.006 | 0.006 | 0.006 | 0.019 | 0.006 | 0.008 | 0.005 |
| **MINING PROPERTIES AND EXPLORATION AND EVALUATION ASSETS** | | | | | | | | |
| Acquisition of mining properties | - | - | - | - | - | - | - | - |
| Acquisition of exploration and evaluation assets | 161,379 | 64,805 | (3,561) | 126,740 | 19,083 | 149,048 | 100,499 | 153,645 |
| **STATEMENTS OF CASH FLOWS** | | | | | | | | |
| Cash flows used for operating activities | (153,974) | (248,295) | (246,819) | (84,649) | (195,175) | (191,556) | (30,177) | (236,553) |
| Cash flows (used for) from financing activities | 4,842 | 355,500 | 773,182 | (4,395) | 24,384 | 589,505 | 193,820 | 5,000 |
| Cash flows used for investing activities | (100,011) | (104,442) | (6,996) | (50,314) | (9,397) | (95,149) | (247,848) | (34,338) |
| Net change in cash and cash equivalents | (249,143) | 2,763 | 519,367 | (139,358) | (180,188) | 302,800 | (84,205) | (265,891) |

| | | | | 2017 | | | | 2016 |
|---|---|---|---|---|---|---|---|---|
| | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| | $ | $ | $ | $ | $ | $ | $ | $ |
| **STATEMENTS OF FINANCIAL POSITION** | | | | | | | | |
| Cash and cash equivalents | 334,630 | 583,773 | 581,010 | 61,643 | 201,001 | 381,189 | 78,389 | 162,594 |
| Mining properties | 152,000 | 152,000 | 152,000 | 152,000 | 152,000 | 171,968 | 171,968 | 171,968 |
| Exploration and evaluation assets | 1,134,604 | 941,668 | 876,863 | 880,424 | 753,684 | 806,195 | 756,533 | 660,480 |
| Total assets | 1,694,843 | 1,775,730 | 1,723,923 | 1,208,773 | 1,220,036 | 1,588,169 | 1,259,976 | 1,222,200 |
| Non-current financial liabilities | 334,388 | 1,000,082 | 947,781 | 598,697 | 567,452 | 572,953 | 528,251 | 538,270 |
| Equity | 560,576 | 637,170 | 492,541 | 318,116 | 514,788 | 931,217 | 496,615 | 319,106 |

The net loss of $251,157 for Q3-2017 is mostly attributable to a share-based compensation expense of $42,650 due to the grant of 500,000 share options to an officer and consultants in February 2017.

The net loss of $255,657 for Q2-2017 is mostly attributable to professional fees of $36,711 (final billing of the audit for the year ended July 31, 2016) combined with a travel and promotion expenses of $29,207 and net finance income of $46,205.

The net loss of $242,760 for Q1-2017 is mostly attributable to professional fees of $24,998 (partial billing of the audit for the year ended July 31, 2016) combined with a travel and promotion expenses of $42,691 participation to many conferences) and a share-based compensation expense of $26,088.

The net loss of $773,961 for Q4-2016 is mostly attributable to a write-down of mining properties and exploration and evaluation assets of $188,085 combined with a loss on settlement of accounts payable of $73,691 and a share-based compensation expense of $208,929.

The net loss of $282,311 for Q2-2016 is mostly attributable to an overvaluation of the management and consulting fees expenses adjusted in Q3-2016.

## RESULTS OF OPERATIONS FOR THE THREE-MONTH PERIOD ENDED JULY 31, 2017

### Net (loss) income

The basic and diluted loss per share for the three-month period ended July 31, 2017 is $0.002 as compared to $0.019 for the three-month period ended July 31, 2016.

During the three-month period ended July 31, 2017, the Company realized a net loss of $102,832 as compared to a net loss of $773,961 for the three-month period ended July 31, 2016. The decrease of $671,129 in net loss is mostly attributable to a significant decrease of $603,451 in operating expenses (described below in operating expenses section).

### Operating expenses

During the three-month period ended July 31, 2017, operating expenses were $138,374 as compared to $741,825 for the three-month period ended July 31, 2016.

The significant decrease of $603,451 in operating expenses is mostly attributable to a decrease of $208,929 in share-based compensation ($Nil in Q4-2017 compared to $208,929 in Q4-2016) combined with a decrease of $119,565 in management and consulting fees ($107,250 in Q4-2017 compared to $226,815 in Q4-2016) and a decrease of $168,117 in write-down of exploration and evaluation assets ($Nil in Q4-2017 compared to $168,117 in Q4-2016).

