



CANADIAN METALS INC.

Condensed Interim Financial Statements

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

**Three-month and six-month periods ended
January 31, 2018 and 2017**

CANADIAN METALS INC.
Condensed Interim Financial Statements
Three-month periods ended January 31, 2018 and 2017

Condensed Interim Financial Statements

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CANADIAN METALS INC.
Condensed Interim Statements of Financial Position

As at January 31, 2018 and July 31, 2017
(in Canadian dollars)

	Note	January 31 2018	July 31 2017
		\$	\$
Assets			
Current assets:			
Cash and cash equivalents	5	2,106,179	334,630
Other receivables	6	50,209	56,640
Prepaid expenses		17,129	16,969
Total current assets		2,173,517	408,239
Non-current assets:			
Mining properties	7	627,000	152,000
Exploration and evaluation assets	8	1,350,168	1,134,604
Total non-current assets		1,977,168	1,286,604
Total assets		4,150,685	1,694,843
Liabilities and Equity			
Current liabilities:			
Trade accounts payable and accrued liabilities		107,850	149,866
Other liability related to flow-through financings		-	23,309
Current portion of convertible debentures	9	661,984	626,704
Total current liabilities		769,834	799,879
Non-current liabilities:			
Convertible debentures	9	359,701	334,388
Total non-current liabilities		359,701	334,388
Total liabilities		1,129,535	1,134,267
Equity:			
Share capital	10	5,328,681	3,197,247
Warrants	10	1,047,196	506,451
Share options	11	500,635	500,627
Equity component of the convertible debentures	9	258,707	258,707
Contributed surplus		875,584	617,706
Deficit		(4,989,653)	(4,520,162)
Total equity		3,021,150	560,576
Total liabilities and equity		4,150,685	1,694,843

Nature of operations and going concern, see Note 2.

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

These financial statements were approved and authorized for issue by the Board of Directors on March 27 2018.

(S) Hubert Vallée
Director

(S) Michel Gagnon
Director

CANADIAN METALS INC.

Condensed Interim Statements of Comprehensive Loss

Three-month periods ended January 31, 2018 and 2017

(in Canadian dollars)

	Note	Three-month period ended		Six-month period ended	
		January 31 2018	January 31 2017	January 31 2018	January 31 2017
		\$	\$	\$	\$
General and administrative expenses :					
Management and consulting fees		104,750	103,960	212,938	202,995
Rent and office expenses		6,922	12,880	13,001	19,652
Professional fees		17,840	36,711	43,111	61,709
Registration, listing fees and shareholders information		33,977	26,694	54,179	37,730
Travel and promotion		11,337	29,207	22,348	71,898
Share-based compensation	11	18,520	-	18,520	26,088
General exploration expenditures		52	-	52	-
Loss from operating activities		193,398	209,452	364,149	420,072
Finance income		(127)	(2)	(131)	(45)
Finance expense	12	66,247	46,207	128,782	78,390
Total net finance expense		66,120	46,205	128,651	78,345
Loss before income taxes		259,518	255,657	492,800	498,417
Deferred income tax recovery		(11,975)	-	(23,309)	-
Net loss and comprehensive loss		247,543	255,657	469,491	498,417
Weighted average number of common shares outstanding		59,497,223	41,393,560	53,102,846	41,037,364
Basic and diluted loss per share		0.004	0.006	0.009	0.012

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

CANADIAN METALS INC.

Condensed Interim Statements of Changes in Equity

Three-month periods ended January 31, 2018 and 2017

(in Canadian dollars)

	Note	Number of shares outstanding	Share capital \$	Warrants \$	Share options \$	Equity component of the convertible debentures \$	Contributed surplus \$	Deficit \$	Total equity \$
Balance as at July 31 2017		46,499,481	3,197,247	506,451	500,627	258,707	617,706	(4,520,162)	560,576
Shares issued:									
Private placements	10	29,980,482	1,762,914	703,106					2,466,020
As payment of mining properties	10	5,000,000	475,000						475,000
As a settlement of interest payment on the debentures	10	793,939	65,500						65,500
Share issuance costs			(171,980)						(171,980)
Warrants issued to brokers				77,005					77,005
Warrants expired				(239,366)			239,366		-
Share options expired					(18,512)		18,512		-
Share-based compensation					18,520				18,520
Transactions with owners		35,774,421	2,131,434	540,745	8	-	257,878	-	2,930,065
Net loss and comprehensive loss for the period								(469,491)	(469,491)
Balance as at January 31 2018		82,273,902	5,328,681	1,047,196	500,635	258,707	875,584	(4,989,653)	3,021,150
Balance as at July 31 2016		40,680,082	2,663,943	473,770	501,456	77,640	465,735	(3,667,756)	514,788
Shares issued:									
Private placements net of a liability of flow-through shares of \$49,800		1,660,000	199,200						199,200
As payment of expenses	10	100,000	20,000						20,000
Share issuance costs			(23,947)						(23,947)
Warrants issued to brokers				1,971					1,971
Convertible debentures issued						252,858			252,858
Share options expired					(32,839)		32,839		-
Share-based compensation	11				26,088				26,088
Transactions with owners		42,440,082	2,859,196	475,741	494,705	330,498	498,574	(3,667,756)	990,958
Net loss and comprehensive loss for the period								(498,417)	(498,417)
Balance as at January 31 2017		42,440,082	2,859,196	475,741	494,705	330,498	498,574	(4,166,173)	492,541

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

CANADIAN METALS INC.
Condensed Interim Statements of Cash Flows

Three-month periods ended January 31, 2018 and 2017
(in Canadian dollars)

