

**CMC METALS LTD.**  
**MANAGEMENT DISCUSSION AND ANALYSIS (“MD&A”)**  
**Financial Year Ended September 30, 2018, as of January 28, 2019**  
(all figures in Canadian dollars)

**General**

The following Management Discussion and Analysis of Financial Condition and Results of Operations, prepared January 28, 2019, should be read in conjunction with the accompanying consolidated financial statements and notes included in this report. These statements often can be identified by the use of terms such as "may," "will," "expect," "believes," "anticipate," "estimate," or "continue," or the negative thereof. The Company intends that such forward-looking statements be subject to the safe harbours for such statements. The Company wishes to caution readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made. Any forward-looking statements represent management's best judgement as to risks, uncertainties and important factors beyond the control of the Company that could cause actual results and events to differ materially from historical results of operations and events from those presently anticipated or projected. The Company disclaims any obligation subsequently to revise any forward-looking statements to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events.

The Company's shares are listed on the TSX Venture Exchange (the "Exchange") under the symbol "CMC". Additional information related to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company's website at [www.cmcmetals.ca](http://www.cmcmetals.ca).

**Description of Business**

The Company was incorporated under the laws of the Province of Alberta on June 21, 1996 and continued into the Province of British Columbia and changed its name to CMC Metals Ltd. from Bellevue Capital Corp., on July 4, 2005. The Company was extra-territorially registered in the Yukon on September 14, 2005.

On April 7, 2010, the Company incorporated a wholly-owned subsidiary, 0877887 B.C. Ltd. ("0877887 B.C."), under the Business Corporations Act of British Columbia. On April 12, 2012, the Company incorporated in the state of California, a 100% wholly-owned subsidiary, CMC Metals Corp.

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries 0877887 B.C Ltd. and CMC Metals Corp.

The consolidated financial statements of the Company have been prepared in accordance with International Accounting Standards ("IAS") 34 and International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The consolidated year-end financial statements have been prepared with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The continuing operations of the Company are dependent upon its ability to obtain continued financial support, raise adequate financing and to fund profitable operations in the future.

**Discussion of Operations and Financial Condition**

**Operations Summary**

During the start of the 2010 fiscal year, the Company continued its efforts to satisfy the British Columbia Securities Commissions concerns in seeking a revocation of the Cease Trade Order issued against the Company

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**Operations Summary (cont’d)**

on September 3, 2009, for failure to file an updated NI43-101 on its Silver Hart Property, plus non-compliant NI43-101 disclosure statements. The Company retained a qualified geologist to prepare the NI43-101 and legal counsel to aid it in the Company satisfying the Commission’s requirements. Having met all the requirements imposed by the Commission, a Revocation Order was issued on January 15, 2010, and the Company’s shares were reinstated for trading on the TSX-V on February 4, 2010.

During the 2011 fiscal year, the Company continued its efforts to progress the Silver Hart property towards the permitting of the mine and mill. The development application was updated for the Yukon Environmental and Socio-economic Assessment Board (“YESAB”) Executive Committee (“ExCom”) for pre-screening for completeness. Additional water quality and hydrological studies were undertaken to support the application. The application was submitted to YESAB on February 8<sup>th</sup>, 2010. In August 2010, a meeting with the YESAB ExCom members requested additional water balance studies and geotechnical studies for the site. It was stated that the geotechnical studies requested are for a prepared site area and can’t be performed prior. On June 3<sup>rd</sup>, 2011, the Company withdrew the YESAB ExCom application due to unreasonable time and cost risks associated with proceeding along that process. On February 21, 2018, the Company applied for a Class 1 exploration permit for planned exploration drilling work in 2018, following approved exploration drilling work in 2017. The Company continues to re-build its model of the property in an effort to make more current determinations regarding future potential mineral extraction potential.

During the 2011 fiscal year, the Company extracted a logistical 130.8 dry tonne bulk sample from the Silver Hart property and received \$445,000 (USD). During the 2012 fiscal year, the Company sent a second bulk sample of 114.1 dry tonnes and received \$311,401 (USD) pursuant to a letter of credit with a purchaser of the second bulk sample extracted from the Silver Hart Property. A third shipment of 268.6 dry tonnes was shipped in April, 2013 and the Company received \$205,885 (USD). During 2012, there was no activity on the Silver Hart property due to the Class 3 permit requiring renewal as of May 2012. During the fiscal year ended September 30, 2014, the Company filed an updated submission to the Yukon Government for a new Class 3 permit. The permit has not been issued, and the Company is defending a requirement to remove the camp and rehabilitate the site in anticipation of filing for further Class 3 permissions.

On March 15, 2010, the Company signed a Purchase Agreement for the Bishop Mill facilities located 8 miles north east of Bishop California. The purpose of the asset acquisition was based on the Bishop Mill being the only current permitted facility in Inyo County, California with several permitted active mines that required milling facilities. We were negotiating several joint venture agreements with permitted mines in the area. An amended Plan of Operation was developed with a new Class A Tailings Pond. The amended plan was submitted to the area water board for approval of the tailings pond design on December 23, 2010. The larger tailings pond required to have an updated California Environmental Quality Assessment and a National Environmental Protection Assessment conducted for the site. On May 13, 2011 a Waste Discharge Requirements approval was received. Prior to the Bureau of Land Management reviewing the amended Plan of Operation including the new tailings pond, the past operator’s buried tailings were requested to be classified under the current environmental regulations. On December 23, 2011 a report on the tailings defined the tailings as non-toxic allowing the BLM to complete their review of the amended Plan of Operations.