### Net finance expense

During the three-month period ended July 31, 2017, net finance expense was $61,606 as compared to $32,136 for the three-month period ended July 31, 2016.

The increase of $32,136 in net finance expense in Q4-2017 is mainly due to the interest expenses incurred from the new financing of convertible debentures of $610,000 concluded on December 12, 2016.

### Deferred income tax recovery

During the three-month period ended July 31, 2017, the Company recorded a deferred income tax recovery of $97,148 as compared to $Nil for the three-month period ended July 31, 2016.

The significant increase of $97,148 in Q4-2017 as compared to Q4-2016 in deferred income tax recovery is attributable to the amortization of $22,886 of a liability related to flow-through shares ($22,886 in Q4-2017 compared to $Nil in Q4-2016) combined with a deferred income tax recovery of $74,262 due to the fiscal impact on the equity component following the issuance of the convertible debentures issued in December 2016.

## CASH FLOWS

### Cash flows used for operating activities

Cash flows used for operating activities were $733,737 during the year ended July 31, 2017, an increase of $80,276 as compared to cash flows of $653,461 used for operating activities during the year ended July 31, 2016. The increase of $80,276 is mainly due to a decrease of $61,608 in changes in working capital items (($63,481) in 2017 compared to ($1,873) in 2016).

### Cash flows from financing activities

Cash flows from financing activities were $1,129,129 during the year ended July 31, 2017, an increase of $316,420 as compared to cash flows of $812,709 generated from financing activities during the year ended July 31, 2016. The increase of $316,420 in cash flows is explained by funds of $610,000 raised from a convertible debentures financing concluded on December 12, 2016, funds of $249,000 raised from a private placement of flow-through shares concluded on December 29, 2016 and funds of $355,500 raised from a private placement concluded on February 3, 2017 as compared to funds of $5,000 (balance receivable related to convertible debentures received after year ended July 31, 2015) raised from a convertible debentures financing concluded in July 2015 and funds of $195,100 raised from private placement concluded on December 15, 2015 and $588,500 raised from private placements concluded in April 2016.

### Cash flows used for investing activities

Cash flows used for investing activities were $261,763 during the year ended July 31, 2017, a decrease of $124,969 as compared to cash flows of $386,732 used for investing activities during the year ended July 31, 2016.

The decrease of $124,969 is mostly explained by the acquisition of exploration and evaluation assets of $261,763 during the year ended July 31, 2017 as compared to the acquisition of exploration and evaluation assets of $440,634 during the year ended July 31, 2016.

## RELATED PARTY TRANSACTIONS

During the year ended July 31, 2017, the Company incurred management and consulting fees of $369,674 ($396,776 in 2016) and share-based compensation of $60,208 ($301,077 in 2016) with key management personnel.

During the year ended July 31, 2017, companies controlled by directors and officers have billed a total $Nil for the rental of office space ($23,500 for the year ended July 31, 2016).

For the year ended July 31, 2017, legal fees for a total amount of $9,837 were charged by a company in which a director is a partner ($3,375 for the year ended July 31, 2016). Trade accounts and other payables include an amount of $11,310 ($Nil as at July 31, 2016) due to this related party.

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.

These transactions were measured at the exchange amount, which is the amount established and accepted by the parties and were conducted in the normal course of business.

## BOOK VALUE OF MINING PROPERTIES

At the end of each quarter, management reviews the carrying values of its resource properties to determine whether any write-downs are necessary. Following this analysis, the Company recorded any write-down during the year ended July 31, 2017 ($168,117 in 2016).

### CONTINGENCIES

Governmental laws and regulations regarding environmental protection regulate the Company's operations. The environmental consequences are not easily identifiable, either in terms of results, the impacts or the expiration date. Currently, and to the best knowledge of its management, the Company is in conformity with current laws and regulations.

### SUBSEQUENT EVENT

On October 16, 2017, the Company concluded a private placement by issuing 1,201,667 units at a price of $.075 per unit for proceeds of $90,125. Each unit consists of one common share and one-half warrant. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of $0.15 until April 16, 2019. A commission of $1,500 was paid in connection with this transaction. In addition, a number of 20,000 warrants were granted to broker. Each warrant entitles the holder to subscribe to one common share at an exercise price of $0.15 per share until April 16, 2019.

