



## **CANADIAN METALS INC.**

### **UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT OCTOBER 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

#### **Notice of No Auditor Review**

The accompanying unaudited condensed interim financial statements were prepared by management and approved by the Audit Committee and the Board of Directors. The Company's independent auditors have not performed a review of these condensed interim financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditors.

# CANADIAN METALS INC.

## Condensed Interim Consolidated Statements of Financial Position

As at October 31, 2021 and 2020

(in Canadian dollars)

	Note	October 31, 2021	July 31, 2021
		\$	\$
<b>Assets</b>			
<b>Current assets:</b>			
Cash		1,714,022	2,234,048
Accounts receivable	8	192,053	124,219
Grant receivable	9	45,337	45,337
Advances to a related company		16,840	11,801
Prepaid expenses		13,096	17,794
Current portion of balance of purchase price receivable	11 a)	278,987	168,058
Non-current assets held for distribution	7	0	344,000
<b>Total current assets</b>		<b>2,260,334</b>	<b>2,945,257</b>
<b>Non-current assets:</b>			
Mining properties	10	8,548,854	8,548,853
Exploration and evaluation assets	12	677,878	472,707
Balance of purchase price receivable	11 a)	693,836	855,558
<b>Total non-current assets</b>		<b>9,920,568</b>	<b>9,877,118</b>
<b>Total assets</b>		<b>12,180,902</b>	<b>12,822,375</b>
<b>Liabilities and Equity</b>			
<b>Current liabilities:</b>			
Trade accounts payable and accrued liabilities		687,778	717,050
Grants refundable	10	337,320	337,320
Current portion of convertible debentures	13	139,493	150,000
<b>Total current liabilities</b>		<b>1,164,591</b>	<b>1,204,370</b>
<b>Non-current liabilities:</b>			
Convertible debentures	13	885,950	855,018
<b>Total non-current liabilities</b>		<b>885,950</b>	<b>855,018</b>
<b>Total liabilities</b>		<b>2,050,541</b>	<b>2,059,388</b>
<b>Equity:</b>			
Share capital	14	17,323,393	17,323,392
Warrants	14	861,624	861,624
Share options	14	248,175	248,175
Equity component of the convertible debentures	13	562,455	562,455
Contributed surplus		3,128,626	3,472,627
Deficit		-11,993,912	-11,705,286
<b>Total equity</b>		<b>10,130,361</b>	<b>10,762,987</b>
<b>Total liabilities and equity</b>		<b>12,180,902</b>	<b>12,822,375</b>

Nature of operations and going concern, see Note 2.

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

These financial statements were approved and authorized for issue by the Board of Directors on December 21, 2020.

(S) Arnab De  
Chief Financial Officer

(S) Michel Gagnon  
Director and Chairman

# CANADIAN METALS INC.

## Condensed Interim Consolidated Statements of Comprehensive Loss

Three-month periods ended October 31, 2021 and 2020

(in Canadian dollars)

	Note	Three month period ended	
		October 31 2021	October 31 2020
		\$	\$
General and administrative expenses:			
Professional fees		84,065	72,414
Management and consulting fees		157,498	60,000
Registration, listing fees and shareholders information		9,975	5,999
Insurance and office expenses		6,039	4,328
Travel and promotion		112	151
<b>Loss from operating activities</b>		255,959	142,892
		255,959	142,892
Finance income		(18,018)	(20,554)
Finance expense		50,685	100,189
<b>Total net finance expense (income)</b>		32,667	79,635
<b>Loss before income taxes</b>		288,626	222,527
<b>Net loss and comprehensive loss</b>		288,626	222,527
<b>Weighted average number of common shares outstanding</b>		73,309,794	14,424,794
<b>Basic and diluted loss per share</b>		0.004	0.015

