



## **CANADIAN METALS INC.**

### **UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS AS AT JANUARY 31, 2021**

Condensed Interim Statements of Financial Position	2
Condensed Interim Statements of Net loss and Comprehensive loss	3
Condensed Interim Statements of Changes in Equity	4
Condensed Interim Statements of Cash Flows	5
Notes to Condensed Interim Financial Statements	6 - 15

These condensed interim financial statements for the six-month period ended January 31, 2021 have not been reviewed by the Company's external auditors.

# CANADIAN METALS INC.

## Condensed Interim Statements of Financial Position

As at January 31, 2021 and 2020

(in Canadian dollars)

	Note	January 31 2021	July 31 2020
		\$	\$
<b>Assets</b>			
<b>Current assets:</b>			
Cash		582,401	516,795
Accounts receivable	6	142,723	73,460
Prepaid expenses		28,705	92,869
Current portion of balance of purchase price receivable	9	283,619	186,370
<b>Total current assets</b>		<b>1,037,448</b>	<b>869,494</b>
<b>Non-current assets:</b>			
Mining properties	7	2,400,228	2,400,228
Exploration and evaluation assets	8	613,252	613,252
Balance of purchase price receivable	9	839,606	1,089,010
<b>Total non-current assets</b>		<b>3,853,086</b>	<b>4,102,490</b>
<b>Total assets</b>		<b>4,890,534</b>	<b>4,971,984</b>
<b>Liabilities and Equity</b>			
<b>Current liabilities:</b>			
Trade accounts payable and accrued liabilities		184,263	335,432
Grants refundable		337,320	337,320
Current portion of convertible debentures	10	212,595	562,373
<b>Total current liabilities</b>		<b>734,178</b>	<b>1,235,125</b>
<b>Non-current liabilities:</b>			
Convertible debentures	10	804,157	709,463
<b>Total non-current liabilities</b>		<b>804,157</b>	<b>709,463</b>
<b>Total liabilities</b>		<b>1,538,335</b>	<b>1,944,588</b>
<b>Equity:</b>			
Share capital	11	9,601,180	9,346,974
Warrants	11	235,620	166,938
Share options	11	321,827	371,667
Equity component of the convertible debentures	10	562,455	562,455
Contributed surplus		3,398,975	3,328,003
Deficit		(10,767,858)	(10,748,641)
<b>Total equity</b>		<b>3,352,199</b>	<b>3,027,396</b>
<b>Total liabilities and equity</b>		<b>4,890,534</b>	<b>4,971,984</b>

Nature of operations and going concern, see Note 2.

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

These condensed interim financial statements were approved and authorized for issue by the Board of Directors on March 26, 2021.

(S) Patsie Ducharme  
Chief Financial Officer

(S) Michel Gagnon  
Director and Chairman

# CANADIAN METALS INC.

## Condensed Interim Statements of Comprehensive Loss

Six-month periods ended January 31, 2021 and 2020

(in Canadian dollars)

		Three-month period ended		Six-month period ended	
	Note	January 31 2021	January 31 2020	January 31 2021	January 31 2020
		\$	\$	\$	\$
General and administrative expenses:					
Management and consulting fees	13	60,000	99,121	120,000	235,635
Professional fees		16,077	84,139	88,491	153,639
Registration, listing fees and shareholders information		8,140	16,689	14,139	33,806
Insurance and office expenses		5,513	8,340	9,841	25,374
Travel, promotion and events		151	-	302	25,648
Investor's relations		-	-	-	52,476
Depreciation of property and equipment		-	219	-	437
General exploration expenses		-	217	-	217
<b>Loss from operating activities</b>		<b>89,881</b>	<b>208,725</b>	<b>232,773</b>	<b>527,232</b>
Finance income	9	(18,652)	(49,170)	(39,206)	(50,500)
Finance expense		81,160	89,515	181,349	174,611
Gain on exchange of convertible debentures	10	(355,699)	-	(355,699)	-
<b>Total net finance expense</b>		<b>(293,191)</b>	<b>40,345</b>	<b>(213,556)</b>	<b>124,111</b>
<b>Loss (Income) before income taxes</b>		<b>(203,310)</b>	<b>249,070</b>	<b>19,217</b>	<b>651,343</b>
Deferred income tax recovery		-	-	-	-
<b>Net loss (income) and comprehensive loss (income)</b>		<b>(203,310)</b>	<b>249,070</b>	<b>19,217</b>	<b>651,343</b>
<b>Weighted average number of common shares outstanding</b>		<b>16,422,077</b>	<b>13,437,032</b>	<b>15,423,435</b>	<b>13,333,069</b>
<b>Basic and diluted loss per share</b>		<b>(0.012)</b>	<b>0.02</b>	<b>0.001</b>	<b>0.05</b>

