



## **CANADIAN METALS INC.**

### **UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS AS AT JANUARY 31, 2019**

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These condensed interim financial statements for the three-month and six-month period ended January 31, 2019 have not been reviewed by the Company's external auditors.

# CANADIAN METALS INC.

## Condensed Interim Statements of Financial Position

As at January 31, 2019 and 2018

(in Canadian dollars)

	Note	January 31 2019	July 31 2018
		\$	\$
<b>Assets</b>			
<b>Current assets:</b>			
Cash and cash equivalents	6	730,101	3,494,947
Grant receivable		408,469	-
Other receivables	7	141,445	257,152
Prepaid expenses		19,246	20,454
<b>Total current assets</b>		<b>1,299,261</b>	<b>3,772,553</b>
<b>Non-current assets:</b>			
Property and equipment		2,115	1,136
Mining properties	10	2,513,242	1,670,072
Exploration and evaluation assets	11	2,610,768	2,517,621
<b>Total non-current assets</b>		<b>5,126,125</b>	<b>4,188,829</b>
<b>Total assets</b>		<b>6,425,386</b>	<b>7,961,382</b>
<b>Liabilities and Equity</b>			
<b>Current liabilities:</b>			
Trade accounts payable and accrued liabilities		322,341	760,211
Current portion of convertible debentures	12	-	35,000
Unearned grants		70,044	70,044
<b>Total current liabilities</b>		<b>392,385</b>	<b>865,255</b>
<b>Non-current liabilities:</b>			
Convertible debentures	12	1,003,029	931,923
<b>Total non-current liabilities</b>		<b>1,003,029</b>	<b>931,923</b>
<b>Total liabilities</b>		<b>1,395,414</b>	<b>1,797,178</b>
<b>Equity:</b>			
Share capital	13	8,615,052	8,084,852
Warrants	13	1,570,634	1,532,105
Share options	13	836,130	901,585
Equity component of the convertible debentures	12	562,455	562,455
Contributed surplus		1,485,406	1,227,580
Deficit		(8,039,705)	(6,144,373)
<b>Total equity</b>		<b>5,029,972</b>	<b>6,164,204</b>
<b>Total liabilities and equity</b>		<b>6,425,386</b>	<b>7,961,382</b>

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, 2019.

(S) Patsie Ducharme  
VP Finance and Chief Financial Officer

(S) Michel Gagnon  
Director and President of the audit committee

# CANADIAN METALS INC.

## Condensed Interim Statements of Comprehensive Loss

Six-month period ended January 31, 2019 and 2018

(in Canadian dollars)

	Note	Three-month period ended		Six-month period ended	
		January 31 2019	January 31 2018	January 31 2019	January 31 2018
		\$	\$	\$	\$
General and administrative expenses:					
Industrial feasibility study	8	525,446	-	525,446	-
General exploration expenses	9	44,308	52	486,308	52
Management and consulting fees	15	184,249	104,750	373,670	212,938
Professional fees		35,164	17,840	124,128	43,111
Travel, promotion and events		77,818	11,337	123,335	22,348
Share-based compensation		38,400	18,520	38,400	18,520
Rent and office expenses		18,577	6,922	34,927	13,001
Registration, listing fees and shareholders information		12,586	33,977	26,293	54,179
Development costs		-	-	6,557	-
Depreciation of property and equipment		212	-	322	-
<b>Loss from operating activities</b>		<b>936,760</b>	<b>193,398</b>	<b>1,739,386</b>	<b>364,149</b>
Finance income		(158)	(127)	(773)	(131)
Finance expense		78,146	66,247	156,719	128,782
<b>Total net finance expense</b>		<b>77,988</b>	<b>66,120</b>	<b>155,946</b>	<b>128,651</b>
<b>Loss before income taxes</b>					
Deferred income tax recovery		-	(11,975)	-	(23,309)
<b>Net loss and comprehensive loss</b>		<b>1,014,748</b>	<b>247,543</b>	<b>1,895,332</b>	<b>469,491</b>
<b>Weighted average number of common shares outstanding</b>		<b>115,612,837</b>	<b>59,497,223</b>	<b>115,563,924</b>	<b>53,102,846</b>
<b>Basic and diluted loss per share</b>		<b>0.009</b>	<b>0.004</b>	<b>0.016</b>	<b>0.009</b>

