CMC METALS LTD.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED MARCH 31, 2017

(Expressed in Canadian Dollars)

(Unaudited)

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

	Note	March 31, 2017 (Unaudited)	September 30, 2016 (Audited)
ASSETS			
Current assets			
Cash		$ 190,395	$ 228,857
Receivables		3,954	11,769
Prepaids		14,252	7,931
		208,602	248,557
Non-current assets			
Reclamation bonds	4	266,399	274,820
Exploration and evaluation assets	5	263,144	-
Property, plant and equipment	6	171,193	21,473
		700,736	296,293
TOTAL ASSETS		$ 909,337	$ 544,850
LIABILITIES			
Current liabilities			
Trade payables and accrued liabilities	7	$ 286,889	$ 275,541
Due to related parties	12	12,198	23,875
Promissory note	8	1,050,222	995,710
Loans	9, 13	868,141	832,749
Preferred shares	10	500,000	500,000
Provision for restoration and environmental obligations	11	50,000	50,000
		2,767,450	2,677,875
Non-current liabilities			
Provision for restoration and environmental activities	11	14,000	14,000
		14,000	14,000
TOTAL LIABILITIES		2,781,450	2,691,875
SHAREHOLDERS' DEFICIENCY			
Share capital	12	17,422,092	17,410,092
Obligation to issue shares	5	300,000	300,000
Share-based payment reserve		448,169	528,445
Deficit		(20,042,374)	(20,385,562)
TOTAL SHAREHOLDERS' DEFICIENCY		(1,872,113)	(2,147,025)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY		$ 909,337	$ 544,850

Subsequent events - Note 16

Approved on behalf of the Board:

"Ian Graham"
Ian Graham - Director

"Michael C. Scholz"
Michael C. Scholz - Director

See accompanying notes to the consolidated financial statements.

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

	Note	For the Three Month Period Ended March 31, 2017	For the Three Month Period Ended March 31, 2016	For the Six Month Period Ended March 31, 2017	For the Six Month Period Ended March 31, 2016
EXPENSES					
Consulting fees	12	$ 44,107	$ 38,045	$ 74,248	$ 73,600
Exploration and evaluation costs recovered	3	-	-	(51,000)	-
Filing and transfer agent		9,381	11,635	11,311	12,998
Flow-through share related tax		8,578	8,578	17,156	17,156
Interest expense	8,9	41,152	42,948	77,208	82,983
Marketing		-	15,000	39,573	30,000
Office and miscellaneous	12	31,542	45,614	46,915	60,438
Professional fees		12,568	(7,044)	14,420	4,988
Rent	12	4,500	4,500	9,000	9,000
Travel		4,211	7,902	6,379	8,093
Wages		-	2,175	-	18,734
		(156,039)	(169,353)	(245,210)	(317,990)
OTHER ITEMS					
Miscellaneous Income		284	113	492	120
Financing Fee		(7,466)	-	(7,466)	-
Unrealized gain on marketable securities	3	(96,000)	-	-	-
Gain on marketable securities	3	542,433	-	542,433	-
Gain (loss) on foreign exchange		5,291	45,285	(27,337)	13,303
		444,542	45,398	508,122	13,423
COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD		$ 288,503	$ (123,955)	$ 262,912	$ (304,567)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - BASIC AND DILUTED		34,600,084	19,045,139	34,600,084	19,045,139
INCOME (LOSS) PER SHARE - BASIC AND DILUTED		$ 0.01	$ (0.01)	$ 0.01	$ (0.02)

See accompanying notes to the condensed consolidated financial statements.

CMC METALS LTD.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian dollars)
(Unaudited)

