CANADIAN METALS INC.

Financial Statements

Years ended
July 31, 2019 and 2018

CANADIAN METALS INC.

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Independent auditor's report

To the Shareholders of Canadian Metals Inc.

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Canadian Metals Inc. (the Company) as at July 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited
The Company's financial statements comprise:

- the statement of financial position as at July 31, 2019;
- the statement of comprehensive loss for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

We draw attention to Note 2 in the financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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Comparative information

The financial statements of the Company for the year ended July 31, 2018 were audited by another auditor who expressed an unmodified opinion on those statements on November 19, 2018.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Maxime Guilbault.

PricewaterhouseCoopers LLP[1]

Montréal, Quebec
November 26, 2019

[1] CPA auditor, CA, public accountancy permit No. A128042

CANADIAN METALS INC.

Statements of Financial Position

As at July 31, 2019 and 2018

(in Canadian dollars)

	Note	July 31 2019	July 31 2018
		$	$
Assets			
Current assets:			
Cash	5	435,823	3,494,947
Accounts receivable	6	90,467	257,152
Prepaid expenses		67,645	20,454
Current portion of balance of purchase price receivable	9	122,963	-
Total current assets		716,898	3,772,553
Non-current assets:			
Property and equipment		1,679	1,136
Mining properties	9	2,364,659	1,670,072
Exploration and evaluation assets	10	552,475	2,517,621
Balance of purchase price receivable	9	1,250,988	-
Total non-current assets		4,169,801	4,188,829
Total assets		4,886,699	7,961,382
Liabilities and Equity			
Current liabilities:			
Trade accounts payable and accrued liabilities		427,941	760,211
Current portion of convertible debentures	11	-	35,000
Unearned grants		70,044	70,044
Total current liabilities		497,985	865,255
Non-current liabilities:			
Convertible debentures	11	1,078,529	931,923
Total non-current liabilities		1,078,529	931,923
Total liabilities		1,576,514	1,797,178
Equity:			
Share capital	12	9,183,479	8,084,852
Warrants	12	1,528,896	1,532,105
Share options	13	636,332	901,585
Equity component of the convertible debentures	11	562,455	562,455
Contributed surplus		1,701,380	1,227,580
Deficit		(10,302,357)	(6,144,373)
Total equity		3,310,185	6,164,204
Total liabilities and equity		4,886,699	7,961,382

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 November 26, 2019.

(S) Patsie Ducharme	(S) Michel Gagnon
VP Finance and Chief Financial Officer	Director and President of the audit committee

CANADIAN METALS INC.

Statements of Comprehensive Loss

Years ended July 31, 2019 and 2018
(in Canadian dollars)

	Note	July 31 2019	July 31 2018
		$	$
General and administrative expenses:			
Industrial feasibility study, net of government grants received	7	1,514,178	-
Management and consulting fees		760,101	619,976
General exploration expenses	8	486,308	-
Professional fees		224,471	80,910
Travel and promotion		151,694	48,519
Insurance and office expenses		59,575	48,698
Registration, listing fees and shareholders information		39,491	87,887
Share-based compensation	13	38,400	580,712
Development costs		6,557	3,186
Part XII.6 income taxes		5,983	1,296
Depreciation of property and equipment		757	184
Loss on settlement of convertible debentures		-	35,522
		3,287,515	1,506,890
Other Expenses			
Impairment of mining properties	9	48,410	-
Loss on disposal of mining properties	9	37,201	-
Loss on disposal of exploration and evaluation assets	10	494,919	-
Loss from operating activities		3,868,045	1,506,890
Finance income		(26,762)	(138)
Finance expense	14	316,701	278,275
Total net finance expense		289,939	278,137
Loss before income taxes		4,157,984	1,785,027
Deferred income tax recovery	15	-	(160,816)
Net loss and comprehensive loss		4,157,984	1,624,211
Weighted average number of common shares outstanding		12,301,226	7,961,326
Basic and diluted loss per share		0.34	0.20

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

CANADIAN METALS INC.

Statements of Changes in Equity

Years ended July 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
			$	$	$	$	$	$	$
Balance as at July 31 2018		11,461,270	8,084,852	1,532,105	901,585	562,455	1,227,580	(6,144,373)	6,164,204
Shares issued:									
Private placements	12	250,000	228,868	21,132	-	-	-	-	250,000
As payment of mining properties	12	1,165,000	705,750	145,806	-	-	-	-	851,556
As a settlement of interest payment on the debentures	11	352,836	167,500	-	-	-	-	-	167,500
Share issuance costs		-	(3,491)	-	-	-	-	-	(3,491)
Warrants expired		-	-	(170,147)	-	-	170,147	-	-
Share options expired		-	-	-	(303,653)	-	303,653	-	-
Share-based compensation	13	-	-	-	38,400	-	-	-	38,400
Net loss and comprehensive loss for the year		-	-	-	-	-	-	(4,157,984)	(4,157,984)
Balance as at July 31 2019		13,229,106	9,183,479	1,528,896	636,332	562,455	1,701,380	(10,302,357)	3,310,185
Balance as at July 31 2017		4,649,934	3,197,247	506,451	500,627	258,707	617,706	(4,520,162)	560,576
Shares issued:									
Private placements	12	4,906,667	3,030,543	1,281,957	-	-	-	-	4,312,500
Private placements of flow-through shares	12	621,382	683,520	-	-	-	-	-	683,520
As payment of mining properties	12	1,100,000	1,315,000	-	-	-	-	-	1,315,000
As a settlement of interest payment on the debentures	11	183,287	142,381	-	-	-	-	-	142,381
Share issuance costs		-	(283,839)	-	-	-	-	-	(283,839)
Warrants issued to brokers		-	-	96,177	-	-	-	-	96,177
Warrants expired		-	-	(352,480)	-	-	352,480	-	-
Convertible debentures issued net of a deferred tax of $137,507	11	-	-	-	-	381,388	-	-	381,388
Convertible debenture expired		-	-	-	-	(77,640)	77,640	-	-
Share options expired		-	-	-	(179,754)	-	179,754	-	-
Share-based compensation	13	-	-	-	580,712	-	-	-	580,712
Net loss and comprehensive loss for the year		-	-	-	-	-	-	(1,624,211)	(1,624,211)
Balance as at July 31 2018		11,461,270	8,084,852	1,532,105	901,585	562,455	1,227,580	(6,144,373)	6,164,204

(1) Adjusted to reflect the September 16, 2019, 10-to-1 share consolidation (Note 21)

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

CANADIAN METALS INC.

Statements of Cash Flows

Years ended July 31, 2019 and 2018
(in Canadian dollars)

	Note	July 31 2019	July 31 2018
		$	$
Operating activities:			
Net loss		(4,157,984)	(1,624,211)
Adjustments for:			
Impairment of mining properties	9	48,410	-
Loss on disposal of mining properties	9	37,201	-
Loss on disposal of exploration and evaluation assets	10	494,919	-
Share-based compensation	13	38,400	580,712
Depreciation of property and equipment		757	184
Effective interest costs on convertible debentures	11	146,606	134,922
Interests on convertible debentures paid through issuance of shares	12	167,500	142,534
Effective interest income on balance of purchase price receivable	9	(25,949)	
Loss on settlement of convertible debentures		-	35,522
Deferred income tax recovery		-	(160,816)
Operating activities before changes in working capital items		(3,250,140)	(891,153)
Change in accounts receivable	6	166,685	(202,807)
Change in prepaid expenses		(47,191)	(3,485)
Change in trade accounts payable and accrued liabilities		(332,270)	174,655
		(212,776)	(31,637)
Cash flows used for operating activities		(3,462,916)	(922,790)
Financing activities:			
Proceeds from convertible debenture issued		-	400,000
Convertible debentures issuance costs		-	(26,700)
Proceeds from issuance of shares and units	12	250,000	4,996,020
Share issuance costs	12	(3,491)	(210,870)
Cash flows provided from financing activities		246,509	5,158,450
Investing activities:			
Acquisition of property and equipment		(1,300)	(1,320)
Mining tax received		-	568
Repayment of convertible debentures	11	(35,000)	-
Proceeds from balance of purchase price receivable	9	523,234	-
Tax credit related to resources received		-	13,727
Government grants applied against exploration and evaluation assets	10	128,000	537,000
Acquisition of mining properties	9	(222,152)	(203,072)
Additions to exploration and evaluation assets	10	(235,499)	(1,422,246)
Cash flows provided from (used for) investing activities		157,283	(1,075,343)
Net change in cash		(3,059,124)	3,160,317
Cash, beginning of year		3,494,947	334,630
Cash, end of year		435,823	3,494,947

Additional disclosures of cash flows information (Note 16).

