CANADIAN METALS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Three-month period ended

October 31, 2019

(First Quarter)

This management discussion and analysis (”MD&A”) of Canadian Metals Inc., (“Canadian Metals” or “CME” or the “Company”) provides information that management believes is relevant to the assessment and understanding of the Company’s results of operation and financial condition for the three-month period ended October 31, 2019.

This MD&A complements the condensed interim unaudited financial statements for the three-month period ended October 31, 2019 which were prepared in accordance with the 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.* This MD&A should be read in conjunction with the Company’s audited financial statements and corresponding notes for the year ended July 31, 2019 and related MD&A. This MD&A is prepared as at December 17, 2019.

The unaudited condensed interim financial statements and this MD&A have been reviewed by the Audit Committee and approved by the Board of Directors on December 17, 2019.

All figures are in Canadian dollars unless otherwise stated. Additional information relating to the Company can be found on SEDAR at www.sedar.com.

The shares of Canadian Metals are listed on the Canadian Securities Exchange (“CSE”) under the symbol "CME".

CAUTION REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains forward-looking statements that are based on the Company’s expectations, estimates and projections regarding its business, the mining industry in general and the economic environment in which it operates as of the date of the MD&A. To the extent that any statements in this document contain information that is not historical, the statements are essentially forward-looking and are often identified by words such as "anticipate", "expect", "estimate", "intend", "project", "plan" and "believe". In the interest of providing shareholders and potential investors with information regarding Canadian Metals, including management’s assessment of future plans and operations, certain statements in this MD&A are forward-looking and are subject to the risks, uncertainties and other important factors that could cause the Company’s actual performance to differ materially from that expressed in or implied by such statements. Such factors include, but are not limited to: volatility and sensitivity to market metal prices, impact of change in foreign currency exchange rates and interest rates, imprecision in reserve estimates, environmental risks including increased regulatory burdens, unexpected geological conditions, adverse mining conditions, changes in government regulations and policies, including laws and policies; and failure to obtain necessary permits and approvals from government authorities, and other development and operating risks. The preliminary assessments contained in the Technical Report referred to in this MD&A, and the estimates contained therein to date are preliminary in nature and are based on a number of assumptions, any one of which, if incorrect, could materially change the projected outcome.

Although the Company believes that the expectations conveyed by the forward-looking statements are based upon information available on the date that such statements were made, there can be no assurance that such expectations will prove to be correct. The reader is cautioned not to rely on these forward-looking statements. The Company disclaims any obligation to update these forward-looking statements unless required to do so by applicable Securities laws. All subsequent forward-looking statements, whether written or orally attributable to the Company or persons acting on its behalf, are expressly qualified in their entirety by these cautionary statements.

NATURE OF ACTIVITIES:

Canadian Metals, incorporated on August 17, 2012 under the *Québec Business Corporations Act,* 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.

BUSINESS DEVELOPMENT HIGHLIGHTS – INCLUDING SUBSEQUENT EVENTS:

- **Board of Directors - Management:**

  On September 23, 2019, Canadian Metals Inc. announced the appointment of Louis Dionne as Director of the Board, effective immediately.

  On November 15, 2019 the Company announced the resignation of Stephane Leblanc and Louis Dionne as Directors of the Board, effective immediately. Stephane Leblanc will continue his involvement with the Company as Vice-President Development.

  On December 2, 2019 Gerald Panneton, Chairman and CEO resigned effective immediately. Michel G. Gagnon will assume the role on an interim basis. Patsie Ducharme, CFO and Corporate Secretary, also gave her resignation effective December 31, 2019.

- **Share Consolidation:**

  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.

- **Baie-Comeau Project Update:**

  On September 19, 2019, the Company announced the completion of its review of the industrial feasibility study for its Baie-Comeau silicon project.

  The capital expenditure was initially estimated to be in a range of $150 to $200 million. The study concluded on a capital requirement of $380 million. After a high-level optimization exercise, approximately $130 million was identified in potential capital savings. It is also expected that a more detailed review could generate additional savings. In summary, the financial analysis for a production volume of 22,000 mt per year reveals that the project cannot support a capital expenditure above $200 million.