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

# CANADIAN METALS INC.

## Condensed Interim Statements of Changes in Equity

Six-month periods ended January 31, 2021 and 2020

(in Canadian dollars)

	Note	Number of shares outstanding	Share capital	Warrants	Share options	Equity component of the convertible debentures	Contributed surplus	Deficit	Total equity
			\$	\$	\$	\$	\$	\$	\$
<b>Balance as at July 31, 2020</b>		14,424,794	9,346,974	166,938	371,667	562,455	3,328,003	(10,748,641)	3,027,396
Shares issued:									
Private placements	11	4,375,000	260,186	89,814	-	-	-	-	350,000
Share issuance costs		-	(5,980)	-	-	-	-	-	(5,980)
Warrants expired		-	-	(21,132)	-	-	21,132	-	-
Share options expired	11	-	-	-	(49,840)	-	49,840	-	-
Net income and comprehensive loss for the period		-	-	-	-	-	-	(19,217)	(19,217)
<b>Balance as at January 31, 2021</b>		18,799,794	9,601,180	235,620	321,827	562,455	3,398,975	(10,767,858)	3,352,199

	Note	Number of shares outstanding	Share capital	Warrants	Share options	Equity component of the convertible debentures	Contributed surplus	Deficit	Total equity
			\$	\$	\$	\$	\$	\$	\$
<b>Balance as at July 31, 2019</b>		13,229,106	9,183,479	1,528,896	636,332	562,455	1,701,380	(10,302,357)	3,310,185
Shares issued:									
As a settlement of interest payment on the debentures		597,787	83,750	-	-	-	-	-	83,750
Share options expired	11	-	-	-	(239,465)	-	239,465	-	-
Warrants expired	11	-	-	(763,935)	-	-	763,935	-	-
Net loss and comprehensive loss for the period		-	-	-	-	-	-	(651,343)	(651,343)
<b>Balance as at January 31, 2020</b>		13,826,893	9,267,229	764,961	396,867	562,455	2,704,780	(10,953,700)	2,742,592

Adjusted to reflect the September 16, 2019, 10-to-1 share consolidation.

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

# CANADIAN METALS INC.

## Condensed Interim Statements of Cash Flows

Six-month periods ended January 31, 2021 and 2020

(in Canadian dollars)

