

**CANADIAN ENERGY MATERIALS CORP.**

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended September 30, 2019

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

**NOTICE OF NO AUDITOR REVIEW OF THE  
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

In accordance with National Instrument 51-102 Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of these condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the condensed interim consolidated financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company for the six months ended September 30, 2019 have been prepared by and are the responsibility of the Company's management, and have not been reviewed by the Company's auditors.

**CANADIAN ENERGY MATERIALS CORP.**

## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

September 30, 2019 and March 31, 2019

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

	September 30, 2019	March 31, 2019	April 1, 2018
<b>ASSETS</b>			
Current			
Cash	\$ 208,971	\$ 303,363	\$ 781,788
Amount receivable	8,016	74,536	11,251
Prepaid expenses and deposit (Note 10)	54,406	18,821	83,391
	271,393	396,720	876,430
Exploration and evaluation assets (Note 7)	1,927,530	1,927,530	-
Equipment	6,220	7,170	566
	\$ 2,205,143	\$ 2,331,420	\$ 876,996
<b>LIABILITIES</b>			
Current			
Accounts payable and accrued liabilities (Note 10)	\$ 168,752	\$ 168,008	\$ 203,249
Loans payable (Note 8)	310	310	13,400
Premium on flow-through shares (Note 9)	74,000	77,750	-
	243,062	246,068	216,649
<b>SHAREHOLDERS' EQUITY</b>			
Share capital (Note 9)	13,898,404	13,898,404	11,604,542
Share subscriptions (receivable) (Note 9)	15,000	15,000	(24,000)
Reserves (Note 9)	3,413,823	3,413,823	3,238,017
Deficit	(15,365,136)	(15,241,875)	(14,158,212)
	1,962,081	2,085,352	660,347
	\$ 2,205,143	\$ 2,331,420	\$ 876,996

Going concern (Note 2)

Commitments (Notes 8 and 9)

APPROVED ON BEHALF OF THE BOARD:

"Michael Schuss"

Michael Schuss

Director

"Geoff Balderson"

Geoff Balderson

Director

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

**CANADIAN ENERGY MATERIALS CORP.****CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

For the three and six months ended September 30, 2019 and 2018

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

	For the three months ended September 30,		For the six months ended September 30,	
	2019	2018	2019	2018
		(Restated – Note 5)		(Restated – Note 5)
Administrative expenses				
Bank charges and interest	\$ 4,148	\$ 1,358	\$ 4,191	\$ 3,352
Consulting fees (Note 10)	11,497	49,049	49,184	85,248
Depreciation	475	608	950	644
Management fees (Note 10)	8,000	10,500	18,500	24,500
Office and general	8,400	12,575	11,605	20,839
Exploration expenditures	13,147	146,299	14,647	151,376
Professional fees	16,291	19,909	19,335	20,534
Rent	-	1,000	-	6,000
Transfer agent and filing fees	487	5,666	1,187	7,701
Travel and entertainment	7,388	5,271	7,603	9,001
Loss before other item	(69,833)	(252,235)	(127,202)	(329,195)
Other items:				
Interest income	-	-	181	-
Other income (Note 9)	3,750	-	3,750	-
	3,750	-	3,931	-
Net loss and comprehensive loss for the period	\$ (66,083)	\$ (252,235)	\$ (123,271)	\$ (329,195)
Basic and diluted loss per share	\$ (0.00)	\$ (0.03)	\$ (0.00)	\$ (0.04)
Weighted average number of common shares outstanding	25,095,016	9,220,617	25,095,016	9,220,617

