

Canadian Energy Materials Corp.
(formerly Canadian International Minerals Inc.)
Management Discussion & Analysis
For the year ended March 31, 2019

Overview

The following covers the operations of Canadian Energy Materials Corp (formerly Canadian International Minerals Inc.) (the “Company” also referred to as “CHEM”) for the year ended March 31, 2019 prepared as of July 29, 2019. This management discussion and analysis (“MD&A”) should be read in conjunction with the Company’s annual consolidated financial statements for the year ended March 31, 2019 and related notes. These documents are available for viewing on SEDAR at www.sedar.com. All dollar amounts therein and in the following MD&A are in Canadian dollars unless otherwise indicated. These financial statements were prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”).

Forward-Looking Statements

This MD&A contains certain statements that may be deemed “forward-looking statements”. All statements in this MD&A, other than statements of historical fact, that address exploration drilling, exploitation activities and events or developments that the Company expects to occur, are forward-looking statements. Forward-looking statements are statements that are not historical facts and are generally, but not always, identified by the words “expects”, “plans”, “anticipates”, “believes”, “intends”, “estimates”, “projects”, “potential” and similar expressions, or that events or conditions “will”, “would”, “may”, “could” or “should” occur. Information inferred from the interpretation of drilling results and information concerning mineral resource estimates may also be deemed to be forward-looking statements, as it constitutes a prediction of what might be found to be present when and if a project is developed. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results may differ materially from those in the forward-looking statements. Factors that could cause the actual results to differ materially from those in the forward-looking statements include market prices, exploitation and exploration successes, and continued availability of capital and financing, and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and actual results or developments may differ materially from those projected in the forward-looking statements. Forward-looking statements are based on the beliefs, estimates and opinions of the Company’s management on the date the statements are made. The Company undertakes no obligation to update these forward-looking statements in the event that management’s beliefs, estimates or opinions, or other factors, should change beyond the procedures required under applicable securities laws.

Description of Business

The Company is a junior resource company engaged in the acquisition, exploration and development of gold, silver and copper properties in British Columbia, Saskatchewan, New Brunswick and Quebec. The Company has its head office in Vancouver, British Columbia, and its shares trade on the TSX Venture Exchange under the symbol “CHEM”. The Company’s shares commenced trading on the TSX Venture Exchange on September 29, 2010. Previously the Company traded on the Canadian National Stock Exchange (CNSX).

The Company was incorporated in March 2006, and in June 2008, it completed its initial public offering, raising gross proceeds of \$800,000.

On October 26, 2017, the shareholders of the Company approved a common share consolidation on the basis of twenty pre-consolidation common shares for one post-consolidation common share of the Company. The

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consolidation was made effective on November 15, 2017. All references to the number of shares and per share amounts have been retroactively restated as if the consolidation had occurred April 1, 2016.

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 3,846-hectare 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. 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.

Selected Annual Information

The following is a summary of the Company’s financial results for the Company’s three most recently completed financial years:

	Year Ended March 31, 2019	Year Ended March 31, 2018	Year Ended March 31, 2017 (restated)
Total revenues	\$Nil	\$Nil	\$Nil
Net and comprehensive loss	(1,083,663)	(487,097)	(432,382)
Loss per share – basic and diluted	(0.08)	(0.12)	(0.21)
Total assets	2,331,420	876,996	120,367
Long term liabilities	Nil	Nil	Nil
Cash dividends declared per share	Nil	Nil	Nil

There were no significant changes in operations from the years noted above.

Exploration and evaluation assets

The following table summarizes the Company’s mineral property assets as at March 31, 2019 and exploration expenditures for the years ended March 31, 2019.

For the year ended March 31, 2019	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

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For the year ended March 31, 2019	General	JAM Beryllium	Grindstone	Total cumulative expenditure to March 31, 2019
Exploration expenditures				
Property investigation and miscellaneous	\$ 44,589	\$ -	\$ -	\$ 44,589
Geological	-	70,798	483,516	554,314
	\$ 44,589	\$ 70,798	\$ 483,516	\$ 598,903

Grindstone properties, 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 fees totalling \$15,870 (paid) plus renewal fees and claim transfer. 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 there individual Vendor interest thereby leaving the Vendors with a one percent (1%) NSR Royalty.

During the period ended December 31, 2018, the Company staked additional claims in New Brunswick, Canada for \$3,200 which are contiguous to the Grindstone Claims.

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Cluff Lake Uranium/Cobalt Project, Saskatchewan

During the period ended December 31, 2018, 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 has decided to abandon these claims and have written-off the staking cost of \$16,165.

JAM Beryllium Property, British Columbia

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During the period ended December 31, 2018, the Company purchased three claims in JAM Beryllium Property in Northern British Columbia for \$3,700.

Lac Manitou, Quebec

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

The Property is located 100 km northeast of the town of Sept-Îles, 65 km north of Quebec Provincial Highway 138, and 45 km east of the Quebec North Shore and Labrador Railroad line. Sept-Îles has a population of over 25,000 and is one of North America’s largest ore-handling ports, boasting state-of-the art facilities that allowed it to handle 23.9 million tonnes of iron ore, alumina, petroleum coke and limestone in 2014. Sept-Îles is also home to the Alouette aluminum smelter built in 1992, which produces 590,000 tonnes of aluminum metal a year.

