

CMC METALS LTD.
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED DECEMBER 31, 2018
(Expressed in Canadian Dollars)
(Unaudited)

CMC METALS LTD.
INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)

	Note	December 31, 2018	September 30, 2018
ASSETS			
Current assets			
Cash		\$ 2,371	\$ 4,103
Receivables		5,101	3,147
Prepays and deposit		31,920	31,443
Investment		45,000	61,000
		<u>84,392</u>	<u>99,693</u>
Non-current assets			
Reclamation bond	3	264,094	250,601
Equipment	5	7,372	8,543
		<u>271,466</u>	<u>259,144</u>
TOTAL ASSETS		\$ 355,858	\$ 358,837
LIABILITIES			
Current liabilities			
Trade payables and accrued liabilities	7	\$ 479,984	\$ 423,647
Due to related parties	13	102,601	82,778
Loans	9, 13	968,876	883,573
Preferred shares	10	500,000	500,000
Provision for restoration and environmental obligations	11	146,000	146,000
TOTAL LIABILITIES		<u>2,197,461</u>	<u>2,035,998</u>
SHAREHOLDERS' DEFICIENCY			
Share capital	12	18,608,267	18,608,267
Share-based payment reserve		129,400	129,400
Deficit		(20,579,270)	(20,414,828)
TOTAL SHAREHOLDERS' DEFICIENCY		<u>(1,841,603)</u>	<u>(1,677,161)</u>
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY		\$ 355,858	\$ 358,837

Subsequent events - Note 15

Approved on behalf of the Board:

"Michael C. Scholz"

Michael C. Scholz - Director

"Graham Chisholm"

Graham Chisholm - Director

See accompanying notes to the condensed consolidated interim financial statements.

CMC METALS LTD.
INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in Canadian dollars)

		For the three months ended December 31,	
	Note	2018	2017
EXPENSES			
Amortization	5	\$ 427	\$ 1,683
Consulting fees	13	8,093	21,445
Exploration expenditures (recovery), net	4	83,545	(46,276)
Filing and transfer agent		6,498	1,496
Financing Fee		1,461	-
Flow-through share related tax		8,699	8,578
Interest expense	8, 9, 13	18,053	36,390
Marketing		5,350	6,420
Office and miscellaneous	13	14,962	20,271
Professional fees		722	23,107
Rent	13	4,500	4,500
Stock-based compensation	12	-	109,512
Travel		2,306	2,324
		<u>(154,616)</u>	<u>(189,450)</u>
OTHER ITEMS			
Miscellaneous Income		-	19,500
Other Income		1,923	-
Loss on foreign exchange		4,251	(18,128)
Unrealized loss on marketable securities		<u>(16,000)</u>	<u>-</u>
		<u>(9,826)</u>	<u>1,372</u>
NET LOSS FROM THE PERIOD		(164,442)	(188,078)
OTHER COMPREHENSIVE INCOME			
Unrealized gain on investment		<u>-</u>	<u>2,000</u>
COMPREHENSIVE LOSS FOR THE PERIOD		<u>\$ (164,442)</u>	<u>\$ (186,078)</u>
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - BASIC AND DILUTED			
		<u>18,128,055</u>	<u>17,058,056</u>
NET LOSS PER SHARE - BASIC AND DILUTED		<u>\$ (0.01)</u>	<u>\$ (0.00)</u>

See accompanying notes to the condensed consolidated interim financial statements.

CMC METALS LTD.

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIENCY

(Expressed in Canadian dollars)

	Notes	Share capital		Share Subscriptions receivable	Share-based payment reserve	Other comprehensive income	Deficit	Total
		Number of shares	Amount					
Balance at September 30, 2017		17,058,056	\$18,396,190	\$ (14,000)	\$ 346,809	\$ -	\$ (21,280,755)	\$ (2,551,756)
Comprehensive loss:								
Loss for the period		-	-	-	-	-	(188,078)	(188,078)
Total comprehensive loss for the period		-	-	-	-	-	(188,078)	(188,078)
Transactions with owners, in their capacity as owners, and other transfers:								
Subscriptions receivable for options exercised	12	-	-	14,000	-	-	-	14,000
Share issuance for warrants exercised	12	160,000	48,000	-	-	-	-	48,000
Change value of investment	12	-	-	-	-	2,000	-	2,000
Stock based compensation	12	-	-	-	109,512	-	-	109,512
Total transactions with owners and other transfers		160,000	48,000	14,000	109,512	2,000	-	173,512
Balance at December 31, 2017		17,218,056	\$18,444,190	\$ -	\$ 456,321	\$ 2,000	\$ (21,468,833)	\$ (2,566,322)
Balance at September 30, 2018		18,128,055	\$18,608,267	\$ -	\$ 129,400	\$ -	\$ (20,414,828)	\$ (1,677,161)
Comprehensive Income:								
Loss for the year							(164,442)	(164,442)
Total comprehensive loss for the period		-	-	-	-	-	(164,442)	(164,442)
Balance at December 31, 2018		18,128,055	\$18,608,267	\$ -	\$ 129,400	\$ -	\$ (20,579,270)	\$ (1,841,603)