	Three-month period ended		Six-month period ended	
	January 31	January 31	January 31	January 31
	2018	2017	2018	2017
	\$	\$	\$	\$
Operating activities:				
Net loss	(247,543)	(255,657)	(469,491)	(498,417)
Adjustments for:				
Expenses paid through issuance of shares	-	-	-	20,000
Share-based compensation	18,520	-	18,520	26,088
Effective interest costs on convertible debentures	64,378	46,154	126,093	77,399
Deferred income tax recovery	(11,975)	-	(23,309)	-
Operating activities before changes in working capital items	(176,620)	(209,503)	(348,187)	(374,930)
Change in other receivables	(17,543)	(208)	(7,864)	4,452
Change in prepaid expenses	12,399	10,864	(160)	4,849
Change in trade accounts payable and accrued liabilities	(46,961)	(47,972)	(10,691)	34,161
	(52,105)	(37,316)	(18,715)	43,462
Cash flows used for operating activities	(228,725)	(246,819)	(366,902)	(331,468)
Financing activities:				
Proceeds from convertible debenture issued	-	600,000	-	600,000
Convertible debentures issuance costs	-	(47,083)	-	(47,083)
Proceeds from issuance of shares	2,375,895	249,000	2,466,020	249,000
Share issuance costs	(87,266)	(28,735)	(90,339)	(33,130)
Cash flows from (used for) financing activities	2,288,629	773,182	2,375,681	768,787
Investing activities:				
Mining tax received	568	-	568	-
Tax credit related to resources received	13,727	-	13,727	-
Increase in exploration and evaluation assets	(91,832)	(6,996)	(251,525)	(57,310)
Cash flows used for investing activities	(77,537)	(6,996)	(237,230)	(57,310)
Net change in cash and cash equivalents	1,982,367	519,367	1,771,549	380,009
Cash and cash equivalents, beginning of period	123,812	61,643	334,630	201,001
Cash and cash equivalents, end of period	2,106,179	581,010	2,106,179	581,010

Additional disclosures of cash flows information (Note 13).

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

CANADIAN METALS INC.

Notes to Condensed Interim Financial Statements

Three-month periods ended January 31, 2018 and 2017

(in Canadian dollars)

1. Reporting entity:

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

The Company's head office, which is also the main establishment is located at 1801 McGill College Avenue, suite 950, Montréal, Québec, Canada, H3A 2N4 and its web site is www.canadianmetalsinc.com.

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

2. Nature of operations and going concern:

The accompanying financial statements have been prepared on the basis of the on 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 six-month period ended January 31, 2018, the Company recorded a net loss of \$469,491 (\$498,417 in 2017) and has an accumulated deficit of \$4,989,653 as at January 31, 2018 (\$4,520,162 as at July 31, 2017). Besides the usual needs for working capital, the Company must obtain funds to enable it to meet the timelines of its exploration programs and to pay its overhead and administrative costs. As at January 31, 2018, the Company had a working capital of \$1,403,683 (negative working capital of (\$391,640) as at July 31, 2017) consisting of cash and cash equivalents of \$2,106,179 (\$334,630 as at July 31, 2017). Management believes that these funds will be sufficient to meet the obligations and liabilities of the Company for the next 12 months. However, the continued losses combined with the uncertainties of obtaining sufficient funding to meet the Company's obligation past the next 12 months 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 period ended January 31, 2018, the Company has raised \$2,375,895 from private placements consisting of common shares and flow-through shares (\$1,214,500 during the year ended July 31, 2017 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.

3. Basis of preparation:

3.1 Statement of compliance:

These unaudited and unreviewed condensed interim financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS"), issued by the International Accounting Standards Board ("IASB") in accordance with IAS 34, Interim Financial Reporting.

Certain information, in particular the accompanying notes, normally included in the audited annual financial statements prepared in accordance with IFRS has been omitted or condensed. Accordingly, these unaudited condensed interim financial statements do not include all the information required for full annual financial statements, and, therefore, should be read in conjunction with the audited annual financial statements of the Company and the notes thereto for the year ended July 31, 2017.

3.2 Basis of measurement:

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

CANADIAN METALS INC.

Notes to Condensed Interim Financial Statements (continued)

Three-month periods ended January 31, 2018 and 2017

(in Canadian dollars)

3. Basis of preparation (continued):

3.3 Functional and presentation currency:

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

3.4 Use of estimates and judgements:

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

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

Critical judgments in applying the accounting policies of the Company in the preparation of these condensed interim financial statements and key assumptions related to these estimation uncertainties are the same as the ones listed and described in the annual audited financial statements of the Company as at July 31, 2017.

4. Significant accounting policies:

These condensed interim financial statements have been prepared following the same accounting policies used in the audited financial statements for the year ended July 31, 2017.

4.1 Adoption of new accounting standards:

The Company did not adopt any new standards, amendments to standards and interpretations during the three-month period ended January 31, 2018.

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

Since the issuance of the Company's audited financial statements for the year ended July 31, 2017, the IASB and IFRIC have issued no additional new and revised standards and interpretations which are applicable to the Company.

5. Cash and cash equivalents:

	January 31 2018	July 31 2017
Cash	1,606,329	324,130
Cash in trust	499,850	10,500
	2,106,179	334,630

Funds reserved for E&E expenditures

On December 29, 2016, the Company completed a flow-through private placement of \$249,000. The Company had until December 31, 2017 to incur eligible exploration and evaluation expenditures in order to comply with the requirements of flow-through private placement. As at December 31, 2017, the Company fulfilled its obligation by incurring an amount of \$249,000 in exploration and evaluation expenditures on or before December 31, 2017.

On December 28 and 29, 2017, the Company completed a flow-through private placement of \$683,520. The Company has until December 31, 2018 to incur eligible exploration and evaluation expenditures in order to comply with the requirements of flow-through private placement. As at January 31, 2018, the Company has the obligation to incur an amount of \$668,758 in exploration and evaluation expenditures until December 31, 2018.

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

CANADIAN METALS INC.

