CMC METALS LTD.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED JUNE 30, 2016

(Expressed in Canadian Dollars)

(Unaudited)

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

	Note	June 30, 2016 (Unaudited)	September 30, 2015 (Audited)
ASSETS			
Current assets			
Cash		$ 489,127	$ 6,923
Receivables	11	206,650	2,552
Prepaids		36,964	42,707
		732,741	52,182
Non-current assets			
Reclamation bonds	3	272,292	274,186
Exploration and evaluation assets	4	161,626	-
Property, plant and equipment	5	113,604	-
		547,522	274,186
TOTAL ASSETS		$ 1,280,263	$ 326,368
LIABILITIES			
Current liabilities			
Trade payables and accrued liabilities	6	$ 281,702	$ 291,058
Due to related parties	12	6,545	52,675
Promissory note	7	968,159	929,762
Loans	8	816,440	842,092
Preferred shares	9	500,000	500,000
Provision for restortion and environmental obligations	10	50,000	50,000
		2,622,846	2,665,587
Non-current liabilities			
Provision for restoration and environmental activities	10	14,000	14,000
		14,000	14,000
TOTAL LIABILITIES		2,636,846	2,679,587
SHAREHOLDERS' DEFICIENCY			
Share capital	11	17,397,501	15,968,086
Obligation to issue shares	4	300,000	300,000
Share-based payment reserve		252,541	482,626
Deficit		(19,306,625)	(19,103,931)
TOTAL SHAREHOLDERS' DEFICIENCY		(1,356,583)	(2,353,219)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY		$ 1,280,263	$ 326,368

Subsequent events - Note 15

Approved on behalf of the Board:

"Jack Bal"
Jack Bal - Director

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

See accompanying notes to the consolidated financial statements.

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

	Note	For the 3 Month Period Ended June 30, 2016	For the 3 Month Period Ended June 30, 2015	For the 9 Month Period Ended June 30, 2016	For the 9 Month Period Ended June 30, 2015
EXPENSES					
Consulting fees	12	$ 46,991	$ 93,434	$ 120,591	$ 183,336
Filing and transfer agent		12,824	14,393	25,822	30,922
Financing fee		19,853	-	19,853	10,000
Flow-through share related taxes and expenses		5,499	-	22,655	-
Interest expense	7, 8	41,416	50,315	124,399	112,300
Investor communications		-	107,320	-	159,694
Marketing		32,200	-	62,200	-
Office and miscellaneous	12	26,704	46,098	87,142	103,420
Professional fees		4,563	3,870	9,551	13,589
Rent	12	4,500	4,500	13,500	13,500
Stock-based compensation		-	118,479	-	118,479
Travel		157	6,085	8,250	13,708
Wages		(742)	44,506	17,992	132,097
		(193,965)	(489,000)	(511,955)	(891,045)
OTHER ITEMS					
Interest Income		12	12	132	173
Miscellaneous Income		-	-	-	2,324
Gain (loss) on foreign exchange		(6,424)	14,080	6,879	(121,272)
Gain on settlement of debt		4,540	-	4,540	-
		(1,872)	14,092	11,551	(118,775)
COMPREHENSIVE LOSS FOR THE PERIOD		$ (195,837)	$ (474,908)	$ (500,404)	$ (1,009,820)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - BASIC AND DILUTED		26,816,568	15,963,894	21,626,161	14,531,688
LOSS PER SHARE - BASIC AND DILUTED		$ (0.01)	$ (0.03)	$ (0.02)	$ (0.07)

See accompanying notes to the condensed consolidated financial statements.

CMC METALS LTD.

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Expressed in Canadian dollars)