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

# CANADIAN METALS INC.

## Condensed Interim Statements of Changes in Equity

Six-month period ended January 31, 2019 and 2018

(in Canadian dollars)

	Note	Number of shares outstanding	Share capital \$	Warrants \$	Share options \$	Equity component of the convertible debentures \$	Contributed surplus \$	Deficit \$	Total equity \$
<b>Balance as at July 31 2018</b>		114,612,837	8,084,852	1,532,105	901,585	562,455	1,227,580	(6,144,373)	6,164,204
Shares issued:									
As payment of mining properties	13	6,500,000	447,500	192,500	-	-	-	-	640,000
As a settlement of interest payment on the debentures		1,519,963	83,750	-	-	-	-	-	83,750
Share issuance costs		-	(1,050)	-	-	-	-	-	(1,050)
Warrants expired	13	-	-	(153,971)	-	-	153,971	-	-
Share options expired	13	-	-	-	(103,855)	-	103,855	-	-
Share-based compensation		-	-	-	38,400	-	-	-	38,400
Transactions with owners		8,019,963	530,200	38,529	(65,455)	-	257,826	-	761,100
Net loss and comprehensive loss for the period		-	-	-	-	-	-	(1,895,332)	(1,895,332)
<b>Balance as at January 31, 2019</b>		122,632,800	8,615,052	1,570,634	836,130	562,455	1,485,406	(8,039,705)	5,029,972
<b>Balance as at July 31, 2017</b>		46,499,481	3,197,247	506,451	500,627	258,707	617,706	(4,520,162)	560,576
Shares issued:									
Private placements		29,980,482	1,762,914	703,106	-	-	-	-	2,466,020
As payment of mining properties		5,000,000	475,000	-	-	-	-	-	475,000
As a settlement of interest payment on the debentures		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)
<b>Balance as at January 31, 2018</b>		82,273,902	5,328,681	1,047,196	500,635	258,707	875,584	(4,989,653)	3,021,150

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

# CANADIAN METALS INC.

## Condensed Interim Statements of Cash Flows

Six-month period ended January 31, 2019 and 2018

(in Canadian dollars)

	Three-month period ended		Six-month period ended	
	January 31	January 31	January 31	January 31
	2019	2018	2019	2018
	\$	\$		
<b>Operating activities:</b>				
Net loss	(1,014,748)	(247,543)	(1,895,332)	(469,491)
Adjustments for:				
Share-based compensation	38,400	18,520	38,400	18,520
Depreciation of property and equipment	212	-	322	-
Effective interest costs on convertible debentures	77,434	64,378	154,856	126,093
Deferred income tax recovery	-	(11,975)	-	(23,309)
Operating activities before changes in working capital items	(898,702)	(176,620)	(1,701,754)	(348,187)
Change in grant receivable	(408,469)	-	(408,469)	-
Change in other receivables	73,182	(17,543)	115,707	(7,864)
Change in prepaid expenses	(5,104)	12,399	1,208	(160)
Change in trade accounts payable and accrued liabilities	(20,866)	(46,961)	(437,870)	(10,691)
Change in current portion of convertible debentures	-	-	(35,000)	-
	(361,257)	(52,105)	(764,424)	(18,715)
<b>Cash flows used for operating activities</b>	<b>(1,259,959)</b>	<b>(228,725)</b>	<b>(2,466,178)</b>	<b>(366,902)</b>
<b>Financing activities:</b>				
Proceeds from issuance of shares	-	2,375,895	-	2,466,020
Share issuance costs	(84)	(87,266)	(1,050)	(90,339)
<b>Cash flows (used for) from financing activities</b>	<b>(84)</b>	<b>2,288,629</b>	<b>(1,050)</b>	<b>2,375,681</b>
<b>Investing activities:</b>				
Government grant applied against exploration and evaluation assets	-	-	118,000	-
Acquisition of property and equipment	(1,301)	-	(1,301)	-
Acquisition of mining properties	(201,710)	-	(203,170)	-
Mining tax received	-	568	-	568
Tax credit related to resources received	-	13,727	-	13,727
Increase in exploration and evaluation assets	(70,244)	(91,832)	(211,147)	(251,525)
<b>Cash flows used for investing activities</b>	<b>(273,255)</b>	<b>(77,537)</b>	<b>(297,618)</b>	<b>(237,230)</b>
<b>Net change in cash and cash equivalents</b>	<b>(1,533,298)</b>	<b>1,982,367</b>	<b>(2,764,846)</b>	<b>1,771,549</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>2,263,399</b>	<b>123,812</b>	<b>3,494,947</b>	<b>334,630</b>
<b>Cash and cash equivalents, end of period</b>	<b>730,101</b>	<b>2,106,179</b>	<b>730,101</b>	<b>2,106,179</b>

