

CMC METALS LTD.
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED MARCH 31, 2019
(Expressed in Canadian Dollars)
(Unaudited)

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

	Note	March 31, 2019	September 30, 2018
ASSETS			
Current assets			
Cash		\$ 10,293	\$ 4,103
Receivables		2,256	3,147
Prepays and deposit		28,914	31,443
Investment		-	61,000
		<u>41,463</u>	<u>99,693</u>
Non-current assets			
Reclamation bond	3	258,693	250,601
Equipment	5	6,785	8,543
		<u>265,478</u>	<u>259,144</u>
TOTAL ASSETS		\$ 306,941	\$ 358,837
LIABILITIES			
Current liabilities			
Trade payables and accrued liabilities	7	\$ 468,166	\$ 423,647
Due to related parties	13	114,887	82,778
Loans	9, 13	1,028,982	883,573
Preferred shares	10	500,000	500,000
Provision for restoration and environmental obligations	11	146,000	146,000
TOTAL LIABILITIES		<u>2,258,035</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		(20,688,761)	(20,414,828)
TOTAL SHAREHOLDERS' DEFICIENCY		<u>(1,951,094)</u>	<u>(1,677,161)</u>
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY		\$ 306,941	\$ 358,837

Subsequent events - Note 15

Approved on behalf of the Board:

"Kevin Brewer"

Kevin Brewer - Director

"Michael C. Scholz"

Michael C. Scholz - Director

See accompanying notes to the condensed consolidated interim financial statements.

CMC METALS LTD.**INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**

(Expressed in Canadian dollars)

	Note	For the three months ended March 31,		For the six months ended March 31,	
		2019	2018	2019	2018
EXPENSES					
Amortization	5	\$ 427	\$ 2,170	\$ 854	\$ 3,853
Consulting fees	13	11,425	22,461	19,518	43,906
Exploration expenditures (recovery), net	4	12,759	23,837	96,304	(22,439)
Filing and transfer agent		8,440	8,926	14,937	10,422
Financing Fee		-	1,461	1,461	1,461
Flow-through share related tax		8,575	8,578	17,274	17,156
Interest expense	8, 9, 13	25,857	37,083	43,910	73,473
Marketing		(9,983)	6,420	(4,633)	12,840
Office and miscellaneous	13	14,639	19,344	29,601	39,614
Professional fees		23,083	39,364	23,805	62,471
Rent	13	4,500	4,500	9,000	9,000
Stock-based compensation	12	-	35,974	-	145,486
Travel		8,545	112	10,851	2,436
		<u>(108,266)</u>	<u>(210,230)</u>	<u>(262,882)</u>	<u>(399,679)</u>
OTHER ITEMS					
Other Income		-	386	1,923	19,114
Loss on foreign exchange		(6,521)	(19,398)	(2,270)	(37,526)
Gain (loss) on marketable securities	6	(2,463)	-	(18,463)	36,509
Unrealized gain (loss) on investment		-	-	-	2,000
Gain on settlement of debt		7,759	-	7,759	-
		<u>(1,224)</u>	<u>(19,012)</u>	<u>(11,051)</u>	<u>20,097</u>
PERIOD		\$ (109,491)	\$ (229,242)	\$ (273,933)	\$ (379,582)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - BASIC AND DILUTED					
		18,128,055	17,058,056	18,128,055	17,058,056
NET LOSS PER SHARE - BASIC AND DILUTED					
		\$ (0.01)	\$ (0.01)	\$ (0.02)	\$ (0.02)

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		-	-	-	-	-	(379,582)	(379,582)
Total comprehensive loss for the period		-	-	-	-	-	(379,582)	(379,582)
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	260,000	78,000	-	-	-	-	78,000
Share issuance for options exercised	12	700,000	87,500	-	-	-	-	87,500
Payment reserve on exercised of options		-	19,076	-	(19,076)	-	-	-
Change value of investment	6	-	-	-	-	2,000	-	2,000
Reserve on cancellation of shares	12	-	-	-	(233,767)	-	233,767	-
Stock based compensation	12	-	-	-	145,485	-	-	145,485
Total transactions with owners and other transfers		960,000	184,576	14,000	(107,358)	2,000	233,767	326,985
Balance at March 31, 2018		18,018,056	\$18,580,766	\$ -	\$ 239,451	\$ 2,000	\$ (21,426,570)	\$ (2,604,353)
Balance at September 30, 2018		18,128,055	18,608,267	-	129,400	-	(20,414,828)	(1,677,161)
Comprehensive Income:								
Loss for the period							(273,933)	(273,933)
Total comprehensive loss for the period		-	-	-	-	-	(273,933)	(273,933)
Balance at March 31, 2019		18,128,055	\$18,608,267	\$ -	\$ 129,400	\$ -	\$ (20,688,761)	\$ (1,951,094)

See accompanying notes to the condensed consolidated interim financial statements.

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

	For the six months ended March 31,	
	2019	2018
Operating activities		
Net Income (Loss) for the year	\$ (273,933)	\$ (379,582)
Adjustments for non-cash items:		
Amortization	854	3,853
Accrued interest on promissory note and loans	43,910	73,473
Gain on settlement of debt	(7,759)	-
Unrealized foreign exchange	571	32,452
Gain (loss) on marketing securities	18,463	(36,506)
Fair value of investment sold	-	(96,000)
Unrealized loss on investment	-	(2,000)
Stock-based compensation	-	145,486
Changes in non-cash working capital items:		
Receivables	891	18,104
Prepaid	2,529	(4,948)
Security deposits	-	(30,000)
Trade payables and accrued liabilities	44,518	69,936
Due to related parties	32,109	28,995
Net cash used in operating activities	(137,847)	(176,737)
Investing activities		
Proceeds on disposal of marketable security	42,537	136,509
Net cash provided by (used in) investing activities	42,537	136,509
Financing activities		
Repayment of loans	-	(78,006)
Proceeds on issuance of loans	101,500	-
Proceeds on issuance of common shares	-	165,500
Subscriptions receivable	-	14,000
Net cash provided by financing activities	101,500	101,494
Change in cash	6,190	61,266
Cash, beginning	4,103	51,316
Cash, ending	\$ 10,293	\$ 112,582

See accompanying notes to the consolidated financial statements.