See accompanying notes to the condensed consolidated interim financial statements.

CMC METALS LTD.
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)

	For three months period ended December 31,	
	2018	2017
Operating activities		
Net Income (Loss) for the year	\$ (164,442)	\$ (188,078)
Adjustments for non-cash items:		
Amortization	427	1,683
Accrued interest on promissory note and loans	85,303	36,390
Recovery of exploration and evaluation costs	-	(96,000)
Stock-based compensation	-	109,512
Unrealized loss on investment	16,000	-
Changes in non-cash working capital items:		
Receivables	(1,954)	(7,429)
Prepaid	(477)	(6,462)
Trade payables and accrued liabilities	56,337	70,170
Due to related parties	19,823	10,696
Net cash used in operating activities	11,017	(69,518)
Financing activities		
Repayment of loans	-	(48,000)
Proceeds on issuance of common shares	-	48,000
Subscriptions receivable	-	14,000
Net cash provided by financing activities	-	14,000
Effect of foreign exchange	(17,165)	12,721
Change in cash	(6,148)	(42,797)
Cash, beginning	8,519	51,316
Cash, ending	\$ 2,371	\$ 8,519

See accompanying notes to the consolidated financial statements.

CMC METALS LTD.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For three months ended December 31, 2018

(Expressed in Canadian dollars)

(Unaudited)

1. NATURE AND CONTINUANCE OF OPERATIONS

CMC Metals Ltd. (the “Company”) is incorporated in the Province of British Columbia and its principal activity is the acquisition and exploration of mineral properties in Canada and the United States of America. The Company is listed on the TSX Venture Exchange (“TSX-V”).

The head office, principal address and records office of the Company are located at 605 – 369 Terminal Avenue, Vancouver, British Columbia, Canada, V6A 4C4.

These consolidated financial statements have been prepared on the assumption that the Company and its subsidiaries will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at December 31, 2018, the Company had not advanced its properties to commercial production. The Company’s continuation as a going concern is dependent upon the successful results from its mineral property exploration activities and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. These uncertainties indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern. Management intends to finance operating costs over the next twelve months with loans from directors, by continuing to pursue additional sources of financing through equity offerings, seeking joint venture partners to fund exploration, monitoring exploration activity and reducing overhead costs.

The financial statements were authorized for issue on February 27, 2019, by the directors of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION**Statement of compliance**

The Company applies International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and Interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”). These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by the IASB and interpretations issued by the IFRIC and should be read in conjunction with the consolidated financial statements as at September 30, 2018.

3. RECLAMATION BONDS

The Company has a current reclamation bond held in trust by the Bureau of Land Management. As at December 31, 2018, the reclamation bond consisted of a deposit of \$264,094 (September 30, 2018 - \$250,601) made by the Company for indemnification of site restoration on the Bishop Mill Property.

CMC METALS LTD.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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4. EXPLORATION AND EVALUATION ASSETS

	Silver Hart Property	Radcliff Property	Total
Acquisition costs			
Balance, September 30, 2017 and 2018, and December 31, 2018	\$ -	\$ -	\$ -
Exploration costs			
Balance, September 30, 2017	-	-	-
Recovery for Silver Hart	(222,600)	-	(222,600)
Costs incurred during the period:			
Contractors	87,641	-	87,641
Field office	39,398	-	39,398
Transportation and supplies	54,781	-	54,781
	(40,780)	-	(40,780)
Expenses	40,780	-	40,780
Balance, September 30, 2018	-	-	-
Costs incurred during the period:			
Contractors	75,840	-	75,840
Field office	2,204	-	2,204
Transportation and supplies	5,500	-	5,500
	83,545	-	83,545
Exploration Recovery	(83,545)	-	(83,545)
Balance - December 31, 2018	\$ -	\$ -	\$ -

CMC METALS LTD.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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(Unaudited)

4. EXPLORATION AND EVALUATION ASSETS (cont'd)**Silver Hart Property**

On February 21, 2005, as last amended on September 24, 2018, the Company acquired a 100% interest in certain claims comprising the Silver Hart Property located in the Watson Lake Mining District, Yukon Territories from an individual who subsequently became a director and officer of the Company for a total of \$995,000 of which \$867,626 (September 30, 2018 - \$849,573) remains unpaid as at December 31, 2018 (Note 8).