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

# CANADIAN METALS INC.

## Condensed Interim Consolidated Statements of Changes in Equity

Three-month periods ended October 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, 2021</b>		73,309,794	17,323,392	861,624	248,175	562,455	3,472,627	-11,705,286	10,762,987
Shares issued:									
Spin-Off of Lac La Chesnaye Project	7	-	-	-	-	-	(344,000)	-	(344,000)
Net loss and comprehensive loss for the year		-	-	-	-	-	-	(288,626)	(288,626)
<b>Balance as at October 31, 2021</b>		73,309,794	17,323,392	861,624	248,175	562,455	3,128,627	(11,993,912)	10,130,361
<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:									
As payment of mining properties	13								
As a settlement of interest payment on the debentures	12								
Share issuance costs	-		(2,394)						(2,394)
Warrants expired	-			(21,132)			21,132		
Net loss and comprehensive loss for the year								(222,537)	(222,537)
<b>Balance as at October 31, 2020</b>		14,424,794	9,344,580	145,806	371,667	562,455	3,349,135	(10,971,178)	2,802,465

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

# CANADIAN METALS INC.

## Condensed Interim Consolidated Statements of Cash Flows

Three-month periods ended October 31, 2021 and 2020

(in Canadian dollars)

	Note	Three month period ended	
		October 31 2021	October 31 2020
		\$	\$
<b>Operating activities:</b>			
Net loss		-288,626	-222,527
Adjustments for:			
Effective interest costs on convertible debentures	13	50,685	99,851
Effective interest income on balance of purchase price receivable	11a)	-18,018	-20,554
<b>Operating activities before changes in working capital items</b>		<b>-255,959</b>	<b>-143,230</b>
Change in accounts receivable	8	-67,834	-10,859
Change in prepaid expenses		4,698	4,171
Change in trade accounts payable and accrued liabilities		-195,156	56,291
Change in advances to related company		-5,039	-
		<b>-263,330</b>	<b>49,603</b>
<b>Cash flows used for operating activities</b>		<b>-519,289</b>	<b>-93,627</b>
<b>Financing activities:</b>			
Share issuance costs			-2394
<b>Cash flows provided from (used for) financing activities</b>		<b>0</b>	<b>-2394</b>
<b>Investing activities:</b>			
Repayment of convertible debentures	13	-30,260	
Proceeds from balance of purchase price receivable	11a)	68,810	66,036
Tax credits applied against exploration and evaluation assets		1,730	
Increase in exploration and evaluation assets	12	-41,017	
<b>Cash flows provided from investing activities</b>		<b>-737</b>	<b>66,036</b>
<b>Net change in cash</b>		<b>-520,026</b>	<b>-29,985</b>
<b>Cash, beginning of year</b>		<b>2,234,048</b>	<b>516,795</b>
<b>Cash, end of year</b>		<b>1,714,022</b>	<b>486,810</b>

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

# CANADIAN METALS INC.

## Notes to Condensed Interim Consolidated Financial Statements (continued)

Three-month periods ended October 31, 2021 and 2020

(in Canadian dollars)

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### 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 Company has not yet determined whether its mining properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for mining properties and exploration and evaluation assets is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development work of its mining properties, and upon future profitable production or proceeds from the disposal of mining properties.

Although management has taken actions to verify the ownership rights for mining properties in which the Company owns an interest and in accordance with industry standards for the current exploration phase of these properties, these procedures give no assurance to the Company as to title. The title to a mining property may be subject to unrecognized prior agreements and not compliant with regulatory requirements.

These consolidated financial statements have been prepared using International Financial Reporting Standards ("IFRS") applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they become due.

As at October 31, 2021, the Company has working capital of \$1,095,743 including cash and cash equivalents of \$1,714,022 and a cumulative deficit of \$11,993,912 and incurred a loss of \$288,626 during the quarter then ended. Management does not believe it has sufficient funds to pay its ongoing general and administrative expenses, to pursue its budgeted exploration and evaluation expenditures, and to meet its liabilities, obligations and existing commitments for the ensuing twelve months as they fall due. These circumstances indicate the existence of material uncertainties that cast significant doubt upon the Company's ability to continue as a going concern and accordingly, the appropriateness of the use of IFRS applicable to a going concern. These consolidated 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.

In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, including the impact of COVID-19. The extent and duration of the impacts that the coronavirus may have on the Company's operations, including suppliers, service providers and global financial markets, are still uncertain at this time. These events may cause significant changes in the future on the Company's ability to complete planned exploration and evaluation activities or its ability to obtain debt and equity financing.