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

For six months ended March 31, 2019

(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 March 31, 2019, 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 May 29, 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 March 31, 2019, the reclamation bond consisted of a deposit of \$258,222 (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**

For six months ended March 31, 2019

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4. EXPLORATION AND EVALUATION ASSETS

	Silver Hart Property	Radcliff Property	Total
Acquisition costs			
Balance, September 30, 2017 and 2018, and March 31, 2019	\$ -	\$ -	\$ -
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	76,893	-	76,893
Field office	12,224	-	12,224
Transportation and supplies	7,188	-	7,188
	96,304	-	96,304
Exploration Recovery	(96,304)	-	(96,304)
Balance - March 31, 2019	\$ -	\$ -	\$ -

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

For six months ended March 31, 2019

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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 March 31, 2019 (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	(854)
Foreign exchange	(903)
Balance, March 31, 2019	\$ 6,785

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 March 31, 2019, 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.

During the six months ended March 31, 2019, the Company sold 100,000 MGX shares with a fair value of \$61,000 for proceeds of \$42,537 and realized a loss of \$18,463

7. TRADE PAYABLES AND ACCRUED LIABILITIES

	March 31, 2019	September 30, 2018
Trade payables	\$ 124,900	\$ 97,536
Accrued liabilities	28,108	28,108
Flow-through share related provisions	268,233	251,078
Flow-through premium liability	46,925	46,925
	\$ 468,167	\$ 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

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

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8. PROMISSORY NOTE (cont'd)

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.

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 March 31, 2019, 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 annum. During the period ended March 31, 2019, the Company recorded interest expense of \$36,106 (March 31, 2018 - \$32,271). Included in the loan, at March 31, 2019 is accrued interest of \$530,680 (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 March 31, 2019, the balance repayable was \$885,680.

During the quarter ended March 31, 2019, the Company entered into Promissory Notes totalling \$101,500 with a company controlled by a director and officer of the Company, which Notes are payable on demand with interest at 18% per annum. As at March 31, 2019, the interest in arrear was \$6,059.

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. The interest in arrear was \$1,744 as at March 31, 2019.

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.

CMC METALS LTD.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For six months ended March 31, 2019

(Expressed in Canadian dollars)

(Unaudited)

11. RESTORATION AND ENVIRONMENTAL OBLIGATIONS (cont'd)

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

September 30, 2018, the Company recorded an environmental commitment of \$Nil (2017 - \$96,000). As at September 30, 2018 and March 31, 2019, the estimated cost required to settle the obligation is \$146,000 (March 31, 2018 - \$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 six months period ended March 31, 2018

During the period ended March 31, 2019, 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.

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 March 31, 2019, the Company did not grant any stock options and there were no options issued and outstanding.

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

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(Expressed in Canadian dollars)

(Unaudited)

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

The weighted average fair value of stock options granted during the year ended March 31, 2019 was \$Nil (2018 - \$0.06). The following weighted average assumptions were used for the Black-Scholes Option Pricing Model in the valuation of stock options granted:

	March 31, 2019	March 31, 2018
Risk-free interest rate	-	1.55%
Expected life	-	2 years
Annualized volatility	-	119%
Dividend yield	-	0.00%

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 March 31, 2019	-	\$ -

During the period ended March 31, 2019, there was no transaction for any options granted. As at March 31, 2019 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.

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

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(Unaudited)

12. SHARE CAPITAL (cont'd)**Warrants**

During the period ended March 31, 2019, 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 March 31, 2019	-	\$ -

13. RELATED PARTY TRANSACTIONS

During the six months ended March 31, 2019, the Company entered into the following transactions with related parties:

- a) incurred rent of \$9,000 (March 31, 2018 – \$9,000) to a company controlled by a director and officer of the Company;
- b) incurred secretarial fees of \$23,400 (March 31, 2018 - \$23,400) to a company controlled by a director and officer of the Company which was recorded in office and miscellaneous;
- c) incurred interest expense of \$36,107 (March 31, 2018 - \$35,390) to a director and officer of the Company, pursuant to the Silver Hart Property (Notes 4 and 8);
- d) Incurred interest expense of \$7,803 (March 31, 2018 - \$30) to two companies with a common director of the Company (Note 8).

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:

	March 31, 2019	March 31, 2018
Consulting fees	\$Nil	\$2,000
Share-based payment	\$Nil	\$3,270

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,

CMC METALS LTD.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

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.

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 (2018 March 31 - \$846,796) 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 March 31, 2019, the Company:

- a) 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;

CMC METALS LTD.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For six months ended March 31, 2019

(Expressed in Canadian dollars)

(Unaudited)

15. SUBSEQUENT EVENTS (cont'd)

- b) Entered negotiations with MGX Minerals Inc. to extend the term of the lease on the Silver Hart Flotation Plant from April 30, 2019 to April 30, 2020 for the further cash payment of \$15,000 and the issuance of a further 100,000 common shares.