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

1. Reporting entity:

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

The Company's head office, which is also the main establishment is located at 866, 3ième Avenue, Val-d'Or, Québec, Canada, J9P 1T1 and its web site is www.canadianmetalsinc.com.

The Company specializes in the acquisition, exploration and evaluation of mineral properties in Quebec and New Brunswick. The Company focuses in two main areas: the development of a high-purity silica project, with a proposed downstream integration into silicon production; and the exploration and development of iron ore properties, located in the province of Quebec.

2. Nature of operations and going concern:

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 significant doubt on the Company's ability to continue as a going concern and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities, expenses and financial position classifications that would be necessary if the going concern assumption was not appropriate. These adjustments could be material.

For the year ended July 31, 2019, the Company recorded a net loss of $4,157,984 ($1,624,211 in 2018) and has an accumulated deficit of $10,302,357 as at July 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 July 31, 2019, the Company had a working capital of $218,913 (working capital of $2,907,298 as at July 31, 2018) consisting of cash of $435,823 ($3,494,947 as at July 31, 2018). These uncertainties cast significant doubt regarding the Company's ability to continue as a going concern. Any funding shortfall may be met in the future in a number of ways, including but not limited to, the issuance of new equity instruments. Given that the Company has not yet determined whether its mineral properties contain mineral deposits that are economically recoverable, the Company has not yet generated income nor cash flows from its operations. The recovery of the cost of exploration and evaluation assets as well as other tangible and intangible assets, is subject to certain conditions: the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to continue the exploration, evaluation, development, construction and ultimately disposal of these assets. During the year ended July 31, 2019, the Company has raised $250,000 ($5,396,020 in 2018) from private placements to fund its operations and working capital. While management has been successful in raising financing in the past, there is no assurance that it will succeed in obtaining additional financing in the future.

3. Basis of preparation:

a. Statement of compliance:

These annual financial statements 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 these financial statements are based on IFRS issued and in effect as at year end.

b. Basis of measurement:

These financial statements have been prepared on the historical cost basis except for certain assets at fair value.

c. Functional and presentation currency:

These financial statements are presented in Canadian dollars, which is the Company's functional currency.

3. Basis of preparation (continued):

d. Use of estimates and judgements:

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

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

(a) Significant management judgment:

The following are significant management judgments in applying the accounting policies of the Company that have the most significant effects on the financial statements.

Recognition of deferred income tax assets and measurement of income tax expense

Management continually evaluates the likelihood that its deferred tax assets could be realized. This requires management to assess whether it is probable that sufficient taxable income will exist in the future to utilize these losses within the carry-forward period. By its nature, this assessment requires significant judgment. To date, management has not recognized any deferred tax assets in excess of existing taxable temporary differences expected to reverse within the carry-forward period (see Note 4).

Going concern

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenditures, meets its liabilities for the ensuing year, and to fund planned and contractual exploration programs, involves significant judgment based on historical experience and other factors including expectation of future events that are believed to be reasonable under the circumstances. See Note 2 for more information.

(b) Estimation uncertainty:

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities and expenses is provided below. Actual results may be substantially different.

Impairment of exploration and evaluation assets

Determining if there are any facts or circumstances indicating an impairment loss or reversal of impairment losses is a subjective process involving judgment and a number of estimates and interpretations in many cases (see Note 4).

When an indication of impairment loss or a reversal of an impairment loss exists, the recoverable amount of the individual asset or the cash-generating units must be estimated.

In assessing impairment, the Company must make some estimates and assumptions regarding future circumstances, in particular, whether a technically or economically viable extraction operation can be established, the probability that the expense will be recovered from either future exploitation or sale when the activities have not reached a stage that permits a reasonable assessment of existence of reverses, the Company's capacity to obtain financial resources necessary to complete the evaluation and development and to renew permits. Estimates and assumptions may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written down in profit or loss in the period when the new information become available.

(in Canadian dollars)

3. Basis of preparation (continued):

d. Use of estimates and judgements (continued):

(b) Estimation uncertainty (continued):

Balance of purchase price receivable

The recognition and evaluation of the non-interest bearing purchase price receivable (Note 9) has been estimated using a discount rate which involves a degree of estimation and judgment.

Government grants

Grants are recognized as a reduction of the related expenditures (expenses or assets). The Company records these grants when there is reasonable assurance with regards to collections and assessments and that the Company will comply with the conditions associated to them. This may involve a degree of estimation and judgment until the projects for which the funds were granted have been completed and assessed.

In the event a project is not completed, an in-depth analysis could be required and the outcome reached with the authorities could necessitate adjustments to the grants and related expenditures in future periods.

4. Changes in significant accounting policies:

The accounting policies set out below have been applied consistently to all years presented in these financial statements and in preparing the statements of financial position, unless otherwise indicated.

4.1 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 financial statements. As permitted by the transition provisions of IFRS 9, the adoption was done retroactively and the Company elected not to restate comparative period results which were unaffected. Accordingly, all comparatives period information is presented in accordance with our previous accounting policies under IAS 39. New or amended disclosure have been provided for the year ended July 31, 2019 where applicable, and comparative period disclosure are consistent with those made in the prior year.

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 accounts receivable	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.

4. Changes in significant accounting policies (Continued):

4.1 Financial instruments (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.

4.2 Basic and diluted loss per share:

Basic loss per share is calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated by adjusting loss attributable to common shareholders of the Company, and the weighted average number of common shares outstanding, for the effects of all dilutive potential common shares which include options and warrants. Dilutive potential common shares are deemed to have been converted into common shares at the average market price at the beginning of the period or, if later, at the date of issue of the potential common shares.

4.3 Cash:

Cash consist of cash and demand deposits, as well as other highly-liquid short-term investments, easily convertible in a known amount of cash and subject to negligible risk of value impairment.

4.4 Refundable tax credits:

The Company is entitled to a refundable tax credit on qualified exploration expenditures incurred and a refundable credit on duties for losses under the Mining Tax Act. These tax credits are recognized as a reduction of the exploration costs incurred based on estimates made by management. The Company records these tax credits when there is reasonable assurance with regards to collections and assessments and that the Company will comply with the conditions associated to them.

4.5 Grants:

Grants are recognized as a reduction of the related expenses or assets. The Company records these grants when there is reasonable assurance with regards to collections and assessments and that the Company will comply with the conditions associated to them.

4. Changes in significant accounting policies (Continued):

4.6 Mining properties and exploration and evaluation assets:

Mining properties correspond to acquired interests in mining exploration permits / claims which include the rights to explore for mine, extract and sell all minerals from such claims.

Exploration and evaluation expenditures are costs incurred in the course of initial search for mineral deposits with economic potential. Costs incurred before the legal right to undertake exploration and evaluation activities are recognized in profit or loss when they are incurred.

Once the legal right to undertake exploration and evaluation activities has been obtained, all costs of acquiring mineral rights or options to acquire such rights (option agreement) are capitalized as mining properties and the expenses related to the exploration and evaluation of mining properties, less refundable tax credits related to these expenses, are capitalized as exploration and evaluation assets.

Expenses related to exploration and evaluation include topographical, geological, geochemical and geophysical studies, exploration drilling, trenching, sampling and other costs related to the evaluation of the technical feasibility and commercial viability of extracting a mineral resource.

The various costs are capitalized on a property-by-property basis pending determination of the technical feasibility and commercial viability of extracting a mineral resource. These assets are recognized as intangible assets and are carried at cost less any accumulated impairment losses. No depreciation expenses are recognized for these assets during the exploration and evaluation phase.