The Company is monitoring developments in order to be in a position to take appropriate actions as needed. To continue the Company's exploration and evaluation programs on its properties and its operations, the Company will need to raise additional funds through the issuance of new equity instruments, the selling of mineral properties and the search for partners to sign option agreements on certain of its mineral properties. While it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future or that these sources of funding or initiatives will be available for the Company or that they will be available on terms that are acceptable to the Company.

The Company's business involves a high degree of risk and there is no assurance that the Company will be successful in discovering economically recoverable deposits on its mineral properties. Furthermore, the Company has not yet generated any income or cash flows from its operations and there is no assurance that the business will be profitable in the future.

### 3. Basis of preparation:

These unaudited condensed interim consolidated 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 consolidated financial statements should be read in conjunction with the Company's audited annual financial statements for the year ended July 31, 2021, which have been prepared in accordance with IFRS as issued by the IASB.

The unaudited condensed interim consolidated financial statements for the reporting period ended October 31, 2021 (including comparatives) were approved and authorized for issue by the Board of Directors on December 21, 2020.

# CANADIAN METALS INC.

## Notes to Condensed Interim Consolidated Financial Statements (continued)

Three-month periods ended October 31, 2021 and 2020

(in Canadian dollars)

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### 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 Consolidation:

The financial statements include the accounts of the Company and those of its subsidiary owned at 100%, Target Minerals Inc. The Company controls an entity when the Company is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns, through its power over the entity. Target Minerals Inc. is fully consolidated from the date on which control was obtained by the Company and is deconsolidated from the date that control ceases. All intercompany accounts and transactions are eliminated.

Management determines its ability to exercise control over an entity by looking at its percentage interest and other qualitative factors including but not limited to its voting rights, representation on the board of directors, participation in policy-making processes, material transactions between the Company and the associate, interchange of managerial personnel, provision of essential technical information and operating involvement. Considering these factors, the Company is considered to have control over Target Minerals Inc.

#### 3.3 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, 2021.

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, 2021, 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. Acquisition of Target Minerals Inc.:

On July 27, 2021 the Company completed the acquisition of Target Minerals Inc. (TM) which includes a 100% interest in TM's projects (the Nicholas Denys Property (NDP), the Millstream and Goldstrike Property (MGP) and the Oxford Brook Property (OBP)) located in New-Brunswick. In consideration for the acquired net assets, the Company: issued 27,000,000 common shares of CME to the shareholders of TM issued 2,160,000 common shares of CME to Generic Capital Corporation as advisory fee shares pursuant to an advisory agreement (the “Fee Shares”). The Fee Shares are subject to a regulatory four month hold and a voluntary escrow providing for staggered releases over the next 18 months.

The Company has accounted for the acquisition as a purchase of assets and assumption of liabilities. The transaction did not qualify as a business combination under IFRS 3, Business Combinations, as significant inputs and processes that together constitute a business were not identified, given the early stage of exploration and evaluation of the properties. Therefore, the purchase value of \$6,415,200 was allocated to the assets acquired and the liabilities assumed based on a relative fair value methodology.

# CANADIAN METALS INC.

## Notes to Condensed Interim Consolidated Financial Statements (continued)

Three-month periods ended October 31, 2021 and 2020

(in Canadian dollars)

### 6. Acquisition of Target Minerals Inc. (Continued):

The consideration paid was calculated as follows:

	July 31, 2021
	\$
Cash	30,454
Accounts receivable	812
Mining properties	6,645,712
Trade accounts payable and accrued liabilities	(181,235)
Fair value of consideration	6,495,743

The largest portion of the consideration paid was allocated to the mineral properties. The total amount was allocated to the Nicholas-Denis project (NDP) given the advanced stage of exploration and evaluation work already carried out on the project.

The allocation to the different properties was based on the following:

- Historical exploration work conducted on the respective properties;
- Future exploration planned on the various properties; and
- Strategic focus of the management amongst the various properties.

### 7. Non-current assets held for distribution:

On June 17, 2021, the Company entered into an arrangement agreement with QNB Metals Inc. (QNB), for the spinout of the Lac La Chesnaye Property owned by the Company. According to the agreement, the Lac La Chesnaye Property was to be spun out to QNB in exchange for the issuance of 4,300,000 Class A common shares of QNB to the Company. In accordance with the terms of the arrangement agreement, the Company was to then proceed with a reorganization of its share capital and distribute such QNB shares to the shareholders of the Company.