The Company was further required to issue 1,000,000 common shares by July 5, 2007. The Company did not issue the shares by the due date and the fair value of the shares at the time of \$300,000 was recorded as an obligation to issue shares, with a corresponding entry to exploration and evaluation assets. These shares were issued by the Company on August 15, 2017 during the year ended September 30, 2017.

The Company fully impaired the Silver Hart property in previous years and all exploration expenditures are expensed as incurred. The Silver Hart Property is security for a loan due to a director of the Company (Note 8).

Radcliff Property

On March 1, 2011, and as amended November 15, 2011, the Company entered into a letter of intent to acquire up to a 50% interest in certain claims, comprising the Radcliff Property located in Inyo County, California.

The Company fully impaired the Radcliff property in previous years and all exploration expenditures are expensed as incurred.

The Radcliff Property was security for the Promissory Note (Note 8), which was in default and settled on June 1, 2018 by the Company assigning its interest in the Radcliff Property to the noteholder and on July 4, 2018, the Company completely relinquished its interest in the Radcliff Property.

5. EQUIPMENT

	Vehicle
Balance, September 30, 2017	\$ 13,460
Amortization for the period	(5,812)
Foreign exchange	895
Balance, September 30, 2018	8,543
Amortization for the period	(427)
Foreign exchange	(744)
Balance, December 31, 2018	\$ 7,372

Bishop Mill Property

On March 19, 2010, and as completed on April 15, 2010, the Company entered into a sale and purchase agreement and acquired a 100% interest in certain claims, buildings, water rights and machinery, comprising the Bishop Mill Property located near Bishop, California. Subsequent to the purchase of the Bishop Mill Property, the Company has incurred additional costs in order to bring the mill and equipment to use. As at December 31, 2018, the Bishop Mill was not capable of operating in a manner intended by management. During the year ended September 30, 2015, the Company had fully impaired the Bishop Mill Property.

6. INVESTMENTS

During the year ended September 30, 2017, the Company received 300,000 common shares of MGX Minerals Inc. ("MGX") in consideration for the rental of a floatation plant on the Silver Hart Property. On February 8, 2017, the Company sold the 300,000 shares of MGX and realized a gain of \$590,467.

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6. INVESTMENTS (cont'd)

During the year ended September 30, 2018, the Company received 200,000 common shares of MGX in consideration for the rental of a floatation plant on the Silver Hart Property up to April 30, 2019.

The investment has been designated as held for trading and measured at a fair value of \$183,000 at initial recognition. Accordingly, the fair value was recorded as a recovery of exploration and evaluation costs.

During the year ended September 30, 2018, the Company sold 100,000 MGX shares with a fair value of \$96,000 for proceeds of \$134,509 and realized a gain of \$38,509.

At September 30, 2018, the Company held 100,000 MGX shares with a fair value of \$87,000 at initial recognition. At September 30, 2018 these shares had a fair value of \$61,000 resulting in an unrealized loss on investment of \$26,000. At December 31, 2018, these shares had a fair value of \$45,000 resulting in an unrealized loss on investment of \$16,000.

7. TRADE PAYABLES AND ACCRUED LIABILITIES

	December 31, 2018	September 30, 2018
Trade payables	\$ 145,295	\$ 97,536
Accrued liabilities	28,108	28,108
Flow-through share related provisions	259,656	251,078
Flow-through premium liability	46,925	46,925
	\$ 479,984	\$ 423,647

8. PROMISSORY NOTE

On April 18, 2012, the Company entered into a Promissory Note Agreement (Note 4), whereby the Company agreed to pay the Promissory Note of US\$800,000 by June 15, 2012 subject to an interest rate of 7% per annum. On September 14, 2012, the Promissory Note was amended and the Company paid US\$150,000 (CDN\$150,150) towards the Promissory Note. On November 16, 2012, the Promissory Note was further amended as follows:

- US\$50,000 (CDN\$50,050 paid) due on execution of the amendment on November 16, 2012;
- US\$50,000 (CDN\$50,000 paid) due on or before February 28, 2013;
- US\$50,000 (CND\$50,050 paid) due on or before April 30, 2013; and
- US\$500,000 and all accrued interest due on or before August 31, 2013.