Additional disclosures of cash flows information (Note 14).

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

# CANADIAN METALS INC.

## Notes to Condensed Interim Financial Statements (continued)

Six-month period ended January 31, 2019 and 2018

(in Canadian dollars)

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### 1. Statutes of incorporation and nature of activities:

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 Companies 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 866, 3ième Avenue, Val-d'Or, Québec, Canada, J9P 1T1 and its web site is [www.canadianmetalsinc.com](http://www.canadianmetalsinc.com).

The Company specializes in the acquisition, exploration, evaluation and development of mineral properties in Quebec and New Brunswick. The Company 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 silicon production.

### 2. Going concern assumption:

The accompanying condensed interim 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 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, 2019, the Company recorded a net loss of \$1,895,332 (\$469,491 in 2018) and has an accumulated deficit of \$8,039,705 as at January 31, 2019 (6,144,373 as at July 31, 2018). 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, 2019, the Company had a working capital of \$906,876 (working capital of \$2,907,298 as at July 31, 2018) and cash and cash equivalents of \$730,101 (\$3,494,947 as at July 31, 2018). 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.

### 3. Basis of preparation:

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*. The unaudited condensed interim financial statements should be read in conjunction with the Company's audited annual financial statements for the year ended July 31, 2018, which have been prepared in accordance with IFRS as issued by the IASB.

The condensed interim financial statements must be read in conjunction with the most recent annual financial statements and the accompanying notes as at July 31, 2018 and for the period then ended.

The condensed interim financial statements for the reporting period ended January 31, 2019 (including comparatives) were approved and authorized for issue by the Board of Directors on March 27, 2019.

# CANADIAN METALS INC.

## Notes to Condensed Interim Financial Statements (continued)

Six-month period ended January 31, 2019 and 2018

(in Canadian dollars)

### 3. Basis of preparation (Continued):

#### 3.1 Basis of measurement:

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

#### 3.2 Functional and presentation currency:

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

### 4. Changes in significant accounting policies:

These condensed interim financial statements were prepared in accordance with standard IAS 34 – Interim Financial Reporting and do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). They, however, include specific complimentary notes in order to provide information necessary to assess the financial situation of the Company at period end since its last annual financial statements dated July 31, 2018.

Except for the changes below, the accounting policies used to prepare these condensed interim unaudited financial statements are those described in the last annual financial statements of the Company and have been applied throughout the period unless otherwise stated. Changes to significant accounting policies are described hereinafter.

#### Financial instruments:

On August 1, 2018, the Company adopted IFRS 9 - Financial instruments. The adoption of IFRS 9 did not have an impact to the comparative figures presented in these condensed interim financial statements.

The following table below presents the new measurement categories under IFRS 9 compared to the original measurement categories as at July 31, 2018 for each class of the Company's financial assets and financial liabilities.

Description	New classification as of August 1, 2018	Original classification as of July 31, 2018
Cash and cash equivalents and other receivables (excluding sales tax receivables)	Financial assets at amortized cost	Loans and receivables
Accounts payable and accrued liabilities and convertible debentures	Financial liabilities at amortized cost	Amortized cost

The Company aggregates its financial instruments into classes based on their nature and characteristics. Management determines the classification when the instruments are initially recognized, which is normally on the date of the transaction. Transaction costs related to financial instruments are measured initially at fair value except for transaction costs related to FVTPL financial assets which are expensed as incurred and added to the carrying value of the asset or netted against the carrying value of the liability.

The following is a description of the policies for subsequent measurement of financial assets and financial liabilities.