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

**CANADIAN ENERGY MATERIALS CORP.****CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

For the six months ended September 30, 2019 and 2018

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

	<b>Number of Shares</b>	<b>Capital Stock</b>	<b>Share Subscriptions</b>	<b>Reserves</b>	<b>Deficit</b>	<b>Total Shareholders' Equity</b>
Balance, March 31, 2018	9,220,617	\$ 11,604,542	\$ (24,000)	\$ 3,238,017	(Restated – Note 5) \$ (14,158,212)	\$ 660,347
Subscription received	-	-	24,000	-	-	24,000
Net loss and comprehensive loss for the period	-	-	-	-	(329,195)	(329,195)
Balance, September 30, 2018	9,220,617	\$ 11,604,542	\$ -	\$ 3,238,017	\$ (14,487,407)	\$ 355,152
Balance, March 31, 2019	25,905,016	\$ 13,898,404	\$ 15,000	\$ 3,413,823	\$ (15,241,875)	\$ 2,085,352
Net loss and comprehensive loss for the period	-	-	-	-	(123,271)	(123,271)
Balance, September 30, 2019	25,905,016	\$ 13,898,404	\$ 15,000	\$ 3,413,823	\$ (15,365,146)	\$ 1,962,081

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

**CANADIAN ENERGY MATERIALS CORP.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
For the six months ended September 30, 2019 and 2018  
(Expressed in Canadian Dollars)  
(Unaudited – Prepared by Management)

	<b>For the six months ended September 30,</b>	
	<b>2019</b>	<b>2018</b>
		(Restated – Note 5)
<b>Operating Activities</b>		
Net loss for the period	\$ (123,271)	\$ (329,195)
Items not affecting cash:		
Depreciation	950	644
Interest charge	4,028	-
Other income	(3,750)	-
	(122,043)	(328,551)
Changes in non-cash working capital items related to operations:		
Amount receivables	66,520	(10,535)
Prepaid expenses	(35,585)	25,431
Accounts payable and accrued liabilities	(3,284)	(25,494)
Cash used in operating activities	(94,392)	(339,149)
<b>Financing Activities</b>		
Share subscriptions	-	24,000
Loans payable (repayment)	-	(13,090)
Cash provided by Financing Activities	-	10,910
<b>Investing Activities</b>		
Equipment	-	(8,568)
Exploration and evaluation assets	-	(41,195)
Cash (used in) provided by Investing Activities	-	(49,763)
Decrease in cash during the period	(94,392)	(378,002)
Cash, beginning of period	303,363	781,788
Cash, end of the period	\$ 208,971	\$ 403,786
<b>Supplemental Disclosure of Cash Flow Information:</b>		
Cash paid during the period:		
Interest	\$ -	\$ -
Income taxes	\$ -	\$ -

There are no non-cash transactions to disclose.

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

## **CANADIAN ENERGY MATERIALS CORP.**

Notes to the Condensed Interim Consolidated Financial Statements

September 30, 2019

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

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### **1. CORPORATE INFORMATION**

The Company was incorporated on March 2, 2006 in British Columbia. The head office, principal address and records office of the Company are located at 750 - 1095 W Pender Street, Vancouver, British Columbia, Canada, V6E 2M6. The Company's registered address is at the same address.

The Company is in the process of acquiring and exploring its resource properties and has not yet determined whether these properties contain mineral reserves that are economically recoverable. The Company is listed on the TSX Venture Exchange ("TSX V") under the symbol "CIN". On April 12, 2018, the Company changed its name to Canadian Energy Materials Corp. and its trading symbol to "CHEM".

### **2. BASIS OF PREPARATION**

#### **(a) Statement of Compliance**

This condensed interim consolidated financial information for the six months ended September 30, 2019 have been prepared in accordance with IAS 34 "Interim financial reporting". The condensed interim consolidated financial information should be read in conjunction with the annual financial statements for the year ended March 31, 2019, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

These condensed interim consolidated financial statements were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on November 25, 2019.

#### **(b) Basis of Measurement**

The condensed interim consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value, as explained in the accounting policies set out in Note 3. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

#### **(c) Going Concern**

These condensed interim consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company was not expected to continue operations for the foreseeable future. At September 30, 2019, the Company has not achieved profitable operations, has accumulated losses of \$15,365,146 since inception and expects to incur further losses in the development of its business. The above material uncertainties cast significant doubt about the Company's ability to continue as a going concern. The Company's continuation as a going concern is dependent upon successful results from its exploration and evaluation activities, its ability to attain profitable operations to generate funds and/or its ability to raise equity capital or borrowings sufficient to meet its current and future obligations. Although the Company has been successful in the past in raising funds to continue operations, there is no assurance it will be able to do so in the future.

