CANADIAN METALS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year ended

July 31, 2018

(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, 2018. 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, 2018 as compared to the three-month period and year ended July 31, 2017.

This MD&A complements the audited financial statements for the year ended July 31, 2018 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, 2018 and related notes thereto.

The audited financial statements for the years ended July 31, 2018 and 2017 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, 2018. On November 19, 2018, 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 19, 2018.

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,* is mainly focused on the development of the Langis project, a high-purity silica deposit located in the province of Quebec, with a proposed downstream integration into ferrosilicon/silicon production.

BUSINESS DEVELOPMENT HIGHLIGHTS

- **Board of Directors:**

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

  On September 19, 2017, the Company announced the nomination of Mr. Luigi Nardella as member of the Board of Directors. Mr. Nardella resigned on June 18, 2018.

  On May 4, 2018, the Company announced the nomination of Mr. Paul Dumas as Director of Canadian Metals Inc., effective May 3rd, 2018. Executive Vice President, Finance & CFO at Osisko Metals Incorporated, Mr. Dumas has over 35 years of Corporate Finance and Investment Banking experience. Mr. Dumas has served as Director and held Executive positions for numerous public companies in the mining industry as well as the technology sector. Mr. Dumas holds a bachelor's degree in commerce with an Accounting major.

  On June 5, 2018, the Company announced the resignation of Mr. Carl Gagnon as Director of Canadian Metals Inc., effective June 5, 2018.

  On June 18, 2018, Ms, Ghita Ouaziz was appointed to the board of Directors. Ghita Ouaziz is an engineer and currently holds the position of Chief Operating Officer (COO) at Shawinigan Aluminum Inc. and oversees Production, Technical services and Environment. In 2009, Ms. Ouaziz obtained a bachelor's degree in Mechanical Engineering, specialised in Aerospace from "École Polytechnique de Montréal". She pursued her education there until 2012, when she got a master's degree in Applied Science from the Department of Metallurgical Engineering. She also graduated in 2013 from HEC Montreal, with a specialised graduate diploma in Management.

- **Officers and Management:**

  On February 6, 2018, the Company announced the nomination of Mr. Pierre Monet as Vice-President and CFO of Canadian Metals Inc. Mr. Monet's contract was terminated on June 28, 2018.

  On May 4, 2018, the Company announced the departure of Mr. Hubert Vallée as President and CEO of Canadian Metals Inc., effective May 3, 2018.

  On June 18, 2018, the Board of Directors appointed René Boisvert as President of Canadian Metals Inc. Mr. René Boisvert is an electrical engineer graduated from Laval university in Quebec City in 1980. He has 30 years of experience in the production of ferrosilicon and silicon. He has also been responsible for the design and construction of many different production units. Mr. Boisvert was responsible for international sales to all the major accounts of the foundry, aluminum, silicones, polysilicon and solar industries. Mr. Boisvert obtained many patents on electrode design and silicon purification and is the author of numerous papers and presentations at the most important meetings on arc furnaces, silicon, ferrosilicon and solar silicon.

  Also, on June 18, 2018 the Board of Directors confirmed that Stéphane Leblanc would transit from President to Chief Executive Officer and continue as Chairman of the Board.

  On June 28, 2018, Patsie Ducharme, CPA was appointed Senior Vice President Finance & Chief Financial Officer. She has over 27 years of work experience, mainly in the manufacturing sector of pulp, paper, forestry and packaging. In addition, she has held CFO positions with private and public entities for over 10 years. Ms. Ducharme is also a Board Member and Audit Committee Member of Kruger Specialty Papers Holding, representing Investissement Québec.

- **Private Placements:**

  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 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.

  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 proceeds of $390,625. 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 $0.15 until December 12, 2019.

  On December 28, 2017, the Company concluded a flow-through private placement by issuing 3,363,636 flow-through shares at a price of $0.11 per share for proceeds of $370,000.

  On December 29, 2017, the Company concluded a flow-through private placement by issuing 2,850,180 flow-through shares at a price of $0.11 per share for proceeds of $313,520.

  On December 29, 2017, the Company concluded a private placement by issuing 350,000 units at a price of $0.075 per unit for proceeds of $26,250. 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 $0.15 until December 29, 2019.

  On December 29, 2017, the Company issued 793,939 common shares for interest payable of $65,500 on convertible debentures.

  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 proceeds of $1,275,500. 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.

  On March 13, 2018, the Company concluded a private placement by issuing 25,300,000 units at a price of $0.10 per unit for proceeds of $2,530,000. 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.

  On March 16, 2018, the Company issued 6,000,000 common shares at a fair value of $0.14 for a total value of $840,000 as the first timeline scheduled as per the agreement for the acquisition of 100% undivided interest in TV Tower, Mountain Brook and Blackshale properties, all located in New-Brunswick.

  On March 20, 2018, the Company completed a convertible debentures financing of $400,000. The maturity of the convertible debentures is approximately five years (December 31, 2022) 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.

  On July 31, 2018, the Company paid $76,881 of interest to its debenture holders by issuance of 1,038,935 shares.

- **Grant of share options:**

  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 June 27, 2018 the Company announced the grant of incentive stock options to purchase 4,250,000 common shares of the Company to certain directors, officers, employees and consultants of the Company pursuant to the company's stock option plan. The options have an exercise price of $0.15 per share and expire on June 27, 2023.

- **Annual meeting of the Company held on February 26, 2018**
  - Appointment of Carl Gagnon as Director;
  - 33.15% of the issued and outstanding common shares were represented at the meeting;
  - Raymond Chabot Grant Thornton LLP were appointed auditor of the Company; and
  - The stock option plan was approved.

