



CANADIAN METALS INC.

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS AS AT OCTOBER 31, 2019

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

CANADIAN METALS INC.

Condensed Interim Statements of Financial Position

As at October 31, 2019 and 2018

(in Canadian dollars)

	Note	October 31 2019	July 31 2019
		\$	\$
Assets			
Current assets:			
Cash		212,479	435,823
Accounts receivable		164,269	90,467
Prepaid expenses		14,439	67,645
Current portion of balance of purchase price receivable		79,970	122,963
Total current assets		471,157	716,898
Non-current assets:			
Property and equipment		1,461	1,679
Mining properties	7	2,394,036	2,364,659
Exploration and evaluation assets	8	588,779	552,475
Balance of purchase price receivable	9	1,250,988	1,250,988
Total non-current assets		4,235,264	4,169,801
Total assets		4,706,421	4,886,699
Liabilities and Equity			
Current liabilities:			
Trade accounts payable and accrued liabilities		565,037	427,941
Unearned grants		70,044	70,044
Total current liabilities		635,081	497,985
Non-current liabilities:			
Convertible debentures	10	1,163,428	1,078,529
Total non-current liabilities		1,163,428	1,078,529
Total liabilities		1,798,509	1,576,514
Equity:			
Share capital	11	9,183,479	9,183,479
Warrants	11	1,528,896	1,528,896
Share options	11	396,867	636,332
Equity component of the convertible debentures	10	562,455	562,455
Contributed surplus		1,940,845	1,701,380
Deficit		(10,704,630)	(10,302,357)
Total equity		2,907,912	3,310,185
Total liabilities and equity		4,706,421	4,886,699

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 December 17, 2019.

(S) Patsie Ducharme
VP Finance and Chief Financial Officer

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

CANADIAN METALS INC.

Condensed Interim Statements of Comprehensive Loss

Three-month periods ended October 31, 2019 and 2018

(in Canadian dollars)

		Three-month period ended	
	Note	October 31 2019	October 31 2018
		\$	\$
General and administrative expenses:			
Management and consulting fees	13	136,514	189,421
Professional fees		69,500	88,964
Investor's relations		52,476	-
Travel, promotion and events		25,648	45,517
Registration, listing fees and shareholders information		17,117	13,707
Insurance and office expenses		17,034	16,350
Depreciation of property and equipment		218	110
General exploration expenses		-	442,000
Development costs		-	6,557
Loss from operating activities		318,507	802,626
Finance income		(1,330)	(615)
Finance expense		85,096	78,573
Total net finance expense		83,766	77,958
Loss before income taxes		402,273	880,584
Deferred income tax recovery		-	-
Net loss and comprehensive loss		402,273	880,584
Weighted average number of common shares outstanding		13,229,106	11,551,487
Basic and diluted loss per share		0.03	0.08

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

CANADIAN METALS INC.

Condensed Interim Statements of Changes in Equity

Three-month periods ended October 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, 2019		13,229,106	9,183,479	1,528,896	636,332	562,455	1,701,380	(10,302,357)	3,310,185
Share options expired	11	-	-	-	(239,465)	-	239,465	-	-
Net loss and comprehensive loss for the period		-	-	-	-	-	-	(402,273)	(402,273)
Balance as at October 31, 2019		13,229,106	9,183,479	1,528,896	396,867	562,455	1,940,845	(10,704,630)	2,907,912

	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:									
As payment of mining properties		100,000	90,000	-	-	-	-	-	90,000
Share issuance costs		-	(966)	-	-	-	-	-	(966)
Warrants expired		-	-	(152,000)	-	-	152,000	-	-
Share options expired		-	-	-	(103,855)	-	103,855	-	-
Net loss and comprehensive loss for the period		-	-	-	-	-	-	(880,584)	(880,584)
Balance as at October 31, 2018		11,561,270	8,173,886	1,380,105	797,730	562,455	1,483,435	(7,024,957)	5,372,654

(1) Adjusted to reflect the September 16, 2019, 10-to-1 share consolidation (Note 12)

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

CANADIAN METALS INC.