	Share capital												
	Number of shares		Amount		Share Subscriptions receive		Obligation to issue shares		Share-based payment reserve		Deficit		Total
Balance at September 30, 2015	19,045,139	$	15,968,086	$	-	$	300,000	$	482,626	$	(19,103,931)	$	(2,353,219)
Comprehensive loss:													
Loss for the period	-		-		-		-		-		(304,567)	$	(304,567)
Total comprehensive loss for the period	-		-		-		-		-		(304,567)		(304,567)
Transactions with owners, in their capacity as owners, and other transfers:													
Subscriptions recived in advance	-		-		40,500		-		-		-		40,500
Reallocation of cancelled and expired options	-		-		-		-		(270,174)		270,174		-
Reallocation of expired warrants	-		-		-		-		(13,338)		13,338		-
Total transactions with owners and other transfers	-		-		40,500		-		(283,512)		283,512		40,500
Balance at March 31, 2016	19,045,139	$	15,968,086	$	40,500	$	300,000	$	199,114	$	(19,124,986)	$	(2,617,286)
Balance at September 30, 2016	34,545,139	$	17,410,092	$	-	$	300,000	$	528,445	$	(20,385,562)	$	(2,147,025)
Comprehensive income (loss):													
Income for the period	-		-		-		-		-		262,912		262,912
Total comprehensive income for the period	-		-		-		-		-		262,912		262,912
Transactions with owners, in their capacity as owners, and other transfers:													
Shares issued for cash - private placement	-		-		-		-		-		-		-
Share issuance for warrants exercised	100,000		12,000		-		-		-		-		12,000
Reallocation of cancelled and expired options	-		-				-		(16,188)		16,188		-
Reallocation of expired warrants	-		-				-		(64,088)		64,088		-
Total transactions with owners and other transfers	100,000		12,000		-		-		(80,276)		80,276		12,000
Balance at March 31, 2017	34,645,139	$	17,422,092	$	-	$	300,000	$	448,169	$	(20,042,374)	$	(1,872,113)

See accompanying notes to the consolidated financial statements.

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

	For the Six Month Period Ended March 31, 2017	2016
Operating activities		
Net Profit (loss) for the period	262,912	(304,567)
Adjustments for non-cash items:		
Accrued interest on promissory note	36,695	34,795
Accrued interest on loans	35,392	48,188
Flow-through share related tax	17,156	17,156
Unrealized foreign exchange	17,817	(11,750)
Unrealized gain on marketable securities	-	-
Gain on marketable securities	(542,433)	-
Recovery of exploration and evaluation costs recovered	(51,000)	-
Marketing	-	15,000
Changes in non-cash working capital items:		
Receivables	7,814	(2,336)
Prepaids	(6,321)	14,498
Trade payables and accrued liabilities	(5,808)	(10,338)
Due to related parties	(11,677)	76,064
Net cash flows used in operating activities	(239,452)	(123,290)
Investing activities		
Expenditures on exploration and evaluation assets	(263,144)	(42,620)
Reclamation of bond refunded	8,421	-
Sales Proceeds on disposal of marketable securities	593,433	-
Property, Plant and Equipment	(149,720)	(98,516)
Net cash flows used in investing activities	188,990	(141,136)
Financing activities		
Issuance of loans	-	257,057
Repayment of loans	-	-
Proceeds on exercise of warrants	12,000	-
Share subscription received	-	40,500
	12,000	297,557
Change in cash	(38,462)	33,131
Cash, beginning	228,857	6,923
Cash, ending	$ 190,395	$ 40,054

Non-cash transactions - Note 15

See accompanying notes to the condensed consolidated financial statements.

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 March 31, 2017, 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.

As a result of the Company not making the required principal, interest and extension fee on the Promissory Note (Note 7), the Promissory Note is in default as at March 31, 2017, and the date of the approval of these condensed consolidated interim financial statements. The promissory Note is secured by a deed of trust related to the Radcliff Property (Note 5), the Company's primary project.

The financial statements were authorized for issue on May, 2017, 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, 2016

3. INVESTMENT IN MARKETABLE SECURITIES

During the six months ended March 31, 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. This investment in marketable securities has been designated as held for trading measured at fair value of $147,000 at initial recognition with their related realized and unrealized changes in fair value recognized in the Statement of Loss. On initial recognition, the fair value of the MGX shares were recorded as a recovery of exploration and evaluation costs of $51,000 and unrealized gain of $96,000 in the Statement of Loss for the three months period ended December 31, 2016.

On February 8, 2017, the Company sold the 300,000 common shares of MGX for a net profit of $542,433, which has been recorded as realized gain on marketable securities and the unrealized gain of $96,000 was reversed out in the Statement of Income (Loss) for the six months period ended March 31, 2017.

(Expressed in Canadian dollars)

4. RECLAMATION BONDS

The reclamation bonds are held in trust for the Company at the Bank of Montreal and Bureau of Land Management. As at March 31, 2017, the reclamation bonds consist of deposits made by the Company for indemnification of site restoration as follows:

- $14,000 (September 30, 2016 - $14,000) on the CK Property (a property terminated during the year ended September 30, 2009); and
- $266,399 (September 30, 2016 - $274,820) on the Bishop Mill Property (Note 5).