	Three-month period ended		Six-month period ended	
	January 31 2021	January 31 2020	January 31 2021	January 31 2020
	\$	\$	\$	\$
<b>Operating activities:</b>				
Net income (loss)	203,310	(249,070)	(19,217)	(651,343)
Adjustments for:				
Depreciation of property and equipment	-	219	-	437
Gain on exchange of convertible debentures	(355,699)	-	(355,699)	-
Effective interest costs on convertible debentures	79,579	89,344	179,430	174,243
Effective interest income on balance of purchase price receivable	(18,517)	(49,170)	(39,071)	(50,500)
Operating activities before changes in working capital items	(91,327)	(208,677)	(234,557)	(527,163)
Change in accounts receivable	(58,404)	132,764	(69,263)	58,962
Change in prepaid expenses	(18,822)	6,396	(14,651)	59,602
Change in trade accounts payable and accrued liabilities	(207,460)	(34,718)	(151,169)	102,378
	(284,686)	104,442	(235,083)	220,942
<b>Cash flows used for operating activities</b>	<b>(376,013)</b>	<b>(104,235)</b>	<b>(469,640)</b>	<b>(306,221)</b>
<b>Financing activities:</b>				
Proceeds from issuance of shares and units	350,000	-	350,000	-
Share issuance costs	(3,586)	-	(5,980)	-
<b>Cash flows from financing activities</b>	<b>346,414</b>	<b>-</b>	<b>344,020</b>	<b>-</b>
<b>Investing activities:</b>				
Proceeds from balance of purchase price receivable	125,190	82,465	191,226	126,788
Acquisition of mining properties	-	(3,350)	-	(32,727)
Increase in exploration and evaluation assets	-	(1,500)	-	(37,804)
<b>Cash flows from investing activities</b>	<b>125,190</b>	<b>77,615</b>	<b>191,226</b>	<b>56,257</b>
<b>Net change in cash and cash equivalents</b>	<b>95,591</b>	<b>(26,620)</b>	<b>65,606</b>	<b>(249,964)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>486,810</b>	<b>212,479</b>	<b>516,795</b>	<b>435,823</b>
<b>Cash and cash equivalents, end of period</b>	<b>582,401</b>	<b>185,859</b>	<b>582,401</b>	<b>185,859</b>

Additional disclosures of cash flows information (Note 12).

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

# CANADIAN METALS INC.

## Notes to Condensed Interim Financial Statements (continued)

Six-month periods ended January 31, 2021 and 2020

(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.

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

### 2. Nature of operations and going concern:

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 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 condensed interim financial statements do not reflect the adjustments to the carrying values of assets and liabilities, expenses and financial position classifications that would be necessary if the going concern assumption was not appropriate. These adjustments could be material.

For the six-month period ended January 31, 2021, the Company recorded a net loss of \$19,217 (\$651,343 in 2020) and has an accumulated deficit of \$10,767,858 as at January 31, 2021 (\$10,748,641 as at July 31, 2020). Besides the usual needs for working capital, the Company must obtain funds to enable it to meet the timelines of its exploration programs and to pay its overhead and administrative costs. As at January 31, 2021, the Company had a working capital of \$303,270 (working capital deficiency of \$365,631 as at July 31, 2020) and cash of \$582,401 (\$516,795 as at July 31, 2020). 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.

In March 2020, the World Health Organization declared the COVID-19 epidemic a pandemic. The situation is continually evolving, and the measures put in place have numerous economic repercussions at the global, national, provincial and local levels. These measures, which include travel bans, solitary confinement or quarantine (voluntary or not), and social distancing, have caused significant disruption among businesses, globally and in Canada, due to the economic slowdown. Governments and central banks have responded by implementing monetary and fiscal measures to stabilize the world economy; however, the current challenging economic climate may cause adverse changes in cash flow, the level of working capital and the search for future financing, which could have a direct impact on the Company's future financial position. The Company has implemented measures to mitigate the impact of the pandemic on its future operations such as the curtailment of certain non-essential exploration and evaluation expenditures.

### 3. Basis of preparation:

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*. The unaudited condensed interim financial statements should be read in conjunction with the Company's audited annual financial statements for the year ended July 31, 2020, 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, 2020 and for the period then ended.

The condensed interim financial statements for the reporting period ended January 31, 2021 (including comparatives) were approved and authorized for issue by the Board of Directors on March 26, 2021.

# CANADIAN METALS INC.

## Notes to Condensed Interim Financial Statements (continued)

Six-month periods ended January 31, 2021 and 2020

(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 except for certain assets at fair value.

#### 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. 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, 2020.

The accounting policies used to prepare these condensed interim unaudited financial statements are those described in the Company's audited financial statements for the year ended July 31, 2020, and have been applied throughout the period unless otherwise stated.

