CAT Strategic Metals Corporation

(Formerly Chimata Gold Corp.)

Financial Statements

March 31, 2019 and 2018

(Expressed in Canadian dollars)

NOTICE TO READER

Under National Instrument 51-102, if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements have been prepared by management, and were not reviewed by the Company's independent auditor.

CAT STRATEGIC METALS CORPORATION (FORMERLY CHIMATA GOLD CORP.)

Statements of Financial Position

(Expressed in Canadian Dollars)

	Note	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
		$	$
Assets			
Current assets			
Cash		4,610	–
Marketable Securities		–	600,000
Prepayments		135,985	–
Amounts receivable		73,927	16,489
		214,522	616,489
Non-current assets			
Equipment	6	1,608	1,784
Exploration and evaluation assets	4	114,000	114,000
Long-term investment	5	1,502,023	1,520,773
Total assets		1,832,153	2,253,046
Liabilities and Shareholders' Deficiency			
Current liabilities			
Bank overdraft		–	184
Accounts payable and accrued liabilities	7	301,684	449,297
		301,684	449,481
Shareholders' deficiency			
Share capital	9	4,109,270	3,934,270
Share-based reserve	9	407,228	407,228
Loan reserve		61,994	61,994
Deficit		(3,048,023)	(2,599,927)
		1,530,469	1,803,565
Total shareholders' deficiency and liabilities		1,832,153	2,253,046

Nature and continuance of operations (Note 1)
Commitments (note 12)
The accompanying notes are an integral part of these financial statements

Approved and authorized for issuance by the board of directors on November 28, 2019

"Robert Rosner" — Robert Rosner, Director

"Richard Groome" — Richard Groome, Director

CAT STRATEGIC METALS CORPORATION (FORMERLY CHIMATA GOLD CORP.)

Statements of Comprehensive Loss

(Unaudited - Expressed in Canadian Dollars)

		Three months ended March 31,	
	Note	2019	2018
Expenses		$	$
Advertising and promotion		8,151	19,906
Amortization		176	336
Consulting		100,667	135,703
Exploration and evaluation	4	250	66,224
Foreign exchange (gain)/loss		32	205
Listing and filing fees		19,201	15,651
Office and administration		3,947	38
Occupancy fees		–	14,135
Professional fees		35,211	13,133
Travel		816	60,974
Loss before the following:		(168,451)	(326,305)
Finance fees		(110)	(496)
Loss on sale of marketable securities		(260,785)	–
Equity loss from investment on associate		(18,750)	–
Loss and comprehensive loss		(448,096)	(326,801)
Loss per share, basic and diluted		(0.01)	(0.01)
Weighted average number of common shares outstanding		52,483,422	34,161,766

The accompanying notes are an integral part of these financial statements

CAT STRATEGIC METALS CORPORATION (FORMERLY CHIMATA GOLD CORP.)

Statements of Changes in Shareholders' Deficiency

(Expressed in Canadian Dollars except for number of shares)

	Number of Outstanding Shares	Share Capital	Loan Reserve	Warrant reserve	Share-based reserve	Deficit	Shareholders' equity (deficiency)
		$	$	$	$	$	$
Balance, December 31, 2017	33,788,936	2,451,406	61,994	81,431	216,627	(2,024,204)	787,254
Private placement at $0.15 per unit	1,233,334	72,375	–	–	–	–	72,375
Share issuance costs for private placement at $0.15 per unit	–	(18,990)	–	–	–	–	(18,990)
Exercise of warrants at $0.075	565,000	155,000	–	–	–	–	155,000
Comprehensive loss for the period	–	–	–	–	–	(326,801)	(326,801)
Balance, March 31, 2018	35,587,270	2,659,791	61,994	81,431	216,627	(2,351,005)	668,838
Balance, December 31, 2018	50,422,310	3,934,270	61,994	111,431	295,797	(2,599,927)	1,803,565
Private placement at $0.05 per unit	3,500,000	175,000	–	–	–	–	175,000
Comprehensive loss for the period	–	–	–	–	–	(448,096)	(448,096)
Balance, March 31, 2019	53,922,310	4,109,270	61,994	111,431	295,797	(3,048,023)	1,530,469

The accompanying notes are an integral part of these financial statements

CAT STRATEGIC METALS CORPORATION (FORMERLY CHIMATA GOLD CORP.)