5. EXPLORATION AND EVALUATION ASSETS

	Silver Hart Property	Radcliff Property	Total
Acquisition costs			
Balance, September 30, 2016	$ -	$ -	$ -
Impairment	-	-	-
Balance, March 31, 2017	-	-	-
Exploration costs			
Balance, September 30, 2016	-	-	-
Costs incurred during the period:			
Assaying	-	665	665
Contractors	-	158,144	158,144
Field office	-	40,436	40,436
Other	-	14,756	14,756
Transportation and supplies	-	49,143	49,143
	-	263,144	263,144
Balance, March 31, 2017	-	263,144	263,144
Total - March 31, 2017	$ -	$ 263,144	$ 263,144

5. EXPLORATION AND EVALUATION ASSETS (cont'd)

Silver Hart Property

On February 21, 2005, as amended on March 1, 2007, September 24, 2014, September 24, 2015 and September 24, 2016, 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 US$270,000 remains unpaid as at September 30, 2016 (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. As at March 31, 2017, the Company has not yet issued these shares.

During the years ended September 30, 2016 and 2015, the Company fully impaired the Silver Hart property.

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 with Pruett Ballart Inc. ("PBI"), to acquire up to a 50% interest in certain claims, comprising the Radcliff Property located in Inyo County, California. The Company acquired a 50% interest through cash payments of US$400,000 (CDN$394,158) and US$50,000.

On December 19, 2011, the Company and PBI entered into an Acquisition Agreement (the "Acquisition Agreement") with WB Radcliff Inc. to acquire certain claims, located in California, which would comprise additions to the Company's Radcliff Property, for the following consideration:

- US$100,000 (CDN$100,000) (paid) upon execution of the Acquisition Agreement; and
- US$900,000 upon closing of the Acquisition Agreement on April 16, 2012.

The Company and PBI agreed that the Company will pay for all of the consideration to acquire the additional claims. In consideration, the Company will be reimbursed the funds in excess of their required contribution from any future revenues which may be generated from the Radcliff Property.

On April 11, 2012, the Company paid US$100,000 (CDN$100,000) of the US$900,000 due. The Company entered into a promissory note agreement (the "Promissory Note Agreement") to pay off the remaining $800,000 (the "Promissory Note") (Note 7) and the Acquisition Agreement closed and the claims were title registered 50% to the Company.

The claims are subject to a 5% net smelter royalty ("NSR") upon receipt of net smelter returns from the commercial production of valuation minerals on the Radcliff Property. The Company and PBI shall pay the NSR on the commercial production on the Radcliff Property.

During the years ended September 30, 2016 and 2015, the Company fully impaired the Radcliff property.

The Radcliff Property is security for the Promissory Note, which is in default at September 30, 2016 and the date of the approval of these financial statements.

(Expressed in Canadian dollars)

6. PROPERTY, PLANT AND EQUIPMENT

Cost		Silver Hart Equipment	Bishop Mill and related equipment	Total
Balance, September 30, 2015	$	-	-	-
Additions		-	26,841	26,841
Amotizations		-	(5,368)	(5,368)
Balance, September 30, 2016		-	21,473	21,473
Additions		-	149,720	149,720
Amotizations		-	-	-
Balance, March 31, 2017	$	-	171,193	171,193

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 to in order to bring the mill and equipment to use. As at March 31, 2017, the Bishop Mill was not capable of operating in a manner intended by management. During the year ended September 30, 2015, the Company fully impaired the Bishop Mill Property.

7. TRADE PAYABLES AND ACCRUED LIABILITIES

	March 31, 2017	September 30, 2016
Trade payables	$32,499	$23,042
Accrued liabilities	7,909	23,173
Flow-through share related provisions	199,557	182,401
Flow-through premium liabilities	46,925	46,925
	$286,889	$275,541

8. PROMISSORY NOTE

On April 18, 2012, the Company entered into a Promissory Note Agreement (Note 5), 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.

8. PROMISSORY NOTE (cont'd)

As of March 31, 2017, the outstanding Promissory Note includes a principal balance of $664,950 (US$500,000) (September 30, 2016 – $655,000 (US$500,000)), an extension fee of $66,495 (US$50,000) (September 30, 2016 - $65,500 (US$50,000)) and accrued interest of $318,776 (US$239,699) (September 30, 2016 - $275,210 (US$210,414)). During six months ended March 31, 2017, the Company recorded interest expense of $36,394 (2015 - $34,795).