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

Carbo Property, British Columbia

On January 26, 2017, the “Company provided an update on the Company’s 100% owned Wicheeda Alkaline-Carbonatite project (the “Project”), located approximately 80 kilometers northeast of Prince George, B.C., in the heart of the Rocky Mountain Rare Metal Belt.

Although the Company has written off the exploration costs in previous years, it still holds title to the Carbo property.

Summary of Quarterly Results

The following is a summary of the Company’s financial results for the eight most recently completed quarters.

For the quarter ended	March 31, 2019	December 31, 2018	September 30, 2018	June 30, 2018
Net and comprehensive loss	(\$222,464)	(\$547,004)	(\$237,235)	(\$76,960)
Loss per share – basic and diluted	(0.01)	(\$0.05)	(\$0.03)	(\$0.01)
For the quarter ended	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017
Net and comprehensive loss	(\$392,962)	(\$65,592)	(\$19,576)	(\$8,967)
Loss per share – basic and diluted	(\$0.05)	(\$0.02)	(\$0.01)	(\$0.00)

During the three months ended September 30, 2017 the Company recorded a net loss of \$19,576 as compared to a net loss of \$8,967 an increase of approximately \$10,000 which can be attributed to consulting fees and management fees paid or accrued during this quarter. During the three months ended December 31, 2017 the

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Company recorded a net loss of \$65,592 as compared to a net loss of \$19,576 for the previous quarter an increase of approximately \$46,000 which can be attributed to the increase in consulting fees, and transfer agent and filing fees associated with the private placement that occurred during the quarter. During the three months ended March 31, 2018 the Company recorded a net loss of \$392,962 as compared to the net loss \$65,592 for the previous quarter an increase of approximately \$436,000 which can be attributed to the write-off the Lac Manitou and the fair value of the stock options that was granted during the quarter. During the three months ended June 30, 2018, the Company recorded a net loss of \$76,960 as compared to the net loss of \$392,962 for the previous quarter a decrease of approximately \$327,000 which can be attributed to the write-off the Lac Manitou and the fair value of the stock options that was granted in the previous quarter. During the three months ended September 30, 2018, the Company recorded a net loss of \$237,235 as compared to the net loss of \$76,960 for the previous quarter an increase of approximately \$160,000 which can be attributed to an increase in professional fees of \$20,000 for general legal and accounting fees, an increase in consulting fees of \$10,000 and \$130,000 in general exploration cost as the Company performed its due diligence on the Grindstone property in New Brunswick. During the three months ended December 31, 2018, the Company recorded a net loss of \$547,004 as compared to the net loss of \$237,235 for the previous quarter an increase of approximately \$309,000 which can be attributed to an increase in general explorations of \$275,000 and an increase in shareholders communication of \$45,000 all incurred as a result of the acquisition of the Grindstone property. During the three months ended March 31, 2019, the Company recorded a net loss of \$222,464 as compared to the net loss of \$547,004 for the previous quarter a decrease of approximately \$325,000. The decrease can be attributed to less exploration work done in the current quarter.

Operations for the year ended March 31, 2019

As at March 31, 2019, the Company had no material operations. The Company incurred a net loss of \$1,083,663 for the year ended March 31, 2019 as compared to a net loss of \$487,097 for the previous year ended March 31, 2018. The Company had total expenses of \$1,099,663 for the year ended March 31, 2019 as compared to \$488,467 for the comparable period an increase of approximately \$611,000. The increase in expenses can be attributed to the following:

Consulting fees have increased to \$186,244 as compared to \$113,162 for the comparable period an increase of approximately \$73,000. The increase can be attributed to approximately \$50,000 in fees to Zimtu Capital Corp for their assistance in marketing and coordinating tradeshow for the Company and another \$10,000 to another media outlet to provide marketing, which includes digital advertising and media coverage. The Company also paid \$36,000 in fees to a company controlled by the current CFO, and another \$11,837 to directors of the Company, and the remaining balance are to third party consultants.

Management fees paid to Michael Schuss have increased to \$42,000 as compared to \$20,700.

Office and general have increased to \$36,068 as compared to \$7,810 for the comparable period which are due to directors and liability insurance purchased and website cost.

Professional fees have increased to \$64,455 as compared to \$27,830 for the comparable period which can be attributed to general legal matters and legal cost associated with the completion of the acquisition of CIN during this quarter.

Rent expenses have increase to \$11,000 as compared to \$Nil for the prior period as the Company was renting office space on a month to month basis which was terminated in January 2019.

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Shareholder communications have increased to \$45,478 as compared to \$5,617 for the prior period as the Company engaged an external consultant firm to help promote the Company and its new venture with respects to the Grindstone project in News Brunswick.

Travel and entertainment have increased to \$55,622 as compared to \$3,031 for the comparable period as the Company incurred travel cost associated with the trips to News Brunswick to view the Grindstone project, to manage the exploration program, and for management to attend conventions and trade shows.