BUSINESS DEVELOPMENT SUBSEQUENT EVENTS

- **Project Updates:**

  On August 14, 2018, Canadian Metals Inc. provided an update on its Baie-Comeau smelter project. Since the filing of the amended prefeasibility study (PFS) on July 11, 2018, the Company has made significant improvements and modifications to the development plans of the project. The environmental study was under way and the discussions were progressing with equipment manufacturers and engineering firms to execute the feasibility study. The target is to apply for permitting in the fall of 2018 and have the permit and feasibility study ready in spring 2019. Production of silicon with emphasis for the aluminum and polysilicon industry instead of ferrosilicon production is a major positive change. The purification techniques will enable to reduce electrode costs, one of the major cost components in silicon production. Hydro-Québec will supply power through an allocation agreement at competitive prices for electricity. The location of the plant near the silica supply and the port of Baie-Comeau also offers competitive advantages.

  On August 22, 2018, the Company signed a letter of intent with the City of Baie-Comeau to reserve a parcel of land of 43.1 hectares where the smelter will be built. The agreement is valid until December 31, 2019 and is conditional upon agreement of standard terms and conditions.

  On November 13, 2018, Canadian Metals Inc. announced that it officially began the definitive feasibility study on the Baie-Comeau Silicon industrial project, in partnership with Metix of South Africa, SMS Group. They will supply the basic design and costing to establish an EPS price for a 25MW DC furnace. Scope of Work includes the furnace feed, DC furnace, primary off-gas cleaning, secondary fume capture, off-gas dust handling, casting operations, product crushing, sizing and bagging. Mesar of Trois-Rivières will supply the preliminary engineering including all common services such as buildings and furnace and electrical services including the high voltage substation. WSP of Baie-Comeau will oversee the environmental study necessary to obtain the authorization certificate. These mandates are expected to be completed before summer 2019. Financing structure for the construction of the plant and the search for potential strategic investors is ongoing with a targeted plant startup in Q3 2021.

- **Board of Directors:**

  On September 17, 2018, Canadian Metals Inc. announced the appointment of Mr. Roger Urquhart to the board of directors. Roger Urquhart is a graduate of McGill University in Montreal and received his B.Eng./M.Eng. Metallurgy in 1968 and 1970. He also received his Ph.D. Metallurgy from the University of Witwatersrand, Johannesburg in 1973. He worked at Fenco Lavalin, SNCLavalin and Hatch in various functions as Director of Metallurgy and Vice-President. He was responsible for numerous feasibility studies, project executions and due diligence. Much of his career is dedicated to ferroalloys including many silicon projects. He is the author of numerous technical papers and presentations at all the major metallurgy conferences.

  On November 5, 2018, the Company announced the appointment of Mr. Pierre Renaud to the board of directors. Mr. Pierre Renaud, counsel and head of the Environmental Law Group for the Quebec region at McCarthy Tetrault LLP, has 31 years of experience in environmental law. He acts as a strategic advisor to clients and provides guidance from the earliest project stages on matters such as sustainable development, social acceptability, the environmental authorization process, consultation and public participation processes.

- **Amendment of Debentures:**

  On September 6, 2018, the Company announced that it has amended the terms of the $665,000-10% debentures, including an extension of the maturity date to December 31, 2022.

  Amendment of the debentures included the following:

  - extension of the maturity date from July 27, 2018 to December 31,2022
  - amendment of the conversion price from $0.20 to $0.15 per share
  - addition of a forced conversion provision
  - principal amount of $665,000, net of $35,000 repayment

- **Grant of share options:**

  On November 5, 2018, the Company granted 600,000 share options to certain directors to purchase 600,000 common shares of the Company at an exercise price of $0.15 per share and expiring on November 5, 2023.

EXPLORATION HIGHLIGHTS

- **The Company has signed a letter of 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 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 producers 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.

- **The Company has received Langis certificate of authorization from the MDDELCC:**

  On December 5, 2017, the Company announced that it has received the Certificate of Authorization for the Langis Silica Project from the Québec Ministère du Développement Durable, de l'Environnement et de la lutte contre les changements climatiques ("MDDELCC"). The Certificate of Authorization represents the principal regulatory approval required to start the operation of the Langis quarry and has been issued by the Québec regulators.

- **Option Agreement:**

  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 the TV Tower, Mountain Brook and Blackshale properties located in New Brunswick. The properties are composed of 355 claims covering approximately 7,762 hectares. The claims are subject to a 2% NSR. To earn its 100% interest, the Company must make cash payments of $400,000, issue 16,000,000 common shares and incur $300,000 exploration expenses over the next 19 months.

- **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 Company outlined robust pit-constrained mineral resources update at Langis and filed a technical report:**

  On February 5, 2018, the Company announced the filing of a technical report in compliance with National Instrument 43-101 (NI 43-101) on a mineral resource update for Langis.

  High-grade silica sandstone deposit at surface pit-constrained resources:

  - **3,900,000** tonnes Measured @ **99.01**% SiO_2;
  - **3,700,000** tonnes Indicated @ **98.92**% SiO_2;
  - **7,600,000** tonnes M&I @ **98.96**% SiO_2 at a cut-off grade of **97.00**% SiO_2; and
  - **14,000,000** tonnes Inferred @ **98.97**% SiO_2.

  Major increase in resource estimates 217% for Langis vs October 2016 resources.

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.