The transaction was completed on September 9, 2021. Thus, pursuant to IFRS 5, the Lac La Chesnaye Property was classified as Non-current assets held for distribution at July 31, 2021.

	July 31, 2021
	\$
Mining properties (Note 11b)	428,153
Exploration and evaluation assets	109,116
Carrying value	537,269

The fair value less cost to distribute the property is determined as follows:

	July 31, 2021
	\$
Number of QNB shares	4,300,000
QNB share price on the day of the issuance September 9, 2021	0.08
Fair value less cost to distribute of Non-current assets held for distribution	344,000

The fair value for \$344,000 is less than the carrying value of \$537,269, resulting in an impairment of \$84,153 for mining rights and \$109,116 for exploration and evaluation assets for a total of \$193,269 (See Note 11b).

On September 9, 2021, the Company spun out its Lac La Chesnaye Property located in Quebec in exchange of 4,299,961 common shares of QNB Metals Inc., for a fair value of \$344,000. As a result, each shareholder has received such number of shares of QNB Metals Inc. equal to the number of the Company's shares held by such shareholder on September 8, 2021 multiplied by 0.05866. On September 9, 2021, the amount of \$344,000 was transferred to Contributed Surplus.



# CANADIAN METALS INC.

## Notes to Condensed Interim Consolidated Financial Statements (continued)

Three-month periods ended October 31, 2021 and 2020

(in Canadian dollars)

### 8. Accounts receivable:

	October 31, 2021	July 31, 2020
	\$	\$
Sales tax receivable	123,243	63,698
Accounts receivable	68,810	60,521
	192,053	124,219

### 9. Industrial feasibility study:

On November 13, 2018, the Company officially began a feasibility study on the Baie-Comeau Silicon industrial project. The scope of work includes all basic design and costing for the equipment, buildings, furnace and electrical services, basic engineering and the environmental study to obtain the authorization certificate. The industrial study for the smelter was completed in the summer of 2019. A government grant of \$1 million was awarded for this study and it is funded over time as the mandates are executed and paid. Grants totaling \$45,337 (\$116,781 received in 2020) were recorded in grant receivable and against the expenditures.

### 10. Exploration and evaluation expenses:

In the year ended July 31, 2020, the Company decided not to pursue a previously initiated study which was supported by a grant received in the year ended July 31, 2018. For the year ended July 31, 2020, the impact of the decision was a net recovery of \$146,277 for previously incurred costs which was unknown prior to the termination of the study and the recognition of a grant refundable of \$337,320.

### 11. Mining properties:

Mining properties can be detailed as follows:

	Interest	July 31, 2020	Properties from acquisition of Target Minerals Inc.	Property held for distribution	Impairment	July 31, 2021	Acquisition / Adjustment in Q1 2022	October 31, 2021
	%	\$	\$	\$	\$	\$	\$	\$
Québec:								
Lac La Chesnaye <sup>(b)</sup> (Note 7)	100	428,153	-	(344,000)	(84,153)	-	-	-
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	-	840,866
Mountain Brook <sup>(d)</sup>	100	715,900	-	-	-	715,900	-	715,900
TV Tower <sup>(d)</sup>	100	272,954	-	-	-	272,954	-	272,954
Frenette <sup>(f)</sup>	100	10,180	-	-	-	10,180	-	10,180
Oxford Brook <sup>(g)</sup>	100	-	240,178	-	-	240,178	-	240,178
Nicholas-Denys <sup>(h)</sup>	100	-	6,065,422	-	-	6,065,422	-	6,065,422
Goldstrike & Millstream Gold <sup>(i)</sup>	100	-	403,353	-	-	403,353	-	403,353
		2,400,228	6,708,953	(344,000)	(216,328)	8,548,853	-	8,548,853

# CANADIAN METALS INC.

## Notes to Condensed Interim Consolidated Financial Statements (continued)

Three-month periods ended October 31, 2021 and 2020

(in Canadian dollars)

### 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, 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.

#### Balance of purchase price receivable

The purchase price receivable of \$2,250,000 does not bear interest and has been discounted using 6.86% reflecting the estimated credit risk of the buyer and collateral against the balance of purchase price at time of disposal.