In consideration of the amendments, the Company was required to pay a US\$50,000 (CDN\$50,775) extension fee (the "Extension Fee"), which was recorded in profit or loss during the year ended September 30, 2013. As at August 31, 2013, the Company did not make the payment of US\$50,000, and as a result the Extension Fee commenced bearing interest.

As of September 30, 2017, the outstanding Promissory Note included a principal balance of \$624,000 (US\$500,000), an extension fee of \$62,400 (US\$50,000) and accrued interest of \$333,088 (US\$268,291). During the year ended September 30, 2017, the Company recorded interest expense of \$72,140.

The Promissory Note has been in default for several years and was secured by a deed of trust covering the Radcliff Property, the Company's primary project (Note 4).

As of June 1, 2018, the Company assigned its interest in the Radcliff Property to the noteholder, thereby settling the Promissory Note. The total balance settled was comprised of a principal balance of \$624,000 (US\$500,000), an extension fee of \$62,400 (US\$50,000) and accrued interest of \$392,781 (US\$314,728). During the year ended September 30, 2018, the Company recorded interest expense of \$59,693.

CMC METALS LTD.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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(Expressed in Canadian dollars)

(Unaudited)

8. PROMISSORY NOTE (cont'd)

The Company fully impaired the Radcliff Property in previous years (Note 4). Accordingly, the Company recorded a gain on settlement of debt of \$1,079,181.

9. LOANS

As at December 31, 2018, pursuant to the acquisition of the Silver Hart Property (Note 4), a principal balance of \$270,000 (2018 - \$270,000) and extension fees totaling \$85,000 (2018 - \$85,000) is owing to a director of the Company. This amount is interest bearing at 8.5% per year. During the period ended December 31, 2018, the Company recorded interest expense of \$18,053 (December 31, 2017- \$17,971). Included in the loan, at December 31, 2018 is accrued interest of \$512,626 (September 30, 2018 - \$494,573). The principal, extension fees and accrued interest are due on September 30, 2019 pursuant to an amendment agreement dated September 24, 2018. The Company has granted a first charge on the Silver Hart Property as security for the payments. As at December 31, 2018, the balance repayable was \$867,626 (Note 16).

On September 17, 2018, the Company entered into a Promissory Note with a company controlled by a director and officer of the Company for \$34,000, which Note is payable on demand with interest at 18% per annum.

During the quarter ended December 31, 2018, the Company entered into Promissory Notes totalling \$66,500 with a company controlled by a director and officer of the Company, which Notes are payable on demand with interest at 18% per annum.

10. PREFERRED SHARES

The Company's subsidiary issued 5,000 Class A non-voting preferred shares (the "Class A preferred shares") at a price of \$100 per share, for total proceeds of \$500,000. Attached to these preferred shares is an annual non-cumulative preferred cash dividend of 4.5% of the total, payable annually on March 31 of each year. To September 30, 2018, no dividends have been declared.

After April 9, 2015, redemption may be affected in whole or any number of the Class A preferred shares, if the Company is not insolvent at such time and that the redemption would not render the Company insolvent, as follows:

- Company: Upon giving no less than 10 day notice to the holders. If notice to redemption is given by the Company and holders of the Class A preferred shares fail to present and surrender the share certificates representing the shares called for redemption, the Company may deposit an amount sufficient to redeem the shares with any trust company or chartered bank of Canada and the holder will have no rights against the Company in respect of such shares except upon the surrender of certificates for such shares to receive payment; and
- Holder: Upon giving notice to the Company. The Company shall pay the holder within 30 days a redemption amount, in respect of each of the shares specified in the notice.

11. RESTORATION AND ENVIRONMENTAL OBLIGATIONS

The Company's provision for restoration and environmental obligations consists of costs accrued based on the current best estimate of reclamation activities that will be required on the Company's properties. The Company's provision for future site closure and reclamation costs is based on the level of known disturbance at the reporting date and known legal requirements. It is not currently possible to estimate the impact on operating results, if any, of future legislative or regulatory developments.