Statements of Cash Flows

(Unaudited - Expressed in Canadian Dollars)

	Three months ended March 31,	
	2019	2018
	$	$
Operating activities		
Loss for the year	(448,096)	(326,801)
Items not involving cash:		
Amortization	176	336
Equity loss from investment on associate	18,750	–
Loss on sale of marketable securities	260,785	–
Changes in non-cash operating working capital		
Sales tax receivable	(7,438)	(10,972)
Prepayments	(135,985)	(11,284)
Accounts payable and accrued liabilities	(147,613)	(16,155)
Cash used in operating activities	(459,421)	(364,876)
Investing activities		
Proceeds from sale of marketable securities	339,215	–
Acquisition of equipment	–	(2,230)
Acquisition of mineral properpties	–	(260,000)
Cash provided by financing activities	339,215	(262,230)
Financing activities		
Net proceeds from units issued for cash	125,000	208,385
Cash provided by financing activities	125,000	208,385
(Decrease) in cash	4,794	(418,721)
Cash, beginning of year	(184)	704,117
Cash (Bank Overdraft), end of the period	4,610	285,396

The accompanying notes are an integral part of these financial statements

1. NATURE AND CONTINUANCE OF OPERATIONS

CAT Strategic Metals Corporation (formerly Chimata Gold Corp.) (the "Company") was incorporated under the Business Corporations Act (British Columbia) on November 16, 2010. The common shares of the Company began trading on TSX Venture Exchange ("TSXV") on September 16, 2011 under the symbol "CAT", and on the Frankfurt Exchange on July 29, 2014 under the symbol "8CH". Effective June 14, 2018, the Company's shares were transferred from TSXV to the Canadian Securities Exchange ("CSE") under the symbol "CAT". The decision to move the listing of its common shares from the TSXV to the CSE was taken by the Company as it deems that the CSE may be a more suitable stock exchange with respect to its development and its future expansion. Effective May 1, 2019, the Company's shares were halted for trading due to corporate reorganization. The Company's principal activity is the acquisition and exploration of mineral properties.

On February 14, 2019, the Company changed its name to CAT Strategic Metals Corporation from Chimata Gold Corp.

The registered records office and place of business of the Company is 1015 – 789 West Pender Street, Vancouver, BC V6C 1H2.

These financial statements have been prepared using International Financial Reporting Standards ("IFRS") applicable to a going concern, which assume that the Company will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the normal course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. The Company's continuation as a going concern is dependent upon the successful identification of an exploration and evaluation asset, its ability to raise equity capital, to obtain loans from related parties, and to attain profitable operations to generate funds and meet current and future obligations. As at March 31, 2019, the Company had not advanced any exploration and evaluation assets to commercial production and is not able to finance day to day activities through operations. These factors 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 cash on hand, loans from related parties and/or private placement of common shares.

2. STATEMENT OF COMPLIANCE

These condensed interim financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34 "Interim Financial Reporting" ("IAS 34") using accounting policies consistent with the IFRS issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). Accordingly, certain disclosures required in annual financial statements have been condensed or omitted. These condensed interim financial statements are intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that these condensed interim financial statements be read in conjunction with the most recent audited annual financial statements of the Company for the year ended December 31, 2018.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of measurement

The financial statements have been prepared on an accrual basis and are based on historical costs, except for financial instruments which are measured at fair value. The financial statements are presented in Canadian dollars.

Significant estimates and assumptions

The preparation of financial statements in accordance with IFRS requires the Company to make estimates and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the recoverability and measurement of deferred tax assets.

Significant judgments

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's financial statements include:

- the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty; and
- the classification of expenditures as exploration and evaluation expenditures or operating expenses.

Accounting for Leases

On January 13, 2016, IASB issued IFRS 16, Leases ("IFRS 16"), which superseded IAS 17, Leases ("IAS 17"). IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is twelve months or less or the underlying asset has a low value. Lessor accounting, however, remains largely unchanged from IAS 17 and the distinction between operating and finance leases is retained. IAS 17, as revised, now prescribes the accounting policies and disclosures applicable to leases, both for lessees and lessors.

The Company anticipates that the adoption of IFRS 16 will have no material impact on its financial statements given the extent of its current use of leases in the ordinary course of business.

4. EXPLORATION AND EVALUATION ASSETS

Mineral Properties Interest:

	Troilus North	BAM	Zimbabwe	Total
	$	$	$	$
December 31, 2017	250,000	114,000	-	364,000
Deferred exploration costs	-	-	260,000	260,000
March 31, 2018	250,000	114,000	260,000	624,000
December 31, 2018 & March 31, 2019	-	114,000	-	114,000

a) <u>Maggie</u>

On August 31, 2016, the Company entered into an option agreement with Innovative Properties Inc. to earn up to 100% interest in certain mineral concessions ("Maggie Gold Property").

