



**CANADIAN METALS INC.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Three-month and nine-month periods ended

April 30, 2021

(Third Quarter)

# MANAGEMENT'S DISCUSSION AND ANALYSIS

---

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 and nine-month period ended April 30, 2021.

This MD&A complements the condensed interim unaudited financial statements for the three-month and nine-month period ended April 30, 2021 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, 2020 and related MD&A. This MD&A is prepared as at June 25, 2021.

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 June 23, 2021.

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

# MANAGEMENT'S DISCUSSION AND ANALYSIS

---

## **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.

## **BUSINESS DEVELOPMENT HIGHLIGHTS – INCLUDING SUBSEQUENT EVENTS:**

- **Board of Directors - Management:**

On September 25, 2020, the Company announced that Patrick Moryoussef, who's been actively advising the Company over the years, and Yves Rougerie have accepted to be appointed to the board of directors. Mr. Rougerie and Mr. Moryoussef fill the vacancy created by Paul Dumas and Roger Urquhart, who have resigned from the board of directors to pursue other ventures.

Mr. Yves Rougerie, P.Geo. is a graduate of Montreal's UQAM in Earth Sciences and brings 40 years of experience in the mining exploration and development business. He has been the President and CEO of Vision Lithium and its predecessors since 2007. Throughout his career, Mr. Rougerie has worked for several companies, including AREVA and AUR Resources. He played a significant role in the exploration, discovery and development phases of Aur Resources' Louvicourt Cu-Zn-Ag-Au Mine near Val-d'Or, participated in the discovery and definition of Areva's "L" uranium-gold deposit and Vision's nearby Epsilon high grade discoveries in the Otish Mountains and was responsible for the initial discovery of the Gladiator gold deposit of Bonterra Resources, all in Quebec. Mr. Rougerie has a wide range of experience in exploration techniques and project management pertaining to narrow-vein Gold, VMS Cu-Zn, uranium-gold and lithium deposits. Mr. Rougerie was also a founding Director of Scorpio Mining Corporation, now Americas Gold and Silver Corp.

Mr. Patrick Moryoussef is Senior Vice President – Technical Services and Operational Performance at Endeavour Mining. He previously served 16 years as Vice-President, Mining Operations with SEMAFO inc. prior to the merger in July 2020 with Endeavour. In his past career Mr. Moryoussef occupied various positions as General Manager, Senior Project Engineer, Chief Engineer and Captain at various mining operations within the Noranda, Placer Dome and Falconbridge group. He has also acted as Administrator of various junior mining companies. Expertise includes, mining, strategic development, financials, feasibility studies, 43-101, construction, acquisitions, and support to operations. Mr. Moryoussef is a professional mining engineer graduate from McGill University and a member of Ordre des Ingénieurs du Québec.

- **Private placements**

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.

On February 19, 2021, the Company completed a second tranche of its previously announced non-brokered private placement pursuant to which it issued an aggregate of 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 in the capital of the Company and one-half of one non-transferable share purchase warrant. Each Warrant entitles the holder to purchase one additional share in the capital of the Company for a period of 24 months from the closing date at an exercise price of \$0.15 per share. All securities issued in respect of the private placement are subject to a hold period of four (4) months and a day from closing in accordance with securities laws. The proceeds will be used for general working capital.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## BUSINESS DEVELOPMENT HIGHLIGHTS – INCLUDING SUBSEQUENT EVENTS (CONTINUED):

- **Debentures**

On December 18, 2020, the Company announced that all outstanding debentures have been substituted for new debentures in the same principal amount of \$1.675 million. 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, was paid during the third quarter. The next interest payment pursuant to the new debentures was 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. A principal reimbursement payment was made during the third quarter in the amount of \$62,595.