Whenever a mining property is considered no longer viable, or is abandoned, the capitalized amounts are written down to their recoverable amounts; the difference is then immediately recognized in profit or loss.

When technical feasibility and commercial viability of extracting a mineral resource are demonstrable, exploration and evaluation assets related to the mining property are transferred to property and equipment in Mining assets under construction. Before the reclassification, exploration and evaluation assets are tested for impairment and any impairment loss is recognized in profit or loss before reclassification.

4.7 Impairment of exploration and evaluation assets and property and equipment:

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at a cash-generating unit level.

Whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, an asset or cash-generating unit is reviewed for impairment.

Impairment reviews for exploration and evaluation assets are carried out on a project-by-project basis, with each project representing a potential single cash-generating unit. An impairment review is undertaken when indicators of impairment arise, but typically when one of the following circumstances apply:

- the right to explore the areas has expired or will expire in the near future with no expectation of renewal;
- no further exploration or evaluation expenditures in the area are planned or budgeted;
- no commercially viable deposits have been discovered, and the decision has been made to discontinue exploration in the area;
- sufficient work has been performed to indicate that the carrying amount of the expenditure carried as an asset will not be fully recovered.

Additionally, when technical feasibility and commercial viability of extracting a mineral resource are demonstrable, the exploration and evaluation assets of the related mining property are tested for impairment before these items are transferred to property and equipment.

4. Changes in significant accounting policies (continued):

4.7 Impairment of exploration and evaluation assets and property and equipment (Continued):

An impairment loss is recognized in profit or loss for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less cost to sell and its value in use.

An impairment charge is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

4.8 Provisions, contingent liabilities and contingent assets:

Provisions are recognized when present legal or constructive obligations as a result of a past event will probably lead to an outflow of economic resources from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, legal disputes, decommissioning, restoration and similar liabilities, or onerous contracts.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Provisions are discounted when the time value of money is significant.

The Company's operations are governed by government environment protection legislation. Environmental consequences are difficult to identify in terms of amounts, timetable and impact. As of the reporting date, management believes that the Company's operations are in compliance with current laws and regulations. Site restoration costs currently incurred are negligible, given that the Company's operations are still in the exploration and evaluation stage, and are capitalized to the cost of exploration and evaluation assets as incurred. When the technical feasibility and commercial viability of extracting a mineral resource have been demonstrated, a restoration provision will be recognized in the cost of the mining property when there is constructive commitment that has resulted from past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be measured with sufficient reliability.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized, unless it was assumed in the course of a business combination.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

4.9 Income taxes:

When applicable, tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized directly in equity.

However, since the Company is in the exploration phase and has no taxable income, tax expense recognized in profit or loss is currently comprise only of deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period.

4. Significant accounting policies (continued):

4.9 Income taxes (continued):

Deferred tax assets are recognized to the extent that it is probable that the underlying tax loss or deductible temporary difference will be utilized against future taxable income. This is assessed based on the Company's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit. Deferred tax liabilities are always provided for in full.

Deferred tax assets and liabilities are offset only when the Company has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as deferred income tax in profit or loss, except where they relate to items that are recognized directly in equity, in which case the related deferred tax is also recognized in equity.

Under the provisions of tax legislation relating to flow-through shares, the Company is required to renounce its right to tax deductions for expenses related to exploration activities to the benefit of the investors. When the Company has renounced to its tax deductions and has incurred its admissible expenditures, the sale of tax deductions is recognized in profit or loss as a reduction to deferred tax expense and a deferred tax liability is recognized for the taxable temporary difference that arises from the difference between the carrying amount of admissible expenditures capitalized as an asset and its tax base.

4.10 Equity:

Share capital represents the amount received on the issue of shares, less issuance costs, net of any underlying income tax benefit from these issuance costs.

4.11 Unit placements:

The funds from unit placement are allocated between shares and warrants using the relative fair value method. The fair value of the common shares is recognized in equity based on the share price at the date of issue. The fair value of the warrants is determined using the Black-Scholes valuation model and is recorded separately under "warrants".

4.12 Flow-through placements:

Issuance of flow-through shares represents in substance an issue of ordinary shares and the sale of the right to tax deductions to the investors. When the flow-through shares are issued, the sale of the right to tax deductions is deferred and presented as other liabilities in the statement of financial position. The proceeds received from flow-through placements are allocated between share capital and other liabilities using the residual method. Proceeds are first allocated to shares according to the quoted price of shares at the time of issuance and the residual proceeds, if any, are allocated to other liabilities. The liability component recorded initially on the issuance of shares is reversed on renouncement of the right to tax deductions to the investors and when eligible expenses are incurred and recognized in profit or loss in reduction of deferred income tax expense.

The proceeds received from flow-through units are allocated between share capital, warrants and the liability using the residual method. Proceeds are first allocated to shares according to the quoted price of existing shares at the time of issuance and the residual proceeds are allocated to warrants and to the liability, allocating a first amount to warrant measured at fair value using Black-Scholes model.

4.13 Compound financial instruments:

The component parts of compound financial instruments (convertible debentures) issued by the Company are classified separately as financial liabilities and equity component in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

At the date of issue, the liability component is recognized at fair value, which is estimated using the borrowing rate available for similar non convertible instruments. Subsequently, the liability component is measured at amortized cost using the effective interest method until extinguished upon conversion or at maturity.

4. Significant accounting policies (continued):

4.13 Compound financial instruments (continued):

The value of the conversion option classified as equity component is determined at the date of issue by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This amount is recognized in equity, net of income tax effects, and is not subsequently remeasured. When and if the conversion option is exercised, the equity component of convertible debentures will be transferred to share capital. If the conversion option remains unexercised at the maturity date of the convertible debentures, the equity component of the convertible debentures will be transferred to contributed surplus. No gain or loss is recognized upon conversion or expiration of the conversion option.

Transaction costs related to the issue of convertible debentures are allocated to the liability and equity component in proportion to the initial carrying amounts. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortized over the term of the convertible debenture using the effective interest method.

4.14 Equity-settled share-based compensation:

The Company has an equity-settled share-based compensation plan for its eligible directors, employees and consultants. The Company's plan is not cash-settled.

All goods and services received in exchange for the grant of any share-based compensations are measured at their fair values, unless that fair value cannot be estimated reliably. If the Company cannot estimate reliably the fair value of the goods or services received, it must measure their value indirectly by reference to the fair value of the equity instruments granted.

For transactions with employees and with parties providing similar services, the Company evaluates the fair value of services received by reference to the fair value of equity instruments granted.

All equity-settled share-based compensation (except warrants to brokers) are ultimately recognized as an expense in the profit or loss or capitalized as an exploration and evaluation asset, depending on the nature of the payment with a corresponding credit to the Share options account. Equity-settled share-based compensation to brokers, in respect of an equity financing are recognized as issuance cost of the equity instruments with a corresponding credit to Share options, in equity.

If vesting periods or other vesting conditions apply, the expense is allocated over the vesting year, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior period if share options ultimately exercised are different to that estimated on vesting.

4.15 Segmental reporting:

The Company presents and discloses segmental information based on information that is regularly reviewed by the chief operating decision-maker, i.e. the Chairman and the Board of Directors. The Chairman and the Board of Directors have joint responsibility for allocating resources to the Company's operating segments and assessing their performance.

The Company has determined that there was only one operating segment being the sector of exploration and evaluation of mineral resources.

(in Canadian dollars)

4. Significant accounting policies (continued):

4.16 New standards and interpretations that have not yet been adopted:

At the date of authorization of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the International Accounting Standards Board (IASB) but are not yet effective, and have not been adopted early by the Company.

Management anticipates that all of the pronouncements will be adopted in the Company's accounting policy for the first period beginning after the effective date of pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have an impact on the Company's financial statements.

The following new standards, interpretations and amendments have been issued but are not yet effective and therefore have not been applied in preparing these financial statements:

(i) IFRS 16 - Leases:

In January 2016, IASB issued the new standard IFRS 16 - Leases which replaces the previous standard, IAS 17 Leases, and related interpretations.

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer/lessee and the supplier/lessor. More specifically, IFRS 16 is requiring assessing whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time. In such cases, leases are capitalised as “right-of-use assets” or as “property, plant and equipment”. Therefore, the new requirement eliminates the classification of leases as either operating leases or finance leases for a lessee.