# CANADIAN METALS INC.

## Notes to Condensed Interim Financial Statements (continued)

Six-month period ended January 31, 2019 and 2018

(in Canadian dollars)

#### 4. Changes in significant accounting policies (Continued):

##### *Financial assets at amortized cost*

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

##### *Financial liabilities at amortized cost*

These liabilities are subsequently measured at amortized cost using the effective interest method. Interest expenses, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

##### *Impairment of financial assets*

The Company uses the expected credit losses impairment model with respect to its financial assets carried at amortized cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since the initial recognition of the respective financial instrument. The Company accounts for expected credit losses over the life of financial assets measured at amortized cost. Expected credit losses over the life of the asset are expected credit losses for all of the default events that a financial instrument may experience over its expected life. The assessment of expected credit losses reflects reasonable and justifiable information about past events, current circumstances and forecasts of events and economic conditions and takes into account the factors specific to the accounts receivable, the general condition of the economy and a current as well as expected appreciation of the conditions prevailing at the balance sheet date, including the time value of the money, if any.

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, 2018.

#### 5. Critical accounting judgments and key sources of estimation uncertainty:

In preparing these condensed interim financial statements, management has made judgments and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements, except for new significant judgments and key sources of estimation uncertainty related to the application of IFRS 9, which are described above.

#### 6. Cash and cash equivalents:

	January 31 2019	July 31 2018
	\$	\$
Cash	730,101	3,494,947
	730,101	3,494,947



# CANADIAN METALS INC.

## Notes to Condensed Interim Financial Statements (continued)

Six-month period ended January 31, 2019 and 2018

(in Canadian dollars)

### 6. Cash and cash equivalents (Continued):

#### Funds reserved for E&E expenditures:

On December 28 and 29, 2017, the Company completed a flow-through private placement of \$683,520. The Company had until December 31, 2018 to incur eligible exploration and evaluation expenditures in order to comply with the requirements of flow-through private placements. As at December 31, 2018, the Company had incurred the full amount required in exploration and evaluation expenditures.

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.

### 7. Other receivables:

	January 31 2019	July 31 2018
	\$	\$
Sales tax receivable	86,538	244,338
Account receivable	44,907	-
Deposit on contract	10,000	-
Grants receivable	-	12,000
Other	-	814
	141,445	257,152

### 8. Industrial feasibility study:

On November 13, 2018, the Company officially began a feasibility study on the Baie-Comeau Silicon industrial project. The scope of work includes all basic design and costing for the equipment, buildings, furnace and electrical services, basic engineering and the environmental study to obtain the authorization certificate. The industrial study for the smelter will be completed in the summer of 2019. A government grant of \$1 million was awarded for this study and it is funded over time as the mandates are executed and paid. At January 31, 2019, a grant receivable of \$408,469 was recorded and was received in February 2019.

### 9. Exploration and evaluation expenses:

See below for the detailed analysis of the exploration and evaluation expenses realized on the Baie Trinite, Silicate-Brutus, Mouchalagane, Lac Robot and Seignelay Properties in Quebec before the acquisition of the mining rights accounted for in the financial statement of comprehensive loss for the period ended January 31, 2019.

	Quebec					Total
	Baie Trinite	Silicate- Brutus	Mouchalagane	Lac Robot	Seignelay	
	\$	\$	\$	\$	\$	\$
<b>Exploration and evaluation costs:</b>						
Surveys	50,021	115,031	156,614	94,071	70,571	486,308
	50,021	115,031	156,614	94,071	70,571	486,308

# CANADIAN METALS INC.

## Notes to Condensed Interim Financial Statements (continued)

Six-month period ended January 31, 2019 and 2018

(in Canadian dollars)

### 10. Mining properties:

Mining properties can be detailed as follows:

	Interest	July 31 2018	Acquisition	Disposition	January 31 2019
	%	\$	\$	\$	\$
Québec:					
Langis <sup>(1)</sup>	100	152,052	225,000	-	377,052
Lac La Chesnaye <sup>(2)</sup>	100	427,500	-	-	427,500
Langis East <sup>(3)</sup>	100	-	90,000	-	90,000
New Brunswick					
Chisholm Brook <sup>(4)</sup>	100	47,900	510	-	48,410
Blackshale <sup>(5)</sup>	100	478,721	242,617	-	721,338
Mountain Brook <sup>(5)</sup>	100	408,239	206,663	-	614,902
TV Tower <sup>(5)</sup>	100	155,660	78,380	-	234,040
		1,670,072	843,170	-	2,513,242