	Share capital						
	Number of shares	Amount	Share subscriptions received	Obligation to issue shares	Share-based payment reserve	Deficit	Total
Balance at September 30, 2014	13,242,664	$ 14,095,753	$ -	$ 300,000	$ 353,246	$ (13,423,618)	$ 1,325,381
Comprehensive loss:							
Loss for the period	-	-	-	-	-	(1,009,820)	(1,009,820)
Total comprehensive loss for the period	-	-	-	-	-	(1,009,820)	(1,009,820)
Transactions with owners, in their capacity as owners, and other transfers:							
Shares issued for cash - private placement	3,321,071	900,625	-	-	130,875	-	1,031,500
Shares issued for cash - warrants exercised	345,714	131,200	-	-	(3,000)	-	128,200
Shares issued for cash - stock option exercise	392,857	149,781	-	-	(2,281)	-	147,500
Subscriptions received in advance	-	-	120,000	-	-	-	120,000
Finder's Fee	-	(35,824)	-	-	15,169	-	(20,655)
Financing Fee	28,571	10,000	-	-	-	-	10,000
Modification of warrants	-	-	-	-	6,141	(6,141)	-
Stock-based compensation	-	-	-	-	118,479	-	118,479
Total transactions with owners and other transfers	4,088,214	1,155,782	120,000	-	265,383	(6,141)	1,535,024
Balance at June 30, 2015	17,330,878	$ 15,251,535	$ 120,000	$ 300,000	$ 618,629	$ (14,439,579)	$ 1,850,585
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	-	-	-	-	-	(500,404)	(500,404)
Total comprehensive loss for the period	-	-	-	-	-	(500,404)	(500,404)
Transactions with owners, in their capacity as owners, and other transfers:							
Shares issued for cash - private placement	15,500,000	1,550,000	-	-	-	-	1,550,000
Share issuance costs	-	(52,960)	-	-	-	-	(52,960)
Reallocation of cancelled and expired options	-	-	-	-	(270,174)	270,174	-
Reallocation of expired warrants	-	-	-	-	(27,536)	27,536	-
Finder's Fee - warrants	-	(67,625)	-	-	67,625	-	-
Total transactions with owners and other transfers	15,500,000	1,429,415	-	-	(230,085)	297,710	1,497,040
Balance at June 30, 2016	34,545,139	$ 17,397,501	$ -	$ 300,000	$ 252,541	$ (19,306,625)	$ (1,356,583)

See accompanying notes to the consolidated financial statements.

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

	For the 3 Month Period Ended June 30		For the 9 Month Period Ended June 30	
	2016	2015	2016	2015
Operating activities				
Net loss for the period	$ (195,837)	$ (474,908)	$ (500,404)	$ (1,009,820)
Adjustments for non-cash items:				
Accrued interest on promissory note	14,134	(82,429)	48,929	43,716
Accrued interest on loans	2,261	(129,903)	50,449	68,584
Financing fee	19,153	10,000	19,153	10,000
Flow-through share related tax	8,578	-	25,734	-
Gain on settlement of debt	(4,540)	-	(4,540)	-
Gain (loss) on foreign exchange	1,592	66,888	(10,158)	76,888
Marketing	(15,000)	-	-	-
Stock based compensation	-	118,479	-	118,479
Changes in non-cash working capital items:				
Receivables	(2,262)	(9,722)	(4,598)	(9,173)
Prepaids	(8,755)	5,235	5,743	23,259
Trade payables and accrued liabilities	(7,489)	(129,512)	(17,827)	(19,234)
Due to related parties	(122,194)	(9,815)	(46,130)	(397)
Net cash flows used in operating activities	(310,359)	(635,687)	(433,649)	(697,698)
Investing activities				
Expenditures on exploration and evaluation assets	(108,836)	(146,986)	(151,456)	(362,843)
Property, Plant and Equipment	(42,793)	27,820	(141,309)	(353,206)
Net cash flows used in investing activities	(151,629)	(119,166)	(292,765)	(716,049)
Financing activities				
Issuance of loans	52,000	(255,720)	309,057	260,300
Repayment of loans	(397,979)	(267,500)	(397,979)	(267,500)
Proceeds on issuanec of common shares	1,310,000	1,130,845	1,350,500	1,130,845
Proceeds on exercise of options	-	97,500	-	147,500
Proceeds on exercise of warrants	-	52,200	-	128,200
Share issuance costs	(52,960)	-	(52,960)	-
	911,061	757,325	1,208,618	1,399,345
Change in cash	449,073	2,472	482,204	(14,402)
Cash, beginning	40,054	28,547	6,923	45,421
Cash, ending	$ 489,127	$ 31,019	$ 489,127	$ 31,019

Non-cash transactions - Note 14

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 condensed consolidated interim 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 June 30, 2016, 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 June 30, 2016, 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 4), the Company's primary project. Within the going concern assertion it is presumed that the Company will be able to remedy the loan default and retain its interest in the Radcliff Property.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION

The financial statements were authorized for issue on August 29, 2016 by the directors of the Company.

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, 2015.