The new standard is effective for the annual period beginning on January 1, 2019. Management has not yet evaluated the impact that this new standard will have on its financial statements.

5. Cash:

	July 31 2019	**July 31 2018**
	$	**$**
Cash	435,823	3,494,947
	435,823	3,494,947

6. Accounts receivable:

	July 31 2019	**July 31 2018**
	$	**$**
Sales tax receivable	67,233	244,338
Accounts receivable	23,234	-
Grant receivable	-	12,000
Other	-	814
	90,467	257,152

(in Canadian dollars)

7. 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 was 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. Grants totaling $767,479 were received during the year and were recorded against the expenditures.

8. Exploration and evaluation expenses:

See below for the detailed analysis of the exploration and evaluation expenses realized on the Baie Trinité, Silicate Brutus, Mouchalagane, Lac Robot and Seignelay Properties in Quebec before the acquisition of the mining rights accounted for in the statement of comprehensive loss for the year ended July 31, 2019. The mining properties were acquired on February 26, 2019, as described in Note 9.

	Quebec					
	Baie Trinité	**Silicate Brutus**	**Mouchalagane**	**Lac Robot**	**Seignelay**	**Total**
	$	$	$	$	$	$
Exploration and evaluation expenses:						
Surveys	49,736	114,746	157,754	93,786	70,286	486,308
	49,736	114,746	157,754	93,786	70,286	486,308

9. Mining properties:

Mining properties can be detailed as follows:

	Interest	**July 31 2018**	**Acquisition**	**Impairment**	**Loss on Disposal**	**Disposal**	**July 31 2019**
	%	$	$	$	$		$
Québec:							
Langis [a]	100	152,052	178,659	-	(37,201)	(293,510)	-
Lac La Chesnaye [b]	100	427,500	653	-	-		428,153
Langis East [c]	100	-	90,000	-	-		90,000
Baie Trinité [f]	20	-	1,892	-	-		1,892
Silicate Brutus [f]	20	-	2,545	-	-		2,545
La Robot [f]	20	-	2,414	-	-		2,414
Seignelay [f]	20	-	5,285	-	-		5,285
New Brunswick							
Chisholm Brook [d]	100	47,900	510	(48,410)	-		-
Blackshale [e]	100	478,721	360,485	-	-		839,206
Mountain Brook [e]	100	408,239	306,251	-	-		714,490
TV Tower [e]	100	155,660	116,764	-	-		272,424
Frenette [g]	100	-	8,250	-	-		8,250
		1,670,072	1,073,708	(48,410)	(37,201)	(293,510)	2,364,659

(in Canadian dollars)

9. Mining properties (continued):

	Interest	July 31 2017	Acquisition	July 31 2018
	%	$	$	$
Québec:				
Langis (1)	100	152,000	52	152,052
Lac La Chesnaye (2)	100	-	427,500	427,500
New Brunswick				
Chisholm Brook (3)	100	-	47,900	47,900
Blackshale (4)	100	-	478,721	478,721
Mountain Brook (4)	100	-	408,239	408,239
TV Tower (4)	100	-	155,660	155,660
		152,000	1,518,072	1,670,072

a) 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 50,000 common shares for a fair value of $32,500 and granted 350,000 warrants for a fair value of $145,806. Each warrant will be exchangeable for a share at an exercise price of $1.50 per share for a period of 5 years following the closing of the royalty transaction.

On May 1, 2019, the Company sold all its rights, tittles and interests in the property, in exchange of a long-term quartz price lock-in supply agreement (LTA) and $2,250,000. The Disposition provides the Company with $2,250,000, where $500,000 was paid at closing and staged cash payments totalling $1,750,000 modulated on the purchaser production on the Langis property, with the following deadlines: (i) $150,000 on or before December 31, 2019; (ii) $300,000 on before each of December 31, 2020, 2021, and 2022, (iii) $450,000 on or before December 31, 2023, and (iv) a final $250,000 over a maximum of 5 years after the previous payment. The LTA meeting its specific quartzite requirements at a currently favorable fixed price until January 1, 2024, after which date the original fixed price would be indexed every year until 2039.

The amount of the loss on disposal represents the difference between the fair value of the proceeds and the carrying amount as at May 1, 2019.

<u>Balance of purchase price receivable</u>

The purchase price receivable of $2,250,000 does not bear interest and has been discounted using 7.54% reflecting the estimated credit risk of the buyer and collateral against the balance of purchase price at time of disposal.

	$
Balance at the beginning	-
Additions	1,871,236
Effective interest income	25,949
Reimbursement	(523,234)
Balance end of year	1,373,951
Current portion	122,963
Non-current portion	1,250,988

(in Canadian dollars)

9. Mining properties (continued):

b) 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 450,000 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, the Company issued 450,000 common shares at a fair value of $0.95 for a total value of $427,500 as payment for the acquisition of 10 claims.

c) 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 100,000 common shares. On August 10, 2018, the Company issued 100,000 common shares at a fair value of $0.90 for a total value of $90,000 as payment for the acquisition of 10 claims.

d) 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 50,000 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, the Company issued 50,000 common shares at a fair value of $0.95 for a total value of $47,500 as payment for the acquisition of 20 claims.

Impairment for an amount of $48,410 was recognized during the period because the Company did not renew the claims.

e) 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 166 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 (1)	600,000 (2)	-
On or before October 15, 2018	-	-	300,000 (3)
On or before November 1, 2018	200,000 (4)	500,000 (5)	-
On or before November 1, 2019	-	500,000 (6)	-
	400,000	1,600,000	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 $1.40 per share for a consideration of $840,000 (150,000 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 year.
(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 $0.65 per share for a consideration of $325,000 (125,000 common shares issued for a consideration of $81,250 to a company controlled by an officer and director of the Company).
(6) These common shares were issued on April 10, 2019 at a $0.50 per share for a consideration of $250,000 (125,000 common shares issued for a consideration of $62,500 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.

(in Canadian dollars)

9. Mining properties (continued):

f) Silicate Brutus, Seignelay, Lac Robot, Baie-Trinité and Mouchalagane Properties:

On February 26,2019, the Company entered into a related party subscription agreement with FeTiV Minerals Inc. ("FeTiV") to acquire a direct 20% interest in the Silicate Brutus, Seignelay, Lac Robot, Baie-Trinité and Mouchalagane properties for a consideration of $440,000, subject to a 2% NSR.

g) Frenette Property (zinc):

On April 3, 2019 the Company entered into an arm's length option agreement to acquire an undivided 100% interest in 12 mining claims adjacent to its Blackshale property located west of the Brunswick 12 mine.

Pursuant to the terms and conditions of the option, the Company will issue 45,000 common shares of the Company as follows:
• 15,000 Shares at $0.55 per share for a total value of $8,250 on the execution of the option (condition fulfilled);
• 15,000 Shares on or before April 3, 2020; and
• 15,000 Shares on or before April 3, 2021.

Upon exercise of the option, the Company will grant the optionees a 2% Net Smelter Returns (NSR) Royalty, subject to the right to purchase a 1% NSR royalty for $1,000,000.