## **CANADIAN ENERGY MATERIALS CORP.**

Notes to the Condensed Interim Consolidated Financial Statements

September 30, 2019

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

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### **3. SIGNIFICANT ACCOUNTING POLICIES**

The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of the audited consolidated financial statements as March 31, 2019. The accompanying unaudited condensed interim consolidated financial statements should be read in conjunction with the Company's audited financial statements for the year ended March 31, 2019:

#### Accounting Standards and Amendments Adopted on April 1, 2019

The Company has adopted IFRS 16 *Leases* ("IFRS 16") which is effective for annual periods beginning on or after January 1, 2019. IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The adoption of IFRS 16 did not have an impact on the Company's condensed interim consolidated financial statements.

### **4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive loss in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

#### **Critical judgments in applying accounting policies**

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the condensed interim consolidated financial statements within the next financial year are discussed below:

#### **Exploration and Evaluation Asset and Impairment**

The application of the Company's accounting policy for exploration and evaluation assets and impairment of the capitalized expenditures requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after an expenditure is capitalized, information becomes available suggesting that the recovery of the expenditure is unlikely, the amount capitalized is written off in profit or loss in the year the new information becomes available.

## **CANADIAN ENERGY MATERIALS CORP.**

Notes to the Condensed Interim Consolidated Financial Statements

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### **4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS – (cont'd)**

#### **Going Concern**

The assessment of the Company's ability to continue as a going concern require significant judgement. See Note 2(c).

#### **Title to Mineral Property Interests**

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

### **5. PRIOR PERIOD REPORTING**

#### Effect of Change in Accounting Policy

Effective March 31, 2019, as permitted under IFRS 6, *Exploration for and Evaluation of Mineral Resources*, the Company voluntarily changed its accounting policy for its exploration and evaluation ("E&E") expenditures, to expense these costs in the Consolidated Statement of Loss in the period in which they were incurred whereas previously all of the E&E expenditures had been capitalized on the Statement of Financial Position. The Company determined that reflecting its E&E expenditures as line items in the Statement of Loss and the Statement of Cash Flows better reflects the economic substance of its operating activities during the fiscal periods presented.

This change in accounting policy has been applied retrospectively. The Company's accounting policies for the significant components of its exploration and evaluation expenditures are noted below.

#### Exploration and evaluation rights to explore

The Company capitalizes direct mineral property acquisition costs and those expenditures incurred following the determination that the property has economically recoverable reserves. Mineral property acquisition costs include cash consideration, option payment under an earn-in arrangement and the fair value of common shares issued for mineral property interests, pursuant to the terms of the relevant agreement. Once the technical feasibility and commercial viability of extracting the mineral resources has been determined, the property is considered to be a mine under development and development costs are capitalized to "mines under construction" on the statement of financial position. These costs are amortized over the estimated life of the property following commencement of commercial production, or written off if the property is sold, allowed to lapse or abandoned, or when impairment in value has been determined to have occurred. A mineral property is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

#### Exploration and evaluation expenditures

Exploration and evaluation expenditures are charged to operations in the year incurred until such time as it has been determined that a property has economically recoverable resources, in which case subsequent exploration costs and the costs incurred to develop a property are capitalized into property, plant and equipment.