- **Acquisition of New Brunswick Projects**

On March 31, 2021, Canadian Metals announced the signing of a binding letter agreement with Targets Minerals Inc. (Target) for the proposed acquisition of a 100% interest in the Nicholas-Denis and Oxford Brook projects located in New Brunswick. The Company will pay the shareholders of Target C\$5.5 million as consideration for all the issued and outstanding shares, through the issuance of 27,000,000 common shares of CME at deemed price of C\$0.20 per Share, representing the 5-day vwap of the Shares. Canadian Metals will be assuming the following pre-existing net smelter royalties ("NSR") to underlying parties: (i) 3% Au + Ag NSR and 2% on other metal on Beresford, half of which can be bought back for C\$1 million, (ii) 2% Au + Ag NSR and 1% on other metals on Ann's Creek, all of which can be bought back for C\$1.75 million, (iii) an additional 1% NSR on Ann's Creek and Beresford half of which can be bought back for C\$1 million, (iv) 2% NSR on Goldstrike and Millstream half of which can be bought back for C\$1 million, and (v) 2% NSR on Oxford Brook. As a result, except for 0.5% on Ann's Creek, 1% on Goldstrike and Millstream and 2% on Oxford Brook, all the overriding NSR can be retired for \$4,000,000 at any time.

These large properties with multiple targets and strong historic results for polymetallic minerals within the well know Bathurst mining camp which is home to some of the world's largest mining operations such as the closed Brunswick No. 12 Mine. The acquired claims contain high grades for silver and gold both from surface exploration and historic drill results. The combination of industrial metals (zinc, lead and copper and others) together with precious metals (gold and silver) provides a natural hedge through the various cycles of the economy. The property is just off Bathurst and is accessible throughout the year and in proximity to the Caribou mine and mill.

Completion of the acquisition is subject to approval by the Canadian Metals shareholders at a special meeting to be held in July 2021. The agreement will require minority approval in accordance with Multilateral Instrument 61-101, for which the votes attached to the Company shares owned by Stéphane Leblanc, Beat Frei and Michel Gagnon will be excluded. These shares are excluded due to the fact that their owners are principals of both Target and Canadian Metals. The agreement has been approved by only the independent Directors.

The acquisition is also subject to other customary closing conditions, including the approval of the Canadian Securities Exchange.

The shares issued as consideration under the acquisition will be subject to a statutory hold period of four months and one day from the date of issuance.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## BUSINESS DEVELOPMENT HIGHLIGHTS – INCLUDING SUBSEQUENT EVENTS (CONTINUED):

- **Spin out of Lac La Chesnaye Property**

On May 20, 2021, the Company announced the spin off of its Lac La Chesnaye Property into a separate entity ("Spinco").

It is proposed that the transaction will be carried out by way of statutory plan of arrangement (the "Spin-Out") pursuant to the Business Corporations Act (Québec). Through the Spin-Out, shareholders of the Company will exchange all of the existing issued and outstanding CME common shares for the same number of new common shares of the Company (the "New CME Shares") (having identical terms as the existing common shares) and an aggregate of 4,300,000 common shares in the capital of Spinco ("Spinco Shares"). There will be no change in CME shareholders' holdings in the Company as a result of the Spin-Out.

In connection with the Spin-Out, Spinco intends to complete a non-brokered private placement of a minimum of 5,000,000 units of Spinco ("Units") and a maximum of 15,000,000 Units at a price of \$0.10 per Unit for minimum aggregate gross proceeds of \$500,000 and maximum aggregate gross proceeds of \$1,500,000. Each Unit will be comprised of one Spinco Share and one-half of one common share purchase warrant of Spinco (each whole warrant, a "Warrant"). Each Warrant will entitle the holder thereof to purchase one Spinco Share at an exercise price of \$0.18 for a period of 24 months from the date of issuance.

Completion of the transaction is subject to approval by the Company shareholders at a special meeting to be held in July 2021.

## MINING PROPERTIES – DESCRIPTION:

### The Langis East Property:

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 Gaspé 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).

# MANAGEMENT'S DISCUSSION AND ANALYSIS

---

## MINING PROPERTIES – DESCRIPTION (CONTINUED):

### The La Chesnaye Lake Silica Property (Continued):

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.