On May 3, 2013, the Company received confirmation that the NEPA assessment was completed and the approval of the filed Plan of Operation with the Bureau of Land Management has been granted. On February 20, 2014, the Company received final acceptance of construction plans from the Lahontan Water Board. Construction of the tailings pond commenced in March, 2014 and completed in September, 2014, with the exception of the installation of a lysimeter-equipped monitoring station adjacent to the sub-liner sump. The installation of the lysimeter remains to be completed, however the Company is considering proposals for installation. The pond liners have been

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**Operations Summary (cont’d)**

Installed and bird-netting has been delivered to the site storage in anticipation of installation upon commissioning.

The Company is working towards staged upgrading of the mill capacity to 80tpd and work towards Mine Safety and Health Administration (“MSHA”) certification is progressing. In January 2015, the Company installed the geo membrane liner on the tailings pond. In June, 2015, the Company received an acceptance of the preliminary closure and post closure maintenance plan with the Lahontan Regional Water Control Board. The Company is reviewing options for installing vadose zone monitoring lysimeters, and is working towards final permitting to commence operations.

On September 6, 2018, the Bureau of Land Management, Bishop Filed Office, issued a letter to the Company identifying significant compliance deficiencies and requested these deficiencies be rectified within a 60 day period. On November 14, 2018, having acknowledged the Company’s clean-up efforts in rectifying the compliance deficiencies, the Bureau of Land Management granted a further 60 day extension to the Company to allow the completion of the clean-up required by the Bureau of Land Management’s September 6, 2018 letter.

On March 1, 2011, the Company entered into a Letter of Intent (“Radcliff LOI”) with Pruett Ballarat Inc. (PBI), to acquire up to a 50% interest in the Radcliff Property development located in Inyo County, California. PBI held an option agreement to develop the Radcliff Property and proposed to process the mines mineralized rock at the Bishop Mill facilities. On December 19, 2011, the Company and PBI entered into an Acquisition Agreement with WB & Radcliff Inc. to acquire the claims which comprise the Company’s Radcliff Property. The Company continued to technically and financially assist in the advancement of the Radcliff mine and in June 2012 it was determined that a second adit was needed to properly develop the mineralized structure systematically. The mine development was suspended until the Bishop Mill facility approvals had been completed. The approvals were issued in May 2013 and the Company had proceeded in coordinating the construction and commissioning of the Mill facilities to allow the continuation of the Radcliff Mine development. The Radcliff Mine recommenced preparation for operations in March 2014. The operator of the mine constructed a new adit towards the high grade intercepts identified by drilling. The operator produced a bulk sample in the fourth quarter of 2016. A significant portion of this material – approximately 480 US tons – were delivered to the Midas mine / mill complex owned by Klondex Mines Ltd. On July 4, 2018, the Company announced that due to the low cutoff grade and low resource estimate expectation of the Radcliff Mine, the Company had relinquished its interest in the Radcliff Property and ended its joint venture.

On July 19, 2016, the Company entered into an agreement to lease its portable Silver Hart Flotation Plant to MGX Minerals Inc. (“MGX”) for a maximum of 6 months, which term was extended to April 30, 2018 by agreement dated July 20, 2017. Pursuant to the terms of the agreement, MGX was permitted to transport the Flotation Plant at its own cost to Cranbrook, BC to conduct a bulk sample at its Driftwood Creek magnesium project and has paid all costs to make the Plant operational. As compensation for the use of the Plant, MGX issued to the Company 300,000 common shares during fiscal year end 2016, and a further 100,000 on October 27, 2017 together with a cash payment of \$15,000. The Company negotiated with MGX to extend the term of the lease from April 30, 2018 to April 30, 2019 by Letter Agreement dated July 31, 2018 pursuant to which the Company received a cash payment of \$15,000 (paid) and received a further 100,000 common shares of MGX issued on August 22, 2018, which shares were sold for net proceeds of \$42,537 by the date of the release of this MD&A form

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**Property Acquisitions**

**Bishop Mill**

On March 19, 2010 and as completed on April 15, 2010, the Company entered into a sale and purchase agreement to acquire a 100% interest in certain claims, buildings, water rights and machinery, comprising the Bishop Millsite Property located near Bishop, California.

As consideration, the Company made the following payments:

- \$156,345 (US\$150,000) by March 19, 2010 (paid). Of this amount, \$89,574 was allocated toward acquisition cost and \$66,771 (US\$64,061) towards a reclamation bond on the property.
- \$100,533 (US\$100,000) by April 15, 2010 (paid).

Upon completion of the above payments, the Company assumed a US\$68,160 (CDN \$68,523) liability, which represented a loan used towards the reclamation bond.

The reclamation bond was transferred to the Company upon repayment of the loan in full which occurred in April, 2011, and increased to \$136,747 (US\$133,663) as of September 30, 2012 and September 30, 2013, by the payment of a further \$1,453 (US\$1,442) during the first quarter of the fiscal year ending September 30, 2012.

Preceding the Company’s September 30, 2013 fiscal year end date, the Company was required to increase the bond on the Bishop Mill to \$196,046 (US\$191,269) prior to commencing operations, which was done and confirmed by the Bureau of Land Management, the holders of the bond, by letter dated December 17, 2013.