  The Company has identified several options to pursue the study. In order to execute such path forward, it needs to raise additional capital. While current silicon market conditions are unfavorable, the longer-term outlook is still very positive and showing growth in the sector.

- **FeTiV Minerals Inc. Option Agreement:**

  On November 15, 2019, the Company elected to terminate its option agreement with FeTiV Minerals inc., 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.

MINING PROPERTIES – DESCRIPTION:

The Langis East Property (acquired from Osisko Metals Incorporated on August 1, 2018):

The Colline Tortue Property consists of 10 designated claims (CDCs) covering a total area of 569.08 hectares located in the Matapedia region of the Gaspe peninsula of Quebec.

The property is located 2.5 kilometres west of the Langis Property owned by the Company.

Historical work done on the Colline Tortue Property consists of mapping sampling and diamond drilling. The historical diamond drilling was conducted by Uniquartz Inc. in 1983. The quartzite of the Val Brillant formation was intercepted with thickness of over 80 metres and remains open at depth and along strike. According to historical documents from Uniquartz and MERN (Ministry of Energy and Natural Resource of Quebec) data, the Val Brillant formation is subhorizontal, dipping up to 13 degrees. It appears as a large band approximately 450 metres wide and has a minimum strike length of 1,700 metres; with potential length of 3,300 metres within the property's boundaries.

The La Chesnaye Lake Silica Property:

The La Chesnaye Lake Silica Property is located 11km north of Baie-Comeau, in the province of Québec, Canada. The property covers a total area of 448 ha and comprises of 10 claims that are in the process of being granted and one claim that was previously acquired from SiO2 Canada Ltd. These claims are 100% held by the Company.

An exploration campaign consisting of 15 diamond drill holes (565 m) and 4 trenches was conducted by North Shore Paper Co. between 1952 and 1957. Ressources Vogues Inc. conducted another exploration campaign in 1994 and obtained an average grade of 99.18% SiO2 for the property's silica. NI 43-101 non-compliant reserves of 3.5 Mt were published in the 20/10/1985 edition of the Northern Miner Magazine (GM #54172).

The historical drilling presents a zone of interest of 300 meters long by 60m by width by 30m depth. The quartzite is within a paragneiss in the geological province of Greenville of the Paleoproterozoic era and mapped as part of the de Bourdon complex. The quartzite grain size varies from medium to coarse and show colorless material with glass look and conchoidal fractures. In some places micas and hematite are observed. The silica deposit is oriented Nord 45.

The Brunswick Black Shale Property:

The Brunswick Black Shale Property is composed of a total of 166 claim units covering approximately 5,479 hectares and is located 10 km west of the Brunswick No. 12. Property geology is composed of Ordovician sediments intruded by Silurian/Devonian gabbroic and diabase dikes. The property is situated on one of the largest gravity anomalies of the Bathurst mining camp and several conductivity anomalies. New Brunswick regional stream sediment sampling has identified anomalous zinc, manganese, nickel and cobalt values.

Mineralization highlights for the Brunswick Black Shale Property include a quartz carbonate zone with assay results up to 15 grams per tonne Au coincident with a prominent magnetic anomaly. Noranda reported float containing 12,600 parts per million Zn and 2,320 ppm lead in the vicinity of a conductor. A local prospector later reported a brecciated boulder containing 4.1 g/t Au.

The TV Tower Property:

The TV Tower Property is composed of a total of 53 claim units covering approximately 1,157 hectares. The TV Tower Property hosts a Zn-Cu-Au massive sulphide lens. A new target for mineral exploration, located only 14 km south of the Trevali Caribou mines. The geological unit comprises dacitic to rhyolitic quartz-feldspar crystal tuff, dark grey iron formation and massive sulphides of the Tetagouche group.