### 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.

### 6. Accounts receivable:

	January 31 2021	July 31 2020
	\$	\$
Sales tax receivable	17,533	15,198
Accounts receivable	125,190	58,262
	142,723	73,460

# CANADIAN METALS INC.

## Notes to Condensed Interim Financial Statements (continued)

Six-month periods ended January 31, 2021 and 2020

(in Canadian dollars)

### 7. Mining properties:

Mining properties can be detailed as follows:

	Interest	July 31 2020	Acquisition	January 31 2021
	%	\$	\$	\$
Québec:				
Lac La Chesnaye <sup>(b)</sup>	100	428,153	-	428,153
Langis East <sup>(c)</sup>	100	90,000	-	90,000
Baie Trinité <sup>(e)</sup>	20	2,338	-	2,338
Silicate Brutus <sup>(e)</sup>	20	26,225	-	26,225
Lac Robot <sup>(e)</sup>	20	2,891	-	2,891
Seignelay <sup>(e)</sup>	20	10,721	-	10,721
New Brunswick				
Blackshale <sup>(d)</sup>	100	840,866	-	840,866
Mountain Brook <sup>(d)</sup>	100	715,900	-	715,900
TV Tower <sup>(d)</sup>	100	272,954	-	272,954
Frenette <sup>(f)</sup>	100	10,180	-	10,180
		2,400,228	-	2,400,228

#### 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 May 1, 2019, the Company sold all its rights, titles and interests in the property, in exchange of a long-term quartz price lock-in supply agreement (LTA) and \$2,250,000. The Disposition provided 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; (condition fulfilled) (ii) \$300,000 on before each of December 31, 2020 (condition fulfilled), 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.

#### 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 (Quebec) 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.

#### 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 (Quebec) 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.

# CANADIAN METALS INC.

## Notes to Condensed Interim Financial Statements (continued)

Six-month periods ended January 31, 2021 and 2020

(in Canadian dollars)

### 7. Mining properties (Continued):

#### d) 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 <sup>(1)</sup>	600,000 <sup>(2)</sup>	-
On or before October 15, 2018	-	-	300,000 <sup>(3)</sup>
On or before November 1, 2018	200,000 <sup>(4)</sup>	500,000 <sup>(5)</sup>	-
On or before November 1, 2019	-	500,000 <sup>(6)</sup>	-
	400,000	1,600,000	300,000

(1) This cash payment was made on March 16, 2018.

(2) These common shares were issued on March 16, 2018.

(3) This condition was respected in the prior year.

(4) This cash payment was made on November 1, 2018.

(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.

#### e) 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.

#### f) 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 issued 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); and
- 30,000 Shares at \$0.055 per share for a total value of \$1,650 on April 3, 2020 (condition fulfilled);

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.

# CANADIAN METALS INC.

## Notes to Condensed Interim Financial Statements (continued)

Six-month periods ended January 31, 2021 and 2020

(in Canadian dollars)

### 8. Exploration and evaluation assets:

Exploration and evaluation assets by properties are detailed as follows:

	July 31 2020	Exploration costs	Grant	January 31 2021
	\$	\$	\$	\$
Québec				
Lac La Chesnaye	107,073	-	-	107,073
Silicate Brutus	18,211	-	-	18,211
Mouchalagane	16,361	-	-	16,361
Lac Robot	750	-	-	750
Seignelay	250	-	-	250
New Brunswick				
Blackshale	45,486	-	-	45,486
Mountain Brook	37,195	-	-	37,195
TV Tower	379,876	-	-	379,876
Frenette	8,050	-	-	8,050
	613,252	-	-	613,252

### 9. Balance of purchase price receivable

The purchase price receivable of \$2,250,000 does not bear interest and has been discounted using 6.33% reflecting the estimated credit risk of the buyer and collateral against the balance of purchase price at time of disposal.