The Promissory Note is secured by a deed of trust covering the Radcliff Property.

As at March 31, 2017, the Promissory Note is in default. However, the Company has not been served with a default notice by the note holder and the note holder has not taken action to reclaim title to the Radcliff Property.

9. LOANS

As at March 31, 2017, pursuant to the acquisition of the Silver Hart Property (Note 5), a principal balance of $270,000 (September 30, 2016 - $270,000) and extension fees totaling $85,000 (September 30, 2016 - $85,000) is owing to a director of the Company. This amount is interest bearing at 8.5% per year. During the six months ended March 31, 2017, the Company recorded interest expense of $35,392 (2016 - $32,619). Included in the loans, at March 31, 2017 is accrued interest of $513,141 (September 30, 2016 - $477,749). The principal, extension fees and accrued interest are due on September 30, 2017 pursuant to an amendment agreement dated September 24, 2016. The Company has granted a first charge on the Silver Hart Property as security for the payments.

During the six months ended March 31, 2017, a company controlled by a director and senior officer of the Company advanced $20,000, which funds were secured by a promissory note payable on demand and bearing interest at 18% per annum. The loan was fully repaid in February 2017.

During the six months ended March 31, 2017, a company controlled by a director and senior officer of the Company advanced a further $650,000 on behalf of the Company as an unsecured short term loan which monies were required pursuant to the sale of the marketable securities. The loan was fully repaid in February 2017.

During the six months ended March 31, 2017, a company with a common director of the Company advanced a total of $135,000, which funds were secured by promissory notes payable on demand and bearing interest at 18% per annum. The loan was repaid in full in February 2017.

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 March 31, 2017, 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 CK Property terminated during the year ended September 30, 2009 and the Silver Hart Property fully impaired during the year ended September 30, 2015. 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 CK Property is calculated as the net present value of the estimated future cash flows which are required to satisfy the obligation of $14,000.

The asset retirement obligation for the Silver Hart Property is calculated as the estimated cost required to satisfy a current environmental obligation. As at March 31, 2017, the estimated cost required to settle the obligation is $50,000 (September 30, 2016 - $50,000).

12. SHARE CAPITAL

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

Issued common shares

For the period subsequent to March 31, 2017

In February 2016, the Company completed a rollback of its issued and outstanding common shares on the basis of one (new) post rollback share for each seven (old) pre-rollback shares. The Company had 133,316,146 common shares issued and outstanding. Following the rollback, the Company had 19,045,139 common shares issued and outstanding.

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.

In May and June 2016, the Company completed a non-brokered private placement of a total of 15,500,000 units at $0.10 per unit, of which 11,200,000 units were issued in May 2016 and 4,300,000 units were issued in June 2016, for gross proceeds of $1,550,000. Each unit consists of one common share of the Company and one-half share purchase warrant. Each whole warrant entitles the holder to purchase a common share of the Company at a price of $0.12 per share for a period of two years.

In connection with the private placement, the Company issued 329,800 brokers' warrants as finders' fees. Each warrant entitles the holder to purchase a common share of the Company at a price of $0.12 per share for a period of two years. Among the brokers' warrants issued, 264,800 warrants expire on May 5, 2018 and 65,000 warrants expire on June 15, 2018. The fair value of the brokers' warrants was $33,809. The weighted average assumptions used for the Black-Scholes option pricing model were annualized volatility of 196%, risk-free interest rate of 0.59%, expected life of 2 years and a dividend rate of Nil. The Company also incurred finders' fees of $74,185 paid in cash.

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

(Expressed in Canadian dollars)

12. SHARE CAPITAL (cont'd)

Stock options (cont'd)

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 calculated the fair value of all stock-based compensation awards as determined using the Black-Scholes Option Pricing Model.

During the six month period ended March 31, 2017, the Company forfeited 321,428 stock options and options expired 800,000, there were no stock options issued to any of its related parties, however, the Company granted an incentive stock options to its VP of Corporate Development for 550,000 common shares at $0.12 per share which option is set to expire January 19, 2019.