**CANADIAN ENERGY MATERIALS CORP.**

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**5. PRIOR PERIOD REPORTING (cont'd)**

The effect of the change in accounting policy in the condensed interim consolidated financial statements for the three months ended June 30, 2018 resulted in the following changes from the amounts previously reported in the Company's financial statements:

Condensed Interim Consolidated Statement of Financial Position as at September 30, 2018

	Note	As previously reported	Effect of change in accounting policy	As restated under new policy
		\$	\$	\$
<b>Non-Current Assets</b>				
Exploration and evaluation assets		56,195	(15,000)	41,195
<b>Total assets</b>		<b>548,217</b>	<b>(15,000)</b>	<b>533,217</b>
<b>SHAREHOLDERS' EQUITY (DEFICIT)</b>				
Deficit		(14,472,407)	(15,000)	(14,487,407)
<b>Total equity</b>		<b>370,152</b>	<b>(15,000)</b>	<b>355,152</b>
<b>Total liabilities and equity</b>		<b>548,217</b>	<b>(15,000)</b>	<b>533,217</b>

The effect of the change in accounting policy in the condensed interim consolidated statement of loss for the three and six months ended September 30, 2018 are as follows:

Condensed Interim Consolidated Statement of Loss for the three months ended September 30, 2018

	Note	As previously reported	Effect of change in accounting policy	As restated under new policy
		\$	\$	\$
<b>Administrative expenses</b>				
General exploration costs		131,299	15,000	146,299
<b>Net loss and comprehensive loss for the period</b>		<b>(237,235)</b>	<b>(15,000)</b>	<b>(252,235)</b>

Condensed Interim Consolidated Statement of Loss for the six months ended September 30, 2018

	Note	As previously reported	Effect of change in accounting policy	As restated under new policy
		\$	\$	\$
<b>Administrative expenses</b>				
General exploration costs		136,376	15,000	151,376
<b>Net loss and comprehensive loss for the period</b>		<b>(314,195)</b>	<b>(15,000)</b>	<b>(329,195)</b>

**CANADIAN ENERGY MATERIALS CORP.**

Notes to the Condensed Interim Consolidated Financial Statements

September 30, 2019

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

**5. PRIOR PERIOD REPORTING (cont'd)**

The effect of the change in accounting policy in the and the condensed interim consolidated statement of cash flow for the six months ended September 30, 2018 is as follows:

Consolidated Statement of Cash Flows for the six months ended September 30, 2018

	Note	As previously reported	Effect of change in accounting policy	As restated under new policy
		\$	\$	\$
<b>Operating Activities</b>				
<b>Net loss for the period</b>		(314,195)	(15,000)	(329,195)
<b>Cash used in operating activities</b>		(324,149)	(15,000)	(339,149)
<b>Investing Activities</b>				
Exploration and evaluation assets		(56,195)	15,000	(41,195)
<b>Cash used in investing activities</b>		(64,763)	15,000	(49,763)

**6. SEGMENTED INFORMATION**

The Company currently operates in one industry segment, being mineral exploration and in one geographic area, being Canada.

**7. EXPLORATION AND EVALUATION ASSETS**

The following table summarizes the Company's exploration and evaluation assets as at September 30, 2019 and March 31, 2019.

<b>For the three months ended June 30, 2019</b>		Lac Manitou	Grindstone	Cluff Lake Uranium/Cobalt	JAM Beryllium	Total
Balance, beginning of period	\$	-	\$ 1,923,830	\$ -	\$ 3,700	\$ 1,927,530
Balance, end of period	\$	-	\$ 1,923,830	\$ -	\$ 3,700	\$ 1,927,530
<b>For the year ended March 31, 2019</b>		Lac Manitou	Grindstone	Cluff Lake Uranium/Cobalt	JAM Beryllium	Total
Balance, beginning of year	\$	-	\$ -	\$ -	\$ -	\$ -
Cash - payment		-	20,630	-	-	20,630
Cash - Staking		-	3,200	16,165	3,700	23,065
Shares issued		-	1,800,000	-	-	1,800,000
Shares issued as finders fees		-	100,000	-	-	100,000
		-	1,923,830	16,165	3,700	1,943,695
Impairment		-	-	(16,165)	-	(16,165)
Balance, end of year	\$	-	\$ 1,923,830	\$ -	\$ 3,700	\$ 1,927,530

**CANADIAN ENERGY MATERIALS CORP.**

Notes to the Condensed Interim Consolidated Financial Statements

September 30, 2019

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

**7. EXPLORATION AND EVALUATION ASSETS – (cont'd)**

The following table summarizes the Company's exploration expenditures for the six months ended September 30, 2019 and 2018.