### 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.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## MINING PROPERTIES – DESCRIPTION (CONTINUED):

### The Iron Ore Properties – 20% direct interest:

The Company owns 20% of five iron ore properties located in Québec: Mouchelagane, Silicate Lake, Seignely, 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
<b>Total</b>	<b>2,430 - 3,940</b>

*\*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 km<sup>2</sup> 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 km<sup>2</sup> 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 km<sup>2</sup>) 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.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## EXPLORATION HIGHLIGHTS:

- No material exploration activities were conducted during the third quarter ended April 30, 2021 and subsequently up to the date of this MD&A – June 25, 2021.

## EXPLORATION ACTIVITIES:

### QUEBEC AND NEW BRUNSWICK

#### Exploration activities for the three-month and nine-month period ended April 30, 2021

During the three-month and nine-month period ended April 30, 2021, the Company invested \$nil in exploration and evaluation assets and received a tax credit of \$9,792.

	July 31 2020	Exploration costs	Tax credits	April 30 2021
	\$	\$	\$	\$
Québec				
Lac La Chesnaye	107,073	-	-	107,073
Silicate Brutus	18,211	-	(5,015)	13,196
Mouchalagane	16,361	-	(4,497)	11,864
Lac Robot	750	-	(210)	540
Seignelay	250	-	(70)	180
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	-	(9,792)	603,460



## MANAGEMENT'S DISCUSSION AND ANALYSIS

### EXPLORATION ACTIVITIES (CONTINUED):

#### QUEBEC AND NEW BRUNSWICK (CONTINUED)

##### Exploration activities for the three-month period ended April 30, 2020

During the three-month period ended April 30, 2020, the Company invested \$17,806 in exploration and evaluation assets and reimbursed a grant of \$5,167.

Exploration and evaluation assets										
For the three-month period ended April 30, 2020										
	Quebec					New Brunswick				Total
	Lac La Chesnaye	Silicat Brutus	Mouchalagane	La Robot	Seignelay	Blackshale	Mountain Brook	TV Tower	Frenette	
<b>Exploration and evaluation costs:</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Stripping and line cutting	-	-	-	-	-	-	9,666	-	-	9,666
Warehouse rental	-	-	-	-	-	-	-	6,300	-	6,300
Sampling	-	-	-	-	-	499	-	-	-	499
Geology	-	301	300	-	-	-	-	-	-	601
Technical reports	-	-	240	-	-	-	500	-	-	740
	-	301	540	-	-	499	10,166	6,300	-	17,806
<b>Other items:</b>										
Grant reimbursed	-	-	-	-	-	-	5,167	-	-	5,167
<b>Balance at the beginning</b>	107,073	17,910	15,821	750	250	44,987	21,862	373,576	8,050	590,279
<b>Balance at the end</b>	107,073	18,211	16,361	750	250	45,486	37,195	379,876	8,050	613,252

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### EXPLORATION ACTIVITIES (CONTINUED):

#### QUEBEC AND NEW BRUNSWICK (CONTINUED)

##### Exploration activities for the nine-month period ended April 30, 2020

During the nine-month period ended April 30, 2020, the Company invested \$55,610 in exploration and evaluation assets and reimbursed a grant of \$5,167.