MINING PROPERTIES – DESCRIPTION (CONTINUED):

The Mountain Brook Property:
The Mountain Brook Property is composed of a total of 139 claim units covering approximately 4,233 hectares. The Mountain Brook Property is located only seven km south of the Heath Steele mines. The geological unit comprises quartz-feldspar crystal tuff and mafic volcanic rocks of the Tetagouche group. Zn, Pb, Cu and Ag mineralization is disseminated along the contact of the mafic rock and felsic rock and it is closely associated with rich magnetite and siderite mineralization. New Brunswick provincial geologist R.R Irrinki, in 1986, estimated that the mineralization may have a strike length of 4,000 metres. Mountain Brook's best drill intersects include results up to 4.6 per cent Zn, 4.9 per cent Pb and 13.37 g/t Ag.

The Iron Ore Properties – 20% direct interest:

The Company owns 20% of five iron ore properties located in Québec: Mouchalagane, Silicate Lake, Seignelay, Baie-Trinité and Lac Robot. Three of five properties have been drilled in the past and have a combined conceptual estimated resource of 2,430 – 3,940 Mt at an average grade of approximately 30% (Table 1). The other two Iron Projects are new discoveries with no resources.

Table 1

Iron Project	Conceptual Estimate* (Mt)
Mouchalagane	1315 - 2,440
Silicates Lake	400 - 500
Seignelay	715 - 1,000
Total	**2,430 - 3,940**

**Conceptual estimates, as defined by the National Instrument 43-101 Standards of Disclosure for Mineral Projects, are intended to demonstrate the potential tonnage and grade, expressed as ranges, of mineralized iron formations underlying the Iron Projects.*

The Mouchalagane Property incorporates 98 claims covering a total of 52.17 km2 that are locally underlain by iron formation horizons of the Sokoman Formation. The Property is located in the northwestern part of the Gagnon Terrane in the southern part of the Labrador Trough and comprises the South Mountain Block (29 claims), Crazy Lake Block (47 claims), and the South Parr Block (22 claims).

The Silicates Lake Property comprises 173 claims covering 91.85 km2 in the south-central part of the Gagnon Terrane. The western part of the Property is transected by the Trans-Québec Labrador Road (Highway 389). The Silicates Lake Property is underlain by approximately 40 km (aggregate strike length) of narrow, sinuous synforms of iron formation horizons that host several deposits with historic resources.

The Seignelay Property comprises five separate but localized blocks of claims (112 claims in total, covering 59.14 km2) in the northwestern part of the Gagnon Terrane. The claims cover parts of a 25 km, northeast-southwest stretch of ground underlain by narrow, poly-deformed synforms of iron formation that host seven (7) occurrences with historic estimated resources.

Qualified Person

John Langton, P.Geo., a Qualified Person as defined under NI 43-101, has reviewed and approved the scientific and technical content of the Iron Ore Properties summary.

EXPLORATION HIGHLIGHTS:

- No material exploration activities were conducted during the first quarter ended October 31, 2019 and subsequently up to the date of this MD&A – December 17, 2019.

EXPLORATION ACTIVITIES:

QUEBEC AND NEW BRUNSWICK

Exploration activities for the three-month period ended October 31, 2019

During the three-month period ended October 31, 2019, the Company invested $36,304 in exploration and evaluation assets ($22,903 in exploration and evaluation assets, net of grants of $118,000 for the three-month period ended October 31, 2018).

Exploration and evalution assets For the three-month period ended October 31, 2019	Quebec			New Brunswick				
	Lac La Chesnaye	Silicat Brutus	Mouchalagane	Blackshale	Mountain Brook	TV Tower	Frenette	Total
Exploration and evaluation costs:	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Geology	-	13,738	11,608	-	-	-	-	25,346
Surveys	-	2,713	2,712	-	-	-	-	5,425
Maintenance and field supplies	-	6	47	-	-	-	3,673	3,726
Travel and entertainment	-	903	904	-	-	-	-	1,807
	-	17,360	15,271	-	-	-	3,673	36,304
Balance at the beginning	107,073	300	300	44,987	21,862	373,576	4,377	552,475
Balance at the end	107,073	17,660	15,571	44,987	21,862	373,576	8,050	588,779

EXPLORATION ACTIVITIES:

QUEBEC AND NEW BRUNSWICK

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

Exploration and evalution assets
For the three-month period ended October 31, 2018