### OFF-FINANCIAL POSITION ARRANGEMENTS

As at July 31, 2017, the Company has non off-financial position arrangements.

### GOING CONCERN ASSUMPTION

The accompanying financial statements have been prepared on the basis of the a 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.

For the year ended July 31, 2017, the Company recorded a net loss of $852,406 ($1,434,688 in 2016) and has an accumulated deficit of $4,520,162 as at July 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 July 31, 2017, the Company had a working capital of ($391,640) ($176,556 as at July 31, 2016) consisting of cash and cash equivalents of $334,630 ($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. During the year ended July 31, 2017, the Company has raised $1,214,500 ($805,100 in 2016) from private placements consisting of common shares, flow-through shares and convertible debentures to fund exploration works and working capital. 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.

### CAPITAL MANAGEMENT

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 and convertible debentures. 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. On December 29, 2016, the Company completed a flow-through private placement of $249,000. As at July 31, 2017, the Company incurred $132,456 in eligible exploration and evaluation expenditures and consequently the Company has the obligation to incur a remaining balance of $116,544 in exploration expenditures no later than December 31, 2017 in order to comply with the requirements of flow-through private placement.

The Company sets the amount of capital in proportion to its overall financing structure, i.e. equity and convertible debentures. 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 through 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.

**CANADIAN METALS INC.**

**CAPITAL**

| | July 31 2017 | July 31 2016 | July 31 2015 |
|---|---|---|---|
| | $ | $ | $ |
| Convertible debentures | 961,092 | 567,452 | 513,781 |
| Equity | 560,576 | 514,788 | 493,890 |
| | 1,521,668 | 1,082,240 | 1,007,671 |

### IFRS ACCOUNTING POLICIES AND ESTIMATES

The Company's significant accounting policies and estimates under IFRS are disclosed in the audited annual financial statements for the year ended July 31, 2017.

## OTHER REQUIREMENTS IN THE MANAGEMENT DISCUSSION AND ANALYSIS

The following selected financial information is derived from our unaudited financial statements.

**CANADIAN METALS INC.**
**Disclosure of outstanding share data (as at November 24, 2017)**

| | | |
|---|---|---|
| **Outstanding common shares:** | 52,701,148 | |
| **Outstanding share options:** | 3,705,000 | |
| Average exercise price of: | $0.161 | |
| Average remaining life of: | 2.83 | years |

| Expiry date | Number | Exercise price | Remaining life |
|---|---|---|---|
| | | $ | (years) |
| July 22, 2018 | 200,000 | 0.19 | 0.66 |
| October 2, 2018 | 400,000 | 0.12 | 0.85 |
| April 8, 2019 | 80,000 | 0.14 | 1.37 |
| February 25, 2020 | 450,000 | 0.10 | 2.25 |
| June 12, 2020 | 200,000 | 0.17 | 2.55 |
| February 26, 2021 | 1,150,000 | 0.10 | 3.26 |
| May 7, 2021 | 600,000 | 0.37 | 3.45 |
| June 20, 2021 | 125,000 | 0.26 | 3.57 |
| February 21, 2022 | 500,000 | 0.105 | 4.24 |
| | 3,705,000 | | |

| | | |
|---|---|---|
| **Outstanding warrants:** | 5,516,782 | |
| Average exercise price of: | $0.172 | |
| Average remaining life of: | 0.61 | years |

| Expiry date | Number | Exercise price | Remaining life |
|---|---|---|---|
| | | $ | (years) |
| February 3, 2018 | 2,369,998 | 0.20 | 0.19 |
| September 15, 2018 | 2,500,000 | 0.15 | 0.81 |
| December 12, 2018 | 25,950 | 0.20 | 1.05 |
| April 16, 2019 | 620,834 | 0.15 | 1.39 |
| | 5,516,782 | | |

## RISK AND UNCERTAINTIES

An investment in the common shares of the CME should be considered highly speculative. Canadian Metals is subject to a variety of risks, some of which are described below. If any of the following risks occur, the business, results of operations or financial condition could be adversely affected in a material manner.

### 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.

### 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 year, the Company has financed its acquisitions of mining rights, exploration costs and working capital needs through private financings (issuance of shares and convertible debentures in 2017). Management estimates that the cash and cash equivalents as at July 31, 2017 will not be sufficient to meet the Company's needs for cash during the coming year.