As at September 30, 2018, the Company holds a reclamation bond with the United States Department of Interior Bureau of Land Management of \$250,601 (US\$193,237) (September 30, 2017 - \$243,268 (US\$189,788) for site restoration on the Bishop Mill Property.

As at September 30, 2018, the Bishop Mill was not operating in the manner intended by management. During the year ended September 30, 2015, the Company fully impaired the Bishop Mill Property as it was not operating in the manner intended by management.

CMC Metals Ltd was notified on the 6<sup>th</sup> September 2018 that the United States Department of the Interior Bureau of Land Management (BLM) Field Office at Bishop and a representative from the California State Office completed a compliance inspection of the Bishop Mill on July 11, 2018. During the course of the inspection several compliance issues were identified at the Bishop Mill. A local company Stone Brothers was tasked with the site cleanup and as at 27<sup>th</sup> January 2019 90% of the work had been completed.

**Logjam Property**

The Company entered into an option agreement dated May 30, 2006 (the “Logjam Option Agreement”) to acquire a 100% interest in the Logjam Property located in the Watson Lake Mining District, Yukon Territories. As consideration, the Company paid \$5,000 upon execution of the agreement for access rights to the Logjam Property. Pursuant to the option agreement, at the end of the four years, the Company had the option to acquire a 100% ownership of the claims.

During the year ended September 30, 2010, the Company issued 50,000 common shares at a fair value of \$8,500 and acquired a 100% interest in the Logjam Property. Further, pursuant to the Logjam Option Agreement, the Company will pay an additional amount of \$100,000 or issue 100,000 common shares if an assessment is made that the property contains not less than 350,000 tons of economic grade ore.

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**Property Acquisitions (cont’d)**

**Silver Hart Property**

As at September 30, 2018, the Company did not abandon these claims. However, as the Company has no current plan for the property, the Company wrote-down the exploration and evaluation asset costs related to the Logjam property to \$Nil in previous years. The claims on the property have been renewed for a year expiring March, 2019 and July and August of 2019.

On February 21, 2005, the Company acquired a 100% interest in 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.

On March 1, 2007, the terms to the Silver Hart Property agreement were amended. The Company acquired a 100% interest in the Silver Hart Property from the director and officer of the Company for a total of \$995,000 with interest accruing commencing January 1, 2007 at 8.5% per annum, with accrued interest being payable on the date of the last principal payment.

Pursuant to the March 1, 2007 agreement, as amended, payments were due as follows:

- \$50,000 upon execution of the original agreement (paid);
- \$75,000 within five days of July 5, 2005 (paid);
- \$100,000 on April 5, 2006 (paid);
- \$100,000 on January 5, 2007 (paid);
- \$100,000 on July 5, 2007 (paid);
- \$100,000 on January 5, 2008 (paid);
- \$100,000 on July 5, 2008 (paid);
- \$100,000 on January 5, 2009 (amended – due on September 30, 2017);
- \$100,000 on July 5, 2009 (amended – due on September 30, 2017; and
- the balance of the principal of \$270,000, extension fees and accumulated interest on September 30, 2011(amended – now due on June 26, 2020).

The Company granted a first charge on the mineral property as security for the payments.

On January 5, 2010, the terms of the Silver Hart Property agreement, as amended, were revised such that the payments of \$100,000 due on January 5, 2009 and July 5, 2009 were extended to March 31, 2011. In addition, the balance of the principal of \$270,000 and the accumulated interest to be paid on January 5, 2010 was extended to March 31, 2011. In exchange, the Company is obligated to pay an extension fee of \$50,000, which had been recorded as long-term debt.

On September 30, 2010, the terms of the Silver Hart Property agreement, as amended, were revised once again such that the expiration date wherein the balance of both principal and accrued interest was extended from March 31, 2011 to March 31, 2012 for an extension fee of \$35,000, which fee was applied to the principal balance owing as of September 30, 2010 as long-term debt.

On January 26, 2011, the terms of the Silver Hart Property agreement, as amended, were revised once again such that the expiration date wherein the balance of both principal and accrued interest was extended from March 31, 2012 to September 30, 2012 upon receipt by the vendor of a principal payment of \$100,000 (paid).

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**Property Acquisitions (cont’d)**

**Silver Hart Property (cont’d)**

On September 30, 2012, the terms of the Silver Hart Property agreement, as amended, were revised once again such that the expiration date wherein the balance of each of the principal, accrued interest and extension fees was extended from September 30, 2012 to September 30, 2013. On September 24, 2013, the terms of the agreement were further revised such that the expiration date for the balance of the principal, accrued interest and extension fees were extended from September 30, 2013 to September 30, 2014. On September 24, 2014, the terms of the agreement were further revised such that the expiration date for the balance of the principal, accrued interest and extension fees were extended from September 30, 2014 to September 30, 2015, and again on September 24, 2015, the terms of the agreement were further revised so that the expiration date for the balance of the principal, accrued interest and extension fees were extended from September 30, 2015 to September 30, 2016, which terms were extended again from September 30, 2016 to September 30, 2017 by agreement dated September 24, 2016. The terms of the agreement were further revised by letter dated September 24, 2017, such that the expiration date for the balance of the principal accrued interest and extension fees were extended from September 30, 2017 to September 30, 2018 and again by letter agreement dated September 24, 2018, extending the expiration date for the balance of principal accrued interest and extension fees to September 30, 2019.

The principal balance owing pursuant to the Silver Hart Property agreement including accrued interest and extension fees as of September 30, 2018 was \$859,573 (September 30, 2017 - \$857,667).