	Quebec		New Brunswick			
	Langis	Lac La Chesnaye	Blackshale	Mountain Brook	TV Tower	Total
	$	$	$	$	$	$
Exploration and evaluation costs:						
Sampling	-	-	-	-	56,658	56,658
Feasibility study	32,235	-	-	-	-	32,235
Technical reports	122	20,869	-	-	-	20,991
Geology	3,160	2,455	-	-	9,560	15,175
Maintenance and field supplies	1,745	1,000	540	540	663	4,488
Travel and entertainment	-	-	-	-	2,529	2,529
Excavator	-	-	-	-	2,201	2,201
Transportation	-	-	-	-	1,869	1,869
Lodging	-	-	-	-	1,151	1,151
Consultant	-	-	-	-	1,239	1,239
Taxes and permits	234	-	-	-	772	1,006
Assays	-	-	-	-	706	706
Drilling	-	-	-	-	655	655
	37,496	24,324	540	540	78,003	140,903
Other items:						
Grants	(100,000)	-	-	-	(18,000)	(118,000)
Balance at the beginning	2,081,808	62,722	41,007	31,222	300,862	2,517,621
Balance at the end	2,019,304	87,046	41,547	31,762	360,865	2,540,524

SELECTED QUARTERLY FINANCIAL INFORMATION:

Canadian Metals anticipates that the quarterly and annual results of operations will primarily be impacted for the near future by several factors, including the timing and efforts of the exploration's expenditures and efforts related to the development of the Company. Due to these fluctuations, the Company believes that the quarter to quarter and the year-to-year comparisons of the operating results may not be a good indication of its future performance.

The following selected quarterly financial information is derived from our unaudited condensed interim financial statements for each of the two most recently completed financial years.

	2020				2019			2018
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
	$	$	$	$	$	$	$	$
STATEMENTS OF COMPREHENSIVE LOSS								
Operating expenses	318,507	152,841	1,395,288	936,760	802,626	842,060	300,681	193,398
Net finance expenses	83,766	57,836	76,157	77,988	77,958	79,244	70,242	66,120
Deferred income tax recovery	-	-	-	-	-	(137,507)	-	(11,975)
Net loss	402,273	458,868	1,803,784	1,014,748	880,584	783,797	370,923	247,543
Loss per share Basic and diluted	0.03	0.04	0.14	0.09	0.08	0.07	0.04	0.04
MINING PROPERTIES AND EXPLORATION AND EVALUATION ASSETS								
Acquisition of mining properties	29,377	15,217	215,321	751,710	91,460	1,064	1,042,008	475,000
Acquisition of exploration and evaluation assets	36,304	48,916	14,494	70,244	140,903	931,690	714,719	133,820
STATEMENTS OF CASH FLOWS								
Cash flows used for operation activities	(201,986)	(458,957)	(537,781)	(1,259,959)	(1,206,219)	(328,405)	(227,483)	(228,725)
Cash flows provided from (used for) financing activities	-	-	247,559	(84)	(966)	(103)	2,782,872	2,288,629
Cash flows provided from (used for) investing activities	(21,358)	474,876	(19,975)	(273,255)	(24,363)	(332,357)	(505,756)	(77,537)
Net change in cash	223,344	15,919	(310,197)	(1,533,298)	(1,231,548)	(660,865)	2,049,633	1,982,367

	2020				2019			2018
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
STATEMENTS OF FINANCIAL POSITION	$	$	$	$	$	$	$	$
Cash	212,479	435,823	419,904	730,101	2,263,399	3,494,947	4,155,812	2,106,179
Mining properties	2,394,036	2,364,569	2,351,250	2,513,242	1,761,532	1,670,072	1,669,008	627,000
Exploration and evaluation assets	588,779	552,475	554,458	2,610,768	2,540,524	2,517,621	2,064,887	1,350,168
Total assets	4,706,421	4,886,699	5,265,641	6,425,386	6,795,250	7,961,382	8,028,663	4,150,685
Total liabilites	1,798,509	1,576,514	1,533,644	1,395,414	1,422,596	1,797,178	1,808,475	1,129,535
Equity	2,907,912	3,310,185	3,731,997	5,029,972	5,372,654	6,164,204	6,220,188	3,021,150

SELECTED QUARTERLY FINANCIAL INFORMATION (CONTINUED):

The net loss of $402,273 for Q1-2020 is mostly attributable to a decrease in management and consulting fees of $61,055.

