CMC METALS LTD.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED DECEMBER 31, 2017

(Expressed in Canadian Dollars)

(Unaudited)

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

	Note	December 31, 2017 (Unaudited)	September 30, 2017
ASSETS			
Current assets			
Cash		$ 8,519	$ 51,316
Receivables		30,069	22,640
Prepaids		19,560	13,098
Investments	6	98,000	-
		156,148	87,054
Non-current assets			
Reclamation bonds	3	238,089	243,688
Property, plant and equipment	5	11,712	13,460
		249,801	257,148
TOTAL ASSETS		$ 405,949	$ 344,202
LIABILITIES			
Current liabilities			
Trade payables and accrued liabilities	7	$ 435,314	$ 365,144
Due to related parties	13	18,355	7,659
Promissory note	8	1,044,964	1,019,488
Loans	9	827,638	857,667
Preferred shares	10	500,000	500,000
Provision for restoration and environmental obligations	11	146,000	146,000
TOTAL LIABILITIES		2,972,271	2,895,958
SHAREHOLDERS' DEFICIENCY			
Share capital	12	18,444,190	18,396,190
Subscriptions receivable	12	-	(14,000)
Share-based payment reserve	12	456,321	346,809
Other comprehensive income	6	2,000	-
Deficit		(21,468,833)	(21,280,755)
TOTAL SHAREHOLDERS' DEFICIENCY		(2,566,322)	(2,551,756)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY		$ 405,949	$ 344,202

Subsequent events - Note 16

Approved on behalf of the Board:

"Salim Tharani"
Salim Tharani - 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 LOSS
(Expressed in Canadian dollars)

	Note	Three month period ended December 31, 2017	2016
EXPENSES			
Amortization	5	$ 1,683	$ -
Consulting fees	13	21,445	30,141
Exploration and evaluation assets costs recovery	4	(46,276)	(51,000)
Filing and transfer agent		1,496	1,930
Flow-through share related tax		8,578	8,578
Interest expense	8,9	36,390	36,056
Marketing		6,420	39,573
Office and miscellaneous	13	20,271	15,374
Professional fees		23,107	1,852
Rent	13	4,500	4,500
Stock-based compensation	12	109,512	-
Travel		2,324	2,168
		(189,450)	(89,172)
OTHER ITEMS			
Miscellaneous income	6	19,500	209
Gain on foreign exchange		(18,128)	(32,628)
Unrealized gain on marketable securities		-	96,000
		1,372	63,581
NET LOSS FOR THE PERIOD		(188,078)	(25,591)
OTHER COMPREHENSIVE INCOME			
Unrealized gain on investments	6	2,000	-
COMPREHENSIVE LOSS FOR THE PERIOD		$ (186,078)	$ (25,591)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - BASIC AND DILUTED		42,645,139	34,545,139
NET LOSS PER SHARE - BASIC AND DILUTED		$ (0.00)	$ (0.00)

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)

