

CMC METALS LTD.
MANAGEMENT DISCUSSION AND ANALYSIS (“MD&A”)
Quarter Ended March 31, 2020, as of May 29, 2020
(all figures in Canadian dollars)

General

The following Management Discussion and Analysis of Financial Condition and Results of Operations, prepared May 29, 2020, 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 "CMB". Additional information related to the Company is available on SEDAR at www.sedar.com and on the Company's website at 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.

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IMPACT OF COVID 19

During the Company’s most recent quarter ending March 31, 2020, there was a global outbreak of coronavirus (COVID-19). The actual and threatened spread of the virus globally has had a material adverse effect on the global economy and, specifically, the regional economies in which the Company operates. The pandemic could continue to have a negative impact on the stock market, including trading prices of the Company’s shares and its ability to raise new capital. These factors, among others, could have a significant impact on the Company’s operations.

Discussion of Operations and Financial Condition

Operations Summary

Silver Hart Property, Yukon:

The Silver Hart Property is located approximately 132 km west of Watson Lake, and covers 2,200 hectares with 116 contiguous full and partial claims.

During the start of the 2010 fiscal year, the Company retained a qualified geologist to prepare a National Instrument 43-101 report on the Silver Hart Property.

During the 2011 fiscal year, the Company continued its efforts to advance the development of the Silver Hart Property by initiating a permitting effort for a mine and mill at the site. The development application was submitted to the Yukon Environmental and Socio-economic Assessment Board (“YESAB”), Executive Committee (“ExCom”), on February 8, 2010 for pre-screening and an evaluation of the completeness of the application. Additional water quality and hydrological studies were undertaken to support the application based on discussions with YESAB. Further information requests by YESAB were made to the Company. The Company evaluated these requests and determined that the cost and time frames required to complete the necessary studies were significant and as a result it was decided that the development application with YESAB should be withdrawn. The application was withdrawn from YESAB on June 3rd, 2011.

Despite the withdrawal of the development permit, the Company was still permitted to undertake exploration activities, and in 2011 they 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 extracted a second bulk sample of 114.1 dry tonnes and received \$311,401 (USD) pursuant to a letter of credit with the purchaser of the bulk sample. A third shipment of 268.6 dry tonnes was shipped in April, 2013, and the Company received \$205,885 (USD).

Subsequently, the Company has completed a number of additional exploration efforts including drilling, trenching and soil sampling, and completed modelling of the known deposits in Leapfrog (a 3-D geological model) and identified additional zones with exploration potential. The Yukon Geological Survey has also completed a regional airborne geophysical survey and efforts are underway to evaluate that data to identify areas of prospectivity on other portions of the Silver Hart Property. The combination of these efforts will guide future efforts to expand known resources at Silver Hart and identify new potential areas for exploration.

The Company has completed significant environmental studies of the region around Silver Hart and specific detailed investigations in areas that have been subjected to active exploration. In 2019 this work was

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Operations Summary (cont’d)

Silver Hart Property, Yukon: (cont’d)

complimented by a fisheries investigation of all of the creeks along the access road. The Company is now developing plans to complete the necessary environmental and engineering studies and prepare a permitting strategy to support a mine application for development of the Main Zone at Silver Hart by 2022-23. The company also plans to complete a significant program to upgrade the access road to the project that will be suited for use by large tonnage ore haul trucks and other commercial support traffic to support future mine operations. These efforts will enable the Company to initiate discussions with governments and consultation efforts with First Nations to discuss a ways and means to advance the project to development, and secure the necessary permits, in the shortest time frame possible.

Logjam Property, Yukon

Logjam is a 100% owned property of the Company, located in south-central Yukon, approximately 250km from Whitehorse and 185 km west of Watson Lake. The property is accessible through a road extending 20km northwards from the Yukon-Alaska Highway and comprises of 32 claims (632 hectares).