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

| | | | | July 31 2017 |
|---|---|---|---|---|
| | Less than 1 year | 1-5 years | More than 5 years | Total |
| | $ | $ | $ | $ |
| Trade accounts payable and accrued liabilities | 149,866 | - | - | 149,866 |
| Convertible debentures (1) | 770,000 | - | - | 770,000 |
| Convertible debentures (2) | 61,000 | 762,500 | - | 823,500 |
| | 980,866 | 762,500 | - | 1,743,366 |

| | | | | July 31 2016 |
|---|---|---|---|---|
| | Less than 1 year | 1-5 years | More than 5 years | Total |
| | $ | $ | $ | $ |
| Trade accounts payable and accrued liabilities | 137,796 | - | - | 137,796 |
| Convertible debentures (1) | 70,000 | 770,000 | - | 840,000 |
| | 207,796 | 770,000 | - | 977,796 |

### Exploration and mining risks

The Company is engaged in the business of acquiring and exploring mineral properties in the hope of locating economic deposits of minerals. The Company's property interests are in the exploration and evaluation stage only. The business of mineral exploration involves a high degree of risk. Few properties that are explored are ultimately developed into production. Currently, there are no known bodies of commercial ore on the mineral properties of which the Company owns an interest. Accordingly, there is little likelihood that the Company will realize any profits in the short to medium term. Any profitability in the future from the Company's business will be dependent upon locating an economic deposit of minerals. However, there can be no assurance, even if an economic deposit of minerals is located, that it can be commercially mined.

Unusual or unexpected formations, fires, power outages, labour disruptions, flooding, cave-ins, landslides and the inability to obtain suitable or adequate machinery, equipment or labour are other risks involved in the conduct of exploration programs.

The economics of developing mineral properties is affected by many factors including the cost of operations, variation of the grade of ore mined and fluctuations in the price of any minerals produced. There are no underground or surface plants or equipment on the Company's mineral properties, nor any known body of commercial ore. Programs conducted on the Company's mineral property would be an exploratory search for ore.

### Titles to property

While the Company has diligently investigated title to the various properties in which it has interest, and to the best of its knowledge, title to those properties are in good standing, this should not be construed as a guarantee of title. The properties may be subject to prior unregistered agreements or transfer, or native or government land claims, and title may be affected by undetected defects.

According to the mining law and regulations of the Province of Québec, to renew its claims, the Company must incur a minimum of exploration expenditures and must pay the Québec government, a rent per claim, for every 2 years renewal period. Between the date of this MD&A and July 31, 2018, no claim will need to be renewed for a negligible amount and will not require additional exploration expenditures because the Company has met the requirement.

According to the mining law and regulations of the Province of Nova Scotia, to renew its claims, the Company must incur a minimum of exploration expenditures and must pay the Nova Scotia government, a rent per claim of $20.00 and $200.00 of expenditures, for every one year renewal period. Between the date of this MD&A and July 31, 2018, no claim will need to be renewed for a negligible amount and will not require additional exploration expenditures because the Company has met the requirement.

### Permits and licenses

The Company's operations may require licenses and permits from various governmental authorities. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development and mining operations at its projects.

### Metal prices

Even if the Company's exploration programs are successful, factors beyond the control of the Company may affect marketability of any minerals discovered. Metal prices have historically fluctuated widely and are affected by numerous factors beyond the Company's control, including international, economic and political trends, expectations for inflation, currency exchange fluctuations, interest rates, global or regional consumption patterns, speculative activities and worldwide production levels. The effect of these factors cannot accurately be predicted.

### Competition

The mining industry is intensely competitive in all its phases. The Company competes with many companies possessing greater financial resources and technical facilities than itself for the acquisition of mineral interests as well as for recruitment and retention of qualified employees.

### Environmental regulations

The Company's operations are subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions of spills, release or emission of various substances produced in association with certain mining industry operations, such as seepage from tailing disposal areas, which could result in environmental pollution. A breach of such legislation may result in imposition of fines and penalties. In addition, certain types of operations require submissions to and approval of environmental impact assessments. Environmental legislation is evolving in a manner which means stricter standards and enforcement, fines and penalties for non-compliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations. The Company intends to fully comply with all environmental regulations.