Notes to Condensed Interim Financial Statements (continued)

Three-month periods ended January 31, 2018 and 2017

(in Canadian dollars)

6. Other receivables:

	January 31 2018	July 31 2017
	\$	\$
Sales tax receivable	41,087	42,345
Tax credits receivable and mining tax receivable	9,122	14,295
	50,209	56,640

7. Mining properties:

Mining properties can be detailed as follows:

	Interest	July 31 2017	Acquisition	Disposition	Impairment	January 31 2018
	%	\$	\$	\$	\$	\$
Québec:						
Langis ⁽¹⁾	100	152,000	-	-	-	152,000
Lac La Chesnaye ⁽²⁾	100	-	427,500	-	-	427,500
Chisholm Brook ⁽³⁾	100	-	47,500	-	-	47,500
		152,000	475,000	-	-	627,000

	Interest	July 31 2016	Acquisition	Disposition	Impairment	July 31 2017
	%	\$	\$	\$	\$	\$
Québec:						
Langis ⁽¹⁾	100	152,000	-	-	-	152,000
		152,000	-	-	-	152,000

1) Langis Property (silica):

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

2) Lac La Chesnaye Property (silica):

On November 12, 2017, the Company entered into a mineral property purchase agreement to acquire a 100% interest in 9 claims located in the Lac La Chesnaye Property (Québec) from SiO₂ Canada Ltd. by issuing 4,500,000 common shares and granting a 1.5% NSR Royalty to 21ALPHA Resources inc., a related of SiO₂ Canada Ltd. The Company shall have the right to purchase 50% of the NSR at any time by paying \$1,000,000 to 21ALPHA Resources inc. On November 24 2017, Canadian Metals issued 4,500,000 common shares at a fair value of \$0.095 for a total value of \$427,500 as payment for the acquisition of 9 claims

3) Chisholm Brook Property (silica):

On November 12, 2017, the Company entered into a mineral property purchase agreement to acquire 100% interest in one claim located in the Chisholm Brook Property (New Brunswick) from SiO₂ Canada Ltd. by issuing 500,000 common shares. On November 24 2017, Canadian Metals issued 500,000 common shares at a fair value of \$0.095 for a total value of \$47,500 as payment for the acquisition of the claim.

CANADIAN METALS INC.

Notes to Condensed Interim Financial Statements (continued)

Three-month periods ended January 31, 2018 and 2017

(in Canadian dollars)

8. Exploration and evaluation assets:

Exploration and evaluation assets by nature are detailed as follows:

	January 31 2018	July 31 2017
	\$	\$
Exploration and evaluation costs:		
Drilling	50,932	127,057
Geology	80,511	5,400
Technical Reports	55,514	108,576
Environment	19,618	89,899
Supervision	8,989	18,431
	215,564	349,363
Other items:		
Tax credit related to resources and mining tax	-	31,557
	-	31,557
Balance at the beginning	1,134,604	753,684
Balance at the end	1,350,168	1,134,604

Exploration and evaluation assets by properties are detailed as follows:

	July 31 2017	Exploration costs	Tax credits and mining tax	Disposition	Impairment	January 31 2018
	\$	\$	\$	\$	\$	\$
Québec:						
Langis	1,134,604	155,116	-	-	-	1,289,720
Lac La Chesnaye	-	60,448	-	-	-	60,448
	1,134,604	215,564	-	-	-	1,350,168

	July 31 2016	Exploration costs	Tax credits and mining tax	Disposition	Impairment	July 31 2017
	\$	\$	\$	\$	\$	\$
Québec:						
Langis	753,684	349,363	31,557	-	-	1,134,604
	753,684	349,363	31,557	-	-	1,134,604

9. Convertible debentures:

	January 31 2018	July 31 2017
	\$	\$
Convertible debentures (1)		
Convertible debentures bearing interest at 10% payable semi-annually and maturing in July 2018. ^(a)	661,984	626,704
Convertible debentures (2)		
Convertible debentures bearing interest at 10% payable semi-annually and maturing in December 2020. ^(b)	359,701	334,388
	1,021,685	961,092
Current portion of convertible debentures	661,984	626,704
Non-current portion of convertible debentures	359,701	334,388

CANADIAN METALS INC.

Notes to Condensed Interim Financial Statements (continued)

Three-month periods ended January 31, 2018 and 2017

(in Canadian dollars)

9. Convertible debentures (continued):

(a) Debentures (1) from related parties:

	January 31 2018	July 31 2017
	\$	\$
Directors	18,913	13,429
Companies under control of an officer and director	42,556	40,288
	61,469	53,717

(b) Debentures (2) from related parties:

	January 31 2018	July 31 2017
	\$	\$
Directors	20,638	16,446
Officers	11,793	10,964
Company under control of a director	12,383	11,512
Companies under control of an officer and director	14,742	13,705
	59,556	52,627

Convertible debentures (1)

On July 27, 2015, the Company completed a convertible debentures financing of \$700,000. The maturity of the convertible debentures is three years (June 30, 2018) and bear interest at 10% per year. Interest is payable on June 30 and December 31 of each year. The first year, the Company has the option to pay interest in cash or in shares. As per an amendment to the subscription agreement signed on June 15, 2017, the Company has the option to pay interest in cash or in shares for the second and third year. If payment are in shares, the conversion price in number of shares will be equal at 85% of the average of the last twenty (20) trading days ending five (5) trading days preceding the payment date, subject to a minimum price of 0.05\$.

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

Expected dividend yield	0.0%
Share price at grant date	0.13\$
Expected volatility ⁽¹⁾	100.00%
Risk-free interest rate	0.41%
Expected life	2.0 years

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

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

Convertible debentures (2)

On December 12, 2016, the Company completed a convertible debentures financing of \$610,000. The maturity of the convertible debentures is four years (December 31, 2020) and bear interest at 10% per year. At the conversion date, both the capital and unpaid interest is convertible using a conversion price of \$0.20. Interest is payable on June 30 and December 31 of each year. The first year, the Company has the option to pay interest in cash or in shares. The second, third and fourth year, interest will be paid in cash or shares. If a minimum of 66.6% of the debentures holders (in terms of amounts of dollars) vote in favor of either a payment in cash or shares, the Company will pay all debentures holders the same way. If payment are in shares, the conversion price in number of shares will be equal at 85% of the average of the last twenty (20) trading days ending five (5) trading days preceding the payment date, subject to a minimum price of 0.05\$.

CANADIAN METALS INC.