#### 1) Langis Property (silica):

On September 16, 2013, the Company acquired the mining rights on the Langis Property located in Matane area (Québec). It is subject to a 3% NSR Royalty. On November 28, 2018, the Company entered into a related party royalty purchase agreement pursuant to which Canadian Metals will acquire a 3% NSR royalty and 7% NTI on the Langis Property. Under the terms of the royalty purchase agreement, the Company issued 500,000 common shares for a fair value of \$32,500 and granted 3,500,000 warrants for a fair value of \$192,500. Each warrant will be exchangeable for a share at an exercise price of \$0.15 per share for a period of 5 years following the closing of the royalty transaction.

#### 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 10 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 10 claims.

#### 3) Langis East Property (silica):

On August 1, 2018, the Company entered into a mineral property purchase agreement to acquire a 100% interest in 10 claims located in the Matane and Matapedia area (Québec) from Osisko Metals Incorporation by issuing 1,000,000 common shares. On August 10, 2018, Canadian Metals issued 1,000,000 common shares at a fair value of \$0.09 for a total value of \$90,000 as payment for the acquisition of 10 claims.

#### 4) Chisholm Brook Property (silica):

On November 12, 2017, the Company entered into a mineral property purchase agreement to acquire a 100% interest in 20 claims located in the Chisholm Brook Property (New Brunswick) from SiO2 Canada Ltd. by issuing 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 500,000 common shares at a fair value of \$0.095 for a total value of \$47,500 as payment for the acquisition of 20 claims.

# CANADIAN METALS INC.

## Notes to Condensed Interim Financial Statements (continued)

Six-month period ended January 31, 2019 and 2018

(in Canadian dollars)

### 10. Mining properties (Continued):

#### 5) TV Tower Property, Mountain Brook Property and Blackshale Property (zinc):

On March 16, 2018, the Company entered into an option agreement with NBZINC Inc., over which a company controlled by an officer and a director of the Company exercises a significant influence, to acquire an undivided 100% interest in the three following properties located in New Brunswick: TV Tower, Mountain Brook and Blackshale properties. The Blackshale Property is composed of 163 claims covering approximately 5,479 hectares, the Mountain Brook Property is composed of 139 claims covering approximately 4,233 hectares and the TV Tower Property is composed in 53 claims covering approximately 1,157 hectares. The claims are subject to a 2% NSR.

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 <sup>(1)</sup>	6,000,000 <sup>(2)</sup>	-
On or before October 15, 2018	-	-	300,000 <sup>(3)</sup>
On or before November 1, 2018	200,000 <sup>(4)</sup>	5,000,000 <sup>(5)</sup>	-
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. (\$50,000 for the company controlled by an officer and director of the Company).

(2) These common shares were issued on March 16, 2018 at a \$0.14 per share for a consideration of \$840,000 (1,500,000 common shares issued for a consideration of \$210,000 to a company controlled by an officer and director of the Company).

(3) This condition was respected during the quarter.

(4) This cash payment was made on November 1, 2018. (\$50,000 for the company controlled by an officer and director of the Company).

(5) These common shares were issued on November 28, 2018 at a \$0.065 per share for a consideration of \$325,000 (1,250,000 common shares issued for a consideration of \$81,250 to a company controlled by an officer and director of the Company).

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.

#### 6) Quebec Properties:

On November 28, 2018, the Company entered into a related party subscription agreement with FeTiV Minerals Inc. ("FeTiV") to acquire an indirect 20% interest in the Tetagouche, Silicate Brutus, Seignelay, Lac Robot, Baie-Trinité and Mouchalagane properties (Québec properties), through the acquisition of a 20% equity interest in FeTiV for a consideration of \$440,000. The Québec properties are wholly owned by FeTiV and are subject to a 2% NSR. On March 1, 2019, the Company entered into an amended and restated acquisition agreement with FeTiV Minerals Inc., replacing the initial subscription agreement of November 28, 2018. The revised agreement provides for the acquisition of a direct 20% interest in the Silicate Brutus, Seignelay, Lac Robot, Baie-Trinité and Mouchalagane properties, subject to a 2% NSR.