For the six months ended September 30, 2019	General	JAM Beryllium	Grindstone	Total
Exploration expenditures				
Property investigation and miscellaneous	\$ 6,981	\$ -	\$ 7,666	\$ 14,647
	\$ 6,981	\$ -	\$ 7,666	\$ 14,647

  

For the six months ended September 30, 2018	General	JAM Beryllium	Grindstone	Total
Exploration expenditures				
Property investigation and miscellaneous	\$ 6,577	\$ -	\$ -	\$ 6,577
Geological	-	17,022	127,777	144,799
	\$ 6,577	\$ 17,022	\$ 127,777	\$ 151,376

**(a) Lac Manitou, Quebec**

The Company acquired a 100% interest in the Lac Manitou property for \$3,000 cash and 125,000 (2,500,000 pre-consolidated) common shares. The claims are subject to a 2% NSR, of which 1% can be bought back at any time for \$750,000. The fair value of the shares issued was \$100,000. Additional staking was done at a cost of \$8,500.

On February 17, 2017, the Company entered into an earn-in agreement with Clean Commodities Corp. ("CLE") in which CLE acquire and 50% interest in the Lac Manitou project in exchange for a one-time cash renewal payment for the claims under the agreement and funding a \$50,000 exploration program in calendar 2017. In July 2017, the Company agreed to increase CLE's earn-in percentage on the project to 75% in exchange for CLE funding a \$150,000 exploration program.

The Company has no exploration plans for the property in the near future and has written off acquisition costs of \$111,500 in accordance with IFRS 6 in the year ended March 31, 2018.

## **CANADIAN ENERGY MATERIALS CORP.**

Notes to the Condensed Interim Consolidated Financial Statements

September 30, 2019

(Expressed in Canadian Dollars)

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### **7. EXPLORATION AND EVALUATION ASSETS – (cont'd)**

#### **(b) Grindstone Claims, New Brunswick**

On August 20, 2018, the Company entered into a mineral property acquisition agreement with Roland J.B. Lovesey, Dick Mann, Norm Pitre and David Mann (the “Vendors”) in which the Company will acquire a 100% interest in five mineral claims located in New Brunswick, Canada (also known as “Grindstone claims”) in exchange for cash totalling \$15,870 (paid) plus renewal fees and claim transfer fees. The Company paid \$4,760 to transfer the claim and renewal fees. These claims are contiguous to the claims held by CIN Energy Materials Inc.

The Company will pay to the Vendors on commencement of Commercial Production relative to each Vendor’s individual Vendor’s interest, a Net Smelter return royalty of 2% (“NSR”). The Company shall have the right, at any time, to purchase one-half of the NSR from the Vendors in consideration of the aggregate payment of \$1,000,000 to be distributed to each Vendor based on the individual Vendor interest thereby leaving the Vendors with a one percent (1%) NSR Royalty.

During the year ended March 31, 2019, the Company staked additional claims in New Brunswick, Canada for \$3,200 which are contiguous to the Grindstone Claims.

On August 31, 2018, the Company entered into a share exchange agreement (the “Agreement”) to purchase 100% of the issued and outstanding common shares of CIN Energy Materials Inc., a private company, (“CIN”), which holds 100% interest in Grindstone Copper-nickel-cobalt project in an unexplored region of Northwestern New Brunswick, Canada. The acquisition has been accounted for as an asset acquisition. In consideration for the net assets acquired, the Company agreed to issued to the Shareholders of CIN a total of 12,000,000 common shares of the Company valued at \$1,800,000 (\$0.15 per share) pursuant to the terms of the Agreement. The Company also issued 666,666 units as finders fees in connection with this transaction which was valued at the same price of the non-flow-through private placement of \$0.15 per unit totalling \$100,000. (note 10(b)). As a result of this transaction CIN became a wholly-owned subsidiary of the Company. This transaction was completed on December 21, 2018. The purchase price of \$1,900,000 was allocated to the value of exploration and evaluation assets.