Notes to Condensed Interim Financial Statements (continued)

Three-month periods ended January 31, 2018 and 2017

(in Canadian dollars)

9. Convertible debentures (continued):

Convertible debentures (2) (continued)

Commission of 4.0% to 8.5% of the amount and legal fees were paid in cash for a total amount of \$ 52,241. Of this amount, \$28,241 was recorded as a reduction of liabilities and \$24,000 as a reduction of equity. In addition, a number of 25,950 warrants were granted to brokers. Each warrant entitles the holder to subscribe to one common share at an exercise price of \$0.20 per share until December 12, 2018. These warrants were recorded at a value of \$1,971 using the Black-Scholes option pricing model under the assumptions described below (note 10 (c)). Of this amount, \$1,066 was recorded as a reduction of liabilities and \$905 as a reduction of equity.

For purposes of determining the fair value of the liability component, an effective interest rate of 28.43% was used which is the estimated market rate that the Company would have obtained for a similar financing without the conversion option. The liability component is accreted up to the face value of the debenture over the term of the debentures as an interest expense. As the issuance, the equity component was \$280,234 and is presented net of income tax in the amount of \$74,262.

10. Share capital and warrants:

(a) Authorized:

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

(b) Issued and outstanding:

	Number	Amount
		\$
Balance as at July 31, 2016	40,680,082	2,663,943
Issued for cash:		
Private placement (common shares)	2,369,998	237,400
Private placement (flow-through shares)	1,660,000	175,404
Issued as payment of expenses	100,000	20,000
Issued as a settlement of interest payment on the debentures	1,689,401	100,500
Balance as at July 31, 2017	46,499,481	3,197,247
		\$
Balance as at July 31, 2017	46,499,481	3,197,247
Issued for cash:		
Private placement (common shares)	23,766,666	1,040,665
Private placement (flow-through shares)	6,213,816	550,269
Issued as payment of mining properties acquisition	5,000,000	475,000
Issued as a settlement of interest payment on the debentures	793,939	65,500
Balance as at January 31, 2018	82,273,902	5,328,681

2018:

On October 16, 2017, the Company concluded a private placement by issuing 1,201,667 units at a price of \$0.075 per unit for net proceeds of \$86,340 after deducting share issuance costs of \$3,785. A commission of \$1,500 was paid in connection with this transaction. Each unit consists of one common share and one-half warrant for a total of 1,201,667 common shares and 600,834 warrants. 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. These warrants have been recorded at a value of \$15,590 based on the Black-Scholes option pricing model using the assumptions described below (Note 10 (c)). As part of this private placement, the Company also issued a total of 20,000 broker warrants. Each broker warrant entitles its holder to purchase one common share at \$0.15 per share until April 16, 2019. These warrants have been recorded at a value of \$586 based on the Black-Scholes option pricing model using the assumptions described below (Note 10 (c)). As a result, the broker warrants were recorded under warrants and as share issuance costs as a reduction of share capital in the statement of changes in equity. Share issuance costs amounted to \$4,371 including the fair value of the broker warrants of \$586.

CANADIAN METALS INC.

Notes to Condensed Interim Financial Statements (continued)

Three-month periods ended January 31, 2018 and 2017

(in Canadian dollars)

10. Share capital and warrants (continued):

(b) Issued and outstanding (continued):

2018 (continued):

On November 24, 2017, as per the mineral property purchase agreement of November 12, 2017 (Note 8), the Company issued 5,000,000 common shares at a fair value of \$0.095 for a total value of \$475,000 as payment for the acquisition of 9 claims of Lac La Chesnaye Property located in Québec and one claim of Chisholm Brook Property located in New-Brunswick.

On December 12, 2017, the Company concluded a private placement by issuing 5,208,333 units at a price of \$0.075 per unit for net proceeds of \$389,177 after deducting share issuance costs of \$1,448. No commission was paid in connection with this transaction. Each unit consists of one common share and one warrant for a total of 5,208,333 common shares and 5,208,333 warrants. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of \$0.15 until December 12, 2019. These warrants have been recorded at a value of \$152,461 based on the Black-Scholes option pricing model using the assumptions described below (Note 10 (c)).

On December 28, 2017, the Company concluded a private placement by issuing 3,363,636 flow-through common shares at a price of \$0.11 per share for net proceeds of \$326,624 after deducting share issuance costs of \$43,376. A commission of \$29,600 was paid in connection with this transaction. As part of this private placement, the Company also issued a total of 269,091 broker warrants. Each broker warrant entitles its holder to purchase one common share at \$0.15 per share until December 28, 2019. These warrants have been recorded at a value of \$36,898 based on the Black-Scholes option pricing model using the assumptions described below (Note 10 (c)). As a result, the broker warrants were recorded under warrants and as share issuance costs as a reduction of share capital in the statement of changes in equity. Share issuance costs amounted to \$80,274 including the fair value of the broker warrants of \$36,898. No liability related to flow-through shares has been recorded based on the residual value method.

On December 29, 2017, the Company concluded a private placement by issuing 2,850,180 flow-through common shares at a price of \$0.11 per share for net proceeds of \$283,857 after deducting share issuance costs of \$29,663. A commission of \$20,093 was paid in connection with this transaction. As part of this private placement, the Company also issued a total of 182,665 broker warrants. Each broker warrant entitles its holder to purchase one common share at \$0.15 per share until December 29, 2019. These warrants have been recorded at a value of \$23,314 based on the Black-Scholes option pricing model using the assumptions described below (Note 10 (c)). As a result, the broker warrants were recorded under warrants and as share issuance costs as a reduction of share capital in the statement of changes in equity. Share issuance costs amounted to \$52,977 including the fair value of the broker warrants of \$23,314. No liability related to flow-through shares has been recorded based on the residual value method.

As at December 31, 2017, following the issuance of 6,213,816 flow-through common shares on December 28 and 29, 2017, the Company has the obligation to incur \$683,520 in exploration expenditures no later than December 31, 2018. As at January 31, 2018, the Company incurred \$14,762 in eligible exploration and therefore had the obligation to incur \$668,758 in exploration expenditures.