During the year ended December 31, 2017, the Company has abandoned and surrendered the option agreement in respect of all mineral claims of the Maggie Gold Property and fully impaired the property.

b) <u>Troilus North</u>

i) Acquisition by the Company

On October 12, 2017, the Company acquired a 100% undivided interest in the Troilus North Property (the "Troilus North Property"). The property is made up of 139 contiguous claims located 160 km north of the town of Chibougamau in the province of Quebec. The total purchase price was $250,000 to be paid as follows:

- An initial payment of $25,000 (paid by the Company) due to Greg Exploration Inc. and other owners of the Troilus North Property (collectively referred to as the "Vendors") upon closing;
- $25,000 due within ninety (90) days following signing of the agreement;
- $50,000 due on or before September 30, 2018;
- $50,000 due on or before March 31, 2019;
- $50,000 due on or before September 30, 2019; and
- $50,000 due on or before March 31, 2020.

In addition, the Company has granted a 1.5% Net Smelter Royalty to the Vendor; 0.5% of which can be repurchased by the Company for $500,000. On May 14, 2018, the Company concluded the acquisition of a 100% undivided interest in the Troilus North Property.

On November 15, 2018, Emgold acquired 100% of the Troilus North Property from the Company with the following considerations:

- issue 6,000,000 common shares of Emgold to the Company (issued - Note 4);
- cash payment of $200,000 (received);
- complete $300,000 requirement in exploration expenditures on the Property (completed); and
- grant a 1.0% NSR on the Troilus North Property to the Company.

Upon closing of the sale of the Troilus North Property, the remaining purchase price obligations of $225,000 have been assigned to Emgold, and the Company recognized a gain on sale of mineral properties of $755,000.

Following the receipt of 6,000,000 share of Emgold, the Company owns an approximate 16.95% interest in Emgold. The transaction described between the Company and Emgold was not a non-arm's length transaction as the Company's Chief Financial Officer is also acting as director of Emgold.

c) <u>BAM</u>

On December 1, 2017, the Company acquired a 100% interest in the Bam mineral property. The property is comprised of 1052 hectares located in the Pacific Golden Triangle mining district approximately 80 Km south of Telegraph Creek in the Liard mining division of northwest British Columbia, Canada.

Under the terms of the purchase agreement, the Company will pay $60,000 cash and issue 600,000 common shares to Bearclaw. The initial $15,000 cash payment was provided to Bearclaw and 600,000 common shares issued to Bearclaw on November 16, 2017 with a fair value of $54,000 based on closing share price at $0.09

per share. The claims comprising the mineral property have been transferred to the Company. The balance of the cash payments will be provided in 3 equal installments of $15,000 over a 12-month period. Bearclaw will retain a 2% Net Smelter Royalty on the property, of which 1% may be purchased by the Company for $1,000,000 at any time.

During the period ended March 31, 2019, the Company incurred $250 (2018 - $66,224) in exploration and evaluation expenditures and property investigation costs for potential acquisition.

5. LONG-TERM INVESTMENT

Long-term investment represents the fair value of the Company's 19% shareholdings in Zimbabwe Lithium Company (Mauritius) Limited ("Zimbabwe Lithium", or "ZIM"), a privately held company incorporated under the laws of Mauritius as at March 31, 2019. Zimbabwe Lithium has the right to develop mining properties in Zimbabwe (the "Properties").

On December 27, 2017 the Company entered into a binding letter of intent (the "LOI") with Zimbabwe Lithium for a proposed reverse take-over between the Company and Zimbabwe Lithium (the "Transaction"). On October 31, 2018, the Company executed a share exchange agreement (the "Agreement") with the existing shareholders of ZIM. Pursuant to the terms of the LOI and the Agreement, the Transaction is defined into two distinctive phases: First Phase and Second Phase.

First Phase:

- The Company would issue its common shares to the existing shareholders of ZIM in exchange for 19% of the issued and outstanding shares in Zimbabwe Lithium. On October 31, 2018, the Company issued 9,185,040 common shares from its share capital with a fair value of $826,654, representing an aggregate of 19% of the current issued and outstanding share capital of the Company. In return, ZIM issued to the Company 755 ZIM shares, representing an aggregate of 19% of the current issued and outstanding share capital of ZIM.