On August 15, 2017, the Company issued 400,000 common shares with a fair value of \$300,000 pursuant to its obligation to issue those shares pursuant to the March 1, 2007 agreement.

During the year ended September 30, 2013, the Company reviewed the carrying amount of the Silver Hart Property to determine whether there is any indication of impairment. An impairment loss of \$2,695,582 was recognized in the statement of comprehensive loss.

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 Silver Hart Property was fully impaired and the management recorded an impairment loss of \$459,197 in the statement of comprehensive loss.

As of September 30, 2018, the Company did not abandon these claims and in June of 2017 commenced a work program on the Silver Hart Property wherein the Company incurred and renounced \$461,154 during the year ended September 30, 2017, and incurred and renounced a total of \$482,965 in calendar year 2017. The Company renounced \$17,035 pursuant to the look back rule in exploration expenditures from a total of \$500,000 raised pursuant to a flow-through private placement which closed July 17, 2017, for the purpose of further work to be performed on the Silver Hart Property.

By letter dated January 8, 2015, the Yukon Energy, Mines and Resources issued an Inspector’s Direction to the Company pursuant to which the Company was to commence reclamation proceedings on the Silver Hart Property to the satisfaction of the Inspector prior to February 15, 2016, unless the Company completes an exploration permit prior to commencement of reclamation. The Company has not reclaimed the Silver Hart Property prior to February 15, 2016 due to access issues to the Property and is working with the Yukon Government to come to an agreement on a go-forward basis.

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**Property Acquisitions (cont’d)**

**Silver Hart Property (cont’d)**

The Company received notice from the Yukon Territory on August 5th 2016 “extract summons details” to appear in regard to the rehabilitation work detailed for the Silver Hart camp: 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’s legal representation appeared before a Magistrate in Watson Lake on October 5, 2016 to enter a not guilty plea on its behalf. This matter was set for trial in Whitehorse for three days commencing August 29, 2017, but was delayed due to a subsequent agreement with the Yukon Government. The Company reached an agreement with the Yukon Territory and the matter did not proceed to trial. As a result of the settlement, the Company has increased its restoration and environmental obligations to \$146,000 on the Silver Hart Property. The Company will continue to work towards satisfying the requirements of the Yukon Territory.

On July 19, 2016, the Company announced that it had signed an agreement to lease its portable Flotation Plant used at the Silver Hart project, Yukon (the “Plant”), to MGX Minerals Inc. (“MGX”) for a maximum of 6 months. MGX has transported the Flotation Plant at its own cost to Cranbrook, BC to conduct a bulk sample at its Driftwood Creek magnesium project and has paid all costs to make the Plant operational. As compensation for the use of the Plant, MGX issued to the Company 300,000 common shares, which shares were sold netting the Company \$542,433.

On July 20, 2017, the Company renewed its agreement with MGX to continue the lease of the Plant for a further twelve months to April 30, 2018, at its current location. In consideration of the further lease of the Plant, MGX made a \$15,000 cash payment to the Company and issued 100,000 common shares of MGX at \$1.00 per share on October 27, 2017, which shares were sold netting the Company \$134,509.

On April 25, 2018, the Company contacted MGX Minerals Inc. to negotiate the extension of the term of the lease period on the Silver Hart Property floatation plant from April 30, 2018, to April 30, 2019. On July 31, 2018, the Company and MGX renewed its agreement for MGX to continue the lease of the Plant to April 30, 2019. In consideration of the further lease, MGX made a \$15,000 cash payment (received) and issued 100,000 common shares of MGX on August 22, 2018 at the deemed price per share of \$0.87, being MGX stock price as at the date of entering into the renewal agreement, July 31, 2018. On January 14, 2019, the Company received from MGX the \$5,100 due for GST on the transaction. The \$5,100 which was due and payable as of September 30, 2018, was included in accounts receivable until the date of payment.

Upon completion of the term of the new lease, expiring April 30, 2019, MGX is to transport the Plant to a location of the Company’s choosing to a maximum shipping cost of \$25,000.

**Golden Point Property**

On September 29, 2017, the Company, as Purchaser, entered into a Letter Agreement with James Douglas Rogers, as Vendor, for an option to purchase a 100% interest in and to 87 claims totalling 1,518 hectares in the Skeena Natural Resource Regions (Liard Mining Division) located in Northwestern BC. In consideration of the option, the Company was required to pay \$3,000 cash (paid October 12, 2017), and is to issue 33,333 common shares of the Company to the Vendor. As of September 30, 2018, the transfer of the Golden Point Property had not yet occurred and the Company has decided not to pursue the property and allowed the claims to lapse.

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**Property Acquisitions (cont’d)**

**Black Horse Mine / Chesco Claims – Joint Venture**

On November 2, 2010, the Company entered into a Letter of Intent (“LOI”) to enter in a Joint Venture Agreement (the “Joint Venture”) with Pruett Ballarat Inc. (“PBI”) to progress mine and mill developments in California and Nevada. Pursuant to the Joint Venture, property acquisitions into the Joint Venture will be owned and operated on a 50/50 proportionate basis. Such Joint Venture will not limit the Company nor PBI from acquiring mineral properties for their sole interest. The Company paid US\$20,000 (CDN\$20,652) upon signing the LOI.