#### **(c) Cluff Lake Uranium/Cobalt Project, Saskatchewan**

During the year ended March 31, 2019, the Company staked ten claims for a total of 26,842 hectares in Saskatchewan, Canada totalling \$16,165. As at March 31, 2019, the Company decided not to pursue with this project and have written-off the \$16,165 in staking cost to profit or loss.

#### **(d) JAM Beryllium Property, British Columbia**

During the year ended March 31, 2019, the Company purchased three claims in JAM Beryllium Property in Northern British Columbia, Canada for \$3,700.

### **8. LOANS PAYABLE**

As at March 31, 2018, the Company had \$13,400 in loans payable which are non-interest bearing, unsecured and due on demand. Included in loans payable is \$400 due to the CEO of the Company. During the period ended December 31, 2018, the Company repaid \$13,090 of the loans payable leaving a balance of \$310 payable to the CEO of the Company as at March 31, 2019 and September 30, 2019.

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Notes to the Condensed Interim Consolidated Financial Statements

September 30, 2019

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### **9. SHARE CAPITAL**

#### **(a) Authorized**

Unlimited common shares with no par value.

#### **(b) Issued**

There were no shares issued during the quarter ended September 30, 2019.

#### **For the year ended March 31, 2019**

On December 21, 2018, the Company issued 12,000,000 common shares pursuant to the terms of the August 31, 2018 share exchange agreement valued at \$1,800,000. The Company also issued 666,666 units at a fair value of \$0.15 per unit as finders fees in connection with this transaction. Each unit consists of one common share and one-half of one transferable non-flow-through common share purchase warrant, exercisable at a price of \$0.25 per share for a period of two years expiring on December 21, 2020.

On December 21, 2018, the Company complete private placements for 1,150,000 flow-through units at a price of \$0.20 and 2,142,733 non-flow-through units at a price of \$0.15 per unit for total proceeds of \$551,410. Each flow-through unit consists of one flow-through share and one-half of one transferable non-flow-through common share purchase exercisable at a price of \$0.35 per share expiring on December 21, 2020. Each non-flow-through unit consists of one non-flow-through common share and one-half of one transferable non-flow-through common share purchase warrant, exercisable at a price of \$0.25 per share expiring on December 21, 2020. The fair value of the warrants was \$127,373 which was included in equity reserves. The fair value has been estimated as of the announcement date using the Black-Scholes Option Pricing Model with the following assumptions: share price on announcement date of \$0.15, risk-free interest rate of 1.91%, dividend yield of 0%, volatility of 146.47% and expected life of two years. In connection with the private placement the Company paid cash finders fees totalling \$32,992 and issued 127,952 agent's warrants. Each agent's warrant entitles the holder to purchase one common share of the Company at a price of \$0.25 per share for a period of two years expiring on December 21, 2020. The Company fair valued the agent's warrants at \$11,516. The fair value has been estimated using the Black-Scholes Option Pricing Model with the same assumptions as above.

On December 28, 2018, the Company completed the second tranche of the private placement for 725,000 flow-through units at a price of \$0.20 per unit for total proceeds of \$145,000. Each flow-through unit consists of one flow-through share and one-half of one transferable non-flow-through common share purchase exercisable at a price of \$0.35 per share for a period of two years expiring on December 28, 2020. The fair value of the warrants was \$32,237 which was included in equity reserves. The fair value has been estimated as of the announcement date using the Black-Scholes Option Pricing Model with the following assumptions: share price on announcement date of \$0.15, risk-free interest rate of 1.91%, dividend yield of 0%, volatility of 146.47% and expected life of two years. In connection with the private placement the Company issued 52,000 agent's warrants. Each agent's warrant entitles the holder to purchase one common share of the Company at a price of \$0.35 per share for a period of two years expiring on December 28, 2020. The Company fair valued the finder's fee warrants at \$4,680. The fair value has been estimated using the Black-Scholes Option Pricing Model with the following assumptions: share price \$0.15, risk-free interest rate of 1.91%, dividend yield of 0%, volatility of 146.47% and expected life of two years.