Exploration and evaluation assets										
For the nine-month period ended April 30, 2020										
	Quebec					New Brunswick				Total
	Lac La Chesnaye	Silicat Brutus	Mouchalagane	La Robot	Seignelay	Blackshale	Mountain Brook	TV Tower	Frenette	
<b>Exploration and evaluation costs:</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Geology	-	14,039	11,908	-	-	-	-	-	-	25,947
Stripping and line cutting	-	-	-	-	-	-	9,666	-	-	9,666
Warehouse rental	-	-	-	-	-	-	-	6,300	-	6,300
Surveys	-	2,713	2,712	-	-	-	-	-	-	5,425
Maintenance and field supplies	-	6	47	-	-	-	-	-	3,673	3,726
Technical reports	-	250	490	750	250	-	500	-	-	2,240
Travel and entertainment	-	903	904	-	-	-	-	-	-	1,807
Sampling	-	-	-	-	-	499	-	-	-	499
	-	17,911	16,061	750	250	499	10,166	6,300	3,673	55,610
<b>Other items:</b>										
Grant reimbursed	-	-	-	-	-	-	5,167	-	-	5,167
	-	-	-	-	-	-	5,167	-	-	5,167
<b>Balance at the beginning</b>	107,073	300	300	-	-	44,987	21,862	373,576	4,377	552,475
<b>Balance at the end</b>	107,073	18,211	16,361	750	250	45,486	37,195	379,876	8,050	613,252

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## 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.

	2021				2020			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
	\$	\$	\$	\$	\$	\$	\$	\$
<b>STATEMENTS OF COMPREHENSIVE LOSS</b>								
Operating expenses								
Loss (income)	175,876	89,881	142,892	101,347	(125,758)	208,725	318,507	152,841
Net finance expense								
Loss (income)	81,909	(293,191)	79,635	(79,963)	65,077	40,345	83,766	57,836
Net loss (income)	257,785	(203,310)	222,527	21,384	(226,443)	249,070	402,273	458,868
Loss (income) per share								
Basic and diluted	0.007	(0.012)	0.015	0.001	(0.02)	0.02	0.03	0.04
	2021				2020			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
	\$	\$	\$	\$	\$	\$	\$	\$
<b>STATEMENTS OF FINANCIAL POSITION</b>								
Cash	2,432,036	582,401	486,810	516,795	607,933	185,859	212,479	435,823
Mining properties	2,400,228	2,400,228	2,400,228	2,400,228	2,400,228	2,397,386	2,394,036	2,364,569
Exploration and evaluation assets	603,460	613,252	613,252	613,252	613,252	590,279	588,779	552,475
Total assets	6,618,156	4,890,534	4,847,371	4,971,984	4,947,750	4,511,977	4,706,421	4,886,699
Total liabilities	1,590,726	1,538,335	2,044,896	1,944,588	1,945,830	1,769,385	1,798,509	1,576,514
Equity	5,027,430	3,352,199	2,802,475	3,027,396	3,001,920	2,742,592	2,907,912	3,310,185

The net loss of \$257,785 for Q3-2021 is mostly attributable to management fees of \$100,500, professional fees of \$67,293 and finance expenses of \$101,532.

The net income of \$203,310 for Q2-2021 is mostly attributable to the gain on exchange of convertible debentures of \$355,699

The net loss of \$222,527 for Q1-2021 is mostly attributable to professional fees of \$72,414, management and consulting fees of \$60,000 and net finance expense of \$79,635.

The net loss of \$21,384 for Q4-2020 is mostly attributable to management and consulting fees of \$58,128, professional fees of \$18,643, net finance expenses of \$34,976 and general exploration expenses of \$10,000 offset by gain on settlement of interest related to debentures of \$114,939.

The net income of \$226,443 for Q3-2020 is mostly attributable to management and consulting fees of \$75,000, net finance expenses of \$65,077 offset by industrial feasibility study of \$232,344 and gain on debt settlement of \$126,073.

The net loss of \$249,070 for Q2-2020 is mostly attributable to management and consulting fees of \$99,121, professional fees of \$84,139 and net finance expenses of \$40,345.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

---

## SELECTED QUARTERLY FINANCIAL INFORMATION (CONTINUED):

The net loss of \$402,273 for Q1-2020 is mostly attributable to management and consulting fees of \$136,514, professional fees of \$69,500, investor's relations of \$52,476 and net finance expenses of \$83,766.

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.