On December 29, 2017, the Company concluded a private placement by issuing 350,000 units at a price of \$0.075 per unit for net proceeds of \$24,412 after deducting share issuance costs of \$1,838. A commission of \$1,838 was paid in connection with this transaction. Each unit consists of one common share and one warrant for a total of 350,000 common shares and 350,000 warrants. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of \$0.15 until December 29, 2019. These warrants have been recorded at a value of \$11,071 based on the Black-Scholes option pricing model using the assumptions described below (Note 10 (c)). As part of this private placement, the Company also issued a total of 24,500 broker warrants. Each broker warrant entitles its holder to purchase one common share at \$0.15 per share until December 29, 2019. These warrants have been recorded at a value of \$3,127 based on the Black-Scholes option pricing model using the assumptions described below (Note 10 (c)). As a result, the broker warrants were recorded under warrants and as share issuance costs as a reduction of share capital in the statement of changes in equity. Share issuance costs amounted to \$4,965 including the fair value of the broker warrants of \$3,127.

On December 29, 2017, the Company issued 793,939 common shares for interests payable of \$65,500 on convertible debentures. No commission was paid in connection with this transaction. The interests were payable as follows:

Convertible debentures (1)

424,242 common shares issued for interests of \$35,000 payable on December 31, 2017

Convertible debentures (2)

369,697 common shares issued for interests of \$30,500 payable on December 31, 2017.

CANADIAN METALS INC.

Notes to Condensed Interim Financial Statements (continued)

Three-month periods ended January 31, 2018 and 2017

(in Canadian dollars)

10. Share capital and warrants (continued):

(b) Issued and outstanding (continued):

2018 (continued):

On January 19, 2018, the Company concluded a private placement by issuing 17,006,666 units at a price of \$0.075 per unit for net proceeds of \$1,260,635 after deducting share issuance costs of \$14,865. A commission of \$10,500 was paid in connection with this transaction. Each unit consists of one common share and one warrant for a total of 17,006,666 common shares and 17,006,666 warrants. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of \$0.15 until January 19, 2020. These warrants have been recorded at a value of \$523,984 based on the Black-Scholes option pricing model using the assumptions described below (Note 10 (c)). As part of this private placements, the Company also issued a total of 134,000 broker warrants. Each broker warrant entitles its holder to purchase one common share at \$0.15 per share until January 19, 2020. These warrants have been recorded at a value of \$13,080 based on the Black-Scholes option pricing model using the assumptions described below (Note 10 (c)). As a result, the broker warrants were recorded under warrants and as share issuance costs as a reduction of share capital in the statement of changes in equity. Share issuance costs amounted to \$27,945 including the fair value of the broker warrants of \$13,080.

2017:

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

On December 29, 2016, the Company concluded a private placement by issuing 1,660,000 flow-through common shares at a price of \$0.15 per share for net proceeds of \$225,204 after deducting share issuance costs of \$23,796. A liability related to flow-through shares has been recorded at a value of \$49,800 based on the residual value method. As at December 31, 2016, The Company had the obligation to incur \$249,000 in exploration expenditures no later than December 31, 2017. As at December 31, 2017, the Company incurred \$249,000 in eligible exploration expenditures and therefore fulfilled its obligation by incurring \$249,000 in exploration expenditures.

On February 3, 2017, the Company concluded a private placement by issuing 2,369,998 units at a price of \$0.15 per unit for net proceeds of \$350,514 after deducting share issuance costs of \$4,986. No commission was paid in connection with this private placement. Each unit consists of one common share and one warrant for a total of 2,369,998 common shares and 2,369,998 warrants. 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. These warrants have been recorded at a value of \$113,114 based on the Black-Scholes option pricing model using the assumptions described below (Note 11 (c)).

On July 3, 2017, the Company issued 1,689,401 common shares for interests payable of \$100,500 on convertible debentures. No commission was paid in connection with this transaction. The interests were payable as follows:

Convertible debentures (1)

- 58 654 common shares issued remaining on the interests paid on January 8, 2016
- 16 187 common shares issued remaining on the interests paid on July 25, 2016
- 328 022 common shares issued for interests of \$35,000 payable on December 31, 2016
- 700,000 common shares issued for interests of \$35,000 payable on June 30, 2017

Convertible debentures (2)

- 586,538 common shares issued for interests of \$30,500 payable on June 30, 2017.

(c) Warrants:

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

	January 31 2018		July 31 2017	
	Number of outstanding warrants	Weighted average exercise price	Number of outstanding warrants	Weighted average exercise price
		\$		\$
Outstanding at beginning	8,929,282	0.21	8,149,000	0.22
Granted	23,796,089	0.15	2,395,948	0.20
Expired	(4,033,334)	(0.25)	(1,615,666)	(0.24)
Outstanding at end	28,692,037	0.15	8,929,282	0.21

CANADIAN METALS INC.

Notes to Condensed Interim Financial Statements (continued)

Three-month periods ended January 31, 2018 and 2017

(in Canadian dollars)

10. Share capital and warrants (continued):

(c) Warrants (continued):

The following table provides outstanding warrants information as at January 31, 2018:

Expiry date	Number of outstanding warrants	Outstanding warrants	
		Exercise price	Remaining life
		\$	(years)
February 3, 2018	2,369,998	0.20	-
September 15, 2018	2,500,000	0.15	0.6
December 12, 2018	25,950	0.20	0.9
April 16, 2019	620,834	0.15	1.2
December 12, 2019	5,208,333	0.15	1.9
December 28, 2019	269,091	0.15	1.9
December 29, 2019	557,165	0.15	1.9
January 19, 2020	17,140,666	0.15	2.0
	28,692,037	0.15	1.7

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

Expiry date	Number of outstanding warrants	Outstanding warrants	
		Exercise price	Remaining life
		\$	(years)
October 6, 2017	3,433,335	0.25	0.2
October 15, 2017	599,999	0.25	0.2
February 3, 2018	2,369,998	0.20	0.5
September 15, 2018	2,500,000	0.15	1.1
December 12, 2018	25,950	0.20	1.4
	8,929,282	0.21	0.5

2018:

On October 16, 2017, the Company issued 600,834 warrants to shareholders who subscribed to 1,201,667 units offering. Each warrant entitles the holder to subscribe to one common share at an exercise price of \$0.15 per share until April 16, 2019. The value of the warrants was estimated at \$15,590 at the grant date using the Black-Scholes option pricing model. The assumptions used for the calculation were:

Expected dividend yield	0.0%
Share price at grant date	\$0.07
Expected volatility ⁽¹⁾	131.23%
Risk-free interest rate	1.52%
Expected life	1.5 years

As part of the private placement financing on October 16, 2017, the Company issued 20,000 warrants to brokers. Each warrant entitles the holder to subscribe to one common share at an exercise price of \$0.15 per share until April 16, 2019. The value of the warrants was estimated at \$586 at the grant date using the Black-Scholes option pricing model. The assumptions used for the calculation were:

Expected dividend yield	0.0%
Share price at grant date	\$0.07
Expected volatility ⁽¹⁾	131.23%
Risk-free interest rate	1.52%
Expected life	1.5 years

CANADIAN METALS INC.