The net loss of $458,868 for Q4-2019 is mostly attributable to management and consulting fees of $197,569, industrial feasibility study, net of governments grants received of $159,780, professional fees of $59,546 and net finance expenses of $57,836.

The net loss of $1,803,784 for Q3-2019 is mostly attributable to an increase in industrial feasibility study of $1,121,996, impairment of exploration and evaluation assets of $234,218, impairment of mining properties of $98,121 and management and consulting fees of $70,180.

The net loss of $1,014,748 for Q2-2019 is mostly attributable to an increase in industrial feasibility study of $525,446, share-based compensation of $38,400 and travel, promotion and events of $32,301 offset by a decrease in general exploration expenses of $397,692 and professional fees of $53,800.

The net loss of $880,584 for Q1-2019 is mostly attributable to an increase in general exploration expenses of $442,000 and in operating expenses.

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

The net loss of $370,923 for Q3-2018 is mostly attributable to a share-based compensation expense of $128,125 due to the grant of 1,250,000 share options to officers, directors and a consultant in February 2018.

The net loss of $247,543 for Q2-2018 is mostly attributable to a slight increase in operating expenses as compared to operating expenses of previous quarters (Q1-2018 and Q4-2017) combined with a slight increase in net finance expense as compared to previous quarters and a deferred income tax recovery of $11,975 due to the amortization of other liability related to flow-through financings for the Q2-2018.

RESULTS OF OPERATIONS FOR THE THREE-MONTH PERIOD ENDED OCTOBER 31, 2019:

Net loss and comprehensive loss

The basic and diluted loss per share for the three-month period ended October 31, 2019 is $0.03 as compared to $0.08 for the three-month period ended October 31, 2018.

During the three-month period ended October 31, 2019, the Company realized a net loss of $402,273 compared to a net loss of $880,584 for the three-month period ended October 31, 2018. This decrease of $478,311 in net loss is mostly attributable to a decrease in general exploration expenses of $442,000.

Net finance expense

During the three-month period ended October 31, 2019, net finance expense was $83,766 as compared to $77,958 for the three-month period ended October 31, 2018. The increase of $5,808 in net finance expense is mainly due to the interest expenses incurred from the convertible debentures.

CASH FLOWS AND LIQUIDITY

As at October 31, 2019, the working capital deficiency amounted to $163,924 (working capital of $218,913 as at July 31, 2019) including cash of $212,479 ($435,823 as at July 31, 2019).

Cash flows used for operating activities

Cash flows used for operating activities were $201,986 during the three-month period ended October 31, 2019, as compared to cash flows of $1,206,219 used for operating activities during the three-month period ended October 31, 2018. The decrease of $1,004,233 is mainly due to the decrease of the net loss and the decrease of trade accounts payable and accrued liabilities.

Cash flows used for financing activities

Cash flows used for financing activities were $nil during the three-month period ended October 31, 2019, as compared to cash flows of $966 used for financing activities during the three-month period ended October 31, 2018.

Cash flows used for investing activities

Cash flows used for investing activities were $21,358 during the three-month ended October 31, 2019, as compared to cash flows of $24,363 used for investing activities during the three-month period ended October 31, 2018. The decrease of $3,005 is mainly due to the increase in acquisition of mining properties, in additions to exploration and evaluation assets, net of grants and in proceeds from balance of purchase price receivable.

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:

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.

RELATED PARTY TRANSACTIONS (CONTINUED):

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

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

CONTINGENCIES:

Governmental laws and regulations regarding environmental protection regulate the Company's operations. The environmental consequences are not easily identifiable, either in terms of results, the impacts or the expiration date. Currently, and to the best knowledge of its management, the Company is in conformity with current laws and regulations.

FUNCTIONAL AND PRESENTATION CURRENCY:

The selected annual financial information, selected quarterly financial information and other financial information are presented in Canadian dollars, the Company's functional currency.