General exploration costs have increased to \$598,903 as compared to \$12,335. The increase is due to the Company progressing with its exploration program on the Grindstone project. See exploration and evaluation asset section for details of expenditures.

Liquidity and Capital Resources

The Company had cash of \$303,363 at March 31, 2019, compared to \$781,788 at March 31, 2018. The Company had a working capital of \$150,652 in 2019 as compared to the working capital of \$659,781 in 2018.

The Company's current activities have been funded to date through the issuance of commons shares and obtaining loans from third parties.

As at December 31, 2018, the Company completed its flow-through commitment on the flow-through financing from December 31, 2017.

The Company's budget is its working capital and to pay overhead expenses and exploration expenditures for the next twelve months and will seek additional funding to fund future overhead expenses and its future exploration program. The Company will continue to monitor the current economic and financial market conditions and evaluate their impact on the Company's liquidity and future prospects.

Since the Company will not be able to generate cash from its operations in the foreseeable future, the Company will have to rely on the issuance of shares to fund ongoing operations and investment. The ability of the Company to raise capital will depend on market conditions and it may not be possible for the Company to issue shares on acceptable terms or at all.

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. In connection with the private placement the Company paid cash finders fees totalling \$33,492 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 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.

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

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price of \$0.35 per share for a period of two years expiring on December 28, 2020. 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.

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.

Related Party Transactions

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:

	March 31, 2019	March 31, 2018
Consulting fees		
Harmony Corporate Services – Geoff Balderson, CFO	\$ 36,000	\$ 18,000
Hard Rock Consulting Ltd. – Rafael Vaudrim, Director	11,163	5,400
Rafael Vaudrim, Director	-	500
Michael Burns, Director	8,500	-
Management fees – Michael Schuss, CEO	42,000	20,700
Professional fees – Casey Forward, former CFO	-	4,500
Exploration costs – Rafael Vaudrim, Director	3,500	-
Stock based compensation		
Michael Schuss, CEO	-	48,840
Geoff Balderson, CFO	-	41,800
Michael Burns, Director	-	33,000
Rafael Vaudrim, Director	-	33,000
	\$ 101,163	\$ 205,740

Included in prepaid expenses is \$864 (2018: \$1,695) paid to a director of the Company for advances on expenses.

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As at March 31, 2019 accounts payable and accrued liabilities included \$15,470 (2018 - \$18,983) 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.

Change in accounting policy

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 Comprehensive 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 Comprehensive Loss and the Statement of Cash Flows better reflects the economic substance of its operating activities during the fiscal periods presented.

See Note 5 of the annual consolidated financial statements for details on the effect of the change in accounting policy.

Critical Accounting Estimates

Critical accounting estimates used in the preparation of the financial statements include the Company’s estimates of recoverable value of its mineral properties.

The Company’s recoverability of the recorded value of its mineral properties is based on market conditions for minerals, underlying mineral resources associated with the properties and future costs that may be required for ultimate realization through mining operations or by sale. The Company is in an industry that is dependent on a number of factors including environmental, legal and political risks, the existence of economically recoverable reserves and the ability of the Company to obtain necessary financing to complete the development and future profitable production or proceeds of disposition thereof.

See Note 4 of the annual consolidated financial statements for details on the critical accounting estimates and judgments.

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 the financial statements.

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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 notes to the financial statements.

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 March 31, 2019, the Company had a cash balance of \$303,363 and amounts receivable of \$74,536 to settle current liabilities of \$246,068.

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.

Interest rate risk

The Company has cash and no interest-bearing debt.

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 are 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 and accounts payable and accrued liabilities. The fair value of accounts payable and accrued liabilities approximates its carrying value due to its short term nature.

Fair Value Hierarchy

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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).

Outstanding Claim

During the year ended March 31, 2016, a creditor filed a claim against the Company in the sum of \$25,000 with the Small Claims Court of the Ontario Superior Court of Justice for unpaid services. This amount has been provided for in accounts payable and accrued liabilities at March 31, 2019 and 2018. The expected timing of settling the obligation is uncertain at this time.

Proposed Transactions

N/A

Disclosure of Outstanding Share Capital

The Company's outstanding share capital as at the date of the MD&A is as follows:

Common shares	
Balance, March 31, 2019	25,905,016
Balance, Date of MDA	25,905,016

Options	
Balance, March 31, 2019	922,000
Balance, Date of MDA	922,000

Warrants	
Balance, March 31, 2019	4,141,366
Balance, Date of MDA	4,141,366

Agent's Warrants	
Balance, March 31, 2019	859,285
Balance, Date of MDA	859,285

Risks and Uncertainties

Mineral Property Exploration and Mining Risks

The business of mineral deposit exploration and extraction involves a high degree of risk. Few properties that are explored ultimately become producing mines. At present, none of the Company's properties has a known commercial ore deposit. The main operating risks include: securing adequate funding to maintain and advance

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exploration properties; ensuring ownership of and access to mineral properties by confirmation that option agreements, claims and leases are in good standing; and obtaining permits for drilling and other exploration activities.