10. Exploration and evaluation assets:

Exploration and evaluation assets by properties are detailed as follows:

	July 31 2018	Exploration costs	Grant	Other	Loss on disposal	Disposal	July 31 2019
	$	$	$	$	$	$	$
Québec							
Langis	2,081,808	129,895	(100,000)	(39,058)	(494,919)	(1,577,726)	-
Lac La Chesnaye	62,722	44,351	-	-	-	-	107,073
Silicate Brutus	-	300	-	-	-	-	300
Mouchalagane	-	300	-	-	-	-	300
New Brunswick							
Chisholm Brook	-	-	-	-	-	-	-
Blackshale	41,007	3,980	-	-	-	-	44,987
Mountain Brook	31,222	640	(10,000)	-	-	-	21,862
TV Tower	300,862	90,714	(18,000)	-	-	-	373,576
Frenette	-	4,377	-	-	-	-	4,377
	2,517,621	274,557	(128,000)	(39,058)	(494,919)	(1,577,726)	552,475

	July 31 2017	Exploration costs	Grant	July 31 2018
	$	$	$	$
Québec:				
Langis	1,134,604	1,414,160	(466,956)	2,081,808
Lac La Chesnaye	-	62,722	-	62,722
New Brunswick				
Chisholm Brook	-	-	-	-
Blackshale	-	41,007	-	41,007
Mountain Brook	-	31,222	-	31,222
TV Tower	-	312,862	(12,000)	300,862
	1,134,604	1,861,973	(478,956)	2,517,621

(in Canadian dollars)

11. Convertible debentures:

	July 31 2019	July 31 2018
	$	$
Convertible debentures (1)		
Convertible debentures bearing interest at 10% payable semi-annually and maturing in December 2022. [(a)]	397,166	390,452
Convertible debentures (2)		
Convertible debentures bearing interest at 10% payable semi-annually and maturing in December 2020. [(b)]	461,691	388,241
Convertible debentures (3)		
Convertible debentures bearing interest at 10% payable semi-annually and maturing in December 2022.	219,672	188,230
	1,078,529	966,923
Current portion of convertible debentures	-	35,000
Non-current portion of convertible debentures	1,078,529	931,923

(a) Debentures (1) from related parties:

	July 31 2019	July 31 2018
	$	$
Director	-	15,000
Companies under control of an officer and director	-	15,000
	-	30,000

(b) Debentures (2) from related parties:

	July 31 2019	July 31 2018
	$	$
Directors	3,784	12,729
Company under control of a director	15,894	13,366
Companies under control of an officer and director	11,353	9,547
	31,031	35,642

The changes in the Company's liabilities arising from financing activities are as follows:

	July 31 2019	July 31 2018
	$	$
Balance at the beginning	966,923	961,092
Cash-flows		
Proceeds	-	400,000
Transaction costs	-	(13,455)
Reimbursement	(35,000)	
Non-Cash:		
Equity component of convertible debentures (3)	-	(196,240)
Effective interest costs on convertible debentures	146,606	134,922
Extinguishment	-	(665,000)
Fair value of amended debentures (1)	-	355,362
Transaction costs	-	(9,758)
Balance end of year	1,078,529	966,923

(in Canadian dollars)

11. Convertible debentures (continued):

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 year. 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 $1.50. 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 net loss in 2018. 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	$0.85
Expected volatility (1)	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.

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 $2.00. 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 payments 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 $0.50.

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 2,595 warrants were granted to brokers. Each warrant entitles the holder to subscribe to one common share at an exercise price of $2.00 per share until December 12, 2018. These warrants were recorded at a value of $1,971 using the Black-Scholes option pricing model under the assumptions described below (note 12 (c)). Of this amount, $1,066 was recorded as a reduction of liabilities and $905 as a reduction of equity.

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

11. Convertible debentures (continued):

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 $2.00. 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 $0.50. Furthermore, the Company has an early redemption option to convert the debentures if the Company's common shares are traded over $4.00 for 20 consecutive days or if the Company closes a financing exceeding $4.00. 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 29,091 warrants were granted to brokers. Each warrant entitles the holder to subscribe to one common share at an exercise price of $1.50 per share until March 20, 2020. These warrants were recorded at a value of $19,172 using the Black-Scholes option pricing model under the assumptions described below (note 12 (c)). 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.

12. Share capital and warrants:

(a) Authorized:

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

(b) Issued and outstanding

2019:

On June 30, 2019, the Company issued 200,839 common shares for interests payable of $83,750 on convertible debentures. No commission was paid in connection with this transaction. The interests were payable as follows:

Convertible debentures (1)
79,736 common shares issued for interests of $33,250 payable on June 30, 2019

Convertible debentures (2)
73,141 common shares issued for interests of $30,500 payable on June 30, 2019

Convertible debentures (3)
47,962 common shares issued for interests of $20,000 payable on June 30, 2019.

On April 10, 2019, as per the mineral property purchase agreement of March 16, 2018 (Note 9), the Company issued 500,000 common shares at a fair value of $0.50 for a total value of $250,000 as the third 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 April 8, 2019, as per the mineral property purchase agreement of March 1, 2019 (Note 9), the Company issued 15,000 common shares at a fair value of $0.55 for a total value of $8,250 as the first timeline scheduled as per the agreement for the acquisition of 100% undivided interest in the Frenette Property, located in New-Brunswick.

On March 1, 2019, the Company concluded a private placement by issuing 250,000 units at a price of $1.00 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 250,000 common shares and 125,000 warrants. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of $1.50 until September 1, 2020. These warrants have been recorded at a value of $21,132 based on the Black-Scholes option pricing model using the assumptions described below (Note 12)). Share issuance costs amounted to $3,491.

On December 31, 2018, the Company issued 151,997 common shares for interests payable of $83,750 on convertible debentures. No commission was paid in connection with this transaction. The interests were payable as follows:

Convertible debentures (1)
60,345 common shares issued for interests of $33,250 payable on December 31, 2018

Convertible debentures (2)
55,354 common shares issued for interests of $30,500 payable on December 31, 2018

Convertible debentures (3)
36,298 common shares issued for interests of $20,000 payable on December 31, 2018.

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 50,000 common shares for a fair value of $32,500 and granted 350,000 warrants for a fair value of $145,806. Each warrant will be exchangeable for a share at an exercise price of $1.50 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 500,000 common shares at a fair value of $0.65 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.

12. Share capital and warrants (continued):

(b) Issued and outstanding (continued)

On August 10, 2018, the Company issued 100,000 common shares at a fair value of $0.90 per share for a total value of $90,000 for the acquisition of 100 % undivided interest, right, and title in the Langis East Property, located in Quebec.

2018:

On October 16, 2017, the Company concluded a private placement by issuing 120,167 units at a price of $0.75 per unit for net proceeds of $86,340 after deducting share issuance costs of $3,785. A commission of $1,500 was paid in connection with this transaction. Each unit consists of one common share and one-half warrant for a total of 120,167 common shares and 60,083 warrants. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of $1.50 until April 16, 2019. These warrants have been recorded at a value of $15,590 based on the Black-Scholes option pricing model using the assumptions described below (Note 12 (c)). As part of this private placement, the Company also issued a total of 2,000 broker warrants. Each broker warrant entitles its holder to purchase one common share at $1.50 per share until April 16, 2019. These warrants have been recorded at a value of $586 based on the Black-Scholes option pricing model using the assumptions described below (Note 12 (c)). As a result, the broker warrants were recorded under warrants and as share issuance costs as a reduction of share capital in the statement of changes in equity. Share issuance costs amounted to $4,371 including the fair value of the broker warrants of $586.

On November 24 2017, as per the mineral property purchase agreement of November 12, 2017 (Note 9), the Company issued 500,000 common shares at a fair value of $0.95 for a total value of $475,000 as payment for the acquisition of 10 claims of Lac La Chesnaye Property located in Québec and 20 claims of Chisholm Brook Property located in New-Brunswick.

On December 12, 2017, the Company concluded a private placement by issuing 520,833 units at a price of $0.75 per unit for net proceeds of $389,177 after deducting share issuance costs of $1,448. No commission was paid in connection with this transaction. Each unit consists of one common share and one warrant for a total of 520,833 common shares and 520,833 warrants. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of $1.50 until December 12, 2019. These warrants have been recorded at a value of $152,461 based on the Black-Scholes option pricing model using the assumptions described below (Note 12 (c)).

On December 28, 2017, the Company concluded a private placement by issuing 336,364 flow-through common shares at a price of $1.10 per share for net proceeds of $326,624 after deducting share issuance costs of $43,376. A commission of $29,600 was paid in connection with this transaction. As part of this private placement, the Company also issued a total of 26,909 broker warrants. Each broker warrant entitles its holder to purchase one common share at $1.50 per share until December 28, 2019. These warrants have been recorded at a value of $36,898 based on the Black-Scholes option pricing model using the assumptions described below (Note 12 (c)). As a result, the broker warrants were recorded under warrants and as share issuance costs as a reduction of share capital in the statement of changes in equity. Share issuance costs amounted to $80,274 including the fair value of the broker warrants of $36,898. No liability related to flow-through shares has been recorded based on the residual value method.