	October 31, 2021	July 31, 2021
	\$	\$
Balance at the beginning	1,023,616	1,275,380
Effective interest income	18,018	66,664
Reimbursement	-68,810	-318,428
Balance end of year	972,824	1,023,616
Current portion	278,987	168,058
Non-current portion	693,838	855,558

### b) Lac La Chesnaye Property (silica):

The property Lac La Chesnaye was accounted for as a non-current asset held for distribution for the fair value of \$344,000 at July 31, 2021. The amount was transferred to contributed surplus during the three-month period ended October 2021. As on October 31, 2021, this property is no longer a property of the Company. (See Note 7)

### 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.

During the year ended July 31, 2021, the Company wrote down to \$Nil the cost of the Langis East property, as it no longer fits the Company's development strategy. Consequently, an impairment loss of \$90,000 on mining properties was recorded in net earnings.

# CANADIAN METALS INC.

## Notes to Condensed Interim Consolidated Financial Statements (continued)

Three-month periods ended October 31, 2021 and 2020

(in Canadian dollars)

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### 11. 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.

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.

During the year ended July 31, 2021, the Company wrote down to \$Nil the cost of the Silicate Brutus, Seignelay, Lac Robot, Baie-Trinité and Mouchalagane properties, as it no longer fits the Company's development strategy. Consequently, an impairment loss of \$42,175 on mining properties and \$25,780 on exploration and evaluation assets was recorded in net earnings.

#### 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.

#### g) Oxford Brook Property (zinc):

On July 27, 2021 the Company completed the acquisition of Target Minerals Inc. for the acquisition of a 100% interest in 189 units located in Northwestern New-Brunswick in the Restigouche County. The value allocated to the property was \$240,178. The property is subject to a 2% NSR Royalty. (See Note 6)

#### h) Nicholas-Denys Property (polymetallic):

On July 27, 2021 the Company completed the acquisition of Target Minerals Inc. for the acquisition of a 100% interest in 356 units located in Northern New-Brunswick. The value allocated to the property was \$6,065,422. The property is subject to a 5% NSR Royalty, half of which is redeemable for \$1,000,000, a 3% NSR Royalty, half of which is redeemable for \$1,750,000 and an additional 1% NSR Royalty, half of which is redeemable for \$1,000,000. (See Note 6)

#### i) Goldstrike and Millstream Gold Property (gold-silver):

On July 27, 2021 the Company completed the acquisition of Target Minerals Inc. for the acquisition of a 100% interest in 208 units located in Northern New-Brunswick. The value allocated to the property was \$403,353. The property is subject to a 2% NSR Royalty, half of which is redeemable for \$1,000,000. (See Note 6)

# CANADIAN METALS INC.

## Notes to Condensed Interim Consolidated Financial Statements (continued)

Three-month periods ended October 31, 2021 and 2020

(in Canadian dollars)

### 12. Exploration and evaluation assets:

Exploration and evaluation assets by properties are detailed as follows:

	July 31, 2020	Exploration costs	Grant	Tax credits	Impairment	July 31, 2021	Exploration costs	October 31, 2021
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Québec</b>								
Lac La Chesnaye (Note 7)	107,073	2,043	-	-	(109,116)	-	-	-
Silicate Brutus	18,211	-	-	(5,015)	(13,196)	-	-	-
Mouchalagane	16,361	-	-	(4,497)	(11,864)	-	-	-
Lac Robot	750	-	-	(210)	(540)	-	-	-
Seignelay	250	-	-	(70)	(180)	-	-	-
<b>New Brunswick</b>								
Blackshale	45,486	12,100	-	-	-	57,586	-	57,586
Mountain Brook	37,195	-	(10,000)	-	-	27,195	-	27,195
TV Tower	379,876	-	-	-	-	379,876	-	379,876
Frenette	8,050	-	-	-	-	8,050	-	8,050
Oxford Brook	-	-	-	-	-	-	-	-
Nicholas Denys	-	-	-	-	-	-	53,003	53,003
Goldstrike & Millstream	-	-	-	-	-	-	152,168	152,168
	613,252	14,143	(10,000)	(9,792)	(134,896)	472,707	205,171	677,878