In 2018, the Company retained a qualified geologist to visit the Logjam Property and provide further updates as to its potential. The Logjam property comprises of 32 claims (633 hectares) and has a non-compliant historical NI 43-101 Resource of 70,144 tons grading 392.2 g/t silver and 3.02 g/t gold and the deposits are open along both strike and depth. Logjam has seen a lot of historical work completed on the project including 701 meters of underground development in two adits and 2,971 meters of drilling which to date has served to identify 8 or more polymetallic veins containing gold, silver, lead, zinc and to a lesser extent, bismuth, antimony and tungsten. The property is road accessible for the most part and minor upgrades would be required to provide an all-season access. The Company plans to further evaluate the potential of this project this exploration season.

Bishop Mill Processing Facility, Bishop, California

On March 19, 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 as it was expected that several permitted active mines would require processing at the Bishop Mill facility. While negotiating with several mine owners in the region to establish joint venture agreements, the Company completed an Amended Plan of Operation (“POO”) and submitted it to the US. Bureau of Land Management (“BLM”) and the California State Water Resources Agency for approval to develop a new Class “A” Tailings Pond. The larger tailings pond required to have an updated California Environmental Quality Assessment and a National Environmental Protection Assessment conducted for the site which was included in the POO. The POO was submitted on December 23, 2010 and approval was received on May 13, 2011. The Lahontan Water Board (“LWB”) as the responsible authority for the California State Water Resources Agency, issued a Waste Discharge Requirements Permit (“WDR”) which outlined the terms and conditions that need to be fulfilled prior to the construction of the Tailings Management Facility (“TMF”) and any subsequent discharges of waste into that facility. During this time, these regulatory agencies also completed an assessment of tailings buried at the mill site by the previous

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Operations Summary (cont’d)

Bishop Mill Processing Facility, Bishop, California (cont’d)

operator and determined on December 23, 2011, that the tailings were non-toxic and required no further site reclamation.

This determination on the previous waste enabled the BLM to complete its environmental assessment of the Amended POO, and 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 BLM was granted. On February 20, 2014, the Company received final acceptance of construction plans for the TMF from the LWB. Construction of the TMF commenced in March, 2014, and was completed in September, 2014, with the exception of the installation of a lysimeter-equipped monitoring station adjacent to the sub-liner sump. Groundwater monitoring wells were also completed and are designed to monitor any potential ground water effects from the TMF. The lysimeter installation is easy to complete and with a prospective feed source for the mill, could be completed at short order along with any necessary mill adjustments to the flow sheet required by the composition of the potential ore feed. Otherwise the TMF is completed with the installation of the pond geomembrane liner in January 2015, and bird netting has been purchased.

The mill has an operational capacity of 96 tons per day (4 tons per hour). On June 2015, the Company received an acceptance of the preliminary closure and post closure maintenance plan with LWB. The Company continues to seek opportunities with prospective mining operations in east-central California and western Nevada with the intention to identify an ore feed source for the mill and place it into operation.

On September 6, 2018, the Bureau of Land Management, Bishop Field Office, issued a letter to the Company identifying compliance deficiencies related to waste at the site left from the previous operator. The Company has since contained all of the waste in a containment facility stored inside the mechanical building, completed a significant clean-up effort of the site, and has selected a professional waste management consultant to complete an assessment of the waste and prepare a plan for the disposal of all waste at the site for approval by the BLM and LWB. Site contaminants were disposed at a licenced waste management disposal facility and other clean up work at the site was completed in the summer and fall of 2019. The site will now be inspected and it is expected that it will be deemed fully compliant in the near future.

Leasing of the Silver Hart Portable Flotation Plant

On July 19, 2016, the Company entered into an agreement to lease its portable Silver Hart Flotation Plant (the “Plant”) to MGX Minerals Inc. (“MGX”), a public company listed on the TSX Venture Exchange, for an initial period of six months, which lease term was subsequently extended to April 30, 2018. Pursuant to the terms of the lease agreement, MGX was permitted to transport the Plant at its own cost to Cranbrook, British Columbia, from its location in the Yukon to conduct a bulk sample at its Driftwood Creek magnesium project. MGX was also obligated to pay all costs to bring the Plant into operational condition.