- **Quarry permit in place with extraction of 674,000 tonnes in the M&I at 99% SiO2 fully permitted with the exclusive lease ("BEX") and the Certificate of Authorization from the MDDELCC.**

- **The company has started exploration works at TV Tower property with trenching.**

  The company has mandated GoldMinds Geoservices Inc. in June 2018 to visit the site and prepare an exploration program where activities were executed until August 2018.

- **The company filed application for exploration grant in New-Brunswick**.

  The Government of New Brunswick, through the Minister of Energy and Resource Development, has a Junior Mining Financial Assistance program where a grant for 50% of total eligible costs up to $30,000 can be awarded to the TV Tower project.

EXPLORATION SUBSEQUENT EVENT HIGHLIGHTS

- **The company has started exploration works at TV Tower property in New-Brunswick with trenching**.
  On June 19, 2018, the Company reports discovery of a Volcanic Massive Sulfide at its TV Tower property in New Brunswick. On July 12, 2018, the Company Discovers Gold and Other Metals at its TV Tower Property in New Brunswick**.**

- **The exploration grant in New-Brunswick for TV Tower has been accepted and $30,000 was received subsequent to the July 31, 2018 year end.**

- **Option Agreement, Purchase of a Property and Share Issuance:**

  On August 7, 2018, Canadian Metals Inc. announced an option agreement with Osisko Metals Inc. to acquire four strategically located properties in New Brunswick and Quebec. The transaction includes three base metal properties in Bathurst, New Brunswick (Six Mile Brook, Middle River, Tetagouche) in exchange for a 50% interest and $250 000 in exploration expenditure over one year. The fourth property is a silica property (Langis East) in St-Vianney, Quebec, acquired 100% undivided interest in exchange for 1 million common shares of Canadian Metals Inc.

EXPLORATION ACTIVITIES

<u>QUEBEC AND NEW BRUNSWICK</u>

Exploration activities for the three-month period ended July 31, 2018

During the three-month period ended July 31, 2018, the Company invested $452,734 in exploration and evaluation assets, net of grants of $378,956 ($192,936 and $nil of grants for the three-month period ended July 31, 2017) of which 82,4% of the total was spent on the New Brunswick properties and the remaining 17.6% spent on the Langis property.

Exploration and evalution assets

For the three-month period ended July 31, 2018

	Quebec		New Brunswick			
	Langis	Lac La Chesnaye	Blackshale	Mountain Brook	TV Tower	Total
	$	$	$	$	$	$
Exploration and evaluation costs:						
Plan and drawings	660,000	-	-	-	-	660,000
Drilling	-	-	-	-	168,932	168,932
Surveys	-	-	40,240	30,455	28,745	99,440
Geology	3,950	-	-	-	47,728	51,678
Environment	12,603	-	-	-	-	12,603
Excavator	-	-	-	-	12,099	12,099
Supervision	5,000	-	-	-	7,000	12,000
Core Library	-	-	-	-	5,100	5,100
Lodging	-	-	-	-	3,200	3,200
Maintenance and field supplies		-	767	767	1,487	3,021
Assays	2,456	-	-	-	-	2,456
Technical Reports	(237,410)	-	-	-	38,571	(198,839)
	446,599	-	41,007	31,222	312,862	831,690
Other items:						
Tax credit related to resources and mining tax	-	-	-	-	-	-
Grants	(366,956)	-	-	-	(12,000)	(378,956)
	79,643	-	41,007	31,222	300,862	452,734
Balance at the beginning	2,002,165	62,722	-	-	-	2,064,887
Balance at the end	2,081,808	62,722	41,007	31,222	300,862	2,517,621

During the tree-month period ended July 31, 2018, the prefeasibility study (PFS) for the development of the industrial part of the project was completed.

Exploration and evaluation assets

For the three-month period ended July 31, 2017

	Quebec	
	Langis	Total
	$	$
Exploration and evaluation costs:		
Technical Reports		
Drilling	114,431	114,431
Environment	38,812	38,812
Supervision	8,136	8,136
	161,379	161,379
Other items:		
Tax credit related to resources and mining tax	31,557	31,557
Balance at the beginning	941,668	941,668
Balance at the end	1,134,604	1,134,604

Exploration activities for the year ended July 31, 2018

During the year ended July 31, 2018, the Company invested $1,383,017 in exploration and evaluation assets net of grants of $478,956 ($349,363 and $nil of grants for the year ended July 31, 2017) of which approximately 68.5% of the total was spent on the Langis Property, 27% on the New Brunswick properties and the remaining 4.5% spent on the Lac La Chesnaye Property.

Exploration and evaluation assets

For the year ended July 31, 2018

	Quebec		New Brunswick			
	Langis	**Lac La Chesnaye**	**Blackshale**	**Mountain Brook**	**TV Tower**	**Total**
	$	$	$	$	$	$
Exploration and evaluation costs:						
Plan and drawings	760,000	-	-	-	-	760,000
Drilling	45,006	5,926	-	-	168,932	219,864
Surveys	-	-	40,240	30,455	28,745	99,440
Geology	44,548	56,796	-	-	47,728	149,072
Environment	47,491	-	-	-	-	47,491
Excavator	-	-	-	-	12,099	12,099
Supervision	18,756	-	-	-	7,000	25,756
Core Library	-	-	-	-	5,100	5,100
Lodging	-	-	-	-	3,200	3,200
Maintenance and field supplies		-	767	767	1,487	3,021
Assays	2,456	-	-	-	-	2,456
Technical Reports	495,903	-	-	-	38,571	534,474
	1,414,160	62,722	41,007	31,222	312,862	1,861,973
Other items:						
Tax credit related to resources and mining tax	-	-	-	-	-	-
Grants	(466,956)	-	-	-	(12,000)	(478,956)
	947,204	62,722	41,007	31,222	300,862	1,383,017
Balance at the beginning	1,134,604	-	-	-	-	1,134,604
Balance at the end	2,081,808	62,722	41,007	31,222	300,862	2,517,621

Exploration and evaluation assets

For the year ended July 31, 2017

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

During the fiscal year ended July 31, 2018, the prefeasibility study (PFS) for the development of the industrial part of the project was completed. At Langis, the Company drilled to bring inferred mineral resources to higher quality level and finalized and filed its mineral resource estimation update based on the new diamond drilling of 2017. The Company also received its BEX and Certificate of Authorization for a sandstone quarry.