	January 31 2021	July 31 2020
	\$	\$
Balance at the beginning	1,275,380	1,373,951
Effective interest income	39,071	136,969
Reimbursement	(191,226)	(235,540)
Balance end of year	1,123,225	1,275,380
Current portion	283,619	186,370
Non-current portion	839,606	1,089,010

# CANADIAN METALS INC.

## Notes to Condensed Interim Financial Statements (continued)

Six-month periods ended January 31, 2021 and 2020

(in Canadian dollars)

### 10. Convertible debentures:

	January 31 2021	July 31 2020
	\$	\$
<b>Convertible debentures (1)</b>		
Convertible debentures bearing interest at 10% payable semi-annually and maturing in December 2022.	-	452,465
<b>Convertible debentures (2)</b>		
Convertible debentures bearing interest at 10% payable semi-annually and maturing in December 2020.	-	562,373
<b>Convertible debentures (3)</b>		
Convertible debentures bearing interest at 10% payable semi-annually and maturing in December 2022.	-	256,998
<b>Convertible debentures (4)</b>		
Convertible debentures bearing interest at 3% payable annually and maturing in March 2025. <sup>(a)</sup>	1,016,752	-
	1,016,752	1,271,836
Current portion of convertible debentures	212,595	562,373
Non-current portion of convertible debentures	804,157	709,463

(a) Debentures (4) from related parties:

	January 31 2021	July 31 2020
	\$	\$
Directors	3,035	4,500
Company under control of a director	12,747	18,901
Companies under control of an officer	9,105	13,500
	24,887	36,901

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

	January 31 2021	July 31 2020
	\$	\$
Balance at the beginning	1,271,836	1,078,529
Non-Cash:		
Effective interest costs on convertible debentures	76,533	193,307
Exchange of debentures / reimbursement	(1,348,369)	-
Exchange of debentures / additions	992,670	-
Effective interest costs on convertible debentures	24,082	-
Balance end of year	1,016,752	1,271,836

# CANADIAN METALS INC.

## Notes to Condensed Interim Financial Statements (continued)

Six-month periods ended January 31, 2021 and 2020

(in Canadian dollars)

---

### 10. Convertible debentures (Continued):

#### Convertible debentures (1):

On July 27, 2015, the Company completed a convertible debentures financing of \$700,000. The debentures will mature in December 2022 and have 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.

At inception, 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 was \$345,160 and is presented net of income tax in the amount of \$91,467.

On December 18, 2020, the Company exchanged the convertible debentures such as described below in the Convertible debentures (4).

#### 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 debenture's 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.

At inception, 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.

On December 18, 2020, the Company exchanged the convertible debentures such as described below in the Convertible debentures (4).

#### 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 is 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.

At inception, 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.

On December 18, 2020, the Company exchanged the convertible debentures such as described below in the Convertible debentures (4).

# CANADIAN METALS INC.

## Notes to Condensed Interim Financial Statements (continued)

Six-month periods ended January 31, 2021 and 2020

(in Canadian dollars)

### 10. Convertible debentures (Continued):

#### Convertible debentures (4):

On December 18, 2020, the Company announced that all outstanding debentures have been exchanged for new debentures in the same principal amount of \$1,675,000. The new debentures have an issue price of \$1,000 per new debentures, mature on March 31, 2025, bear interest at 3% per annum, payable on March 31 of each year, which interest may, at the option of the Company be settled in common shares. The principal amount of the new debentures can be convertible into common shares of the Company at the price of \$0.40 per conversion share. Interest in the amount of 3% per annum on the principal amount of the outstanding debentures for the period from January 1, 2020 to June 30, 2020, shall be payable on the closing date of the Private Placement. The first interest payment pursuant to the new debentures shall be calculated for the period commencing on July 1, 2020 and ending on March 31, 2021. Fifty percent (50%) of the amount that the Company receives from Les Minéraux Industriels du Québec Inc will be used to reduce the principal amount of the new debentures. As this was an exchange of debentures, the Company recorded a gain of \$355,699 on the exchange date, considering the book value of exchanged debentures and the fair value of the liability component of the new debentures issued as the exchanged debentures are substantially different from the old debentures and the transaction must be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. On recognition, the liability component was measured using an effective interest rate of 22%, corresponding to the estimated market rate the Company would have received for a similar financing without the conversion right.