3. RECLAMATION BONDS

The reclamation bonds are held in trust for the Company at the Bank of Montreal and Bureau of Land Management. As at June 30, 2016, the reclamation bonds consist of deposits made by the Company for indemnification of site restoration as follows:

- $14,000 (September 30, 2015 - $14,000) on the CK Property (a property terminated during the year ended September 30, 2009);
- $4,000 (September 30, 2015 - $4,000) on the Wheelbarrow Property (a property terminated during the year ended September 30, 2010); and
- $254,292 (September 30, 2015 - $256,186) on the Bishop Mill Property (Note 5).

(Expressed in Canadian dollars)

4. EXPLORATION AND EVALUATION ASSETS

	Silver Hart Property	Radcliff Property	Total
Acquisition costs			
Balance, September 30, 2015	$ -	$ -	$ -
Exploration costs			
Balance, September 30, 2015	-	-	-
Costs incurred during the period:			
Claim renewal fees	11,680	-	11,680
Contractors	-	97,088	97,088
Field office	-	17,192	17,192
Other	-	971	971
Transportation and supplies	(445)	35,140	34,695
	11,235	150,391	161,626
Balance, June 30, 2016	11,235	150,391	161,626
Total - June 30, 2016	$ 11,235	$ 150,391	$ 161,626
Acquisition costs			
Balance, September 30, 2014	$ 405,000	$ 1,381,473	$ 1,786,473
Impairment	(405,000)	(1,381,473)	(1,786,473)
Balance, September 30, 2015	-	-	-
Exploration costs			
Balance, September 30, 2014	-	505,278	505,278
Costs incurred during the period:			
Assaying	-	2,169	2,169
Contractors	5,825	258,022	263,847
Environmental charges	50,000	-	50,000
Equipment rental	-	22,887	22,887
Field office (recovery)	(4,169)	29,356	25,187
Other	-	62,929	62,929
Transportation and supplies	2,541	91,859	94,400
	54,197	972,500	1,026,697
Write-off	(54,197)	(972,500)	(1,026,697)
Balance, September 30, 2015	-	-	-
Total - September 30, 2015	$ -	$ -	$ -

4. EXPLORATION AND EVALUATION ASSETS (cont'd)

Silver Hart Property

On February 21, 2005, as amended on March 1, 2007, September 24, 2013, September 24, 2014 and September 24, 2015, 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 arm's length 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 June 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 June 30, 2016, the Company has not yet issued these shares.

During the year ended September 30, 2014, the Company further impaired the Silver Hart Property to its estimated recoverable amount of $405,000.

During the year ended September 30, 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 Ballarat 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 year ended September 30, 2015, the Company fully impaired the Radcliff Property.

The Radcliff Property is security for the Promissory Note (Note 7), which was in default at June 30, 2016, and the date of the approval of these financial statements.

(Expressed in Canadian dollars)

5. PROPERTY, PLANT AND EQUIPMENT

Cost	Silver Hart equipment	Bishop Mill & equipment	Total
Balance, September 30, 2014	$ 8,800	$ 1,030,298	$ 1,039,098
Additions	-	523,827	523,827
Impairment	(8,800)	(1,554,125)	(1,562,925)
Balance, September 30, 2015	$ -	$ -	$ -
Additions	-	113,604	113,604
Balance, June 30, 2016	$ -	$ 113,604	$ 113,604

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 September 30, 2015 and June 30, 2016, 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.

6. TRADE PAYABLES AND ACCRUED LIABILITIES

	June 30, 2016	September 30, 2015
Trade payables	$ 57,776	$ 60,877
Accrued liabilities	3,178	35,167
Flow-through share related provisions	173,823	148,089
Flow-through premium liabilities	46,925	46,925
	$ 281,702	$ 291,058

7. 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.

7. PROMISSORY NOTE (cont'd)

As of June 30, 2016, the outstanding Promissory Note includes a principal balance of US$500,000 (CDN$648,550) (September 30, 2015 - US$500,000 (CDN$669,700), an Extension Fee of US$50,000 (CDN$64,855) (September 30, 2015 - US$50,000 (CDN$66,970)) and accrued interest of US$196,402 (CDN$254,754) (September 30, 2015 - US$158,087 (CDN$193,092)). During the nine months ended June 30, 2016, the Company recorded interest expense of $50,449 (2015 - $43,716).

The Promissory Note is secured by a Deed of Trust covering the Radcliff Property.

As at June 30, 2016, 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.