Condensed Interim Statements of Cash Flows

Three-month periods ended October 31, 2019 and 2018

(in Canadian dollars)

	Three-month period ended	
	October 31	October 31
	2019	2018
	\$	\$
Operating activities:		
Net loss	(402,273)	(880,584)
Adjustments for:		
Depreciation of property and equipment	218	110
Effective interest costs on convertible debentures	84,899	77,422
Effective interest income on balance of purchase price receivable	(1,330)	-
Operating activities before changes in working capital items	(318,486)	(803,052)
Change in accounts receivable	(73,802)	42,525
Change in prepaid expenses	53,206	6,312
Change in trade accounts payable and accrued liabilities	137,096	(417,004)
Change in current portion of convertible debentures	-	(35,000)
	116,500	(403,167)
Cash flows used for operating activities	(201,986)	(1,206,219)
Financing activities:		
Share issuance costs	-	(966)
Cash flows used for financing activities	-	(966)
Investing activities:		
Proceeds from balance of purchase price receivable	44,323	-
Government grant applied against exploration and evaluation assets	-	118,000
Acquisition of mining properties	(29,377)	(1,460)
Additions to exploration and evaluation assets	(36,304)	(140,903)
Cash flows used for investing activities	(21,358)	(24,363)
Net change in cash	(223,344)	(1,231,548)
Cash, beginning of period	435,823	3,494,947
Cash, end of period	212,479	2,263,399

Additional disclosures of cash flows information (Note 12).

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

CANADIAN METALS INC.

Notes to Condensed Interim Financial Statements (continued)

Three-month periods ended October 31, 2019 and 2018

(in Canadian dollars)

1. Statutes of incorporation and nature of activities:

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

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

The Company specializes in the acquisition, exploration, evaluation and development 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 in the province of Quebec; and the exploration and development of iron and base metal properties, located in the province of Quebec and New Brunswick.

1. Going concern assumption:

The accompanying condensed interim financial statements have been prepared on the basis of a going concern assumption meaning the Company will be able to realize its assets and discharge its liabilities in the normal course of business. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, 12 months from the end of the reporting period.

Management is aware, in making its assessment, of material uncertainties related to events and conditions that may cast a significant doubt on the Company's ability to continue as a going concern and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities, expenses and financial position classifications that would be necessary if the going concern assumption was not appropriate. These adjustments could be material.

For the three-month period ended October 31, 2019, the Company recorded a net loss of \$402,273 (\$880,584 in 2018) and has an accumulated deficit of \$10,704,630 as at October 31, 2019 (\$10,302,357 as at July 31, 2019). 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 October 31, 2019, the Company had a working capital deficiency of \$163,924 (working capital of \$218,913 as at July 31, 2019) and cash of \$212,479 (\$435,823 as at July 31, 2019). 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.

2. Basis of preparation:

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*. The unaudited condensed interim financial statements should be read in conjunction with the Company's audited annual financial statements for the year ended July 31, 2019, which have been prepared in accordance with IFRS as issued by the IASB.

The condensed interim financial statements must be read in conjunction with the most recent annual financial statements and the accompanying notes as at July 31, 2019 and for the period then ended.

The condensed interim financial statements for the reporting period ended October 31, 2019 (including comparatives) were approved and authorized for issue by the Board of Directors on December 17, 2019.

CANADIAN METALS INC.

Notes to Condensed Interim Financial Statements (continued)

Three-month periods ended October 31, 2019 and 2018

(in Canadian dollars)

3. Basis of preparation (Continued):

3.1 Basis of measurement:

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

3.2 Functional and presentation currency:

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

4. Changes in significant accounting policies:

These condensed interim financial statements were prepared in accordance with standard IAS 34 – Interim Financial Reporting and do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). They, however, include specific complimentary notes in order to provide information necessary to assess the financial situation of the Company at period end since its last annual financial statements dated July 31, 2019.

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

IFRS 16 - Leases

In January 2016, the IASB published IFRS 16 which replaces IAS 17 Leases. IFRS 16 eliminates the classification as an operating lease and requires lessees to recognize a right-of-use asset and a lease liability in the statements of financial position for all leases with exemptions permitted for short-term leases and leases of low value assets. In addition, IFRS 16 changes the definition of a lease; sets requirements on how to account for the asset and liability, including complexities such as non-lease elements, variable lease payments and options periods; changes the accounting for sale and leaseback arrangements; largely retains IAS 17's approach to lessor accounting and introduces new disclosure requirements. The Company adopted IFRS 16 on January 1, 2019. There was no material impact from its adoption.

These condensed interim financial statements have been prepared following the same accounting policies used in the audited financial statements for the year ended July 31, 2019.