OFF-FINANCIAL POSITION ARRANGEMENTS:

As at October 31, 2019, the Company does not have any off-financial position arrangements.

GOING CONCERN ASSUMPTION:

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

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

GOING CONCERN ASSUMPTION (CONTINUED):

As at October 31, 2019, the Company had a the working capital deficiency amounted to $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 a 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.

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.

OUTSTANDING SHARE CAPITAL:

DISCLOSURE OF OUTSTANDING SHARE DATA (AS AT DECEMBER 17, 2019)

Outstanding common shares:	13,229,106
Outstanding share options:	437,500
Outstanding warrants:	3,565,784

SHARE CAPITAL:

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.

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:

		Outstanding warrants	
Expiry date	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

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:

	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	0.32
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

USE OF ESTIMATES AND JUDGEMENTS: CRITICAL ESTIMATES:

The preparation of the financial statements requires management to use judgment and make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amount of expenses during the period. Actual results could materially differ from these estimates. Refer to note 3 of the Company's annual audited financial statements for the year ended July 31, 2019 for a more detailed discussion of the critical accounting estimates and judgments.

RISK AND UNCERTAINTIES:

An investment in the common shares of the CME should be considered highly speculative. Canadian Metals is subject to a variety of risks, some of which are described below. If any of the following risks occur, the business, results of operations or financial condition could be adversely affected in a material manner.

Credit risk

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

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

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

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

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

Liquidity risk

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

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

Over the past and during the year, the Company has financed its acquisitions of mining rights, exploration costs and working capital needs through private financings (issuance of shares and convertible debentures).

RISK AND UNCERTAINTIES (CONTINUED):

	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

Exploration and mining risks

The Company is engaged in the business of acquiring and exploring mineral properties in the hope of locating economic deposits of minerals. The Company's property interests are in the exploration and evaluation stage only. The business of mineral exploration involves a high degree of risk. Few properties that are explored are ultimately developed into production. Currently, there are no known bodies of commercial ore on the mineral properties of which the Company owns an interest. Accordingly, there is little likelihood that the Company will realize any profits in the short to medium term. Any profitability in the future from the Company's business will be dependent upon locating an economic deposit of minerals. However, there can be no assurance, even if an economic deposit of minerals is located, that it can be commercially mined.

Unusual or unexpected formations, fires, power outages, labour disruptions, flooding, cave-ins, landslides and the inability to obtain suitable or adequate machinery, equipment or labour are other risks involved in the conduct of exploration programs.

The economics of developing mineral properties is affected by many factors including the cost of operations, variation of the grade of ore mined and fluctuations in the price of any minerals produced. There are no underground or surface plants or equipment on the Company's mineral properties, nor any known body of commercial ore. Programs conducted on the Company's mineral property would be an exploratory search for ore.

Permits and licenses

The Company's operations may require licenses and permits from various governmental authorities. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development and mining operations at its projects.

RISK AND UNCERTAINTIES (CONTINUED):

Metal prices

Even if the Company's exploration programs are successful, factors beyond the control of the Company may affect marketability of any minerals discovered. Metal prices have historically fluctuated widely and are affected by numerous factors beyond the Company's control, including international, economic and political trends, expectations for inflation, currency exchange fluctuations, interest rates, global or regional consumption patterns, speculative activities and worldwide production levels. The effect of these factors cannot accurately be predicted.

Competition

The mining industry is intensely competitive in all its phases. The Company competes with many companies possessing greater financial resources and technical facilities than itself for the acquisition of mineral interests as well as for recruitment and retention of qualified employees.

Environmental regulations

The Company's operations are subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions of spills, release or emission of various substances produced in association with certain mining industry operations, such as seepage from tailing disposal areas, which could result in environmental pollution. A breach of such legislation may result in imposition of fines and penalties. In addition, certain types of operations require submissions to and approval of environmental impact assessments. Environmental legislation is evolving in a manner which means stricter standards and enforcement, fines and penalties for non-compliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations. The Company intends to fully comply with all environmental regulations.