At Lac Chesnaye quartzite property at Baie-Comeau, field exploration and surface sampling took place, airborne Lidar was done and met test samples were shipped at testing facilities for material qualification. The Company contemplates preparation of a technical report on the property by year end.

The Pre-feasibility study work at Langis/Baie-Comeau was awarded to CIMA+, press released on April 19, 2018 and it was completed and filed on SEDAR on June 1, 2018. The following presents the summary of the PFS. On July 11, 2018, the Company filed an Amended Langis Project Prefeasibility technical report.

Mineral Resources Statement

Cautionary Note:

The open-pit design includes 6.3 Mt of Probable & Proven Mineral Reserves at a grade of 99% SiO_2. In order to access these reserves, 0.8 Mt of overburden and 2.6 Mt of waste rock will need to be removed. This results in a stripping ratio (waste to ore) of 0.41. Table 1 presents the open-pit reserves for the Langis deposit.

Table 1: Open-Pit Mineral Reserves

Category	Tonnage	SiO_2 Grade (%)
Proven	3.5 Mt	99.0
Probable	2.8 Mt	99.0
Proven & probable	6.3 Mt	99.0

Source: GoldMinds Geoservices Inc.

- Waste in pit: stripping ratio of 0.41 to 1;
- Mining cost Mineralized Material $5/t;
- Mining Cost waste $ 5 /t;
- Processing Cost of Quarry including General & Administrative expenses $10/t;
- Recovery 95%;
- Slope angle of 45 degrees;
- Product value fixed at $44/t purchase price at the Quarry (these new current mineral resources are free of constrains and surface right limits).

In GMG opinion, trial quarrying with the current BEX and the next step of a feasibility study will allow CME to:

- Adjust the drilling and blasting pattern to minimize fines and control the number of oversized rocks that need to be re-handled to minimize damage to quarrying equipment;
- Compile and analyze the on-going abrasion tests and Bond index tests to better define the energy required for crushing the material;
- Review quarry plans with new drilling information to optimize ore to waste ratio and reduce dilution;
- Provide optimized quarrying plans to contractors to refine quarrying costs.

Notes:

- Mineral Resources are not Mineral Reserves and have no demonstrated economic viability. 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 10, 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 2.33 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

In this study, the quarry has to supply 162,680 tonnes of lump (+20 mm to -120 mm) per year. To achieve this requirement, it is necessary to consider the estimated crushing and screening yield of 75%, which bring the tonnage required to 203,350 plus a 10% buffer. This finally brings the target of annual extraction to 223,685 rounded at 225,000 tonnes of sandstone per year. It is expected that up to 25% (56,250 tonnes) of the production will be lost in fines during crushing and screening process to prepare the +20 mm to -120 mm plant feed, not suitable for the furnace, i.e. a yield of 75%. This material that is lower than 20 mm will be sold to a regional company as additive. Actual discussions see 75% of the fines sold at $32.50 per tonne as well as the waste material between 90-97% SiO_2 sold as well at $32.50 per tonne as regular aggregate at the moment of writing this report. This situation may change, and higher price could be achieved; these are base prices that can be publicly disclosed with public comparable. A limited amount of fines and aggregates is taken as a secondary commercial product in the study. All the quarry plan and waste/rejects storage sequence assume zero valuation of fines and waste to confirm the management is possible in the worst case, if no secondary product is sold.

Processing and Smelting

The Langis silica deposit will be quarried and recovered for use as a feedstock into a downstream ferrosilicon smelter in Baie-Comeau.

Process steps at the quarry site will consist of blasting, crushing, sieving and washing the silica before transportation to the smelter by truck and by barge to cross the St-Lawrence River to Baie-Comeau 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 Baie-Comeau 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 Cost Estimate is shown below. The improvement in capital cost 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.

The estimated consolidated direct capital requirements for CME's integrated Langis project, which encompasses the development of the Langis silica deposit as well as the proposed first phase of the downstream smelter operation in Baie-Comeau, is expected to amount to approximately $311.1M within a range of ±25%. Included in the estimation is approximately $220.3M of direct and $90.8M of indirect costs.

Table 2: Summary of Capital Cost Estimate

Capex Item	Cost in $
Direct Costs	
Quarry Development / Pre-Stripping	$250,000
Quarry Infrastructure	$821,000
Metallurgical Plant—Buildings	$50,422,495
Metallurgical Plant—Process	$135,921
Metallurgical Plant—Infrastructure	$32,884,236
TOTAL DIRECT	**$220,299,241**
Indirect Costs	
Owner's Costs	$8,029,992
Freight	$5,867,813
Heavy Lift (250-T Crane)	$620,000
Construction Indirect Costs	$11,509,212
EPCM	$21,922,824
Contingency	$32,884,237
TOTAL INDIRECT	**$90,834,078**
TOTAL DIRECT & INDIRECT	**$311,133,319**

Operating Costs

The operating costs for the project were estimated and calculated on an annual basis. A summary of the annual operating costs per area is shown below.