**CANADIAN ENERGY MATERIALS CORP.**

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(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

**9. SHARE CAPITAL – (cont'd)****(b) Issued – (cont'd)****For the year ended March 31, 2019 – (cont'd)**

The Company recognized a flow-through premium of \$93,750 on the flow-through private placements which is included in Flow-through premium liability and has a commitment to incur \$375,000 on exploration expenditures. As at March 31, 2019, the Company recognized \$16,000 in other income and has a Flow-through premium liability of \$77,750 and has a commitment to incur approximately \$311,000 on exploration expenditures. As at September 30, 2019, the Company recognized \$3,750 in other income and has a commitment to incur approximately \$296,000 on exploration expenditures.

**(c) Stock options**

The Company has established a stock option plan for directors, employees and consultants which is administered by the board of directors with full and final authority with respect to the granting of all options. The exercise prices shall be determined by the board, but shall, in no event, be less than the closing market price of the Company's shares on the grant date, less the maximum discount permitted under the TSX Venture Exchange's policies. The number of common shares issuable under the plan may not exceed 10% of the issued and outstanding common shares. In addition, the number of common shares which may be reserved for issuance to any one individual may not exceed 5% of the issued common shares on a yearly basis. Options may be exercisable for a maximum of ten years from the date of grant.

(i) The changes in stock options were as follows:

	September 30, 2019	Weighted Average Exercise Price	March 31, 2019	Weighted Average Exercise Price
Balance, beginning of period	922,000	\$0.38	922,000	\$0.38
Expired	(30,000)	\$1.00	-	-
Balance, end of period	892,000	\$0.36	922,000	\$0.38

There were no stock options granted during the six months ended September 30, 2019 and for the year ended March 31, 2019.

(ii) The following table summarizes information about stock options outstanding at September 30, 2019:

Exercise price	Number outstanding	Number exercisable	Weighted average remaining contractual life (years)
\$ 1.00	180,000	180,000	1.58
\$ 0.20	712,000	712,000	3.54
	892,000	892,000	3.14

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**9. SHARE CAPITAL – (cont'd)****(d) Warrants**

(i) The changes in warrants were as follows:

	September 30, 2019	Weighted Average Exercise Price	March 31, 2019	Weighted Average Exercise Price
Balance, beginning of period	4,141,366	\$0.30	3,471,583	\$0.71
Issued	-	-	2,008,866	0.30
Expired	-	-	(1,339,083)	1.38
Balance, end of period	4,141,366	\$0.30	4,141,366	\$0.30

(ii) The following table summarizes information about warrants outstanding at September 30, 2019.

Number of warrants outstanding	Exercise price	Expiry date
65,000	\$1.00	March 6, 2020
67,500	\$1.00	July 12, 2020
2,000,000	\$0.25	January 9, 2020
1,071,366	\$0.25	December 21, 2020
575,000	\$0.35	December 21, 2020
362,500	\$0.35	December 28, 2020
4,141,366		

**(e) Agent's Warrants**

(i) The changes in Agent's warrants were as follows:

	September 30, 2019	Weighted Average Exercise Price	March 31, 2019	Weighted Average Exercise Price
Balance, beginning of period	859,285	\$0.26	346,000	\$0.25
Issued	-	-	513,285	0.26
Balance, end of period	859,285	\$0.26	859,285	\$0.26

(ii) The following table summarizes information about finder's warrants outstanding at September 30, 2019.