8. LOANS

As at June 30, 2016, pursuant to the acquisition of the Silver Hart Property (Note 4), a principal balance of $270,000 (September 30, 2015 - $270,000) and extension fees totaling $85,000 (September 30, 2015 - $85,000) is owing to a director of the Company. This amount is interest bearing at 8.5% per year. During the nine months ended June 30, 2016, the Company recorded interest expense of $48,929 (2015 - $45,096). Included in the obligation at June 30, 2016 is accrued interest of $461,440 (September 30, 2015 - $412,511). The principal, extension fees and accrued interest are due on September 30, 2016 pursuant to an amendment agreement dated September 24, 2015. The Company has granted a first charge on the Silver Hart Property as security for the payments.

During the year ended September 30, 2015, a company controlled by a director of the Company advanced $304,300 to the Company of which $74,000 plus accrued interest of $581 remained outstanding as at September 30, 2015. The balance outstanding is secured by promissory notes, payable on demand and bearing interest at 15% per annum.

During the nine months ended June 30, 2016, a company controlled a director of the Company advanced $309,057, which funds were secured by promissory notes, payable on demand and bearing interest at 15% per annum. During the nine months ended June 30, 2016, the Company recorded interest expenses of $25,021. On June 1, 2016 the payables on demand were repaid in full, which includes the principal balance of $383,057 and accrued interest of $25,361, and a 5% bonus paid of $19,153 recorded in financing fees. Upon repayment, the Company incurred a gain of settlement of debt of $4,540.

9. 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 June 30, 2016, no dividends have been declared.

After April 9, 2015, redemption may be effected 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 days 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.

10. 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 June 30, 2016, the estimated cost required to settle the obligation is $50,000 (September 30, 2015 - $50,000).

11. SHARE CAPITAL

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

Issued common shares

<u>For the period ended June 30, 2016</u>

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 has 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 share purchase warrant. Every two warrants entitle the holder to purchase a common share of the Company at a price of $0.12 per share for a period of two years. The private placement issued 11,200,000 share purchase warrants which expire on May 5, 2018 and 4,300,000 share purchase warrants which expire on June 15, 2018.

In connection with the private placement, the Company issued 659,600 brokers' warrants as finders' fees. Every two warrants entitle 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, 529,600 warrants expire on May 5, 2018 and 130,000 warrants expire on June 15, 2018. The fair value of the brokers' warrants was $67,625. 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 $52,960 paid in cash.

<u>For the period subsequent to June 30, 2016</u>

As of June 30, 2016, $199,500 of the total gross proceeds of $1,550,000 were in subscription receivables, which funds were received in full as of July 14, 2016.

(Expressed in Canadian dollars)

11. SHARE CAPITAL (cont'd)

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

During the nine month period ended June 30, 2016, the Company granted 2,900,000 stock options and forfeited 71,429 stock options.

Option transactions are summarized as follows:

	Number of options		Weighted average exercise price
Balance, September 30, 2015	1,278,571	$	0.43
Options granted	2,900,000	$	0.12
Options forfeited	(71,429)		0.46
Options expired	(728,571)		0.46
Balance, June 30, 2016	3,378,571	$	0.16

The total fair value of stock options granted during the nine months ended June 30, 2016 using the Black-Scholes Option Pricing model was $202,203. All stock options vested after June 30, 2016 and the Company recognized $nil of share-based compensation during the nine month ended June 30, 2016. 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 197%, risk-free interest rate of 0.56%, expected life of 2 years, and a dividend rate of Nil. The weighted average fair value per option was $0.12.

As at June 30, 2016, the following stock options were exercisable:

Number of options	Exercise Price	Expiry Date
157,143	$0.46	September 22, 2016
321,429	$0.35	April 15, 2017
2,900,000	$0.12	June 16, 2018
3,378,571		

(Expressed in Canadian dollars)

11. SHARE CAPITAL (cont'd)

Warrants
Warrant transactions are summarized as follows:

	Number of warrants		Weighted average exercise price
Balance, September 30, 2015	7,483,821	$	0.48
Warrants issued	16,159,600		0.12
Warrants expired	(2,330,428)		0.63
Balance, June 30, 2016	21,312,993	$	0.19

As at June 30, 2016, the following warrants were exercisable and outstanding:

Number of warrants	Exercise Price	Expiry Date
1,853,500	$0.35	February 24, 2017
1,489,071	$0.42	June 8, 2017
1,810,822	$0.49	July 3, 2017
11,560,000	$0.12	May 5, 2018
4,599,600	$0.12	June 15, 2018
21,312,993		

As at June 30, 2016, the weighted average life of warrant is 1.64 years (September 30, 2015 – 1.19 years).