- The Company committed to advance the amount of US$500,000 to ZIM allowing ZIM to cover historical test work and consultant expenditures that have been incurred bringing the project to its current state as well as expenditures as they are gradually incurred, project expenditures and exploration on the Properties, including potential license and option payments to the Zimbabwe Mining Development Corporation ("ZMDC"), salaries and consultancy fees, drilling and assaying on the Properties along with the completion of a National Instrument 43-101 ("NI 43-101") compliant resource estimate of the Properties (the "Estimate"). As at December 31, 2018, the Company has advanced $721,077 (US$560,000). These cash advances were capitalized as cost of investment.

Second Phase:

- The proceeding to the Second Phase of the Transaction is subjected to the Estimate revealing that the resource contains a minimum of 11,111,000 cubic meters of tailings material at minimum 0.60 percent Lithia (Li_2O with the majority of the mineralization consisting of Spodumene) (the "Threshold Percentage") which is subject to an independent valuation certified by a Qualified Person under NI 43-101.
- Should the Estimate reveal that the Threshold Percentage is reached, ZIM shall be entitled to receive an additional share allocation of 51% of the current issued and outstanding share capital of the Company.

Prior to and in order to complete the Transaction and the NI 43-101, the Company will work towards the completion of the concurrent financing, to a maximum of $2,000,000 and to a minimum of $1,800,000 whereby $800,000 to be raised by the Company no later than July 30th, 2018 or two weeks from the date of completion and publication of the Estimate whichever is the latter, and the remaining balance of $1,000,000 to be raised by the Company no later than (a) August 30, 2018 or (b) six weeks from the date of completion and publication of the Estimate whichever is the latter.

On June 28, 2019, the Company and ZIM terminated the Second Phase and the Definitive Agreement.

The Company, through its shareholding and board representation in ZIM, exercises significant influence over that company, but not control. As a result, the investment in Zimbabwe Lithium is accounted for using the equity method.

	March 31, 2019	March 31, 2018
	$	$
Opening balance	1,520,773	-
Share of equity loss	(18,750)	-
Ending balance	**1,502,023**	**-**

	March 31, 2019
	$
Current assets	62,733
Current liabilities	(779,539)
Loss and comprehensive loss	(98,684)

6. EQUIPMENT

		Software
Cost		
Balance at December 31, 2018	$	2,230
Additions		-
Balance at March 31, 2019		2,230
Accumulated amortization		
Balance at December 31, 2018	$	446
Changes		176
Balance at March 31, 2019		622
Net carrying amount		
Balance at December 31, 2018	$	1,784
Balance at March 31, 2019	$	1,608

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2019	December 31, 2018
	$	$
Trades payable	252,484	356,497
Acquisition cash payment payable for BAM	15,000	15,000
Accrued liabilities	34,200	77,800
	301,684	449,297

8. RELATED PARTY TRANSACTIONS

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of members of the Company's Board of Directors and corporate officers. The remuneration of directors and key management personnel during the three months ended March 31, 2019 and 2018 was as follows:

	March 31, 2019	March 31, 2018
	$	$
Management and consulting fees	70,500	32,704
	70,500	32,704

During the quarter ended March 31, 2019, the Company incurred $30,000 (2018 - $26,704) in consulting fees to the entity controlled by the Company's Chief Executive Officer ("CEO"), $30,000 in consulting fees (2018 - $Nil) to the entity associated with the Company's Chief Financial Officer ("CFO"), $10,500 (2018 - $6,000) in consulting fees to the Company's Corporate Secretary.

As at March 31, 2019, the Company's accounts payable balances owing to the related parties include:

- $NIL (December 31, 2018 - $66,625) owed to the Company's CEO;
- $17,760 (December 31, 2018 - $71,980) owed to the entity associated with the Company's CFO;
- $3,675 (December 31, 2018 - $9,957) owed to the Company's Corporate Secretary;
- $22,660 (December 31, 2018 - $34,158) owed to a company controlled by a director of the Company; and
- $NIL (December 31, 2018 - $35,935) owed to a director of the Company.

The above balances are non-interest bearing, unsecured and due on demand.

(a) The Company and an entity controlled by the CEO entered into a consulting agreement whereby the Company is committed to pay a monthly consulting fee of $10,000 to the CEO over a term of 24 months commencing from February 1, 2018. The monthly consulting fee will be increased to $20,000 upon successful completion by the Company of its first major acquisition of $5,000,000 or greater in value.

(b) The Company and an entity associated with the Company's CFO entered into a consulting agreement whereby the Company is committed to pay a monthly consulting fee of $10,000 to the CFO over a term of 23 months commencing from May 1, 2018. The monthly consulting fee will be increased to $20,000 upon successful completion by the Company of its first major acquisition of $5,000,000 or greater in value.