The operating costs are presented as a total annual cost in $ and on a per-unit basis on a cost per tonne of SiO_2 production at the Saint-Vianney quarry site as well as on a cost per tonne of final FeSi75 product.

The summary of the annual operating costs and the cost per tonne of SiO_2 and FeSi75 for an average year of operations is shown in the table below.

Table 3: Summary of Annual Operating Costs per Area

Area	Annual Cost in $	Unit Cost	Unit Cost
		($/t SiO_2)	($/t FeSi)
Labour	$11,750,695	$90.60	$163.09
Power	$26,396,120	$203.53	$364.00
Materials, Consumables, Supplies	$46,491,424	$358.48	$645.26
Other	$6,484,590	$50.00	$90.00
TOTAL	**$91,122,828**	**$702.61**	**$1,264.70**

Economic Analysis

An economic analysis based on the production and cost parameters of the project has been carried out and the results are shown in Table 4. In the analysis used were Ex-Works Metallurgical Plant selling prices of US$1,819 per tonne for ferrosilicon, US$250 per tonne for silica fume, and US$100 per tonne for silica slag. A US$/CAN$ exchange rate of 0.750 was assumed.

Table 4: Summary of the Life of Project Production, Revenues, and Costs

Description	Units	
Production—Mineralization	k tonnes	6,293
Production—Silica Product Feed to FeSi Plant	k tonnes	3,561
Production—Excess Silica Product Sold	k tonnes	1,159
Revenue	M CAD	4,171.0
Initial Capital Costs (excludes Working Capital)	M CAD	311.1
Sustaining Capital Costs	M CAD	21.0
Operating Costs (excludes Royalty Payments)	M CAD	2,500.5
Closure Costs	M CAD	0.525
Total Pre-Tax Cash Flow	M CAD	1,252.2
Total After-Tax Cash Flow	M CAD	960.6

The financial indicators associated with the economic analysis are summarized in Table 5 show the sensitivity of the after-tax NPV and IRR, respectively, to variations in capital costs, operating costs, selling prices, and the US$/CAN$ exchange rate.

This study has been compiled according to widely accepted industry standards. Nonetheless, there is no certainty that the conclusions reached in this study will be realized.

Table 5: Summary of Financial Indicators

Base Case Results	Unit	Original PFS Value	Amended PFS Value
Pre-Tax (P-T) NPV @ 8%	M CAD	525.6	240.5
After-Tax (A-T) NPV @ 8%	M CAD	388.8	171.4
Pre-Tax IRR	%	24.5	16.0
After-Tax IRR	%	22.0	14.4
Pre-Tax Payback Period	years	3.8	5.9
After-Tax Payback Period	years	4.0	6.1

Project Economics Summary

Cautionary Note: The project cost estimates are deemed to be correct within +/-25%.

EXPLORATION OUTLOOK AT LANGIS

Cautionary Note:

In GMG opinion, the actual resource appears sufficient for the contemplated project of CME. Most of the recommendations of 2016 have been realized and place the Property in good position for the next step. Our suggestions are now:

- Conduct a feasibility with the current Measured and Indicated resources within the crown land if required;
- Negotiate to acquire the surface right with Inferred resources to the west of the existing quarry where there is an open face and it is ready for quarrying technically.

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, he also verified and validated drilling and sampling information gathered by previous consultants' which 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 & reserves of the Langis Silica project for the CIMA+ PFS in conformity with CIM standards and National Instrument 43-101.

FUNCTIONAL AND PRESENTATION CURRENCY

The 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.

	July 31 2018	July 31 2017	July 31 2016
	$	$	$
STATEMENTS OF COMPREHENSIVE LOSS			
Operating expenses	1,506,890	758,173	1,313,423
Net finance expenses	278,137	194,986	121,265
Deferred income tax recovery	(160,816)	(100,753)	-
Net loss and comprehensive loss	1,624,211	852,406	1,434,688
Loss per share Basic and diluted	0.02	0.02	0.04
MINING PROPERTIES AND EXPLORATION AND EVALUATION ASSETS			
Acquisition of mining properties	1,518,072	-	-
Acquisition of exploration and evaluation assets	1,861,973	349,363	422,275
STATEMENTS OF CASH FLOWS			
Cash flows used for operation activities	(922,790)	(733,737)	(653,461)
Cash flow from financing activities	5,158,450	1,129,129	812,709
Cash flow used for investing activities	(1,075,343)	(261,763)	(386,732)
Net change in cash and cash equivalents	3,160,317	133,629	(227,484)

	July 31 2018	July 31 2017	July 31 2016
	$	$	$
STATEMENTS OF FINANCIAL POSITION			
Cash and cash equivalents	3,494,947	334,630	201,001
Mining properties	1,670,072	152,000	152,000
Exploration and evaluation assets	2,517,621	1,134,604	753,684
Total assets	7,961,382	1,694,843	1,220,036
Non-current financial liabilities	931,923	334,388	567,452
Equity	6,164,204	560,576	514,788

The basic and diluted loss per share during the year ended July 31, 2018 is $0.02 ($0.02 in 2017 and $0.04 in 2016). During the year ended July 31, 2018, the Company realized a net loss of $1,624,211 as compared to a net loss of $852,406 for the year ended July 31, 2017 (an increase of $771,805 compared to 2017) and a net loss of $1,434,688 for the year ended July 31, 2016 (a decrease of $582,282 compared to 2017).

The significant increase of $771,805 for the year ended July 31, 2018 as compared to 2017 in net loss is mostly attributable to a significant increase of $748,717 in operating expenses (described below in operating expenses section).