**Conflicts of interest**

Certain directors or proposed directors of the Company are also directors, officers or shareholders of other companies that are similarly engaged in the business of acquiring, developing and exploiting natural resource properties. Such associations may give rise to conflicts of interest from time to time. The directors of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interest which they may have in any project or opportunity of the Company. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict will disclose his interest and abstain from voting on such matter. In determining whether or not the Company will participate in any project or opportunity, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

**Stage of development**

The Company's properties are in the exploration stage and to date none of them has a proven ore body. The Company does not have a history of earnings or providing a return on investment, and in future, there is no assurance that it will produce revenue, operate profitably or provide a return on investment.

**Industry conditions**

Mining and milling operations are subject to government regulations. Operations may be affected in varying degrees by government regulations such as restrictions on production, price controls, tax increases, expropriation of property, pollution controls or changes in conditions under which minerals may be mined, milled or marketed. The marketability of minerals may be affected by numerous factors beyond the control of the Company, such as government regulations. The effect of these factors cannot be accurately determined.

**Uninsured risks**

The Company's business is subject to a number of risks and hazards, including environmental conditions adverse, environmental regulations, political uncertainties, industrial accidents, labour disputes, unusual or unexpected geological conditions, ground or slope failures, cave-ins, and natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to mineral properties or production facilities, personal injury or death, environmental damage to the Company's properties or the properties of others, delays in mining, monetary losses and possible legal liability.

**Capital needs**

The exploration and evaluation, development, mining and processing of the Company's properties may require substantial additional financing. The only current source of future funds available to the Company is the sale of additional equity capital and the borrowings of funds. There is no assurance that such funding will be available to the Company or that it will be obtained on terms favourable to the Company or will provide the Company with sufficient funds to meet its objectives, which may adversely affect the Company's business and financial position.

In addition, any future equity financings by the Company may result in a substantial dilution of the existing shareholders. Failure to obtain sufficient financing may result in delaying or indefinite postponement of further exploration and evaluation, development or production on any or all of the Company's properties or even a loss of property interest.

### Key employees

Management of the Company rests on a few key officers and members of the Board of Directors, the loss of any of whom could have a detrimental effect on its operations. The development of the Company's business is and will continue to be dependent on its ability to attract and retain highly qualified management and mining personnel. The Company faces competition for personnel from other employers.

### Canada Customs and Revenue Agency

No assurance can be made that Canada Customs and Revenue Agency will agree with the Company's characterization of expenditures as Canadian exploration expenses or Canadian development expenses or the eligibility of such expenses as Canadian exploration expenses under the *Income Tax Act* (Canada).

## CERTIFICATION OF ANNUAL FILINGS

The President and Chief Executive Officer and the Chief Financial Officer have signed the Basic Certifications of Annual Filings as required by National Instrument 52-109 for venture issuer, thus confirming, the review, the absence of misrepresentations and the fair presentation of the annual filings.

- The President and Chief Executive Officer and the Chief Financial Officer confirm to have reviewed the annual financial statements and the annual MD&A (together, the "annual filings") of the Company for the year ended July 31, 2017.

- Based on their knowledge, having exercised reasonable diligence, the President and Chief Executive Officer and the Chief Financial Officer confirm that the annual filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, for the period covered by the annual filings.

- Based on their knowledge, having exercised reasonable diligence, the President and Chief Executive Officer and the Chief Financial Officer confirm that the annual financial statements together with the other financial information included in the annual filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the period presented in the annual filings.

## ADDITIONAL INFORMATION

The additional information on the Company is available through regular filings of quarterly financial statements and press releases on Sedar (www.sedar.com) and on the Company's web site www.canadianmetalsinc.com.

**Officers**

(s) Hubert Vallée
Hubert Vallée
President and CEO

(s) Robert Boisjoli
Robert Boisjoli
CFO

(s) Stéphane Leblanc
Stéphane Leblanc
CIO

**Directors**

Stéphane Leblanc
Hubert Vallée
Victor Cantore
Michel Gagnon
Luigi Nardella
Patrick Moryoussef
Guy Simard

**Transfer agent**

Computershare Canada
1500 boulevard Henri-Bourassa
Bureau 700
Montréal (Québec) H3A 3S8

**Special advisors**

Nadège Tollari
Guy Chamard
Javier Bullon
Pierre Renaud

**Legal advisors**

Anik Gendron
Montréal (Québec)

**Head office**

1 Place Ville-Marie, Suite 1670
Montréal QC H3B 2B6
Tél : 418-717-2553

**Auditor**

Raymond Chabot Grant Thornton
Montréal (Québec)