To initiate the Joint Venture, PBI registered title interest in certain claims comprising its 100% interest in the Black Horse Mine / Chesco Property. In return, the Company paid US\$30,000 (CDN\$30,977). The total payment of US\$50,000 (CDN\$51,629) made by the Company constituted the Company’s purchase of a 50% interest in the Black Horse Mine / Chesco Property. A further contribution of US\$50,000 to the Joint Venture is required by the Company on or before 30 days from the signing date of the Joint Venture Agreement.

As of September 30, 2015, the Company allowed these claims to lapse and has no further interest in the Black Horse Mine / Chesco Property. As the Company had no current plan for the property, the Company wrote-down the exploration and evaluation asset costs related to the Black Horse Mine / Chesco Property by \$53,762 on September 30, 2013, to \$Nil.

**Radcliff Property**

On March 1, 2011, the Company entered into a Letter of Intent (“Radcliff LOI”) with PBI, to acquire up to a 50% interest in the Radcliff Property development located in Inyo County, California for a total purchase price of US\$600,000.

On March 2, 2011, the Company paid to PBI US\$150,000 (CDN \$148,305) of a total US\$300,000 due in payment of an initial 25% interest, and paid the balance of US\$150,000 owing by paying US\$75,000 (CDN\$73,253) on April 26, 2011 and US\$75,000 (CDN\$72,600) on May 26, 2011.

The Company completed the payment for the initial 25% interest and at September 30, 2011, had the option to purchase an additional 25% interest in the Radcliff Property for a further US\$300,000. The option was set to expire on December 31, 2013. On November 15, 2011, the Company and PBI entered into an amended letter agreement whereby the remaining 25% interest could be acquired by advancing US\$150,000 to PBI. The Company paid US\$100,000 (CDN \$100,000) and the remaining US\$50,000 was deemed by PBI to have been considered paid through performance of services. Accordingly, the Company has exercised its option for the 50% interest.

On February 27, 2012, the Company entered into an amendment to the letter of agreement with PBI, wherein PBI transferred certain equipment to the Radcliff joint venture for an agreed value of US\$342,500. The Company would match the US\$342,500 commitment by making financial contributions towards the development of the property. On June 22, 2012, the total financial contribution to be made by the Company was amended to US\$271,000. The Company completed its contribution on June 22, 2012.

On April 16, 2012 the transaction pursuant to the Acquisition Agreement closed and the Radcliff Property was title registered 50% to the Company, after payment of an additional US\$100,000 (CDN \$100,000) (paid) on April 11, 2012. Furthermore, 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 from revenues generated from the Radcliff Property.

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**Property Acquisitions (cont’d)**

**Radcliff Property (cont’d)**

On April 18, 2012, the Company entered into a Promissory Note Agreement, whereby the Company agreed to pay the remaining US\$800,000 (the “Promissory Note”) by June 15, 2012. Any amounts unpaid by June 15, 2012 would be subject to an interest rate of 7% per annum (amended from 10% on November 16, 2012). The Promissory Note is secured by a Deed of Trust. Should such property be sold or conveyed prior to the maturity date, the entire amount will become immediately due and payable without notice.

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;
- US\$50,000 (CDN\$50,000 paid) due on or before February 28, 2013;
- US\$50,000 (CDN\$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 the statement of comprehensive loss during the year ended September 30, 2014. 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 had been in default for several years and was secured by a deed of trust covering the Radcliff Property.

As of June 1, 2018, the Company assigned its interest in the Radcliff Property to the noteholder who sold the rights to a third party, Bush Management Company, thereby settling the Promissory Note. Bush Management Company, had commenced proceedings to appoint a Receiver, which was granted by order dated April 20, 2018. An offer was made by the Company to Quit Claim the property to the Bush Management in exchange for a release of all liability under the Note. As of June 1, 2018, the offer was accepted and a Settlement Agreement entered into. The Company has assigned its interest in the Radcliff Property to Bush Management Company by Quit Claim as of June 1, 2018.

The total balance settled was comprised of a principal balance of \$624,000 (US\$500,000), an extension fee of \$62,400 (US\$50,000) and accrued interest of \$392,781 (US\$314,728). During the year ended September 30, 2018, the Company recorded interest expense of \$59,693.

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

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**Share Roll-Back**

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 Company had 45,320,139 common shares issued and outstanding. Following the rollback, the Company has 18,128,055 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.

**Share Issuances**

On June 21, 2018, the Company issued 275,000 common shares pursuant to the exercise of incentive stock options at \$0.125 per share.

On March 19, 2018, the Company issued 700,000 common shares pursuant to the exercise of incentive stock options at \$0.125 per share.

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.

In July 2017, the Company completed a non-brokered flow-through private placement of a total of 2,000,000 units at \$0.10 per unit, for gross proceeds of \$500,000. On issuance, the Company bifurcates the flow-through shares into i) a flow-through share premium that investors pay for the flow-through feature, which is recognized as a liability and; ii) share capital. The Company determined there was no share premium upon issuance of the flow-through shares. Each unit consists of one flow-through common share of the Company and one non-flow-through share purchase warrant, which shares and warrants were issued on July 17, 2017. Each whole warrant entitles the holder to purchase one common share of the Company at a price of \$0.12 per share for a period of one year, expiring July 17, 2018. The warrants have an acceleration clause for the exercise to be the earlier of a 30-day period from the seventh calendar day after the Company's shares have closed with a trading price of \$0.20 per share for a consecutive ten-day period, or July 17, 2018, whichever date occurs first.