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 $243,909 in share-based compensation, $168,117 in write-down of exploration and evaluation assets and $96,425 in management and consulting fees.

The total assets as at July 31, 2018 were $7,961,382 as compared to $1,694,843 and $1,220,036 for the years ended July 31, 2017 and 2016 respectively. The major change in 2018 compared to 2017 in total assets is the increase of cash and cash equivalents and exploration and evaluation assets.

The increase of $6,266,539 in total assets in 2018 compared to 2017 is mainly due to an increase of $3,160,317 in cash and cash equivalents ($3,494,947 in 2018 as compared to $334,630 in 2017) caused by an increase of $4,029,321 in cash flows from financing activities ($5,158,450 in 2018 as compared to $1,129,129 in 2017) combined with an increase of $1,518,072 in mining properties ($1,670,072 in 2018 as compared to $152,000 in 2017) and an increase of $1,383,017 in exploration and evaluation assets ($2,517,621 in 2018 as compared to $1,134,604 in 2017).

Non-current financial liabilities as at July 31, 2018 were $931,923 as compared to $334,388 and $567,452 for the years ended July 31, 2017 and 2016 respectively. The increase of $597,535 in 2018 compared to 2017 is mainly due to the amendment of the convertible debentures maturing on June 30, 2018 which was in the current liabilities for an amount of $626,704 in 2017 and is now reclassified in the long-term liabilities.

The decrease of $233,064 in 2017 compared to 2016 is mainly due to the new convertible debentures valued at $334,388 offset by the reclassification of the convertible debentures maturing on June 30, 2018 in the current liabilities for an amount of $626,704.

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, 2018

Net loss

During the year ended July 31, 2018, the Company realized a net loss of $1,624,211 as compared to a net loss of $852,406 for the year ended July 31, 2017.

The significant increase of $771,805 for the year ended July 31, 2018 as compared to 2017 in net loss is mostly attributable to a significant increase of $748,717 in operating expenses (described below in operating expenses section).

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, an increase of $73,721 in net finance expense and an increase of $100,753 in deferred income tax recovery.

Operating expenses

During the year ended July 31, 2018, operating expenses were $1,506,890 as compared to $758,173 for the year ended July 31, 2017.

The significant increase of $748,717 for the year ended July 31, 2018 as compared to 2017 in operating expenses is mostly attributable to a significant increase of $511,974 ($580,712 in 2018 compared to $68,738 in 2017) in share-based compensation combined with an increase of $197,555 in management and consulting fees ($619,976 in 2018 compared to $422,421 in 2017).

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 operating expenses is mostly attributable to a significant decrease of $243,909 in share-based compensation, $168,117 in write-down of exploration and evaluation assets and $96,425 in management and consulting fees.

Net finance expense
During the year ended July 31, 2018, net finance expense was $278,137 as compared to net finance expense of $194,986 for the year ended July 31, 2017.

The increase of $83,151 in 2018 as compared to 2017 in net finance expense is attributable to the interest expenses of the issuance of the new convertible debentures ($400,000 nominal value issued in March 2018) combined with the interest expenses from the convertible debentures issued in July 2015 and December 2016 due to the increase of the accreted interests' expenses for the year ended July 31, 2018.

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 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.

Deferred income tax recovery
During the year ended July 31, 2018, the Company recorded a deferred income tax recovery of $160,816 as compared to a deferred income tax recovery of $100,753 during the year ended July 31, 2017.

The increase of $60,063 in 2018 as compared to 2017 in deferred income tax recovery is mainly attributable to the deferred income tax recovery of $46,040 and $91,467 due to the fiscal impact on the equity components following the issuance of the convertible debentures issued in March and July 2018 compared to $74,262 in 2017 for the December 2016 debenture.

The Company filed flow-through shares renunciations during the year ended July 31, 2018 and 2017. As at July 31, 2018, the Company had the obligation to incur an amount of $681,109 in exploration expenditures no later than December 31, 2018.

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. This obligation was fulfilled as at December 31, 2017.

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.

				2018				2017
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	$	$	$	$	$	$	$	$
STATEMENTS OF COMPREHENSIVE LOSS								
Operation expenses	842,060	300,681	193,398	170,751	138,374	199,727	209,452	210,620
Net finance expenses	79,244	70,242	66,120	62,531	61,606	55,035	46,205	32,140
Deferred income tax recovery	(137,507)	-	(11,975)	(11,334)	(97,148)	(3,605)	-	-
Net loss	783,797	370,923	247,543	233,282	102,832	251,157	255,657	242,760
Loss per share	0.007	0.004	0.004	0.005	0.002	0.006	0.006	0.006
Basic and diluted								
MINING PROPERTIES AND EXPLORATION AND EVALUATION ASSETS								
Acquisition of mining properties	1,064	1,042,008	475,000	-	-	-	-	-
Acquisition of exploration and evaluation assets	931,690	714,719	133,820	81,744	161,379	64,805	(3,561)	126,740
STATEMENTS OF CASH FLOWS								
Cash flows used for operation activities	(328,405)	(227,483)	(228,725)	(138,177)	(153,974)	(248,295)	(246,819)	(84,649)
Cash flow from financing activities	(103)	2,782,872	2,288,629	87,052	4,842	355,500	773,182	(4,395)
Cash flow used for investing activities	(332,357)	(505,756)	(77,537)	(159,693)	(100,011)	(104,442)	(6,996)	(50,314)
Net change in cash and cash equivalents	(4,896,525)	2,049,633	1,982,367	(210,818)	(249,143)	2,763	519,367	(139,358)