		Share capital							
	Notes	Number of shares	Amount	Share subscriptions receivable	Obligation to issue shares	Share-based payment reserve	Other comprehensive income	Deficit	Total
Balance at September 30, 2016		34,545,139	$ 17,410,092	$ -	$ 300,000	$ 528,445	$ -	$ (20,385,562)	$ (2,147,025)
Comprehensive loss:									
Loss for the year		-	-	-	-	-		(1,362,257)	(1,362,257)
Total comprehensive loss for the year		-	-	-	-	-	-	(1,362,257)	(1,362,257)
Transactions with owners, in their capacity as owners, and other transfers:									
Shares issuance for obligation		1,000,000	300,000	-	(300,000)	-		-	-
Subscriptions receivable for options exercised		1,700,000	162,000	(14,000)	-	-		-	148,000
Shares issuance for cash - private placement		5,000,000	374,329	-	-	125,671		-	500,000.00
Share issuance for warrants exercised		400,000	48,000	-	-	-		-	48,000.00
Share issuance for options exercised		-	-	-	-	-		-	-
Reallocation of cancelled and expired options		-	-	-	-	(430,478)		430,478	-
Reallocation of expired warrants		-	-	-	-	(36,586)		36,586	-
Reallocation of options exercised		-	96,742	-	-	(96,742)		-	-
Reallocation of warrants exercised		-	5,027	-	-	(5,027)		-	-
Stock based compensation		-	-	-	-	261,526		-	261,526
Total transactions with owners and other transfers		8,100,000	986,098	(14,000)	(300,000)	(181,636)	-	467,064	957,526
Balance at September 30, 2017		42,645,139	18,396,190	(14,000)	-	346,809	-	(21,280,755)	(2,551,756)
Comprehensive loss:									
Income for the period		-	-	-	-	-	-	(188,078)	(188,078)
Total comprehensive income for the year		-	-	-	-	-	-	(188,078)	(188,078)
Transactions with owners, in their capacity as owners, and other transfers:									
Subscriptions receivable for options exercised	12	-	-	14,000	-	-	-	-	14,000
Share issuance for warrants exercised	12	400,000	48,000	-	-	-	-	-	48,000
Change in value of investments	6	-	-	-	-	-	2,000	-	2,000
Stock-based compensation	12	-	-	-	-	109,512	-	-	109,512
Total transactions with owners and other transfers		400,000	48,000	14,000	-	109,512	2,000	-	173,512
Balance at December 31, 2017		43,045,139	$ 18,444,190	$ -	$ -	$ 456,321	$ 2,000	$ (21,468,833)	$ (2,566,322)

See accompanying notes to the condensed consolidated interim financial statements.

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

	Three month period ended December 31, 2017	2016
Operating activities		
Net loss for the period	$ (188,078)	$ (25,591)
Adjustments for non-cash items:		
Amortization	1,683	-
Accrued interest on promissory note and loans	36,390	31,369
Flow-through shares related tax	-	8,578
Unrealized foreign exchange	-	32,257
Unrealized gain on marketable securities	-	(96,000)
Stock-based compensation	109,512	-
Recovery of exploration and evaluation costs recovery	(96,000)	(51,000)
Changes in non-cash working capital items:		
Receivables	(7,429)	10,050
Prepaids	(6,462)	(3,436)
Trade payables and accrued liabilities	70,170	84,704
Due to related parties	10,696	(5,448)
Net cash used in operating activities	(69,518)	(14,517)
Investing activities		
Expenditures on exploration and evaluation assets	-	(247,754)
Reclamation of bond	-	5,992
Property, plant and equipment	-	(97,197)
Net cash (used in) investing activities	-	(338,959)
Financing activities		
Issuance/ (repayment) of loans	(48,000)	155,000
Proceeds on issuance of common shares	48,000	-
Subscriptions receivable	14,000	-
Net cash provided by financing activities	14,000	155,000
Effect of foreign exchange	12,721	-
Decrease in cash	(42,797)	(198,476)
Cash, beginning of period	51,316	228,857
Cash, end of period	$ 8,519	$ 30,381

Supplemental disclosure with respect to cash flows - Note 15

See accompanying notes to the condensed consolidated interim financial statements.

1. NATURE AND CONTINUANCE OF OPERATIONS

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

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

These consolidated financial statements have been prepared on the assumption that the Company and its subsidiaries will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at December 31, 2017, the Company had not advanced its properties to commercial production. The Company’s continuation as a going concern is dependent upon the successful results from its mineral property exploration activities and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. These uncertainties indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern. Management intends to finance operating costs over the next twelve months with loans from directors, by continuing to pursue additional sources of financing through equity offerings, seeking joint venture partners to fund exploration, monitoring exploration activity and reducing overhead costs.

As a result of the Company not making the required principal, interest and extension fee on the Promissory Note (Note 8), the Promissory Note is in default as at December 31, 2017, and the date of the approval of these condensed consolidated interim financial statements. The promissory Note is secured by a deed of trust related to the Radcliff Property (Note 4), the Company’s primary project.