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

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**Share Issuances (cont’d)**

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

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

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

On August 31, 2017, the Company issued 80,000 common shares from the exercise of warrants at \$0.30 per share, for proceeds of \$24,000, issued pursuant to the noted 2,000,000 Unit flow-through private placement.

On June 1, 2017, the Company announced its intention to enter into a non-brokered flow-through private placement for 1,400,000 Units at \$0.30 per Unit, the terms of which offering was revised by press release dated June 27, 2017 to increase the placement to 2,000,000 Units and reduce the Unit price to \$0.25 per Unit. The proceeds of this placement were for use in connection with the Company’s Silver Hart Property and are flow-through applicable. The Exchange granted its conditional approval to this placement by letter dated June 30, 2017, and final approval by letter dated July 17, 2017. The Company completed its private placement of a total of 2,000,000 units on July 17, 2017. Each unit consisted of one flow-through common share of the Company and one transferrable share purchase warrant. Each one warrant entitles the holder to purchase one non-flow-through common share of the Company at a price of \$0.30 per share for a period of one year expiring the earlier of July 17, 2017 or a 30-day period from the seventh calendar day after the Company’s shares have closed with a trading price of \$0.50 per share for a consecutive ten-day period, whichever first occurs. There were no finder’s fees paid pursuant to this placement.

On June 12, 2017, the Company issued 40,000 common shares from the exercise of warrants at \$0.30 per share for proceeds of \$12,000, issued pursuant to the noted 15,500,000 Unit private placement.

On February 9, 2017, the Company issued 40,000 common shares from the exercise of warrants at \$0.30 per share for proceeds of \$12,000, issued pursuant to the noted 6,200,000 Unit private placement.

On February 10, 2016, the Company announced its intention to enter into a non-brokered private placement for 4,000,000 Units at \$0.25 per Unit, which offering was increased to 6,200,000 Units by press release dated May 2, 2016. The Exchange granted its conditional approval to this placement by letter dated May 5, 2016, and final approval by letter dated June 21, 2016. The Company completed its private placement of a total of 6,200,000 units in two tranches with 4,480,000 units being issued on May 5, 2016, and the balance of 1,720,000 being issued on June 15, 2016, for gross proceeds of \$1,550,000. Each unit consisted 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 \$0.30 per share for a period of two years expiring May 5, 2018, as to 4,480,000 warrant shares, and June 15, 2018, as to 1,720,000 warrant shares. As part of this placement, 263,840 brokers’ warrants were granted on the same terms and conditions as the warrants forming part of the 6,200,000 Units, with 211,840 warrants shares expiring on May 5, 2017, and 52,000 warrant shares expiring on June 15, 2018.

During the year ended September 30, 2018, there were no shares issued in settlement of outstanding debt. On January 15, 2019, the Company announced its intention to settle approximately \$1,100,000 worth of debt by

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**Share Issuances (cont’d)**

way of issuance of approximately 900,000 common shares at \$0.125 per share, subject to regulatory approval. As of the date of this MD&A, approval to the transaction had not been received.

**Results of Operations**

The following discussion and analysis explains trends in the Company’s financial condition and results of operations. This discussion and analysis of the results of operations and financial condition of the Company should be read in conjunction with the audited financial statements and the notes thereto for that period. Unless expressly stated otherwise, all references to dollar amounts in this section are in Canadian dollars.

*Annual Information*

The following is a summary of the results of financial operations of the Company for the year ended September 30, 2018, and for the years ended September 30, 2017 and September 30, 2016.

	Year Ended September 30, 2018	Year Ended September 30, 2017	Year Ended September 30, 2016
Revenues	Nil	Nil	Nil
Expenses General & Administrative	\$(567,294)	\$(1,962,838)	\$(1,622,118)
Amortization	Nil	Nil	Nil
Net Gain (Loss)	\$535,858	\$(1,362,257)	\$(1,614,593)
Working Capital (Deficiency)	\$(1,936,305)	\$(2,808,904)	\$(2,429,318)
Property, plant & equipment	Nil	Nil	Nil
Exploration and evaluation assets	Nil	Nil	Nil
Total Assets	\$358,837	\$344,202	\$544,850
Long Term Liabilities	\$Nil	\$Nil	\$14,000
Shareholder Equity			
Number of common shares	18,128,055	17,058,055	13,818,056
Share Capital	\$18,608,267	\$18,386,139	\$17,410,092

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*Quarterly Information*

The quarterly results were derived from financial statements using IFRS. The quarterly results for following selected financial data should be read in conjunction with the Company’s audited financial statements and quarterly management prepared financial statements.

	Quarter Ended 12/31/2016	Quarter Ended 03/31/2017	Quarter Ended 06/30/2017	Quarter Ended 09/30/2017
Net Income (loss)	\$25,591	\$288,503	\$(288,780)	\$(1,396,388)
Income (Loss) per share	\$0.00	\$0.01	\$(0.01)	\$(0.04)
	Quarter Ended 12/31/2017	Quarter Ended 03/31/2018	Quarter Ended 06/30/2018	Quarter Ended 09/30/2018
Net Income (loss)	\$188,078	\$(229,242)	\$993,526	\$(416,504)
Income (loss) per share	\$0.00	\$(0.01)	\$0.01	\$0.03

*Management Discussion and Analysis*

***Fiscal Year Ended September 30, 2018 Compared to September 30, 2017***

There was no source of revenue for the Company during its fiscal year end other than interest income of \$25 (September 30, 2017 - \$147). As of September 30, 2018, the Company had total assets of \$358,837 as compared with \$344,202 at September 30, 2017.