				2018				2017
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
STATEMENTS OF FINANCIAL POSITION	$	$	$	$	$	$	$	$
Cash and cash equivalents	3,494,947	4,155,812	2,106,179	123,812	334,630	583,773	581,010	61,643
Mining properties	1,670,072	1,669,008	627,000	152,000	152,000	152,000	152,000	152,000
Exploration and evaluation assets	2,517,621	2,064,887	1,350,168	1,216,348	1,134,604	941,668	878,863	880,424
Total assets	7,961,382	8,028,663	4,150,685	1,568,649	1,694,843	1,775,730	1,723,923	1,208,773
Non-current financial liabilites	1,797,178	1,808,475	1,129,535	1,143,681	334,388	1,000,082	947,781	598,697
Equity	6,164,204	6,220,188	3,021,150	424,968	560,576	637,170	492,541	318,116

The net loss of $783,797 for Q4-2018 is mostly attributable to a share-based compensation expense of $434,067 due to the grant of 4,250,000 share options to officers, directors and consultants in June 2018 combined with management and consulting fees of $288,356, finance expenses of $79,244 and loss on settlement of convertible debentures of $35,522 offset by deferred income tax recovery of $137,507.

The net loss of $370,923 for Q3-2018 is mostly attributable to a share-based compensation expense of $128,125 due to the grant of 1,250,000 share options to officers, directors and a consultant in February 2018 combined with management and consulting fees of $118,682 and finance expenses of $70,249.

The net loss of $247,543 for Q2-2018 is mostly attributable to management and consulting fees of $104,750 combined with financial expenses of $66,247 and registration, listing fees and shareholders information of $33,977.

The net loss of $233,282 for Q1-2018 is mostly attributable to management and consulting fees of $108,188 combined with financial expenses of $62,535.

The net loss of $102,832 for Q4-2017 is mostly attributable to management and consulting fees of $107,250 combined with finance expenses of $61,608 offset by deferred income tax recovery of $97,148.

The net loss of $251,157 for Q3-2017 is mostly attributable to management and consulting fees of $112,176 combined with finance expenses of $55,035 and share-based compensation of $42,650.

The net loss of $255,657 for Q2-2017 is mostly attributable to management and consulting fees of $103,960 combined with finance expenses of $46,207 and professional fees of $36,711.

The net loss of $242,760 for Q1-2017 is mostly attributable to management and consulting fees of $99,035 combined with a travel and promotion expense of $42,691 (participation to many conferences) and a finance expenses of $32,183.

RESULTS OF OPERATIONS FOR THE THREE-MONTH PERIOD ENDED JULY 31, 2018

Net loss

The basic and diluted loss per share for the three-month period ended July 31, 2018 is $0.007 as compared to $0.002 for the three-month period ended July 31, 2017.

During the three-month period ended July 31, 2018, the Company realized a net loss of $783,797 as compared to a net loss of $102,832 for the three-month period ended July 31, 2017. The significant increase of $680,965 in net loss is mostly attributable to a significant increase of $680,965 in operating expenses (described below in operating expenses section).

Operating expenses

During the three-month period ended July 31, 2018, operating expenses were $842,060 as compared to $138,374 for the three-month period ended July 31, 2017.

The significant increase of $703,686 in operating expenses is mostly attributable to an increase of $434,067 in share-based compensation ($434,067 in Q4-2018 compared to $Nil in Q4-2017) combined with an increase of $181,106 in management and consulting fees ($288,356 in Q4-2018 compared to $107,250 in Q4-2017) and an increase of $35,522 in loss on settlement of convertible debentures ($35,522 in Q4-2018 compared to $Nil in Q4-2017).

Net finance expense

During the three-month period ended July 31, 2018, net finance expense was $79,244 as compared to $61,606 for the three-month period ended July 31, 2017.

The increase of $17,638 in net finance expense in Q4-2018 is mainly due to the interest expenses incurred from the financing of convertible debentures of $400,000 concluded on March 20, 2018.

Deferred income tax recovery

During the three-month period ended July 31, 2018, the Company recorded a deferred income tax recovery of $137,507 as compared to $97,148 for the three-month period ended July 31, 2017.

The increase of $40,359 in Q4-2018 as compared to Q4-2017 in deferred income tax recovery is attributable to the deferred income tax recovery of $137,507 due to the fiscal impact on the equity components following the issuance of the convertible debentures issued in March and July 2018 offset by the 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 and the amortization of $22,886 of a liability related to flow-through shares.

CASH FLOWS

Cash flows used for operating activities

Cash flows used for operating activities were $922,790 during the year ended July 31, 2018 as compared to cash flows of $733,737 used for operating activities during the year ended July 31, 2017. The increase of $189,053 is mainly due to an increase of $220,897 in changes in working capital items offset by a decrease of $31,844 in changes in other receivables, prepaid expenses and trade accounts payable and accrued liabilities.

Cash flows from financing activities

Cash flows from financing activities were $5,158,450 during the year ended July 31, 2018 compared to cash flows of $1,129,129 generated from financing activities during the year ended July 31, 2017. The increase of $4,029,321 in cash flows is mainly explained by funds of $683,520 raised in 2018 from private placements of flow-through shares compared to $249,000 in 2017 and funds of $4,312,500 raised in 2018 from private placements compared to $355,500 in 2017.

Cash flows used for investing activities

Cash flows used for investing activities were $1,075,343 during the year ended July 31, 2018 compared to cash flows of $261,763 used for investing activities during the year ended July 31, 2017.

The increase of $813,580 is mainly explained by the acquisition of exploration and evaluation assets net of grants of $885,246 during the year ended July 31, 2018 as compared to the acquisition of exploration and evaluation assets net of grants of $261,763 during the year ended July 31, 2017 and by the acquisition of mining properties of $203,072 in 2018.