The financial statements were authorized for issue on February •, 2018, 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, 2017.

3. RECLAMATION BONDS

The Company has a current reclamation bond held in trust by the Bureau of Land Management. As at December 31, 2017, the reclamation bond consisted of a deposit made by the Company for indemnification of site restoration in the amount of $238,089 (September 30, 2017 - $243,688) on the Bishop Mill Property (Note 4).

(Expressed in Canadian dollars)

4. EXPLORATION AND EVALUATION ASSETS

	Silver Hart Property	Radcliff Property	Total
Acquisition costs			
Balance, September 30, 2017 and December 31, 2017	$ -	$ -	$ -
Exploration costs			
Balance, September 30, 2016	-	-	-
Costs incurred during the year:			
Assaying	11,920	642	12,562
Claim renewal fees	3,150	16,718	19,868
Contractors	159,610	152,686	312,296
Drilling	174,580	-	174,580
Environmental commitment	96,000	-	96,000
Field office	65,643	48,565	114,208
Other	681	14,247	14,928
Management fees	39,172	-	39,172
Transportation and supplies	149,412	48,636	198,048
Travel expenses	9,324	-	9,324
	709,492	281,493	990,985
Expenses	(709,492)	(281,493)	(990,985)
Balance, September 30, 2017	-	-	-
Investments	(96,000)	-	(96,000)
Costs incurred during the period:			
Contractors	13,500	-	13,500
Field office	8,772	-	8,772
Transportation and supplies	27,452	-	27,452
	(46,276)	-	(46,276)
Recovery	46,276	-	46,276
Balance, December 31, 2017	-	-	-
Balance - December 31, 2017	$ -	$ -	$ -

4. EXPLORATION AND EVALUATION ASSETS (cont'd)

Silver Hart Property

On February 21, 2005, as amended on March 1, 2007, September 24, 2014, September 24, 2015 and September 24, 2017, the Company acquired a 100% interest in certain claims comprising the Silver Hart Property located in the Watson Lake Mining District, Yukon Territories from an individual who subsequently became a director and officer of the Company for a total of $995,000 of which US$270,000 remains unpaid as at September 30, 2017 (Note 9).

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 during the year ended September 30, 2017.

The Company fully impaired the Silver Hart property in previous years.

The Silver Hart Property is security for a loan due to a director of the Company (Note 9).

Radcliff Property

On March 1, 2011, and as amended November 15, 2011, the Company entered into a letter of intent with Pruett Ballart Inc. ("PBI"), to acquire up to a 50% interest in certain claims, comprising the Radcliff Property located in Inyo County, California. The Company acquired a 50% interest through cash payments of US$400,000 (CDN$394,158) and US$50,000.

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

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

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

On April 11, 2012, the Company paid US$100,000 (CDN$100,000) of the US$900,000 due. The Company entered into a promissory note agreement (the "Promissory Note Agreement") to pay off the remaining $800,000 (the "Promissory Note") (Note 8) 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.

The Company fully impaired the Radcliff property in previous years.

The Radcliff Property is security for the Promissory Note (Note 8), which is in default at December 31, 2017 and the date of the approval of these financial statements.

Golden Point Property

On September 29, 2017, the Company, entered into a Letter Agreement with James Douglas Rogers (the "Vendor"), for an option to purchase a 100% interest in and to certain claims located 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 (not completed).

(Expressed in Canadian dollars)

5. PROPERTY, PLANT AND EQUIPMENT

Cost		Vehicle
Balance, September 30, 2016	$	21,473
Amortization for the year		(6,489)
Foreign exchange		(1,524)
Balance, September 30, 2017		13,460
Amortization for the period		(1,683)
Foreign exchange		(65)
Balance, December 31, 2017	$	11,712

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 December 31, 2017 and September 30, 2017, 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 period ended December 31, 2017, the Company received 100,000 common shares of MGX Minerals Inc. (“MGX”) and $19,500, of which $4,500 has been included in accounts receivable, in consideration for the rental of a floatation plant on the Silver Hart Property. The investments have been designated as held for trading and measured at a fair value of $96,000 at initial recognition. Accordingly, the fair value was recorded as a recovery of exploration and evaluation costs. To December 31, 2017, the Company recognized an unrealized market-to-market gain of $2,000.