Expenses for the year ended September 30, 2018 was \$567,294 as compared to \$1,962,838 for the year ended September 30, 2017. The earning (net loss) per share for the year ended September 30, 2018 was \$0.03 compared to (\$0.10) at September 30, 2017.

***Quarter Ended September 30, 2018 Compared Quarter Ended September 30, 2017***

There was no source of revenue for the Company during its fourth quarter other than interest income of \$Nil (September 30, 2017 - \$54), and received 100,000 shares of MGX Minerals Inc. with a fair value of \$87,000 at initial recognition. At September 30, 2018, these shares have a fair value of \$61,000 resulting in an unrealized loss in investment of \$26,000.

Loss for the quarter ended September 30, 2018 was \$(416,504) as compared to \$1,396,388 for the quarter ended September 30, 2017. The earning (net loss) per share for the quarter ended September 30, 2018 was \$0.03 compared to (\$0.10) at September 30, 2017.

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**General and Administrative (G&A)**

Between the period of October 1, 2017 and September 30, 2018, the general and administration expenses were as follows:

For the year ended September 30,	<u>2018</u>	<u>2017</u>
Amortization	\$ 5,812	\$ 6,489
Consulting fees	79,782	179,040
Directors fees	-	3,000
Exploration expenditures (recovery)	(40,780)	990,985
Filing and transfer agent	18,518	25,339
Financing fee	1,460	4,500
Flow-through share related taxes and expenses	34,365	34,311
Interest expense	129,599	148,178
Marketing	12,840	59,493
Office and miscellaneous	77,328	122,447
Professional fees	77,168	93,293
Rent	18,000	18,000
Stock-based compensation	145,487	261,526
Travel	7,715	16,237
	<u>\$ 567,294</u>	<u>\$ 1,962,838</u>

**Related Party Transactions**

During the year ended September 30, 2016, the Company entered into the following transactions with related parties:

- a) incurred rent of \$18,000 (2017 – \$18,000) to a company controlled by a director and officer of the Company;
- b) incurred secretarial fees of \$46,800 (2017 – \$46,800) to a company controlled by a director and officer of the Company which was recorded in office and miscellaneous;
- c) incurred consulting fees of \$18,500 (2017 - \$47,500,) to directors of the Company;
- d) incurred consulting fees of \$Nil (2017 - \$15,000) to the spouse of a director and officer of the Company;
- e) incurred interest expense of \$69,906 (2017 - \$70,918) to a director and officer of the Company, pursuant to the Silver Hart Property;

At September 30, 2018, a total of \$82,778 (2017 - \$7,659) was owing to directors of the Company.

At September 30, 2018, a total of \$34,000 (2017 - \$Nil) was owing to a company controlled by a director and officer of the Company by way of a loan.

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

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**Related Party Transactions (cont’d)**

The Company incurred the following key management compensation charges:

	September 30, 2018	September 30, 2017
Consulting fees	\$ 18,500	\$ 47,500
Stock-based compensation	3,270	19,099
	\$ 21,770	\$ 66,599

The only other related party transaction is that of the CMC Silver Hart Property acquisition. At the beginning of the transaction in February 2005, the Vendor, Michael Scholz, was arms-length to the Company and became non-arms-length on August 1, 2005 when he was appointed a director and the Chief Financial Officer of the Company.

**Off Balance Sheet Agreements**

None

**Proposed transactions**

None

**Recent Accounting Pronouncements**

The Company did not adopt any new or amended standards for the year beginning October 1, 2016 that had a material impact on the consolidated financial statements. The following new standards, amendments to standards and interpretations have been issued but are not effective during the year ended September 30, 2017. The Company is currently evaluating the potential impacts of these new standards.

IFRS 9, *Financial Instruments* (effective January 1, 2018) introduces new requirements for the classification and measurement of financial assets, and will replace IAS 39. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple classification options available in IAS 39.

IFRS 16 *Leases* requires entities to recognize lease assets and lease obligations on the balance sheet. IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead leases are “capitalized” by recognizing the present value of the lease payments and showing them either as lease assets (right-of-use assets) or together with property, plant and equipment. If lease payments are made over time, a company also recognizes a financial liability representing its obligations to make future lease payments. This standard is effective for reporting periods beginning on or after January 1, 2019.

There are no other IFRSs that are not yet effective that are expected to have a material impact on the Company.

**Liquidity & Capital Resources**

Cash as of September 30, 2018 was \$4,103, compared to \$51,316 for the year ended September 30, 2017. As at September 30, 2018, the Company had a working capital deficit of (\$1,936,305) compared to a working capital deficit of (\$2,808,904) as at the September 30, 2017 year end.

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**Liquidity & Capital Resources (cont’d)**

The Company will require additional capital to provide working capital and to finance its current and any proposed acquisition.

**Risk, Uncertainties and Outlook**

The business of mineral deposit exploration and extraction involves a high degree of risk. Few properties that are explored ultimately become producing mines.

Subsequent to September 30, 2018, the Company continues to have a working capital deficiency. It is estimated that it may require approximately \$1.5 million in total working capital to continue to operate the Company and pay the liabilities of the Company, including all accrued liabilities.

The Company currently has paid employees through its US operations at the Bishop Mill, California through its wholly owned subsidiary company, 0877887 BC Ltd.