Conflicts of interest

Certain directors or proposed directors of the Company are also directors, officers or shareholders of other companies that are similarly engaged in the business of acquiring, developing and exploiting natural resource properties. Such associations may give rise to conflicts of interest from time to time. The directors of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interest which they may have in any project or opportunity of the Company. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict will disclose his interest and abstain from voting on such matter. In determining whether or not the Company will participate in any project or opportunity, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

Stage of development

The Company's properties are in the exploration stage and to date none of them has a proven ore body. The Company does not have a history of earnings or providing a return on investment, and in future, there is no assurance that it will produce revenue, operate profitably or provide a return on investment.

RISK AND UNCERTAINTIES (CONTINUED):

Industry conditions

Mining and milling operations are subject to government regulations. Operations may be affected in varying degrees by government regulations such as restrictions on production, price controls, tax increases, expropriation of property, pollution controls or changes in conditions under which minerals may be mined, milled or marketed. The marketability of minerals may be affected by numerous factors beyond the control of the Company, such as government regulations. The effect of these factors cannot be accurately determined.

Uninsured risks

The Company's business is subject to a number of risks and hazards, including environmental conditions adverse, environmental regulations, political uncertainties, industrial accidents, labour disputes, unusual or unexpected geological conditions, ground or slope failures, cave-ins, and natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to mineral properties or production facilities, personal injury or death, environmental damage to the Company's properties or the properties of others, delays in mining, monetary losses and possible legal liability.

Capital needs

The exploration and evaluation, development, mining and processing of the Company's properties may require substantial additional financing. The only current source of future funds available to the Company is the sale of additional equity capital and the borrowings of funds. There is no assurance that such funding will be available to the Company or that it will be obtained on terms favourable to the Company or will provide the Company with sufficient funds to meet its objectives, which may adversely affect the Company's business and financial position.

In addition, any future equity financings by the Company may result in a substantial dilution of the existing shareholders. Failure to obtain sufficient financing may result in delaying or indefinite postponement of further exploration and evaluation, development or production on any or all of the Company's properties or even a loss of property interest.

Key employees

Management of the Company rests on a few key officers and members of the Board of Directors, the loss of any of whom could have a detrimental effect on its operations. The development of the Company's business is and will continue to be dependent on its ability to attract and retain highly qualified management and mining personnel. The Company faces competition for personnel from other employers.

Revenue Agency

No assurance can be made that Revenue Agency will agree with the Company's characterization of expenditures as Canadian exploration expenses or Canadian development expenses or the eligibility of such expenses as Canadian exploration expenses under the *Income Tax Act* (Canada).

CERTIFICATION OF INTERIM FILINGS:

The President and the Chief Financial Officer have signed the Basic Certifications of Interim Filings as required by National Instrument 52-109 for venture issuer, thus confirming, the review, the absence of misrepresentations and the fair presentation of the interim filings.

- The President and the Chief Financial Officer confirm to have reviewed the interim financial report and the interim MD&A (together, the "interim filings") of the Company for the three-month period ended October 31, 2019.

- Based on their knowledge, having exercised reasonable diligence, the President and the Chief Financial Officer confirm that the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, for the period covered by the interim filings.

- Based on their knowledge, having exercised reasonable diligence, the President and the Chief Financial Officer confirm that the interim financial report together with the other financial information included in the interim filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the period presented in the interim filings.

ADDITIONAL INFORMATION:

The additional information on the Company is available through regular filings of quarterly financial statements and press releases on Sedar (www.sedar.com) and on the Company's web site www.canadianmetalsinc.com.

Officers

Michel Gagnon
Interim Chairman and CEO

Patsie Ducharme
CFO and Corporate Secretary

Stéphane Leblanc
VP Corporate Development

Directors
Michel Gagnon (Audit chair)
Guy Simard
Paul Dumas
Roger Urquhart
Pierre Renaud

Transfer agent
Computershare Canada
Montréal (Québec)

Special advisors
Javier Bullon

Legal advisors
McMillan
Montréal (Québec)

Head office
866, 3ieme Avenue
Val-d'Or (Québec) J9P 1T1
Tél : 819-825-0001

Auditor
PwC
Montréal (Québec)