7. TRADE PAYABLES AND ACCRUED LIABILITIES

		December 31, 2017		September 30, 2017
Trade payables (note 13)	$	101,618	$	78,998
Accrued liabilities		61,480		22,509
Flow-through share related provisions		225,291		216,712
Flow-through premium liabilities		46,925		46,925
	$	435,314	$	365,144

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.

8. PROMISSORY NOTE (cont'd)

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 December 31, 2017, the outstanding Promissory Note includes a principal balance of $627,250 (US$500,000) (2017 – $624,000 (US$500,000)), an extension fee of $62,725 (US$50,000) (2017 - $ 62,400 (US$50,000)) and accrued interest of $354,989 (US$282,973) (2017 - $333,088 (US$268,291)). During the period ended December 31, 2017, the Company recorded interest expense of $18,419 (December 31, 2016 - $18,359).

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

As at December 31, 2017, the Promissory Note is in default.

9. LOANS

As at December 31, 2017, pursuant to the acquisition of the Silver Hart Property (Note 4), a principal balance of $270,000 (2017 - $270,000) and extension fees totaling $85,000 (2017 - $85,000) is owing to a director of the Company. This amount is interest bearing at 8.5% per year. During the period ended December 31, 2017, the Company recorded interest expense of $17,971 (December 31, 2016- $17,695). Included in the loans, at December 31, 2017 is accrued interest of $566,638 (September 30, 2017 - $548,667). The principal, extension fees and accrued interest are due on December 31, 2017 pursuant to an amendment agreement dated September 24, 2017. The Company has granted a first charge on the Silver Hart Property as security for the payments.

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 December 31, 2017, no dividends have been declared.

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

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

- Holder: Upon giving notice to the Company. The Company shall pay the holder within 30 days a redemption amount, in respect of each of the shares specified in the notice.

11. RESTORATION AND ENVIRONMENTAL OBLIGATIONS

The Company's provision for restoration and environmental obligations consists of costs accrued based on the current best estimate of reclamation activities that will be required on the Silver Hart Property, which was fully impaired during the year ended September 30, 2015.

The Company is subject to a claim made by the Government of the Yukon Territory related to the remediation of the Silver Hart mineral property pursuant to its exploration program. 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 Company has accrued a provision of $146,000 by way of estimating its obligation to remediate the claim.

12. SHARE CAPITAL

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

Issued common shares

43,045,139 (September 30, 2017 - 42,645,139) common shares issued and outstanding.

For the three months period ended December 31, 2017

During the period ended December 31, 2017, 400,000 warrants were exercised for proceeds of $48,000

Year ended September 30, 2017

In July 2017, the Company completed a non-brokered flow-through private placement of a total of 5,000,000 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.

During the year ended September 30, 2017, 400,000 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, 1,700,000 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 1,000,000 common shares at a fair value of $300,000 in settlement of an obligation to issue shares.

Stock options

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

(Expressed in Canadian dollars)

12. SHARE CAPITAL (cont'd)

Stock options (cont'd)

During the period ended December 31, 2017, the Company granted 2,000,000 stock options and recognized $109,512 (December 31, 2016 - $Nil) of share-based compensation for stock options granted during the period.