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

In preparing these condensed interim financial statements, management has made judgments and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements, except for new significant judgments and key sources of estimation uncertainty related to the application of IFRS 16, which are described above.

6. Accounts receivable:

	October 31 2019	July 31 2019
	\$	\$
Sales tax receivable	119,946	67,233
Accounts receivable	44,323	23,234
	164,269	90,467

CANADIAN METALS INC.

Notes to Condensed Interim Financial Statements (continued)

Three-month periods ended October 31, 2019 and 2018

(in Canadian dollars)

7. Mining properties:

Mining properties can be detailed as follows:

	Interest	July 31 2019	Acquisition	October 31 2019
	%	\$	\$	\$
Québec:				
Lac La Chesnaye ^(a)	100	428,153	-	428,153
Langis East ^(b)	100	90,000	-	90,000
Baie Trinité ^(d)	20	1,892	261	2,153
Silicate Brutus ^(d)	20	2,545	23,680	26,225
La Robot ^(d)	20	2,414	-	2,414
Seignelay ^(d)	20	5,285	5,436	10,721
New Brunswick				
Blackshale ^(c)	100	839,206	-	839,206
Mountain Brook ^(c)	100	714,490	-	714,490
TV Tower ^(c)	100	272,424	-	272,424
Frenette ^(e)	100	8,250	-	8,250
		2,364,659	29,377	2,394,036

a) 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.

b) 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.

c) 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.

CANADIAN METALS INC.

Notes to Condensed Interim Financial Statements (continued)

Three-month periods ended October 31, 2019 and 2018

(in Canadian dollars)

7. Mining properties (Continued):

c) TV Tower Property, Mountain Brook Property and Blackshale Property (zinc) (Continued):

To earn its 100% interest, the Company made \$400,000 cash payments, issued 1,600,000 common shares and incurred \$300,000 in exploration expenses.

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.

d) 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.

e) 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.

8. Exploration and evaluation assets:

Exploration and evaluation assets by properties are detailed as follows:

	July 31 2019	Exploration costs	October 31 2019
	\$	\$	\$
Québec			
Lac La Chesnaye	107,073	-	107,073
Silicate Brutus	300	17,360	17,660
Mouchalagane	300	15,271	15,571
New Brunswick			
Blackshale	44,987	-	44,987
Mountain Brook	21,862	-	21,862
TV Tower	373,576	-	373,576
Frenette	4,377	3,673	8,050
	552,475	36,304	588,779

CANADIAN METALS INC.

Notes to Condensed Interim Financial Statements (continued)

Three-month periods ended October 31, 2019 and 2018

(in Canadian dollars)

8. Exploration and evaluation assets (Continued):

Exploration and evaluation assets by nature are detailed as follows:

	October 31 2019	July 31 2019
	\$	\$
Exploration and evaluation costs:		
Geology	25,346	49,954
Surveys	5,425	-
Maintenance and field supplies	3,726	10,292
Travel and entertainment	1,807	3,679
Technical reports	-	80,750
Sampling	-	63,199
Drilling	-	41,880
Assays	-	17,364
Excavator	-	2,200
Taxes and permits	-	2,131
Transportation	-	1,869
Consultant	-	1,239
	36,304	274,557
Other items:		
Grants	-	(128,000)
Other revenue	-	(39,058)
Impairment	-	(494,919)
Proceeds from disposal of exploration and evaluation assets	-	(1,577,726)
	-	(2,239,703)
Balance at the beginning	552,475	2,517,621
Balance at the end	588,779	552,475

9. Balance of purchase price receivable

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	1,373,951
Effective interest income	1,330
Reimbursement	(44,323)
Balance as at October 31, 2019	1,330,958
Current portion	79,970
Non-current portion	1,250,988

CANADIAN METALS INC.

Notes to Condensed Interim Financial Statements (continued)

Three-month periods ended October 31, 2019 and 2018

(in Canadian dollars)

10. Convertible debentures:

	October 31 2019	July 31 2019
	\$	\$
Convertible debentures (1)		
Convertible debentures bearing interest at 10% payable semi-annually and maturing in December 2022. ^(a)	426,158	397,166
Convertible debentures (2)		
Convertible debentures bearing interest at 10% payable semi-annually and maturing in December 2020. ^(b)	499,257	461,691
Convertible debentures (3)		
Convertible debentures bearing interest at 10% payable semi-annually and maturing in December 2022.	238,013	219,672
Non-current portion of convertible debentures	1,163,428	1,078,529

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

	October 31 2019	July 31 2019
	\$	\$
Balance at the beginning	1,078,529	966,923
Cash-flows		
Reimbursement	-	(35,000)
Non-Cash:		
Effective interest costs on convertible debentures	84,899	146,606
Balance end of year	1,163,428	1,078,529

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.