## RESULTS OF OPERATIONS FOR THE NINE-MONTH PERIOD ENDED APRIL 30, 2021:

### Net loss and comprehensive loss

The basic and diluted loss per share for the nine-month period ended April 30, 2021 is \$0.012 as compared to a basic and diluted loss per share of \$0.03 for the nine-month period ended April 30, 2020.

During the nine-month period ended April 30, 2021, the Company realized a net loss of \$277,002 as compared to a net loss of \$424,900 for the nine-month period ended April 30, 2020. This decrease of \$147,898 in net loss is mostly attributable to a decrease in industrial feasibility study recovery of \$232,344, gain on debt settlement of \$126,073, management and consulting fees of \$90,135, investor's relations of \$52,476 and an increase in gain on exchange of convertible debentures of \$355,699.

### Operating expenses

During the nine-month period ended April 30, 2021, the Company realized an operating loss of \$408,649 as compared to an operating loss of \$235,712 for the nine-month period ended April 30, 2020. The increase of \$172,937 in operating expenses is mostly attributable to a decrease in industrial feasibility study recovery of \$232,344, gain on debt settlement of \$126,073, in professional fees of \$90,135, investor's relations of \$52,476 and travel, promotion and events of \$29,159.

### Net finance expense

During the nine-month period ended April 30, 2021, the Company realized a net finance income of \$131,647 as compared to a net finance expense of \$189,188 for the nine-month period ended April 30, 2020. The decrease of \$320,835 in net finance expense is due to the increase in gain on exchange of convertible debentures of \$355,699.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## CASH FLOWS AND LIQUIDITY

As at April 30, 2021, the Company had a working capital of \$2,010,706 (working capital deficiency of \$365,631 as at July 31, 2020) and cash of \$2,432,036 (\$516,795 as at July 31, 2020).

### Cash flows used for operating activities

Cash flows used for operating activities were \$566,901 during the nine-month period ended April 30, 2021, as compared to cash flows generated of \$140,019 for operating activities during the nine-month period ended April 30, 2020. The increase of \$706,920 is mainly due to the decrease in industrial feasibility study recovery and the decrease in working capital items.

### Cash flows from financing activities

Cash flows from financing activities were \$2,277,036 during the nine-month period ended April 30, 2021, as compared to cash flows of \$nil from financing activities during the nine-month period ended April 30, 2020. The increase of \$2,277,036 is due to the private placement completed during the period.

### Cash flows from investing activities

Cash flows from investing activities were \$205,106 during the nine-month ended April 30, 2021, as compared to cash flows of \$32,091 from investing activities during the nine-month period ended April 30, 2020. The increase of \$173,015 is mainly due to the increase in proceeds from balance of purchase price receivable, in repayment of convertible debentures and the decrease in acquisition of mining properties and additions to exploration and evaluation assets.

## 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		Nine-month period ended	
	April 30 2021	April 30 2020	April 30 2021	April 30 2020
	\$	\$	\$	\$
Management and consulting fees	100,500	75,000	220,500	303,246

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

As at April 30, 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.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

---

## **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 April 30, 2021, 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 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 nine-month period ended April 30, 2021, the Company recorded a net loss of \$277,002 (\$424,900 in 2020) and has an accumulated deficit of \$11,025,643 as at April 30, 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.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## GOING CONCERN ASSUMPTION (CONTINUED):

As at April 30, 2021, the Company had a the working capital amounted to \$2,010,706 (working capital deficiency of \$365,631 as at July 31, 2020) and cash of \$2,432,036 (\$516,795 as at July 31, 2020). 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, 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.