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

#### (a) Share capital:

##### 2020:

There were no shares issued during the period.

#### (b) Issued and outstanding:

##### 2021:

On December 21, 2020, the Company completed a first tranche of its previously announced non-brokered private placement pursuant to which it has issued 4,375,000 units at a price of \$0.08 per unit for total proceeds of \$350,000. Each unit is comprised of one common share and one non-transferable share purchase warrant. Each warrant will entitle the holder to purchase one additional share for a period of 24 months from the closing date at an exercise price of \$0.15 per share.

#### (c) Warrants:

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

	January 31 2021		July 31 2020	
	Number of outstanding warrants	Weighted average exercise price	Number of outstanding warrants	Weighted average exercise price
Outstanding at beginning	475,000	\$ 1.50	4,086,617	\$ 1.50
Granted	2,187,500	0.15	-	-
Expired	(125,000)	(1.50)	(3,611,617)	(1.50)
Outstanding at end	2,537,500	0.34	475,000	1.50

# CANADIAN METALS INC.

## Notes to Condensed Interim Financial Statements (continued)

Six-month periods ended January 31, 2021 and 2020

(in Canadian dollars)

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

#### (c) Warrants (Continued):

The following table provides outstanding warrants information as at January 31, 2021:

Expiry date	Number of outstanding warrants	Outstanding warrants	
		Exercise price	Remaining life
		\$	(years)
December 21, 2022	2,187,500	0.15	1.89
November 28, 2023	350,000	1.50	2.82
	2,537,500	0.34	2.02

#### (d) 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:

	January 31 2021		July 31 2020	
	Number of outstanding share options	Weighted average exercise price	Number of outstanding share options	Weighted average exercise price
		\$		\$
Outstanding at beginning	402,500	1.38	677,500	1.40
Forfeited	(60,000)	(1.50)	(275,000)	(1.370)
Outstanding at end	342,500	1.36	402,500	1.38
Exercisable at end	342,500	1.36	402,500	1.38

The following table provides outstanding share options information as at January 31, 2021:

Expiry date	Number of granted share options	Number of exercisable share options	Share options outstanding	
			Exercise price	Remaining life
			\$	(years)
February 26, 2021	57,500	57,500	1.00	0.07
October 3, 2022	20,000	20,000	0.75	1.67
February 5, 2023	35,000	35,000	1.40	2.01
June 27, 2023	200,000	200,000	1.50	2.40
November 5, 2023	30,000	30,000	1.50	2.76
	342,500	342,500	1.36	1.96

# CANADIAN METALS INC.

## Notes to Condensed Interim Financial Statements (continued)

Six-month periods ended January 31, 2021 and 2020

(in Canadian dollars)

### 12. Supplemental cash flow information:

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

	Three-month period ended		Six-month period ended	
	January 31	January 31	January 31	January 31
	2021	2020	2021	2020
Non-cash operating activities:	\$	\$	\$	\$
Prepaid expenses through issuance of shares	(10,492)	-	45,342	-

### 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		Six-month period ended	
	January 31	January 31	January 31	January 31
	2021	2020	2021	2020
Management and consulting fees	\$ 60,000	\$ 94,746	\$ 120,000	\$ 228,246
Share-based compensation	-	-	-	-
	60,000	94,746	120,000	228,246

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

As at January 31, 2021, trade accounts payable and accrued liabilities include \$nil (\$nil as at July 31, 2020) 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:

On February 22, 2021, the Company completed a second tranche of its previously announced non-brokered private placement pursuant to which it has issued 25,350,000 units at a price of \$0.08 per unit for gross proceeds of \$2,028,000. Each unit is comprised of one common share and one-half of one non-transferable share purchase warrant. Each warrant will entitle the holder to purchase one additional share for a period of 24 months at a price of \$0.15 per share. The Company paid finder fees of \$83,140 in cash and issued 1,039,500 non-transferable finder's warrants entitling the holder to purchase one share for a period of 24 months at an exercise price of \$0.15 per share.