On December 29, 2017, the Company concluded a private placement by issuing 285,018 flow-through common shares at a price of $1.10 per share for net proceeds of $283,857 after deducting share issuance costs of $29,663. A commission of $20,093 was paid in connection with this transaction. As part of this private placement, the Company also issued a total of 18,267 broker warrants. Each broker warrant entitles its holder to purchase one common share at $1.50 per share until December 29, 2019. These warrants have been recorded at a value of $23,314 based on the Black-Scholes option pricing model using the assumptions described below (Note 12 (c)). As a result, the broker warrants were recorded under warrants and as share issuance costs as a reduction of share capital in the statement of changes in equity. Share issuance costs amounted to $52,977 including the fair value of the broker warrants of $23,314. No liability related to flow-through shares has been recorded based on the residual value method.

On December 29, 2017, the Company concluded a private placement by issuing 35,000 units at a price of $0.75 per unit for net proceeds of $24,412 after deducting share issuance costs of $1,838. A commission of $1,838 was paid in connection with this transaction. Each unit consists of one common share and one warrant for a total of 35,000 common shares and 35,000 warrants. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of $1.50 until December 29, 2019. These warrants have been recorded at a value of $11,071 based on the Black-Scholes option pricing model using the assumptions described below (Note 12 (c)). As part of this private placement, the Company also issued a total of 2,450 broker warrants. Each broker warrant entitles its holder to purchase one common share at $1.50 per share until December 29, 2019. These warrants have been recorded at a value of $3,127 based on the Black-Scholes option pricing model using the assumptions described below (Note 12 (c)). As a result, the broker warrants were recorded under warrants and as share issuance costs as a reduction of share capital in the statement of changes in equity. Share issuance costs amounted to $4,965 including the fair value of the broker warrants of $3,127.

12. Share capital and warrants (continued):

(b) Issued and outstanding (continued)

2018 (continued):

On December 29, 2017, the Company issued 79,394 common shares for interests payable of $65,500 on convertible debentures. No commission was paid in connection with this transaction. The interests were payable as follows:

Convertible debentures (1)
42,424 common shares issued for interests of $35,000 payable on December 31, 2017

Convertible debentures (2)
36,970 common shares issued for interests of $30,500 payable on December 31, 2017

As at December 31, 2017, following the issuance of 621,382 flow-through common shares on December 28 and 29, 2017, the Company has the obligation to incur $683,520 in exploration expenditures no later than December 31, 2018. As at December 31, 2018, the Company had incurred the full amount required in exploration and evaluation expenditures.

On January 19, 2018, the Company concluded a private placement by issuing 1,700,667 units at a price of $0.75 per unit for net proceeds of $1,258,682 after deducting share issuance costs of $16,818. A commission of $10,050 was paid in connection with this transaction. Each unit consists of one common share and one warrant for a total of 1,700,667 common shares and 1,700,667 warrants. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of $1.50 until January 19, 2020. These warrants have been recorded at a value of $523,984 based on the Black-Scholes option pricing model using the assumptions described below (Note 12 (c)). As part of this private placements, the Company also issued a total of 13,400 broker warrants. Each broker warrant entitles its holder to purchase one common share at $1.50 per share until January 19, 2020. These warrants have been recorded at a value of $13,080 based on the Black-Scholes option pricing model using the assumptions described below (Note 12 (c)). As a result, the broker warrants were recorded under warrants and as share issuance costs as a reduction of share capital in the statement of changes in equity. Share issuance costs amounted to $29,898 including the fair value of the broker warrants of $13,080.

On March 13, 2018, the Company concluded a private placement by issuing 2,530,000 units at a price of $1.00 per unit for net proceeds of $2,421,957 after deducting share issuance costs of $108,043. A commission of $101,500 was paid in connection with this transaction. Each unit consists of one common share and one-half warrant for a total of 2,530,000 common shares and 1,265,000 warrants. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of $1.50 until March 13, 2020. These warrants have been recorded at a value of $578,851 based on the Black-Scholes option pricing model using the assumptions described below (Note 12 (c)).

On March 16, 2018, as per the mineral property purchase agreement of March 16, 2018 (Note 9), the Company issued 600,000 common shares at a fair value of $1.40 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 July 31, 2018, the Company issued 103,893 common shares for interests payable of $76,881 on convertible debentures. No commission was paid in connection with this transaction. The interests were payable as follows:

Convertible debentures (1)
47,297 common shares issued for interests of $35,000 payable on June 30, 2018
Convertible debentures (2)
41,216 common shares issued for interests of $30,500 payable on June 30, 2018
Convertible debentures (3)
15,380 common shares issued for interests of $11,381 payable on June 30, 2018

(in Canadian dollars)

12. Share capital and warrants (continued):

(c) Warrants:

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

		July 31 2019		July 31 2018
	Number of outstanding warrants	Weighted average exercise price	Number of outstanding warrants	Weighted average exercise price
		$		$
Outstanding at beginning	3,926,295	1.50	892,928	2.10
Granted	475,000	1.50	3,673,700	1.50
Expired	(314,678)	(1.50)	(640,333)	(2.30)
Outstanding at end	4,086,617	1.50	3,926,295	1.50

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

			Outstanding warrants
Expiry date	Number of outstanding warrants	Exercise price	Remaining life
		$	(years)
December 12, 2019	520,833	1.50	0.4
December 28, 2019	26,909	1.50	0.4
December 29, 2019	55,717	1.50	0.4
January 19, 2020	1,714,067	1.50	0.5
March 13, 2020	1,265,000	1.50	0.6
March 20, 2020	29,091	1.50	0.6
September 1, 2020	125,000	1.50	1.1
November 28, 2023	350,000	1.50	4.3
	4,086,617	1.50	0.9

(in Canadian dollars)

12. Share capital and warrants (continued):

(c) Warrants (continued):

2019:

On March 1, 2019, the Company issued 125,000 warrants to shareholders who subscribed to 250,000 units offering. Each warrant entitles the holder to subscribe to one common share at an exercise price of $1.50 per share until September 1, 2020. The value of the warrants was estimated at $21,132 at the grant date using the Black-Scholes option pricing model. The assumptions used for the calculation were:

Expected dividend yield	0.0%
Share price at grant date	$0.60
Expected volatility (1)	89.3%
Risk-free interest rate	1.78%
Expected life	1.5 years

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 granted 350,000 warrants. Each warrant entitles the holder to subscribe to one common share at an exercise price of $1.50 per share until November 28, 2023. The value of the warrants was estimated at $145,806 at the grant date using the Black-Scholes option pricing model. The assumptions used for the calculation were:

Expected dividend yield	0.0%
Share price at grant date	$0.65
Expected volatility (1)	101.43%
Risk-free interest rate	2,14%
Expected life	5.0 years

2018:

On October 16, 2017, the Company issued 60,083 warrants to shareholders who subscribed to 120,167 units offering. Each warrant entitles the holder to subscribe to one common share at an exercise price of $1.50 per share until April 16, 2019. The value of the warrants was estimated at $15,590 at the grant date using the Black-Scholes option pricing model. The assumptions used for the calculation were:

Expected dividend yield	0.0%
Share price at grant date	$0.70
Expected volatility (1)	131.23%
Risk-free interest rate	1.52%
Expected life	1.5 years

As part of the private placement financing on October 16, 2017, the Company issued 2,000 warrants to brokers. Each warrant entitles the holder to subscribe to one common share at an exercise price of $1.50 per share until April 16, 2019. The value of the warrants was estimated at $586 at the grant date using the Black-Scholes option pricing model. The assumptions used for the calculation were:

Expected dividend yield	0.0%
Share price at grant date	$0.70
Expected volatility (1)	131.23%
Risk-free interest rate	1.52%
Expected life	1.5 years

(in Canadian dollars)

12. Share capital and warrants (continued):

(c) Warrants (continued):

2018 (continued):

On December 12, 2017, the Company issued 520,833 warrants to shareholders who subscribed to 520,833 units offering. Each warrant entitles the holder to subscribe to one common share at an exercise price of $1.50 per share until December 12, 2019. The value of the warrants was estimated at $152,461 at the grant date using the Black-Scholes option pricing model. The assumptions used for the calculation were:

Expected dividend yield	0.0%
Share price at grant date	$0.85
Expected volatility (1)	152.86%
Risk-free interest rate	1.52%
Expected life	2.0 years

As part of the flow-through private placement financing on December 28, 2017, the Company issued 26,909 warrants to brokers. Each warrant entitles the holder to subscribe to one common share at an exercise price of $1.50 per share until December 28, 2019. The value of the warrants was estimated at $36,898 at the grant date using the Black-Scholes option pricing model. The assumptions used for the calculation were:

Expected dividend yield	0.0%
Share price at grant date	$1.80
Expected volatility (1)	157.27%
Risk-free interest rate	1.69%
Expected life	2.0 years

On December 29, 2017, the Company issued 35,000 warrants to shareholders who subscribed to 35,000 units offering. Each warrant entitles the holder to subscribe to one common share at an exercise price of $1.50 per share until December 29, 2019. The value of the warrants was estimated at $11,071 at the grant date using the Black-Scholes option pricing model. The assumptions used for the calculation were:

Expected dividend yield	0.0%
Share price at grant date	$1.75
Expected volatility (1)	147.19%
Risk-free interest rate	1.68%
Expected life	2.0 years

As part of the flow-through private placement financing on December 29, 2017, the Company issued 18,267 warrants to brokers. Each warrant entitles the holder to subscribe to one common share at an exercise price of $1.50 per share until December 29, 2019. The value of the warrants was estimated at $23,314 at the grant date using the Black-Scholes option pricing model. The assumptions used for the calculation were:

Expected dividend yield	0.0%
Share price at grant date	$1.75
Expected volatility (1)	147.19%
Risk-free interest rate	1.68%
Expected life	2.0 years

(in Canadian dollars)

12. Share capital and warrants (continued):

(c) Warrants (continued):

2018 (continued):

As part of the private placement financing on December 29, 2017, the Company issued 2,450 warrants to brokers. Each warrant entitles the holder to subscribe to one common share at an exercise price of $1.50 per share until December 29, 2019. The value of the warrants was estimated at $3,127 at the grant date using the Black-Scholes option pricing model. The assumptions used for the calculation were:

Expected dividend yield	0.0%
Share price at grant date	$1.75
Expected volatility (1)	147.19%
Risk-free interest rate	1.68%
Expected life	2.0 years

On January 19, 2018, the Company issued 1,700,667 warrants to shareholders who subscribed to 1,700,667 units offering. Each warrant entitles the holder to subscribe to one common share at an exercise price of $1.50 per share until January 19, 2020. The value of the warrants was estimated at $523,984 at the grant date using the Black-Scholes option pricing model. The assumptions used for the calculation were:

Expected dividend yield	0.0%
Share price at grant date	$1.40
Expected volatility (1)	147.23%
Risk-free interest rate	1.80%
Expected life	2.0 years

As part of the private placement financing on January 19, 2018, the Company issued 13,400 warrants to brokers. Each warrant entitles the holder to subscribe to one common share at an exercise price of $1.50 per share until January 19, 2020. The value of the warrants was estimated at $13,080 at the grant date using the Black-Scholes option pricing model. The assumptions used for the calculation were:

Expected dividend yield	0.0%
Share price at grant date	$1.40
Expected volatility (1)	147.23%
Risk-free interest rate	1.80%
Expected life	2.0 years

On March 13, 2018, the Company issued 1,265,000 warrants to shareholders who subscribed to 2,530,000 units offering. Each warrant entitles the holder to subscribe to one common share at an exercise price of $1.50 per share until March 13, 2020. The value of the warrants was estimated at $578,851 at the grant date using the Black-Scholes option pricing model. The assumptions used for the calculation were:

Expected dividend yield	0.0%
Share price at grant date	$1.05
Expected volatility (1)	132.46%
Risk-free interest rate	1.79%
Expected life	2.0 years

(in Canadian dollars)

12. Share capital and warrants (continued):

(c) Warrants (continued):

2018 (continued):

As part of the debentures financing on March 20, 2018 (Note 9), the Company issued 29,091 warrants to brokers. Each warrant entitles the holder to subscribe to one common share at an exercise price of $1.50 per share until March 20, 2020. The value of the warrants was estimated at $19,172 at the grant date using the Black-Scholes option pricing model. The assumptions used for the calculation were:

Expected dividend yield	0.0%
Share price at grant date	$1.10
Expected volatility [1]	131.77%
Risk-free interest rate	1.81%
Expected life	2.0 years

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

13. Share-based compensation:

(a) Share option plan:

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

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

The options issued during the years ended July 31, 2019 and 2018, were issued at a price higher or equal to the closing price the day before the grant.

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

		July 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	887,500	1.40	390,500	1.60
Granted	60,000	1.50	590,000	1.40
Expired	(270,000)	(1.50)	(93,000)	(2.40)
Outstanding at end	677,500	1.40	887,500	1.40
Exercisable at end	677,500	1.40	887,500	1.40

(in Canadian dollars)

13. Share-based compensation (continued):

(a) Share option plan (continued):

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

			Share options outstanding	
Expiry date	**Number of granted share options**	**Number of exercisable share options**	**Exercise price**	**Remaining life**
			$	**(years)**
February 25, 2020	35,000	35,000	1.00	0.57
June 12, 2020	10,000	10,000	1.70	0.87
February 26, 2021	57,500	57,500	1.00	1.58
February 21, 2022	40,000	40,000	1.05	2.56
October 3, 2022	20,000	20,000	0.75	3.18
February 5, 2023	60,000	60,000	1.40	3.52
June 27, 2023	395,000	395,000	1.50	3.91
November 5, 2023	60,000	60,000	1.50	4.27
	677,500	677,500	1.40	3.39

2019:

On November 5, 2018, the Company granted 60,000 share options to directors. The options are fully vested on the day of granting, in accordance with the share option plan. The options issued are exercisable at an exercise price of $1.50 per share and expire on November 5, 2023. The fair value of the options was estimated at $38,400 using the Black-Scholes option pricing model. The assumptions used for the calculation were:

Expected dividend yield	0.0%
Share price at grant date	$0.75
Expected volatility (1)	144,11%
Risk-free interest rate	2.43%
Expected life	5.0 years

2018:

On October 2, 2017, the Company granted 40,000 share options to directors. The options are fully vested on the day of granting, in accordance with the share option plan. The options issued are exercisable at an exercise price of $0.75 per share and expire on October 2, 2022. The fair value of the options was estimated at $18,520 using the Black-Scholes option pricing model. The assumptions used for the calculation were:

Expected dividend yield	0.0%
Share price at grant date	$0.60
Expected volatility (1)	111.37%
Risk-free interest rate	1.78%
Expected life	5.0 years

(in Canadian dollars)

13. Share-based compensation (continued):

(a) Share option plan (continued):

2018:

On February 5, 2018, the Company granted 125,000 share options to officers, directors and consultants. The options are fully vested on the day of granting, in accordance with the share option plan. The options issued are exercisable at an exercise price of $1.40 per share and expire on February 5, 2023. The fair value of the options was estimated at $128,125 using the Black-Scholes option pricing model. The assumptions used for the calculation were:

Expected dividend yield	0.0%
Share price at grant date	$1.30
Expected volatility (1)	110.99%
Risk-free interest rate	2.08%
Expected life	5.0 years

On June 27, 2018, the Company granted 425,000 share options to officers, directors and consultants. The options are fully vested on the day of granting, in accordance with the share option plan. The options issued are exercisable at an exercise price of $1.50 per share and expire on June 27, 2023. The fair value of the options was estimated at $580,712 using the Black-Scholes option pricing model. The assumptions used for the calculation were:

Expected dividend yield	0.0%
Share price at grant date	$1.10
Expected volatility (2)	165.45%
Risk-free interest rate	1.93%
Expected life	5.0 years

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

For the year ended July 31, 2019, the share-based compensation recognized in the statement of comprehensive loss is $38,400 ($580,712 for the year ended July 31, 2018).