Notes to Condensed Interim Financial Statements (continued)

Three-month periods ended January 31, 2018 and 2017

(in Canadian dollars)

10. Share capital and warrants (continued):

(c) Warrants (continued):

2018 (continued):

On December 12, 2017, the Company issued 5,208,333 warrants to shareholders who subscribed to 5,208,333 units offering. Each warrant entitles the holder to subscribe to one common share at an exercise price of \$0.15 per share until December 12, 2019. The value of the warrants was estimated at \$152,461 at the grant date using the Black-Scholes option pricing model. The assumptions used for the calculation were:

Expected dividend yield	0.0%
Share price at grant date	\$0.085
Expected volatility ⁽¹⁾	152.86%
Risk-free interest rate	1.52%
Expected life	2.0 years

As part of the flow-through private placement financing on December 28, 2017, the Company issued 269,091 warrants to brokers. Each warrant entitles the holder to subscribe to one common share at an exercise price of \$0.15 per share until December 28, 2019. The value of the warrants was estimated at \$36,898 at the grant date using the Black-Scholes option pricing model. The assumptions used for the calculation were:

Expected dividend yield	0.0%
Share price at grant date	\$0.18
Expected volatility ⁽¹⁾	157.27%
Risk-free interest rate	1.69%
Expected life	2.0 years

On December 29, 2017, the Company issued 350,000 warrants to shareholders who subscribed to 350,000 units offering. Each warrant entitles the holder to subscribe to one common share at an exercise price of \$0.15 per share until December 29, 2019. The value of the warrants was estimated at \$11,071 at the grant date using the Black-Scholes option pricing model. The assumptions used for the calculation were:

Expected dividend yield	0.0%
Share price at grant date	\$0.175
Expected volatility ⁽¹⁾	147.19%
Risk-free interest rate	1.68%
Expected life	2.0 years

As part of the flow-through private placement financing on December 29, 2017, the Company issued 182,665 warrants to brokers. Each warrant entitles the holder to subscribe to one common share at an exercise price of \$0.15 per share until December 29, 2019. The value of the warrants was estimated at \$23,314 at the grant date using the Black-Scholes option pricing model. The assumptions used for the calculation were:

Expected dividend yield	0.0%
Share price at grant date	\$0.175
Expected volatility ⁽¹⁾	147.19%
Risk-free interest rate	1.68%
Expected life	2.0 years

As part of the private placement financing on December 29, 2017, the Company issued 24,500 warrants to brokers. Each warrant entitles the holder to subscribe to one common share at an exercise price of \$0.15 per share until December 29, 2019. The value of the warrants was estimated at \$3,127 at the grant date using the Black-Scholes option pricing model. The assumptions used for the calculation were:

Expected dividend yield	0.0%
Share price at grant date	\$0.175
Expected volatility ⁽¹⁾	147.19%
Risk-free interest rate	1.68%
Expected life	2.0 years

CANADIAN METALS INC.

Notes to Condensed Interim Financial Statements (continued)

Three-month periods ended January 31, 2018 and 2017

(in Canadian dollars)

10. Share capital and warrants (continued):

(c) Warrants (continued):

2018 (continued):

On January 19, 2018, the Company issued 17,006,666 warrants to shareholders who subscribed to 17,006,666 units offering. Each warrant entitles the holder to subscribe to one common share at an exercise price of \$0.15 per share until January 19, 2020. The value of the warrants was estimated at \$523,984 at the grant date using the Black-Scholes option pricing model. The assumptions used for the calculation were:

Expected dividend yield	0.0%
Share price at grant date	\$0.14
Expected volatility ⁽¹⁾	147.23%
Risk-free interest rate	1.80%
Expected life	2.0 years

As part of the private placement financing on January 19, 2018, the Company issued 134,000 warrants to brokers. Each warrant entitles the holder to subscribe to one common share at an exercise price of \$0.15 per share until January 19, 2020. The value of the warrants was estimated at \$13,080 at the grant date using the Black-Scholes option pricing model. The assumptions used for the calculation were:

Expected dividend yield	0.0%
Share price at grant date	\$0.14
Expected volatility ⁽¹⁾	147.23%
Risk-free interest rate	1.80%
Expected life	2.0 years

2017:

As part of the debentures financing in December 2016 (Note 10), the Company issued 25,950 warrants to brokers. Each warrant entitles the holder to subscribe to one common share at an exercise price of \$0.20 per share until December 12, 2018. The value of the warrants was estimated at \$1,971 at the grant date using the Black-Scholes option pricing model. The assumptions used for the calculation were:

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

On February 3, 2017, the Company issued 2,369,998 warrants to shareholders who subscribed to 2,369,998 units offering. Each warrant entitles the holder to subscribe to one common share at an exercise price of \$0.20 per share until February 3, 2018. The value of the warrants was estimated at \$113,114 at the grant date using the Black-Scholes option pricing model. The assumptions used for the calculation were:

Expected dividend yield	0.0%
Share price at grant date	\$0.10
Expected volatility ⁽¹⁾	170.75%
Risk-free interest rate	0.77%
Expected life	1.0 year

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

CANADIAN METALS INC.

Notes to Condensed Interim Financial Statements (continued)

Three-month periods ended January 31, 2018 and 2017

(in Canadian dollars)

11. Share-based compensation:

(a) Share option plan:

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

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

The options granted during the six-month period ended January 31, 2018 and during the year ended July 31, 2017 were issued at a price higher or equal to the closing price the day before the grant.