The asset retirement obligation for the Silver Hart Property, terminated during the year ended September 30, 2015, is calculated as the estimated cost required to satisfy a current environmental obligation. During the year ended

CMC METALS LTD.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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(Expressed in Canadian dollars)

(Unaudited)

11. RESTORATION AND ENVIRONMENTAL OBLIGATIONS (cont'd)

September 30, 2018, the Company recorded an environmental commitment of \$Nil (2017 - \$96,000). As at September 30, 2018 and December 31, 2018, the estimated cost required to settle the obligation is \$146,000 (December 31, 2017 - \$146,000).

12. SHARE CAPITAL

Authorized

Unlimited common shares, without par value

Unlimited Class A preferred share, non-voting, without par value

Issued common shares

18,128,055 (September 30, 2018 – 18,128,055) common shares issued and outstanding.

On September 27, 2018, the Company completed a rollback of its issued and outstanding common shares on the basis of one (new) post rollback share for each two and one-half (old) pre-rollback shares. The exercise or conversion price and the number of common shares issuable under any of the Company's outstanding warrants and stock options have been proportionately adjusted to reflect the rollback in accordance with their respective terms thereof. No fractional common shares were issued pursuant to the rollback, and any fractional common shares that would otherwise be issued were rounded down or up to the nearest whole number.

For the three months period ended December 31, 2018

During the period ended December 31, 2018, no warrants or options were exercised or issued and outstanding.

Year ended September 30, 2018

During the year ended September 30, 2018, 260,000 warrants were exercised for proceeds of \$78,000.

During the year ended September 30, 2018, 810,000 options were exercised for proceeds of \$101,250 of such stock options. Accordingly, the Company reallocated \$32,827 from share-based payment reserve to share capital upon exercise.

Year ended September 30, 2017

In July 2017, the Company completed a non-brokered flow-through private placement of a total of 2,000,000 units at \$0.25 per unit, for gross proceeds of \$500,000. On issuance, the Company bifurcates the flow-through shares into i) a flow-through share premium that investors pay for the flow-through feature, which is recognized as a liability and; ii) share capital. The Company determined there was no share premium upon issuance of the flow-through shares. Each unit consists of one flow-through common share of the Company and one non-flow-through share purchase warrant, which shares and warrants were issued on July 17, 2017. Each whole warrant entitles the holder to purchase one common share of the Company at a price of \$0.30 per share for a period of one year, expiring July 17, 2018. The warrants have an acceleration clause for the exercise to be the earlier of a 30-day period from the seventh calendar day after the Company's shares have closed with a trading price of \$0.50 per share for a consecutive ten-day period, or July 17, 2018, whichever date occurs first.

Proceeds received on the issuance of units, consisting of common shares and share purchase warrants are allocated between the common share and warrant component. Accordingly, the Company allocated a fair value of \$125,671 to the warrants issued in connection with the private placement, which has been recorded in the share-based payment reserve. The weighted average assumptions used for the Black-Scholes Option Pricing Model were annualized volatility of 109%, risk-free interest rate of 1.2%, expected life of 1 years and a dividend rate of Nil.

CMC METALS LTD.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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(Unaudited)

12. SHARE CAPITAL (cont'd)

During the year ended September 30, 2017, 160,000 warrants were exercised for proceeds of \$48,000. The Company reallocated \$5,027 from share-based payment reserve to share capital upon exercise of such warrants.

During the year ended September 30, 2017, 680,000 stock options were exercised for proceeds of \$162,000 of which \$14,000 was recorded in subscriptions receivable and received during the year ended September 30, 2018. The Company reallocated \$96,742 from share-based payment reserve to share capital upon exercise of such stock options.

The Company issued 400,000 common shares at a fair value of \$300,000 in settlement of an obligation to issue shares.

Stock options

The Company follows the policies of the TSX-V under which it would be authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. Under the policies, the exercise price of each option equals the market price or a discounted price of the Company's stock as calculated on the date of grant. The options can be granted for a maximum term of five years. The Company calculates the fair value of all stock-based compensation awards as determined using the Black-Scholes Option Pricing Model.

During the period ended December 31, 2018, the Company did not grant any stock options and there were no options issued and outstanding.