14. Finance expense:

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

	July 31 2019	July 31 2018
	$	**$**
Bank charges	2,117	502
Fines and penalties	-	38
Interest on convertible debentures	314,106	277,457
Exchange loss	478	278
Finance expense	316,701	278,275

(in Canadian dollars)

15. Income taxes:

(a) Relationship between expected tax expense and accounting profit or loss:

The effective income tax rate of the Company differs from the combined federal and provincial income tax rate in Canada. This difference results from the following items:

	July 31 2019	July 31 2018
	$	$
Loss before income taxes	(4,157,984)	(1,785,029)
Expected tax recovery calculated using the combined federal and provincial income tax rate in Canada	26,66 %	26.74%
Expected income tax recovery	(1,108,473)	(477,346)
Difference between deferred and statutory tax rates	4,948	2,801
Share-based compensation	10,237	155,292
Changes in unrecorded temporary differences	926,137	114,857
Issuance of flow-through shares	164,427	58,559
Recovery of liabilities related to flow-through shares	-	(23,309)
Other non-deductible expenses	2,724	8,330
Deferred income tax recovery	-	(160,816)

(b) Composition of deferred income taxes expense (recovery) in the statement of comprehensive loss:

	July 31 2019	July 31 2018
	$	$
Inception and reversal of temporary differences	(1,095,512)	(313,724)
Difference between deferred and statutory tax rates	4,948	2,801
Issuance of flow-through shares	164,427	58,559
Changes in unrecorded temporary differences	926,137	114,857
Recovery of liabilities related to flow-through shares	-	(23,309)
Deferred income tax expense (recovery)	-	(160,816)

(in Canadian dollars)

15. Income taxes (continued):

(c) Movement in recognized deferred tax assets and liabilities during the year:

	July 31 2018	Recognized in profit or loss	July 31 2019
	$	$	$
Exploration and evaluation assets	(461,332)	430,428	(30,904)
Debentures	(196,916)	38,851	(158,065)
Non-capital losses	658,248	(469,279)	188,969
	-	-	-

	July 31 2017	Recognized in profit or loss	Recognized in equity	July 31 2018
	$	$	$	$
Exploration and evaluation assets	(94,833)	(366,499)	-	(461,332)
Debentures	(92,460)	33,051	(137,507)	(196,916)
Non-capital losses	187,293	470,955	-	658,248
	-	137,507	(137,507)	-
Recovery of liabilities related to flow-through shares	-	23,309	-	-
	-	160,816	-	-

(d) Unrecognized deductible temporary differences:

Unrecognized deductible differences for which the Company has not recognized a deferred tax asset are presented in the following tables. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilize benefits therefrom.

As at July 31, 2019, the Company has the following temporary differences for which no deferred tax asset has been recognized.

	Federal	Québec
	$	$
Balance of purchase price receivable	352,815	352,815
Unearned grants	70,044	70,044
Property and equipment	22,727	22,727
Share issuance costs	237,086	237,086
Non-capital losses carryforwards	6,531,489	6,495,469
	7,214,161	7,178,141

(in Canadian dollars)

15. Income taxes (continued):

(d) Unrecognized deductible temporary differences (continued):

As at July 31, 2018, the Company has the following temporary differences for which no deferred tax asset has been recognized.

	Federal	Québec
	$	$
Property and equipment	20,650	21,970
Share issuance costs	333,812	333,812
Non-capital losses carryforwards	3,740,762	3,704,550
	4,095,224	4,060,332

(e) Non-capital losses:

The non-capital losses for which no deferred tax asset has been recognized expire as follows:

	Federal	Québec
	$	$
2034	295,298	281,223
2035	629,606	624,354
2036	1,201,704	1,194,602
2037	1,077,035	1,072,144
2038	1,141,394	1,136,694
2039	2,186,453	2,186,453
	6,531,490	6,495,470

16. Supplemental cash flow information:

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

	July 31 2019	July 31 2018
	$	$
Non-cash financing activities:		
Convertible debentures issuance costs paid through the issuance of warrants	-	19,172
Share issuance costs in trade accounts payable and accrued liabilities	-	2,088
Non-cash investing activities:		
Exploration and evaluation assets in trade accounts payable and accrued liabilities	3,955	537,011
Issuance of shares in counterpart of acquisition of mining properties	705,750	-
Fair value of warrants granted in counterpart of acquisition of mining properties	145,806	-

(in Canadian dollars)

17. 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 2019	July 31 2018
	$	$
Management and consulting fees	741,831	549,352
Share-based compensation	38,400	544,910
	780,231	1,094,262

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 $387,502 in 2020 and $130,002 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, 2019, trade accounts payable and accrued liabilities include $25,542 ($124,883 as at July 31, 2018) payable to key management personnel.

The Company is party to certain management contracts. Minimum commitments under these contracts are approximately $480,000. These contracts require that additional minimum payments of approximately $700,000 be made upon the occurrence of certain events such as a change of control. As a triggering event has not taken place, the contingent payments have not been reflected in these financial statements.

18. Financial assets and liabilities:

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

		July 31 2019		July 31 2018
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets	$	$	$	$
Financial assets measured at amortized cost				
Cash	435,823	435,823	3,494,947	3,494,947
Accounts receivable [(1)]	23,234	23,234	12,814	12,814
Balance of purchase price receivable	1,373,951	1,373,951	-	-
	1,833,008	1,833,008	3,507,761	3,507,761
Financial liabilities				
Financial liabilities measured at amortized cost				
Trade accounts payable and accrued liabilities	427,941	427,941	760,211	760,211
Convertible debentures	1,078,529	1,105,646	966,923	966,923
	1,533,587	1,533,587	1,727,134	1,727,134

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

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

(in Canadian dollars)

18. Financial assets and liabilities (continued):

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

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

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement. The convertible debentures were classified under level 2 in 2019 (level 2 in 2018).

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

19. Capital management policies and procedures:

The Company's capital management objectives are:

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

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

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

The Company is not exposed to any externally imposed capital requirements except when the Company issues flow-through shares for which the amount should be used for exploration work. On December 28, 2017 and December 29, 2017, the Company completed flow-through private placements of $370,000 and $313,520. As at July 31, 2019, the Company incurred $683,520 in eligible exploration and evaluation expenditures and consequently, the Company had incurred the full amount required to be spent 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 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.

	July 31 2019	July 31 2018
	$	$
Convertible debentures	1,078,529	966,923
Equity	3,310,185	6,164,204
	4,388,714	7,131,127

(in Canadian dollars)

20. Financial Instrument Risks:

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

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

(a) Credit risk:

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

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

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

The Company's credit risk is primarily attributable to cash and balance of purchase price receivable. Credit risk of cash is considered negligible, since the counterparty is a reputable bank with excellent external credit rating.

The credit risk associated with the balance of purchase price arises from the possibility that the buyer may not be able to pay its debts. This receivable results from the sale of Langis properties and is guaranteed by the properties.

(b) Liquidity risk:

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

Liquidity risk management serves to maintain a sufficient amount of cash and to ensure that the Company has financing sources such as private and public investments for a sufficient amount (see Note 2).

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 2019 and 2018).

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

				July 31 2019
	Less than 1 year	1-5 years	More than 5 years	Total
	$	$	$	$
Trade accounts payable and accrued liabilities	427,941	-	-	427,941
Convertible debentures (1)	66,500	831,250	-	897,750
Convertible debentures (2)	61,000	640,500	-	701,500
Convertible debentures (3)	40,000	500,000	-	540,000
	595,441	1,971,750	-	2,567,191

21. Subsequent events:

Share Consolidation:

On September 4, 2019, the shareholders approved the consolidation of its common shares on the basis of one new common share for up to ten common shares outstanding. The Company will proceed on the basis of one new share for every ten existing share and expect the consolidation to be effective on or about September 16, 2019. Post consolidation, the Company will have 13,229,106 new shares outstanding.

FeTiV Minerals Inc. Option Agreement:

On November 15, 2019, the Company has advised FeTiV that it has elected to terminate its option agreement (as described in note 9 f)), effective immediately. Under the terms of the option agreement, the Company had the right to acquire FeTiV's 80% interest in the mining properties under certain conditions. The Company retains 20% in the mining properties under the agreement.