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

	January 31 2018		July 31 2017	
	Number of outstanding share options	Weighted average exercise price	Number of outstanding share options	Weighted average exercise price
		\$		\$
Outstanding at beginning	3,905,000	0.16	4,080,000	0.15
Granted	400,000	0.08	625,000	0.14
Forfeited	(200,000)	(0.10)	(800,000)	(0.11)
Outstanding at end	4,105,000	0.15	3,905,000	0.16
Exercisable at end	4,105,000	0.15	3,905,000	0.16

The following table provides outstanding share options information as at January 31, 2018:

Expiry date	Share options outstanding			
	Number of granted share options	Number of exercisable share options	Exercise price	Remaining life (years)
July 22, 2018	200,000	200,000	0.19	0.5
October 2, 2018	400,000	400,000	0.12	0.7
April 8, 2019	80,000	80,000	0.14	1.2
February 25, 2020	450,000	450,000	0.10	2.1
June 12, 2020	200,000	200,000	0.17	2.4
February 26, 2021	1,150,000	1,150,000	0.10	3.1
May 7, 2021	600,000	600,000	0.37	3.3
June 20, 2021	125,000	125,000	0.26	3.4
February 21, 2022	500,000	500,000	0.105	4.1
October 21, 2022	400,000	400,000	0.075	4.7
	4,105,000	4,105,000	0.15	2.8

CANADIAN METALS INC.

Notes to Condensed Interim Financial Statements (continued)

Three-month periods ended January 31, 2018 and 2017

(in Canadian dollars)

11. Share-based compensation (continued):

(a) Share option plan (continued):

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

Expiry date	Share options outstanding			
	Number of granted share options	Number of exercisable share options	Exercise price	Remaining life (years)
July 22, 2018	200,000	200,000	\$ 0.19	1.0
October 2, 2018	400,000	400,000	0.12	1.2
April 8, 2019	80,000	80,000	0.14	1.7
February 25, 2020	450,000	450,000	0.10	2.6
June 12, 2020	200,000	200,000	0.17	2.9
February 26, 2021	1,350,000	1,350,000	0.10	3.6
May 7, 2021	600,000	600,000	0.37	3.8
June 20, 2021	125,000	125,000	0.26	3.9
February 21, 2022	500,000	500,000	0.105	4.6
	3,905,000	3,905,000	0.16	3.2

2018:

On October 2, 2017, the Company granted 400,000 share options to directors. The options are fully vested on the day of granting, in accordance with the share option plan. The options issued are exercisable at an exercise price of \$0.075 per share and expire on October 2, 2022. The fair value of the options was estimated at \$18,520 using the Black-Scholes option pricing model. The assumptions used for the calculation were:

Expected dividend yield	0.0%
Share price at grant date	\$0.06
Expected volatility ⁽¹⁾	111.37%
Risk-free interest rate	1.78%
Expected life	5.0 years

2017:

On August 1, 2016, the Company granted 125,000 share options to a director. The options are fully vested on the day of granting, in accordance with the share option plan. The options issued are exercisable at an exercise price of \$0.26 per share and expire on June 20, 2021. The fair value of the options was estimated at \$26,088 using the Black-Scholes option pricing model. The assumptions used for the calculation were:

Expected dividend yield	0.0%
Share price at grant date	\$0.260
Expected volatility ⁽¹⁾	114.43%
Risk-free interest rate	0.66%
Expected life	5.0 years

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. The fair value of the options was estimated at \$42,650 using the Black-Scholes option pricing model. The assumptions used for the calculation were:

Expected dividend yield	0.0%
Share price at grant date	\$0.105
Expected volatility ⁽¹⁾	116.37%
Risk-free interest rate	1.17%
Expected life	5.0 years

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

CANADIAN METALS INC.

Notes to Condensed Interim Financial Statements (continued)

Three-month periods ended January 31, 2018 and 2017

(in Canadian dollars)

11. Share-based compensation (continued):

(a) Share option plan (continued):

For the six-month period ended January 31, 2018, the share-based compensation recognized in the statement of comprehensive loss is \$18,520 (\$26,088 for the six-month period ended January 31, 2017).

12. Finance expense:

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

	Three-month period ended		Six-month period ended	
	January 31 2018	January 31 2017	January 31 2018	January 31 2017
	\$	\$	\$	\$
Bank charges	212	257	446	536
Interest on convertible debentures	64,378	46,154	126,093	77,399
Tax related to flow-through shares	1,296	-	1,296	-
Exchange loss	361	(204)	947	455
Finance expense	66,247	46,207	128,782	78,390

13. Supplemental cash flow information:

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

	Three-month period ended		Six-month period ended	
	January 31 2018	January 31 2017	January 31 2018	January 31 2017
	\$	\$	\$	\$
Non-cash financing activities:				
Convertible debentures issuance costs in trade accounts payable and accrued liabilities	-	5,158	-	5,158
Convertible debentures issuance costs paid through the issuance of warrants	-	1,971	-	1,971
Share issuance costs in trade accounts payable and accrued liabilities	10,761	-	10,761	-
Non-cash investing activities:				
Exploration and evaluation assets in trade accounts payable and accrued liabilities	61,324	75,553	61,324	75,553

14. Related party transactions:

Related parties include the Company's key management personnel. Unless otherwise stated, balances are usually settled in cash. Key management includes directors and senior executives. The remuneration of key management personnel includes the following expenses:

	Three-month period ended		Six-month period ended	
	January 31 2018	January 31 2017	January 31 2018	January 31 2017
	\$	\$	\$	\$
Management and consulting fees	89,250	115,026	186,000	193,500
Share-based compensation	18,520	-	18,520	26,088
	107,770	115,026	204,520	219,588

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

For the three-month and six-month periods ended January 31, 2018, no legal fees were charged by a company in which a director is a partner (\$4,860 and \$9,837 for the three-month and six-month periods respectively ended January 31, 2017). Trade accounts and other payables include an amount of \$11,310 (\$11,310 as at July 31, 2017) due to this related party.

CANADIAN METALS INC.

Notes to Condensed Interim Financial Statements (continued)

Three-month periods ended January 31, 2018 and 2017

(in Canadian dollars)

14. Related party transactions (continued):

These transactions, entered into the normal course of operations, are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

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.