The ability to raise working capital directly impacts the ability of the Company to undertake any planned exploration programs. Currently sufficient work has been undertaken on all of its current mineral property interests for a number of years, however, if the Company is unable to perform sufficient exploration work in future years or with exploration partners, it may be necessary to write-down additional mineral property interests in future periods. The Company’s exploration activities and its potential mining and processing operations are subject to various laws governing land use, the protection of the environment, prospecting, development, production, contractor availability, commodity prices, exports, taxes, labour standards, occupational safety and health, waste disposal, toxic substances, mine safety and other matters. The Company believes it is in substantial compliance with all material laws and regulations which currently apply to its activities. There is no assurance that the Company will be able to obtain all permits required for exploration, any future development and construction of mining facilities and conduct of mining operations on reasonable terms or that new legislation or modifications to existing legislation, would not have an adverse effect on any exploration or mining project which the Company might undertake.

The Company has been performing reclamation activities on an on-going basis. As such, management feels that there is no significant reclamation liability outstanding on properties owned by the Company.

The Company’s ability to continue as a going concern is contingent on its ability to obtain additional financing. Several adverse conditions cast significant doubt on the validity of this assumption. The current financial equity market conditions and the inhospitable funding environment make it difficult to raise funds by private placements of shares. The junior resource industry has been severely adversely affected by the world economic situation, as it is considered to be a high-risk investment. There is no assurance that the Company will be successful with any financing ventures. It is dependent upon the continuing financial support of shareholders and obtaining financing to continue exploration of its mineral property interests. While the Company is expending its best efforts to achieve its plans by examining various financing alternatives including reorganizations, mergers, sales of assets, and settlement of debts by share issuances, or other form of equity financing, there is no assurance that any such activity will generate funds that will be available for operations.

The year end audited financial statements do not include any adjustments to the recoverability and classification of recorded assets, or the amounts of, and classification of liabilities that would be necessary if the going concern assumption were not appropriate. Such adjustments could be material. The amounts shown as mineral

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***Liquidity & Capital Resources (cont’d)***

properties and related deferred costs represent costs net of recoveries to date, less amounts written off, and do not necessarily represent present or future values. Recoverability of the amounts shown for mineral properties is dependent upon the discovery of economically recoverable mineral reserves, securing and maintaining title and beneficial interest in the properties, the ability of the Company to obtain financing necessary to complete the exploration and development of its mineral property interests, and on future profitable production or proceeds from the disposition of the mineral property interests.

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 bond. This risk is minimal as receivables consist primarily of refundable government goods and services taxes and the reclamation bond is 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. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents.

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 subsidiary is not exposed to material currency risk as its functional currency is the Canadian dollar. 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.

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***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.

***Classification of financial instruments***

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

	September 30, 2017	September 30, 2017
Loans and receivables:		
Cash	\$ 4,103	\$ 51,316
Reclamation bonds	250,601	243,688
	<b>\$ 254,704</b>	<b>\$ 295,004</b>

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

	September 30, 2018	September 30, 2017
Non-derivative financial liabilities:		
Trade payables	\$ 97,536	\$ 78,998
Due to related parties	82,778	7,659
Promissory note	-	1,019,488
Loans	883,573	857,667
Preferred shares	500,000	500,000
	<b>\$ 1,563,887</b>	<b>\$ 2,463,812</b>

***Share Capital***

As of January 28, 2019, the Company had 18,128,055 common shares issued and outstanding.

In addition, as at January 28, 2019 the Company had no outstanding incentive stock options or warrants.

***Forward-looking Statements***

The Management Discussion and Analysis of Financial Condition and Results of Operations contain certain statements that may be deemed “forward-looking statements”. All statements in this document, other than statements of historical fact, that address events or developments that the Company expects to occur, are forward looking statements. Forward looking statements are statements that are not historical facts and are generally, but not always, identified by the words “expects”, “plans”, “anticipates”, “believes”, “intends”, “estimates”, “projects”, “potential”, “interprets” and similar expressions, or that events or conditions “will”, “would”, “may”, “could” or “should” occur. Forward-looking statements in this document include statements regarding future exploration programs and joint venture partner participation, liquidity and effects of accounting policy changes. Although the Company believes the expectations expressed in such forward-looking statements

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***Forward-looking Statements (cont’d)***

are based on reasonable assumptions, such statements are not guarantees of future performance and actual results may differ materially from those in forward-looking statements. Factors that could cause the actual results to differ materially from those in forward-looking statements include market prices, exploitation and exploration success, continued availability of capital and financing, inability to obtain required regulatory or governmental approvals and general economic, market or business conditions. Investors are cautioned that any such statements are no guarantees of future performance and actual results or developments may differ materially from those projected in the forward-looking statements. Forward-looking statements are based on beliefs, estimates and opinions of the Company’s management on the date the statements are made. The Company undertakes no obligations to update these forward-looking statements in the event that management’s beliefs, estimates or opinions, or other factors, should change except as required by law.

These statements are based on a number of assumptions, including, among others, assumptions regarding general business and economic conditions, the timing of receipt of regulatory and governmental approvals for the transactions described herein, the ability of the Company and other relevant parties to satisfy stock exchange and other regulatory requirements in a timely manner, the availability of financing for the Company’s proposed transactions and exploration and development programs on reasonable terms and the ability of third-party service providers to deliver services in a timely manner. The foregoing list of assumptions is not exhaustive. Events or circumstances could cause results to differ materially.