Option transactions are summarized as follows:

	Number of options	Weighted average exercise price
Balance, September 30, 2016	3,221,428	$0.14
Options granted	550,000	0.12
Options forfeited	(321,428)	0.35
Options expired	(800,000)	0.12
Balance, March 31, 2017	2,650,000	$0.12

The total fair value of stock options granted during the three months ended March 31, 2017 using the Black-Scholes Option Pricing model was $0.105. All stock options vested after March 31, 2017 and the Company recognized $nil of share-based compensation during the three month ended March 31, 2017. Annualized volatility is estimated by considering historic average share price volatility of the Company's publicly traded shares. The weighted average assumptions used for the Black-Scholes valuation of options were annualized volatility of 196%, risk-free interest rate of 0.59%, expected life of 2 years, and a dividend rate of Nil. The weighted average fair value per option was $0.12.

As at March 31, 2017, the following stock options were exercisable:

Number of options	Exercise Price	Expiry Date
2,100,000	$0.12	June 16, 2018
550,000	$0.12	January 19, 2019
2,650,000		

(Expressed in Canadian dollars)

12. SHARE CAPITAL (cont'd)

Warrants

Warrant transactions are summarized as follows:

During the six months ended March 31, 2017, the Company issued 100,000 common shares of the Company to a related party from the exercise of 200,000 Warrants at $0.12 per share pursuant to the 15,500,000 Unit private placement.

	Number of warrants	Weighted average exercise price
Balance, September 30, 2016	13,233,193	$0.22
Warrants issued	-	-
Warrants expired	(1,853,500)	0.22
Balance, March 31, 2017	11,379,693	$0.22

As at March 31, 2017, the following warrants were exercisable and outstanding:

Number of warrants	Exercise Price	Expiry Date
1,489,071	$0.42	June 8, 2017
1,810,822	$0.49	July 3, 2017
5,780,000	$0.12	May 5, 2018
2,299,800	$0.12	June 15, 2018
11,379,693		

As at March 31, 2017, the weighted average life of warrant is 0.88 year (Mar 31, 2016 – 1.22 years).

13. RELATED PARTY TRANSACTIONS

During the six months ended March 31, 2017, the Company entered into the following transactions with related parties:

a) incurred rent of $9,000 (2015 – $9,000) to a company controlled by a director and officer of the Company;
b) incurred secretarial fees of $23,400 (2015 - $21,000) to a company controlled by a director and officer of the Company which was recorded in office and miscellaneous;
c) incurred consulting fees of $32,500 (2015 - $30,000) to directors of the Company;
d) incurred interest expense of $35,390 (2015 - $32,620) to a director and officer of the Company, pursuant to the Silver Hart Property (Notes 4 and 8); and
e) incurred interest expenses of $5,120 (2015 - $10,003) to a company with a common director of the Company.

At March 31, 2017, a total of $17,673 (September 30, 2016 - $128,739) was owing to directors of the Company.

13. RELATED PARTY TRANSACTIONS (cont'd)

At March 31, 2017, a total of $868,141 (September 30, 2016 - $832,749) was owing to a director and officer of the Company. The amount bears interest at 8.5%, is due on September 30, 2017 and is secured by the Silver Hart property. (Note 9)

At March 31, 2017, $Nil (September 30, 2016 - $Nil), was owing to a company controlled by a director and senior officer of the Company.

At March 31, 2017, $Nil (September 30, 2016 - $Nil), was owing to a company with a common director of the Company.

The Company incurred the following key management compensation charges:

	March 31, 2017	March 31, 2016
Consulting fees	$32,500	$30,000

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.

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 it US subsidiary incurs expenditures that are denominated in US dollars – As at March 31, 2017 of the Company's loans of $789,699 are denoted in US dollars. The Company does not hedge its exposure to fluctuations in foreign exchange rates.

(Expressed in Canadian dollars)

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

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.

Classification of financial instruments
Financial assets included in the statement of financial position are as follows:

	March 31, 2017	September 30, 2016
Loans and receivables:		
Cash	$ 190,395	$ 228,857
Reclamation bonds	266,399	274,820
	$ 456,794	$ 503,677

Financial liabilities included in the statement of financial position are as follows:

	March 31, 2017	September 30, 2016
Non-derivative financial liabilities:		
Trade payables	$ 32,499	$ 22,709
Due to related parties	12,198	23,875
Promissory note	1,050,222	995,710
Loans	868,141	832,749
Preferred shares	500,000	500,000
	$2,463,060	$ 2,375,043

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. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Significant non-cash transactions for the six months ended March 31, 2017.

a) The Company reallocated $16,188 from share-based payment reserve to deficit for the forfeited and expired stock options that had expired
b) The Company reallocated $64,088 from share-based payment reserve to deficit for the share purchase warrants that had expired

16. SUBSEQUENT EVENTS

There are no subsequent events to report.