15. Financial assets and liabilities:

The carrying amount and fair value of financial instruments presented in the statements of financial position related to the following classes of assets and liabilities:

	January 31 2018		July 31 2017	
	Carrying amount	Fair value	Carrying amount	Fair value
	\$	\$	\$	\$
Financial assets				
Loans and receivables				
Cash and cash equivalents	2,106,179	2,106,179	334,630	334,630
Other receivables ⁽¹⁾	-	-	-	-
	2,106,179	2,106,179	334,630	334,630
Financial liabilities				
Financial liabilities measured at amortized cost				
Trade accounts payable and accrued liabilities ⁽²⁾	106,554	106,554	149,866	149,866
Convertible debentures	1,021,685	1,021,685	961,092	961,092
	1,128,239	1,128,239	1,110,958	1,110,958

(1) Excluding sales tax receivable, tax credits receivable and mining tax receivable.

(2) Excluding tax related to flow-through shares.

The fair value of cash and cash equivalents, other receivables, trade accounts and accrued liabilities is comparable to its carrying amount given the short period to maturity, i.e. the time value of money is not significant.

This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities at the reporting date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (that is, derived from prices).
- Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement. The convertible debentures were classified under level 2 in 2018 and 2017.

The techniques and evaluation methods used to measure fair value were not changed compared to previous years. The fair value of the convertible debentures was determined by discounting the future cash flows using an interest rate estimated to reflect a rate that the Company would have obtained for similar financings without the conversion option.

CANADIAN METALS INC.

Notes to Condensed Interim Financial Statements (continued)

Three-month periods ended January 31, 2018 and 2017

(in Canadian dollars)

16. Capital management policies and procedures:

The Company's capital management objectives are:

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

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

The Company monitors capital on the basis of the carrying amount of equity and convertible debentures. Capital for the reporting periods are 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 December 31, 2017, the Company fulfilled its obligation by incurring \$249,000 in eligible exploration and evaluation expenditures until December 31, 2017. On December 28 and 29, 2017, the Company completed a flow-through private placement of \$683,520. As at January 31, 2018, the Company incurred \$14,762 in eligible exploration and evaluation expenditures and consequently the Company has the obligation to incur a remaining balance of \$668,758 in exploration expenditures no later than December 31, 2018 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 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.

	January 31 2018	July 31 2017
	\$	\$
Convertible debentures	1,021,685	961,092
Equity	3,021,150	560,576
	4,042,835	1,521,668

17. Financial Instrument Risks:

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

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

(a) Credit risk:

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

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

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

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

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

CANADIAN METALS INC.

Notes to Condensed Interim Financial Statements (continued)

Three-month periods ended January 31, 2018 and 2017

(in Canadian dollars)

17. Financial Instrument Risks (continued):

(b) Liquidity risk:

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

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

Over the past and during the 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 January 31, 2018 will be sufficient to meet the Company's needs for cash for the next 12 months.

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

	January 31 2018			
	Less than 1 year	1-5 years	More than 5 years	Total
Trade accounts payable and accrued liabilities	\$ 106,554	\$ -	\$ -	\$ 106,554
Convertible debentures (1)	770,000	-	-	770,000
Convertible debentures (2)	61,000	762,500	-	823,500
	937,554	762,500	-	1,700,054

	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

18. Subsequent events:

On February 5, 2018, the Company granted 1,250,000 share options to officers, directors and a consultant, to purchase 1,250,000 common shares of the Company at an exercise price of \$0.14 per share and expiring on February 5, 2023.

On March 13, 2018, the Company concluded a first tranche of a non-brokered private placement by issuing 25,300,000 units at a price of \$0.10 per unit for proceeds of \$2,530,000 to three investors, namely the Québec Government, acting through its Fonds Capital Mines Hydrocarbures, managed by Ressources Québec, CDPQ Sodémex Inc., and Osisko Metals Incorporated, a Canadian exploration and development company. 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 March 13, 2020. No commission was paid in connection with this transaction.

On March 16, 2018, the Company has entered into an option agreement (the "Agreement") with NBZINC Inc. to acquire an undivided 100% right, title and interest in and to the TV Tower, Mountain Brook and Blackshale properties located in New Brunswick. The Blackshale property is composed of 163 claims covering approximately 3,557 hectares, the Mountain Brook property is composed of 139 claims covering approximately 3,048 hectares and the TV Tower property is composed in 53 claims covering approximately 1,157 hectares. The claims are subject to a 2% NSR.

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Notes to Condensed Interim Financial Statements (continued)

Three-month periods ended January 31, 2018 and 2017

(in Canadian dollars)

18. Subsequent events (continued):

To earn its 100% interest, the Company must make cash payments, issue common shares and incur exploration expenses in the following timelines:

	Cash payments	Shares	Exploration expenses
	\$		\$
On March 16, 2018	200,000 ⁽¹⁾	6,000,000 ⁽²⁾	-
On or before October 15, 2018	-	-	300,000
On or before November 1, 2018	200,000	5,000,000	-
On or before November 1, 2019	-	5,000,000	-
	400,000	16,000,000	300,000

⁽¹⁾ This cash payment was made on March 16, 2018.

⁽²⁾ These common shares were issued on March 16, 2018 at a closing price of \$0.14 per share.

The Company shall be required to make a payment of US\$4,000,000 for each of the three properties for which it has acquired 100% of undivided interests, provided that the Company has made a public disclosure of a mineral resource estimate of 1,000,000 ounces of gold or gold-equivalent resources in the aggregate and in any and all categories for such property, for a total possible maximum payment of US\$12,000,000 for all three properties. A director and officer of the Company owns an interest in NBZINC.

On March 20, 2018, the Company concluded the second tranche of a brokered offering by issuing 400 unsecured subordinated convertible debentures at a price of \$1,000 per debenture for proceeds of \$400,000. A commission of \$20,000 was paid in connection with this transaction. In addition, a number of 290,910 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 March 20, 2018. The maturity of the convertible debentures is December 31, 2022 and bear interest at 10% per year, payable semi-annually on June 30 and December 31 of each year commencing on June 30, 2018.