The weighted average fair value of stock options granted during the period ended December 31, 2017 was $0.09 (December 31, 2016 - $Nil). The following weighted average assumptions were used for the Black-Scholes Option Pricing Model in the valuation of stock options granted:

	December 31, 2017	December 31, 2016
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	3,221,428	$0.14
Options granted	3,914,000	0.105
Options exercised	(1,700,000)	0.095
Options expired	(321,428)	0.35
Options forfeited	(3,000,000)	0.12
Balance, September 30, 2017	2,114,000	0.11
Options granted	2,000,000	0.09
Balance, December 31, 2017	4,114,000	$0.10

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

Number of options	Exercise Price	Expiry Date
1,200,000	$0.12	June 16, 2018
314,000	$0.12	January 19, 2019
600,000	$0.09	June 12, 2019
2,000,000	$0.09	October 11, 2019
4,114,000		

(Expressed in Canadian dollars)

12. SHARE CAPITAL (cont'd)

Warrants

Warrant transactions are summarized as follows:

	Number of warrants	Weighted average exercise price
Balance, September 30, 2016	13,233,193	$0.22
Warrants issued	5,000,000	0.12
Warrants exercised	(400,000)	0.12
Warrants expired	(5,153,393)	0.42
Balance, September 30, 2017	12,679,800	0.22
Warrants exercised	(400,000)	0.12
Balance, December 31, 2017	12,279,800	$0.12

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

Number of warrants	Exercise Price	Expiry Date
5,264,800	$0.12	May 5, 2018
2,215,000	$0.12	June 15, 2018
4,800,000	$0.12	July 17, 2018
12,279,800		

(*) There is an acceleration clause attached to these Warrants wherein the Warrants expire the earlier of a 30 day period from the 7th 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.

As at December 31, 2017 September 30, 2017, the weighted average life of warrants is 0.44 years (September 30, 2016 – 0.69 years).

13. RELATED PARTY TRANSACTIONS

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

a) incurred rent of $4,500 (December 31, 2016 – $4,500) to a company controlled by a director and officer of the Company;
b) incurred secretarial fees of $11,700 (December 31, 2016 - $10,700) to a company controlled by a director and officer of the Company which was recorded in office and miscellaneous;
c) incurred consulting fees of $Nil (December 31, 2016 - $10,000) to directors of the Company;
d) incurred interest expense of $17,941 (December 31, 2016 - $17,659) to a director and officer of the Company, pursuant to the Silver Hart Property (Notes 4 and 8); and
e) incurred interest expenses of $5,120 (December 31, 2016 - $Nil) to a company with a common director of the Company.

13. RELATED PARTY TRANSACTIONS (cont'd)

At December 31, 2017, a total of $18,355 (September 30, 2017 - $7,659) was owing to directors of the Company.

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

The Company incurred the following key management compensation charges:

	December 31, 2017	December 31, 2016
Consulting fees	$2,000	$10,000

14. FINANCIAL RISK AND CAPITAL MANAGEMENT

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

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

Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis.

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

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

Foreign exchange risk
Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company's is exposed to foreign exchange risk as it US subsidiary incurs expenditures that are denominated in US dollars - $720,500 (2015 – $720,500) of the Company's loans are denoted in US dollars. The Company does not hedge its exposure to fluctuations in foreign exchange rates.

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

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

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

15. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

During the period December 31, 2017, the Company adjusted its value of investment through other comprehensive income by $2,000.

16. SUBSEQUENT EVENTS

Subsequent to December 31, 2017, the Company:

a) Entered into a Promissory Note dated January 23, 2018, with a company controlled by a director and senior officer of the Company for $1,500. This Note is payable on demand and bears interest at 18% per annum;

b) On February 26, 2018, the Company cancelled of 2,000,000 incentive stock options granted to consultants of the Company on October 11, 2017 at $0.09 per share, as well as cancelled a further 714,000 incentive stock options granted to directors, 400,000 of which options were exercisable at $0.12 per share and set to expire on June 16, 2018, and 314,000 of which options were exercisable at $0.12 per share and set to expire on June 12, 2019, and a further 400,000 incentive stock options at $0.12 per share expiring June 16, 2018, have been forfeited;

c) On February 26, 2018, the Company reserved 3,300,000 incentive stock options under the Company's rolling stock option plan. The options will be exercisable at a price of $0.05 cents per share and set to expire on February 26, 2019.