9. SHARE CAPITAL

Authorized share capital:
Unlimited common shares and preferred shares without par value

Share issuances:

During the quarter ended March 31, 2019, the Company issued 3,500,000 common shares through a private placement with the proceeds of $175,000.

Warrants

A continuity of the Company's warrants is as follows:

	Warrants	Weighted average exercise price	Weighted average number years to expiry
		$	
Balance, December 31, 2018	23,854,163	0.11	1.58
Expired	(616,667)	0.25	
Granted	1,750,000	0.10	1.50
Balance, March 31, 2019	24,987,496	0.11	1.61

As at March 31, 2019, the Company had the following warrants outstanding:

Date Issued	Expiry Date	Exercise Price		Number of Warrants Outstanding
August 13, 2014	August 13, 2019	$	0.01	260,000
April 13, 2015	April 13, 2020	$	0.02	40,000
October 28, 2016	October 28, 2021	$	0.05	2,500,000
September 1, 2017	September 1, 2020	$	0.075	5,301,000
September 8, 2017	September 8, 2020	$	0.075	3,719,160
September 25, 2017	September 25, 2020	$	0.075	3,063,636
December 1, 2017	December 1, 2020	$	0.15	5,607,500
December 21, 2017	December 21, 2020	$	0.25	711,200
June 6, 2018	June 6, 2019	$	0.25	35,000
October 31, 2018	October 31, 2020	$	0.20	2,000,000
February 6, 2019	August 6, 2020	$	0.10	1,750,000
				24,987,496

Share Options

The Company's incentive stock option plan (the "Option Plan") provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the applicable stock exchange's requirements, grant to directors, officers, employees and consultants to the Company, non-transferable options to purchase common shares. Pursuant to the Option Plan, the Company may grant a total of options not exceeding 10% of the issued and outstanding common shares. As at December 31, 2018, there were 3,670,000 options outstanding and exercisable and 870,000 stock options granted during the period ended December 31, 2018 (December 31, 2017: 3,000,000 stock options granted or outstanding).

A continuity of the Company's options is as follows:

	Share Options	Weighted average exercise price	Weighted average number years to expiry
		$	
December 31, 2018 & March 31, 2019	3,670,000	0.15	3.73

As at March 31, 2019, the Company had the following options outstanding:

Date Issued	Expiry Date	Exercise Price	Number of Options Outstanding	Number of options Exercisable
September 25, 2017	September 24, 2022	$ 0.15	1,300,000	1,300,000
December 1, 2017	December 1, 2022	$ 0.15	1,500,000	1,500,000
June 11, 2018	June 11, 2023	$ 0.15	870,000	870,000
			3,670,000	3,670,000

10. CAPITAL MANAGEMENT

The Company manages its capital, consisting of share and working capital, in a manner consistent with the risk characteristic of the assets it holds. All sources of financing are analyzed by management and approved by the Board of Directors. The Company's objectives when managing capital is to safeguard the Company's ability to continue as a going concern. The Company is meeting its objective of managing capital through preparing Long-term and long-term cash flow analysis to ensure an adequate amount of liquidity. The Company is not subject to any externally imposed capital restrictions. There were no changes in the Company's approach to capital management during the year.

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial risk management

The Company is exposed in varying degrees to a variety of financial instrument related risks.

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.

As most of the Company's cash is held by one bank there is a concentration of credit risk. This risk is managed by using a major Canadian bank that is a high credit quality financial institution as determined by rating agencies.

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 Long-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash. Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements as well as related party loans. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

Currency risk

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 does not incur significant expenditures that are denominated in foreign currencies, and does not have any mineral property commitments that are denominated in foreign currencies. Therefore, the Company's exposure to currency risk is considered minimal.

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 Company is exposed to interest rate risk on its notes payable as the interest rate is dependent on Canada's prime interest rate. Since the Canadian prime interest rate is fairly stable, the Company's exposure to interest rate risk is not considered to be significant.

Fair value
The fair value of the Company's financial assets and liabilities approximates the carrying amount.

12. COMMITMENTS

The consulting fee commitment to an entity controlled by the CEO totaling $100,000, the consulting fee commitment to an entity controlled by the CFO totaling $120,000 and the consulting fee commitment to an external consultant totaling $100,000. Minimum payments relating to the above commitments for each of the next two fiscal years are as follows:

2019	$ 270,000
2020	50,000
Total	**$ 320,000**

13. SUBSEQUENT EVENTS

On June 28, 2019, the Company and ZIM terminated the Second Phase and the Definitive Agreement described in note 5.