CANADIAN METALS INC.

Notes to Condensed Interim Financial Statements (continued)

Three-month periods ended October 31, 2019 and 2018

(in Canadian dollars)

10. Convertible debentures (Continued):

Convertible debentures (1) (Continued):

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.

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.

CANADIAN METALS INC.

Notes to Condensed Interim Financial Statements (continued)

Three-month periods ended October 31, 2019 and 2018

(in Canadian dollars)

11. Share capital, warrants and options:

(a) Share capital:

2019:

On September 16, 2019, the Company consolidated its common shares on a ten (10) for one (1) basis with the record date of September 17, 2019. Post consolidation the Company has 13,229,106 new shares outstanding.

(b) Warrants:

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

	October 31 2019		July 31 2019	
	Number of outstanding warrants	Weighted average exercise price	Number of outstanding warrants	Weighted average exercise price
		\$		\$
Outstanding at beginning	4,086,617	1.50	3,926,295	1.50
Granted	-	-	475,000	1.50
Expired	-	-	(314,678)	(1.50)
Outstanding at end	4,086,617	1.50	4,086,617	1.50

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

Expiry date	Outstanding warrants		
	Number of outstanding warrants	Exercise price \$	Remaining life (years)
December 12, 2019	520,833	1.50	0.1
December 28, 2019	26,909	1.50	0.2
December 29, 2019	55,717	1.50	0.2
January 19, 2020	1,714,067	1.50	0.2
March 13, 2020	1,265,000	1.50	0.4
March 20, 2020	29,091	1.50	0.4
September 1, 2020	125,000	1.50	1.8
November 28, 2023	350,000	1.50	4.1
	4,086,617	1.50	0.6

CANADIAN METALS INC.

Notes to Condensed Interim Financial Statements (continued)

Three-month periods ended October 31, 2019 and 2018

(in Canadian dollars)

11. Share capital, warrants and options (Continued):

(c) Share option plan:

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

	October 31 2019		July 31 2019	
	Number of outstanding share options	Weighted average exercise price	Number of outstanding share options	Weighted average exercise price
		\$		\$
Outstanding at beginning	677,500	1.40	887,500	1.40
Granted	-	-	60,000	1.50
Forfeited	(240,000)	1.42	(270,000)	(1.50)
Outstanding at end	437,500	1.35	677,500	1.40
Exercisable at end	437,500	1.35	677,500	1.40

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

Expiry date	Number of granted share options	Number of exercisable share options	Share options outstanding	
			Exercise price	Remaining life
			\$	(years)
February 25, 2020	35,000	35,000	1.00	0.32
February 26, 2021	57,500	57,500	1.00	1.33
October 3, 2022	20,000	20,000	0.75	2.92
February 5, 2023	35,000	35,000	1.40	3.27
June 27, 2023	230,000	230,000	1.50	3.66
November 5, 2023	60,000	60,000	1.50	4.01
	437,500	437,500	1.35	3.07

12. Supplemental cash flow information:

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

	Three-month period ended	
	October 31 2019	October 31 2018
	\$	\$
Non-cash financing activities:		
Acquisition of mining properties through issuance of shares	-	90,000
Non-cash investing activities:		
Exploration and evaluation assets in trade accounts payable and accrued liabilities	-	210,948

CANADIAN METALS INC.

Notes to Condensed Interim Financial Statements (continued)

Three-month periods ended October 31, 2019 and 2018

(in Canadian dollars)

13. Related party transactions:

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

	Three-month period ended	
	October 31 2019	October 31 2018
Management and consulting fees	\$ 133,500	\$ 181,749
	133,500	181,749

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

As at October 31, 2019, trade accounts payable and accrued liabilities include \$36,410 (\$25,542 as at July 31, 2019) payable to key management personnel.

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

Unless otherwise stated, none of the transactions incorporated special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

14. Subsequent events:

FeTiV Minerals Inc. Option Agreement:

On November 15, 2019, the Company has advised FeTiV that it has elected to terminate its option agreement 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 previously acquired in November 2018.