Number outstanding	Exercise price	Expiry date
98,000	\$0.25	December 28, 2019
248,000	\$0.25	January 9, 2020
461,285	\$0.25	December 21, 2020
52,000	\$0.35	December 28, 2020
859,285		

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### 10. RELATED PARTY TRANSACTIONS AND BALANCES

The following expenses were incurred with key management personnel of the Company and companies controlled by key management personnel. Key management personnel are persons responsible for planning, directing and controlling the activities of an entity, and include certain current and former directors and officers. Key management compensation comprises:

For the six months ended	September 30, 2019	September 30, 2018
Consulting fees		
– Harmony Corporate Services – Geoff Balderson, CFO	\$ 18,000	\$ 18,000
– Hard Rock Consulting – Rafael Vaudrim, Director	7,184	-
Management fees		
– Michael Schuss, CEO	18,500	24,500
	\$ 43,684	\$ 42,500

Included in prepaid expenses at September 30, 2019 is \$12,346 (March 31, 2019: \$864) paid to a director of the Company for advances on expenses and a Company controlled by an officer of the Company for consulting fees.

As at September 30, 2019 accounts payable and accrued liabilities included \$13,529 (March 31, 2019 - \$15,470) owing to a former officer, a director of the Company and a company with a director in common. The amounts due are non-interest bearing, unsecured and with no stated terms of repayment.

### 11. CAPITAL DISCLOSURES

The Company's objectives when managing capital are to identify, pursue and complete the exploration and development of resource properties, to maintain financial strength, to protect its ability to meet its on-going liabilities, to continue as a going concern, to maintain credit worthiness and to maximize returns for shareholders over the long term. The Company does not have any externally imposed capital requirements to which it is subject, other than flow-through commitments. Capital of the Company comprises cash and shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares.

The Company's investment policy is to invest its cash in financial instruments in high credit quality financial institutions with terms to maturity selected with regards to the expected timing of expenditures from continuing operations.

There were no changes to the Company's approach to capital management during the period.

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### **12. FINANCIAL INSTRUMENTS AND RISKS**

The company is exposed through its operations to the following financial risks:

- Liquidity risk
- Market risk
- Credit risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these consolidated financial statements.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous years unless otherwise stated in the note.

#### **Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage as outlined in the note.

The Company monitors its ability to meet its short-term administrative expenditures by matching investment income received to expenditures to be incurred, and by disposing of its investments when required. All of the Company's financial liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms.

As at September 30, 2019, the Company had a cash balance of \$208,971 and GST receivable of \$8,016 to settle current liabilities of \$243,062.

#### **Market Risk**

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, investment fluctuations, and commodity and equity prices. The Company's ability to raise capital to fund mineral resource exploration is subject to risks associated with fluctuations in mineral resource prices. Management closely monitors commodity prices, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

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### **12. FINANCIAL INSTRUMENTS AND RISKS – (cont'd)**

#### **Interest rate risk**

The Company is not exposed to significant interest rate risk.

#### **Price risk**

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of gold and other precious and base metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

#### **Credit Risk**

Financial instruments that potentially expose the Company to credit risk is cash. To minimize the credit risk on cash the Company places the instrument with a high credit quality financial institution. The maximum exposure to loss arising from these advances is equal to their total carrying amounts.

#### **Fair Values**

The Company's financial instruments include cash, accounts payable and accrued liabilities and loans payable. The carrying amounts of these financial instruments are a reasonable estimate of their fair values because of their current nature. It is impractical to determine the fair value of these financial instruments with sufficient reliability due to the nature of these financial instruments, the absence of secondary market and the significant cost of obtaining external appraisals. The fair value of these financial instruments approximates their carrying value under the effective interest method.

#### **Fair Value Hierarchy**

The Company classifies its fair value measurements in accordance with the three-level fair value hierarchy as follows:

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities; and

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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**12. FINANCIAL INSTRUMENTS AND RISKS – (cont'd)****Fair Value Hierarchy – (cont'd)**

The following table sets forth the Company's financial assets measured at fair value by level within the fair value hierarchy as follows:

At March 31, 2019	Level 1	Level 2	Level 3	Total
Cash	\$303,363	\$ -	\$ -	\$303,363
At September 30, 2019	Level 1	Level 2	Level 3	Total
Cash	\$208,971	\$ -	\$ -	\$208,971