# CANADIAN METALS INC.

## Notes to Condensed Interim Financial Statements (continued)

Six-month period ended January 31, 2019 and 2018

(in Canadian dollars)

### 11. Exploration and evaluation assets:

Exploration and evaluation assets by nature are detailed as follows:

	January 31 2019	July 31 2018
	\$	\$
<b>Exploration and evaluation costs:</b>		
Technical reports	80,523	1,294,474
Sampling	59,759	-
Drilling	41,880	219,864
Geology	30,095	149,072
Assays	17,364	2,456
Maintenance and field supplies	9,508	3,021
Travel and entertainment	2,529	-
Excavator	2,201	12,099
Taxes and permits	2,088	-
Transportation	1,869	-
Consultant	1,239	-
Lodging	1,150	3,200
Surveys	-	99,440
Environment	-	47,491
Supervision	-	25,756
Core library	-	5,100
	250,205	1,861,973
<b>Other items:</b>		
Grants	(118,000)	(478,956)
Other unearned revenue	(39,058)	-
	(157,058)	(478,956)
<b>Balance at the beginning</b>	2,517,621	1,134,604
<b>Balance at the end</b>	2,610,768	2,517,621

Exploration and evaluation assets by properties are detailed as follows:

	July 31 2018	Exploration costs	Grant	Other	January 31 2019
	\$	\$	\$		\$
<b>Québec:</b>					
Langis	2,081,808	113,388	(100,000)	(39,058)	2,056,138
Lac La Chesnaye	62,722	44,351	-	-	107,073
<b>New Brunswick</b>					
Chisholm Brook	-	-	-	-	-
Blackshale	41,007	540	-	-	41,547
Mountain Brook	31,222	540	-	-	31,762
TV Tower	300,862	91,386	(18,000)	-	374,248
	2,517,621	250,205	(118,000)	(39,058)	2,610,768

# CANADIAN METALS INC.

## Notes to Condensed Interim Financial Statements (continued)

Six-month period ended January 31, 2019 and 2018

(in Canadian dollars)

### 12. Convertible debentures:

	January 31 2019	July 31 2018
	\$	\$
<b>Convertible debentures (1)</b>		
Convertible debentures bearing interest at 10% payable semi-annually and maturing in December 2022. <sup>(a)</sup>	375,400	390,452
<b>Convertible debentures (2)</b>		
Convertible debentures bearing interest at 10% payable semi-annually and maturing in December 2020. <sup>(b)</sup>	422,674	388,241
<b>Convertible debentures (3)</b>		
Convertible debentures bearing interest at 10% payable semi-annually and maturing in December 2022.	204,955	188,230
	1,003,029	966,923
Current portion of convertible debentures	-	35,000
Non-current portion of convertible debentures	1,003,029	931,923

#### 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. \$35,000 was repaid during the previous quarter. On July 30, 2018, amending agreements were signed with debenture holders representing a nominal amount of \$665,000. Under the terms of the amending agreement, the debenture matures in December 2022 and has a conversion price of \$0.15. Furthermore, the Company has a forced conversion option if 10% of the Company's common shares are traded over 21 consecutive days, with a minimum of 0.47% per day.

For accounting purposes, the amendment was accounted as a debt extinguishment of the initial debenture with a loss of \$35,522 recorded in the previous year. The amended debenture has three components, the liability, the conversion option and the forced conversion option.

For purposes of determining the fair value of the liability component, an effective interest rate of 30% was used which is the estimated market rate that the Company would have obtained for a similar financing without the conversion option. The fair value of the Forced conversion option is not significant considering the low probability of occurrence. At issuance, the equity component is \$345,160 and is presented net of income tax in the amount of \$91,467.