The weighted average fair value of stock options granted during the year ended December 31, 2018 was \$Nil (2017 - \$0.09). The following weighted average assumptions were used for the Black-Scholes Option Pricing Model in the valuation of stock options granted:

	December 31, 2018	December 31, 2017
Risk-free interest rate	-	1.55%
Expected life	-	2 years
Annualized volatility	-	119%
Dividend yield	-	0.00%

CMC METALS LTD.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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12. SHARE CAPITAL (cont'd)**Stock options (cont'd)**

Option transactions are summarized as follows:

	Number of options	Weighted average exercise price
Balance, September 30, 2016	1,288,571	\$0.35
Options granted	1,565,600	0.263
Options exercised	(680,000)	0.238
Options expired	(128,571)	0.875
Options forfeited	(1,200,000)	0.30
Balance, September 30, 2017	845,600	0.275
Options cancelled	(2,105,600)	0.243
Options forfeited	(160,000)	0.30
Options granted	2,230,000	0.125
Options exercised	(810,000)	0.125
Balance, September 30, 2018 and December 31, 2018	-	\$ -

During the period ended December 31, 2018, there was no transaction for any options granted. As at December 31, 2018, there were no stock options outstanding.

Share-based payment reserve:

The share-based payment reserve is used to recognize the fair value of share options granted to employees and consultants, including key management personnel, as part of their remuneration. When options are subsequently exercised, the fair value of such options in share based payment reserve is credited to share capital.

Warrants

During the period ended December 31, 2018, the Company did not grant warrants and there were no warrants issued and outstanding.

	Number of warrants	Weighted average exercise price
Balance, September 30, 2016	5,293,277	\$0.55
Warrants issued	2,000,000	0.30
Warrants exercised	(160,000)	0.30
Warrants expired	(2,061,357)	1.05
Balance, September 30, 2017	5,071,920	0.55
Warrants exercised	(260,000)	0.30
Warrants expired	(4,811,920)	0.30
Balance, September 30, 2018 and December 31, 2018	-	\$ -

CMC METALS LTD.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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(Unaudited)

13. RELATED PARTY TRANSACTIONS

During the three months ended December 31, 2018, the Company entered into the following transactions with related parties:

- a) incurred rent of \$4,500 (December 31, 2017 – \$4,500) to a company controlled by a director and officer of the Company;
- b) incurred secretarial fees of \$11,700 (December 31, 2017 - \$11,700) to a company controlled by a director and officer of the Company which was recorded in office and miscellaneous;
- c) incurred consulting fees of \$4,000 (December 31, 2017 - \$Nil) to directors of the Company;
- d) incurred interest expense of \$18,053 (December 31, 2017 - \$17,941) to a director and officer of the Company, pursuant to the Silver Hart Property (Notes 4 and 8); and

At December 31, 2018, a total of \$102,601 (December 31, 2017 - \$18,659) was owing to directors of the Company.

Amounts due to or from related parties are non-interest bearing, unsecured and have no fixed terms of repayment unless specifically disclosed.

The Company incurred the following key management compensation charges:

	December 31, 2018	December 31, 2017
Consulting fees	\$4,000	\$Nil
Share-based payment	\$Nil	\$Nil

14. FINANCIAL RISK AND CAPITAL MANAGEMENT

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts.

The majority of cash is deposited in bank accounts held with one major bank in Canada. As most of the Company's cash is held in one bank there is a concentration of credit risk. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies. The Company's secondary exposure to risk is on its other receivables and reclamation bonds. This risk is minimal as receivables consist primarily of refundable government goods and services taxes and the reclamation bonds are held with government authorities.

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 has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis.

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

The Company has a working capital deficiency and the contractual maturities of all financial liabilities is less than one year. Liquidity risk is assessed as high.

CMC METALS LTD.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For three months ended December 31, 2018

(Expressed in Canadian dollars)

(Unaudited)

14. FINANCIAL RISK AND CAPITAL MANAGEMENT (cont'd)

Foreign exchange risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company's is exposed to foreign exchange risk as its US subsidiary incurs expenditures that are denominated in US dollars - \$Nil (2017 – \$720,500) of the Company's loans are denoted in US dollars. The Company does not hedge its exposure to fluctuations in foreign exchange rates.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The fair value of the Company's cash accounts are relatively unaffected by changes in short term interest rates. The Company's debt has a fixed interest rate and is not affected by changes in interest rates.

Capital management

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of equity, comprising share capital, net of accumulated deficit. There were no changes in the Company's approach to capital management during the year. The Company is not subject to any externally imposed capital requirements.

15. SUBSEQUENT EVENTS

Subsequent to December 31, 2018, the Company:

- a) Sold its investment of 100,000 shares it held in MGX and received net proceeds of \$42,537 (Note 6);
- b) Entered into a shares for debt settlement with a director and officer of the Company to settle the amount owing pursuant to the Silver Hart loan by way of the issuance of shares at the deemed price per share of \$0.125, subject to regulatory approval.