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:

	July 31 2018	July 31 2017
	$	$
Management and consulting fees	549,352	369,674
Share-based compensation	544,910	60,208
	1,094,262	429,882

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

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.

The company has consulting agreements with certain management personnel ending at various dates until February 2021. These agreements are for payments of $635,000 in 2019, $543,333 in 2020 and $130,000 in 2021. Some agreements require payment in case of a change of control of the company or if the company sells or leases substantially all of its assets or activities. One agreement requires a payment in case of termination of this agreement by the company or the consultant.

As at July 31, 2018, trade accounts payable and accrued liabilities include $124,883 ($11,310 as at July 31, 2017) payable to key management personnel.

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 August 07, 2018, the Company signed an option agreement with Osisko Metals Incorporated to acquire three additional base metal properties in Bathurst, New Brunswick, with a company a director of the Company is an officer.

The three additional base metal exploration properties are located in an area known as the Bathurst Mining Camp ("BMC"). This region of north central New Brunswick was home to the Brunswick #12 orebody, one of the largest underground zinc mines in the world. The district is globally recognized for discoveries of numerous mineable base metal deposits including iron, copper, lead and zinc, all found in this volcanogenic hosted mineral rich area.

Pursuant to the Option Agreement, the Company may earn a 50% interest in the Project by funding an aggregate of $250,000 in exploration expenditures before December 31, 2018.

Furthermore, on August 1, 2018, the Company entered into a purchase agreement with Osisko Metals Incorporated to purchase a silica property in exchange for 1,000,000 shares of the Company.

OFF-FINANCIAL POSITION ARRANGEMENTS

As at July 31, 2018, the Company has no off-financial position arrangements.

GOING CONCERN ASSUMPTION

The accompanying financial statements have been prepared on the basis of 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 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, 2018, the Company recorded a net loss of $1,624,211 ($852,406 in 2017) and has an accumulated deficit of $6,144,373 as at July 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 July 31, 2018, the Company had a working capital of $2,907,298 (working capital deficiency of $391,640 as at July 31, 2017) consisting of cash and cash equivalents of $3,494,947 ($334,630 as at July 31, 2017). These uncertainties cast 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, 2018, the Company has raised $5,396,020 ($1,214,500 in 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.

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 28, 2017 and December 29, 2017, the Company completed flow-through private placements of $370,000 and $313,520. As at July 31, 2018, the Company incurred $2,411 in eligible exploration and evaluation expenditures and consequently the Company has the obligation to incur a remaining balance of $681,109 in exploration and evaluation expenditures no later than December 31, 2018.

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.

Capital

	July 31, 2018	July 31, 2017	July 31, 2016
	$	$	$
Convertible debentures	966,923	961,092	567,452
Equity	6,164,204	560,576	514,788
	7,131,127	1,521,668	1,082,240

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, 2018.

DISCLOSURE OF OUTSTANDING SHARE DATA (AS AT NOVEMBER 19, 2018)

Outstanding common shares:	115,612,837
Outstanding share options:	8,275,000
Outstanding warrants:	39,262,949

OTHER REQUIREMENTS IN THE MANAGEMENT DISCUSSION AND ANALYSIS

The following selected financial information is derived from our audited financial statements as at July 31, 2018.

Outstanding share options:	8,875,000	
Average exercise price of	$0.14	
Average remaining life of	3.9	years

Expiry date	Number of granted share options	Number of exercisable share options	Exercise price	Remaining life
			$	**(years)**
October 2, 2018	400,000	400,000	0.12	0.2
February 25, 2020	450,000	450,000	0.10	1.6
June 12, 2020	200,000	200,000	0.17	1.9
February 26, 2021	1,150,000	1,150,000	0.10	2.6
May 7, 2021	200,000	200,000	0.37	2.8
June 20, 2021	125,000	125,000	0.26	2.9
February 21, 2022	450,000	450,000	0.105	3.6
October 3, 2022	400,000	400,000	0.075	4.2
February 5, 2023	1,250,000	1,250,000	0.140	4.5
June 27, 2023	4,250,000	4,250,000	0.15	4.9
	8,875,000	8,875,000	0.14	3.9

Outstanding warrants:	39,262,949	
Average exercise price of	$0.15	
Average remaining life of	1.4	years

Expiry date	Number of outstanding warrants	Exercise price	Remaining life
		$	**(years)**
September 15, 2018	2,500,000	0.15	0.1
December 12, 2018	25,950	0.20	0.4
April 16, 2019	620,834	0.15	0.7
December 12, 2019	5,208,333	0.15	1.4
December 28, 2019	269,091	0.15	1.4
December 29, 2019	557,165	0.15	1.4
January 19, 2020	17,140,666	0.15	1.5
March 13, 2020	12,650,000	0.15	1.6
March 20, 2020	290,910	0.15	1.6
	39,262,949	0.15	1.4

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 2018 and 2017).

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

				July 31 2018
	Less than 1 year	**1-5 years**	**More than 5 years**	**Total**
	$	**$**	**$**	**$**
Trade accounts payable and accrued liabilities	760,211	-	-	760,211
Convertible debentures (1)	101,500	897,750	-	999,250
Convertible debentures (2)	61,000	701,500	-	762,500
Convertible debentures (3)	40,000	540,000	-	580,000
	962,711	2,139,250	-	3,101,961

				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

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, except as disclosed for the Langis Property. 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, 2018.

- 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.

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President

Patsie Ducharme
CFO

Stéphane Leblanc
CEO

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