## OUTSTANDING SHARE CAPITAL:

### DISCLOSURE OF OUTSTANDING SHARE DATA (AS AT JUNE 25, 2021)

Outstanding common shares:	44,149,794
Outstanding share options:	285,000
Outstanding warrants:	16,252,000

## WARRANTS:

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

	April 30 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	15,902,000	0.15	-	-
Expired	(125,000)	(1.50)	(3,611,617)	(1.50)
Outstanding at end	16,252,000	0.18	475,000	1.50

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## WARRANTS (CONTINUED):

The following table provides outstanding warrants information as at April 30, 2021:

Expiry date	Number of outstanding warrants	Outstanding warrants	
		Exercise price	Remaining life
		\$	(years)
December 21, 2022	2,187,500	0.15	1.64
February 19, 2023	13,714,500	0.15	1.81
November 28, 2023	350,000	1.50	2.58
	16,252,000	0.34	1.80

## 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:

	April 30 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
Expired	(57,500)	(1.00)	-	-
Forfeited	(60,000)	(1.50)	(275,000)	(1.37)
Outstanding at end	285,000	1.44	402,500	1.38
Exercisable at end	285,000	1.44	402,500	1.38

The following table provides outstanding share options information as at April 30, 2021:

Expiry date	Share options outstanding			
	Number of granted share options	Number of exercisable share options	Exercise price	Remaining life
			\$	(years)
October 3, 2022	20,000	20,000	0.75	1.43
February 5, 2023	35,000	35,000	1.40	1.76
June 27, 2023	200,000	200,000	1.50	2.16
November 5, 2023	30,000	30,000	1.50	2.52
	285,000	285,000	1.44	2.10



# MANAGEMENT'S DISCUSSION AND ANALYSIS

---

## **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, 2020 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).

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## RISK AND UNCERTAINTIES (CONTINUED):

	April 30 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>	989,228	-
	989,228	1,271,836
Current portion of convertible debentures	150,000	562,373
Non-current portion of convertible debentures	839,228	709,463

(a) Debentures (4) from related parties:

	April 30 2021	July 31 2020
	\$	\$
Directors	2,953	4,500
Company under control of a director	12,402	18,901
Companies under control of an officer	8,859	13,500
	24,214	36,901

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.

## RISK AND UNCERTAINTIES (CONTINUED):

### 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.

### Titles to property

While the Company has diligently investigated title to the various properties in which it has interest, and to the best of its knowledge, titles to those properties are in good standing, this should not be construed as a guarantee of title. The properties may be subject to prior unregistered agreements or transfer, or native or government land claims, and title may be affected by undetected defects.

According to the mining law and regulations of the Province of Québec, to renew its claims, the Company must incur a minimum of exploration expenditures and must pay the Québec government, a rent per claim, for every 2 years renewal period. Between the date of this MD&A and July 31, 2020, no claim will need to be renewed for a negligible amount and will not require additional exploration expenditures because the Company has met the requirement.

According to the mining law and regulations of the Province of New Brunswick, to renew its claims, the Company must incur a minimum of exploration expenditures and must pay the Nova Scotia government, a rent per claim of \$20.00 and \$200.00 of expenditures, for every one-year renewal period. Between the date of this MD&A and July 31, 2020, no claim will need to be renewed for a negligible amount and will not require additional exploration expenditures because the Company has met the requirement.

### 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.

### 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.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

---

## RISK AND UNCERTAINTIES (CONTINUED)

### 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, except as disclosed for the Langis Property. 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.

### 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.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

---

## RISK AND UNCERTAINTIES (CONTINUED)

### 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.

### Canada Revenue Agency

No assurance can be made that Canada 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 nine-month period ended April 30, 2021.
- 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.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

---

## 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](http://www.sedar.com)) and on the Company's web site [www.canadianmetalsinc.com](http://www.canadianmetalsinc.com).

### Officers

Michel Gagnon  
Chairman

Patsie Ducharme  
CFO

Stéphane Leblanc  
President and CEO

### Directors

Michel Gagnon (Audit chair)  
Pierre Renaud  
Guy Simard  
Patrick Moryoussef  
Yves Rougerie

### Transfer agent

Computershare Canada  
Montréal (Quebec)

### Special advisors

Javier Bullon

### Legal advisors

McMillan  
Montréal (Quebec)

### Head office

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

### Auditor

PwC  
Montréal (Quebec)