### 13. Convertible debentures:

	31-Oct 2021	31-Jul 2021
	\$	\$
<b>Convertible debentures (4)</b>		
Convertible debentures bearing interest at 3% payable annually and maturing in March 2025.(a)	1,025,443	1,005,018
	1,025,443	1,005,018
Current portion of convertible debentures	139,493	150,000
Non-current portion of convertible debentures	885,950	855,018
<b>(a) Debentures (4) from related parties:</b>		
	31-Jul 2021	31-Jul 2021
	\$	\$
Directors	3,000	3,000
Company under control of a director	9,000	9,000
Company under control of an officer	12,600	12,600
	24,600	24,600

# CANADIAN METALS INC.

## Notes to Condensed Interim Consolidated Financial Statements (continued)

Three-month periods ended October 31, 2021 and 2020

(in Canadian dollars)

### 13. Convertible debentures (Continued):

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

	31-Oct 2021	31-Jul 2021
	\$	\$
Balance at the beginning	1,005,018	1,271,836
Cash flows		
Reimbursement	-30,260	-95,936
Interest paid		-14,179
Non-Cash:		
Effective interest costs on convertible debentures	50,685	76,533
Exchange of debentures / reimbursement		-1,348,369
Exchange of debentures / additions		992,670
Effective interest costs on convertible debentures		122,463
Balance end of year	1,025,443	1,005,018

### 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, was paid for an amount of \$14,179. 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.

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

#### 14.1 Share capital:

##### 2021:

There were no shares issued during the period.

#### 14.2 Warrants:

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

	October 31, 2021		July 31, 2021	
	Number of outstanding warrants	Weighted average exercise price	Number of outstanding warrants	Weighted average exercise price
		\$		\$
Outstanding at beginning	475,000	1.5	475,000	1.5
Granted	18,089,500	0.15	18,089,500	0.15
Expired	-125,000	-1.5	-125,000	-1.5
Outstanding at end	18,439,500	0.18	18,439,500	0.18

# CANADIAN METALS INC.

## Notes to Condensed Interim Consolidated Financial Statements (continued)

Three-month periods ended October 31, 2021 and 2020

(in Canadian dollars)

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

#### 14.2 Warrants (Continued):

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

Expiry date	Outstanding warrants		
	Number of outstanding warrants	Exercise price	Remaining life
		\$	(years)
21-Dec-22	4,375,000	0.15	1.39
19-Feb-23	13,714,500	0.15	1.56
28-Nov-23	350,000	1.5	2.33
	18,439,500	0.34	1.53

#### 14.3 Share option plan:

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

	October 31, 2021		July 31, 2021	
	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	402,500	1.38
Expired	-57,500	-1	-57,500	-1
Forfeited	-80,000	-1.5	-80,000	-1.5
Outstanding at end	265,000	1.43	265,000	1.43
Exercisable at end	265,000	1.43	265,000	1.43

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

Expiry date	Share options outstanding			Remaining life
	Number of granted share options	Number of exercisable share options	Exercise price	
			\$	(years)
October 3, 2022	20,000	20,000	0.75	1.18
February 5, 2023	35,000	35,000	1.4	1.52
27-Jun-23	180,000	180,000	1.5	1.91
05-Nov-23	30,000	30,000	1.5	2.27
	265,000	265,000	1.43	1.84

# CANADIAN METALS INC.

## Notes to Condensed Interim Consolidated Financial Statements (continued)

Three-month periods ended October 31, 2021 and 2020

(in Canadian dollars)

### 15. 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:

	October 31, 2021	October 31, 2020
	\$	\$
Management and consulting fees	157,498	60,000

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

As at October 31, 2021, trade accounts payable and accrued liabilities include \$nil payable to key management personnel. As at July 31, 2021, trade accounts payable and accrued liabilities include \$26,913 payable and \$10,000 due 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.

As at October 31, 2021, the Company has advances to a related company amounting to \$16,840 (July 31, 2021: \$11,801)

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.