12. RELATED PARTY TRANSACTIONS

During the nine months ended June, 2016, the Company entered into the following transactions with related parties:

a) incurred rent of $13,500 (2015 – $13,500) to a company controlled by a director and officer of the Company;
b) incurred secretarial fees of $31,500 (2015 - $31,500) to a company controlled by a director and officer of the Company which was recorded in office and miscellaneous;
c) incurred consulting fees of $45,000 (2015 - $45,000) to directors of the Company;
d) incurred interest expense of $45,096 (2015 - $45,096) to a director and officer of the Company, pursuant to the Silver Hart Property (Notes 4 and 8); and
e) incurred interest expenses of $Nil (2015 - $23,488) to a company controlled by a director of the Company.

At June 30, 2016, a total of $6,545 (September 30, 2015 - $59,618) was owing to directors and a former director of the Company.

At June 30, 2016, a total of $816,440 (September 30, 2015 - $767,511) was owing to a director and officer of the Company. The amount bears interest at 8.5%, is due on September 30, 2016 and is secured by the Silver Hart property. (Note 8)

At June 30, 2016, $Nil (September 30, 2015- $74,000), was owing to a company controlled by a director and senior officer of the Company. The amount was payable on demand with an interest rate of 15% (2015-15%) per annum. (Note 8)

12. RELATED PARTY TRANSACTIONS (cont'd)

During the nine months ended June 30, 2016, the Company issued the following common shares of the Company to its related parties:

	Shares issued	Proceeds
CFO	100,000	$ 10,000
Company controlled by a director	4,700,000	470,000
CEO	532,000	53,200
Total	5,332,000	$ 533,200

During the nine month period ended June 30, 2016, the Company granted 2,900,000 stock options to its related parties. All stock options vested after June 30, 2016 and the Company recognized $nil of share-based compensation. (Note 11)

The Company incurred the following key management compensation charges:

	June 30, 2016	June 30, 2015
Consulting fees	$ 45,000	$ 45,000

13. 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 is exposed to foreign exchange risk as it US subsidiary incurs expenditures that are denominated in US$. As of June 30, 2016, $968,189 of the Company's Promissory Note are denoted in US$. The Company does not hedge its exposure to fluctuations in foreign exchange rates.

(Expressed in Canadian dollars)

13. 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:

	June 30, 2016	September 30, 2015
Loans and receivables:		
Cash	$ 489,127	$ 6,923
Reclamation bonds	272,292	274,186
	$ 761,419	$ 281,109

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

	June 30, 2016	September 30, 2015
Non-derivative financial liabilities:		
Trade payables	$ 57,776	$ 60,877
Due to related parties	6,545	52,675
Promissory note	968,159	929,762
Loans	816,440	842,092
Preferred shares	500,000	500,000
	$ 2,348,920	$ 2,385,406

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.

14. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Significant non-cash transactions for the nine months ended June 30, 2016.

a) The Company reallocated $270,174 from share-based payment reserve to deficit for the forfeited and expired stock options; and
b) The Company reallocated $27,536 from share-based payment reserve to deficit for the expired warrants.
c) The Company paid broker commissions of 659,600 warrants in references to the Private Placement closed in May and June 0216. The fair value of brokers' warrants of $67,625 was allocated from share capital to share-based payment reserve.
d) The Company recognized a receivable of $199,500 in relations to the Private Placement closed in May and June 2016.

No significant non-cash transactions occurred for the nine months ended June 30, 2015.

15. SUBSEQUENT EVENTS

On July 19, 2016, the Company entered into a letter agreement with MGX Minerals Inc.("MGX") to lease its portable Flotation Plant used at the Silver Hart project, Yukon for a maximum of 6 months. As compensation for the use of the Flotation Plant, MGX is to issue to the Company 300,000 common shares of its stock which trades on the Canadian Securities Exchange. As of the date of these financials, the 300,000 common shares have not been issued.

On August 5, 2016, the Company received the Summons to a Person Charged with an Offense from the Yukon Territory in regard to non-compliances on the rehabilitation work for the Silver Hart camp. The work has been delayed owing to the washing out of certain segments of road servicing the camp, and the Company is working with service providers and with other companies requiring access using the shared segments of the road to make repairs so as to be compliant with requirements. The Company is to appear before a court in Watson Lake on October 5th, 2016. During the period ended June 30, 2016, the Company recorded an asset retirement obligation of $50,000 in relation to the rehabilitation work. (Note 10)

Other than as disclosed herein, there are no subsequent events to report.