The fair value of the conversion options was estimated using the Black-Scholes evaluation model using the following assumptions:

Expected dividend yield	0.0%
Share price at grant date	\$0.085
Expected volatility <sup>(1)</sup>	174.00%
Risk-free interest rate	2.1%
Expected life	4.5 years

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

# CANADIAN METALS INC.

## Notes to Condensed Interim Financial Statements (continued)

Six-month period ended January 31, 2019 and 2018

(in Canadian dollars)

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### 12. Convertible debentures (continued):

#### 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 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.

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. 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. At issuance, the equity component was \$280,234 and is presented net of income tax in the amount of \$74,262.

#### Convertible debentures (3):

On March 20, 2018, the Company completed a convertible debentures financing of \$400,000. The maturity of the convertible debentures is 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. The Company has the option to pay interest in cash or in shares. 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\$. Furthermore, the Company has an early redemption option to convert the debentures if the Company's common shares are traded over \$0.40 for 20 consecutive days or if the Company closes a financing exceeding \$0.40. In this event, the conversion price will be adjusted to the value of the financing or the average over 20 days, using a 10% discount.

Commission of 5.0% of the amount and legal fees were paid in cash for a total amount of \$26,700. Of this amount, \$13,590 was recorded as a reduction of liabilities and \$13,110 as a reduction of equity. In addition, a number of 290,910 warrants were granted to brokers. Each warrant entitles the holder to subscribe to one common share at an exercise price of \$0.15 per share until March 20, 2020. These warrants were recorded at a value of \$19,172 using the Black-Scholes option pricing model. Of this amount, \$9,758 was recorded as a reduction of liabilities and \$9,414 as a reduction of equity.

For accounting purposes, the debenture has three components, the liability, the conversion option and the early redemption option. For purposes of determining the fair value of the liability component, an effective interest rate of 30% was used which is the estimated market rate that the Company would have obtained for a similar financing without the conversion option. The fair value of the Early redemption conversion option is not significant considering the low probability of occurrence. The liability component is accreted up to the face value of the debenture over the term of the debentures as an interest expense. At issuance, the equity component was \$196,240 and is presented net of income tax in the amount of \$46,040.

# CANADIAN METALS INC.

## Notes to Condensed Interim Financial Statements (continued)

Six-month period ended January 31, 2019 and 2018

(in Canadian dollars)

### 13. Share capital, warrants and options:

#### (a) Share capital:

##### 2019:

On November 28, 2018, the Company entered into a related party royalty purchase agreement to acquire the 3% NSR and 7% NPI royalty on the Langis Property. Under the terms of the royalty purchase agreement, the Company issued 500,000 common shares for a fair value of \$32,500 and granted 3,500,000 warrants for a fair value of \$192,500. Each warrant will be exchangeable for a share at an exercise price of \$0.15 per share for a period of 5 years following the closing of the royalty transaction.

On November 28, 2018, as per the mineral property purchase agreement of March 16, 2018 (Note 9), the Company issued 5,000,000 common shares at a fair value of \$0.065 for a total value of \$325,000 as the second 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 November 5, 2018, the Company granted 600,000 share options to two 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.

On August 10, 2018, the Company issued 1,000,000 common shares at \$0.09 per share of the Company to the Vendor in order to acquire a 100 % undivided interest, right, and title in the Langis East Property.

#### (b) Warrants:

The fair value of the 3,500,000 warrants issued of \$192,500 was determined using the Black-Scholes option pricing model and based on the following weighted average assumptions:

Expected dividend yield	0.0%
Share price at grant date	\$0.15
Expected volatility	144.11%
Risk-free interest rate	2.27%
Expected life	5 years

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

	January 31 2019		July 31 2018	
	Number of outstanding warrants	Weighted average exercise price	Number of outstanding warrants	Weighted average exercise price
Outstanding at beginning	39,262,949	\$ 0.15	8,929,282	\$ 0.21
Granted	3,500,000	0.15	36,736,999	0.15
Expired	(2,525,950)	0.15	(6,403,332)	(0.23)
Outstanding at end	40,236,999	0.15	39,262,949	0.15

# CANADIAN METALS INC.

## Notes to Condensed Interim Financial Statements (continued)

Six-month period ended January 31, 2019 and 2018

(in Canadian dollars)

### 13. Share capital, warrants and options (Continued):

#### (b) Warrants (Continued):

The following table provides outstanding warrants information as at January 31, 2019:

Expiry date	Number of outstanding warrants	Outstanding warrants	
		Exercise price \$	Remaining life (years)
April 16, 2019	620,834	0.15	0.21
December 12, 2019	5,208,333	0.15	0.86
December 28, 2019	269,091	0.15	0.91
December 29, 2019	557,165	0.15	0.91
January 19, 2020	17,140,666	0.15	0.97
March 13, 2020	12,650,000	0.15	1.11
March 20, 2020	290,910	0.15	1.13
November 28, 2023	3,500,000	0.15	4.82
	40,236,999	0.15	1.45

#### (c) Share option plan:

The weighted average fair value of the granted options of \$38,400 (\$18,520 in 2018) was determined using the Black-Scholes option pricing model and based on the following weighted average assumptions:

Expected dividend yield	0.0%
Share price at grant date	\$0.15
Expected volatility	144.11%
Risk-free interest rate	2.43%
Expected life	5 years

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

	January 31 2019		July 31 2018	
	Number of outstanding share options	Weighted average exercise price \$	Number of outstanding share options	Weighted average exercise price \$
Outstanding at beginning	8,875,000	0.14	3,905,000	0.16
Granted	600,000	0.15	5,900,000	0.14
Forfeited	(1,200,000)	0.13	(930,000)	(0.24)
Outstanding at end	8,275,000	0.14	8,875,000	0.14
Exercisable at end	8,275,000	0.14	8,875,000	0.14



# CANADIAN METALS INC.

## Notes to Condensed Interim Financial Statements (continued)

Six-month period ended January 31, 2019 and 2018

(in Canadian dollars)

### 13. Share capital, warrants and options (Continued):

#### (c) Share option plan (Continued):

The following table provides outstanding share options information as at January 31, 2019:

Expiry date	Number of granted share options	Number of exercisable share options	Share options outstanding	
			Exercise price \$	Remaining life (years)
February 25, 2020	450,000	450,000	0.10	1.1
June 12, 2020	100,000	100,000	0.17	1.4
February 26, 2021	950,000	950,000	0.10	2.1
May 7, 2021	200,000	200,000	0.37	2.3
June 20, 2021	125,000	125,000	0.26	2.4
February 21, 2022	450,000	450,000	0.105	3.1
October 3, 2022	200,000	200,000	0.075	3.7
February 5, 2023	950,000	950,000	0.140	4.0
June 27, 2023	4,250,000	4,250,000	0.15	4.4
November 5, 2023	600,000	600,000	0.15	4.8
	8,275,000	8,275,000	0.14	3.7

### 14. 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 2019	January 31 2018	January 31 2019	January 31 2018
	\$	\$	\$	\$
Non-cash financing activities:				
Acquisition of mining properties through issuance of shares	357,500	-	447,500	-
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	149,713	61,324	149,713	61,324

# CANADIAN METALS INC.

## Notes to Condensed Interim Financial Statements (continued)

Six-month period ended January 31, 2019 and 2018

(in Canadian dollars)

### 15. 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 2019	January 31 2018	January 31 2019	January 31 2018
	\$	\$	\$	\$
Management and consulting fees	184,249	89,250	365,998	186,000
Share-based compensation	38,400	18,520	38,400	18,520
	222,649	107,770	404,398	204,520

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

As at January 31, 2019, trade accounts payable and accrued liabilities include \$22,371 (\$124,883 as at July 31, 2018) payable to key management personnel.

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.

### 16. Subsequent events:

On March 1, 2019, the Company concluded a private placement by issuing 2,500,000 units at a price of \$0.10 per unit for net proceeds of \$250,000. Each unit consists of one common share and one-half of one warrant for a total of 2,500,000 common shares and 1,250,000 warrants. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of \$0.15 until September 1, 2020. The securities issued are subject to four months hold period expiring on July 2, 2019.

The Company also announces, further to its November 28, 2018 press releases, the execution of an amended and restated acquisition agreement (the "**Revised Agreement**") with FeTiV Minerals Inc., replacing the initial subscription agreement. The Revised Agreement provides for the acquisition of a direct 20% interest in the Mouchalagane, Silicate Brutus, Seignelay, Lac Robot and Baie-Trinité properties, subject to a 2% NSR. The consideration paid by the Corporation remained unchanged.