As compensation for the use of the Plant, MGX issued to the Company 300,000 common shares during fiscal year end 2016, which shares were sold netting the Company \$542,433.

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Operations Summary (cont’d)

Leasing of the Silver Hart Portable Flotation Plant (cont’d)

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, MGX is to transport the Plant to a location of the Company’s choosing to a maximum shipping cost of \$25,000. As of the date of this Management Discussion and Analysis Form, the Company inspected the plant and had entered into further discussions with MGX to extend the term of the Lease to April 30, 2020 and is discussing the return of the Plant.

Property Acquisitions

Bishop Mill, Inyo County, California, USA

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 Mill site located near Bishop, east-central California.

As consideration, the Company made the following payments:

- \$156,345 (US\$150,000) on March 19, 2010, of which \$89,574 was allocated towards the acquisition costs and \$66,771 towards a reclamation bond required by the US Bureau of Land Management (“BLM”) for the mill facility.
- A payment of \$100,533 (US\$100,000) completed on April 15, 2010

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

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Property Acquisitions (cont’d)

Bishop Mill, Inyo County, California, USA (cont’d)

amounts are updated regularly, and in most instances on an annual basis, on September 30, 2013, an additional amount of \$1,453 (US\$1,442) was submitted by the Company to BLM.

On December 17, 2013, the BLM conducted a detailed assessment of a reclamation cost estimate for the Bishop Mill site which resulted in a request to the Company to increase the bond to \$196,046 (US\$191,269). Subsequently, the Company has been fulfilling all of the annual increases by the BLM for the mine reclamation bond, and as of March 31, 2020, the Company has provided the BLM with a reclamation bond of \$256,370 (US\$193,237). The Company has entered into discussions with the BLM to see if the bond

can be held in an interest bearing account, the annual interest therefrom could possibly offset the annual increases required by the BLM towards the bond.

As at March 31, 2020, 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.

Logjam Property, Yukon Territory, Canada

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 Territory. As consideration, the Company paid \$5,000 upon execution of the agreement for access rights.

During the year ended September 30, 2010, the Company issued 50,000 common shares at a fair value of \$8,500 to complete the acquisition of 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.

As of March 31, 2020, the Logjam claims remain in good standing. In previous years, the Company has written the exploration and evaluation asset costs related to the Logjam Property to \$Nil.

Silver Hart Property, Yukon, Canada

On February 21, 2005, as last amended on September 24, 2018, 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 pursuant to a Mineral Property Assignment and General Conveyance agreement dated February 21, 2005, as revised by agreements dated February 7, 2006 and March 1, 2007, the terms of the agreement were revised by letter agreements with the last revision by letter dated September 24, 2018, extending the expiration date for the balance of principal accrued interest and extension fees to September 30, 2019.

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Property Acquisitions (cont’d)

Silver Hart Property, Yukon, Canada (cont’d)

The principal balance owing pursuant to the Silver Hart Property agreement including accrued interest and extension fees as of September 30, 2019 was \$917,000 (September 30, 2018 - \$859,573). On November 20, 2019, the Company satisfied the principal and interest owing pursuant to the Silver Hart Property by way of the issuance of shares at \$0.07 per share, resulting in the issuance of 13,100,000 common shares to the referenced director and officer. The first charge registered against the title to the Silver Hart Property has been released.

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 amending 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.

The Company did not abandon these claims and in June of 2017, the Company 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.

During the year ended September 30, 2019, the Company received \$456,430 from the issue of flow-through shares and has fully incurred eligible expenditures of \$456,430 during the year ended September 30, 2019, and subsequently renounced the full \$456,430.

Portable Mill

As previously noted, the portable mill is leased to MGX and is debt free. As stated, the Company is in discussions with MGX on a new lease agreement or the return of the Plant to the Company.

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 prior to rollback and 18,128,055 common shares issued and outstanding post rollback.

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Share Roll-Back (cont’d)

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 November 20, 2019, the Company issued a total of 15,588,210 common shares at \$0.07 per share, in settlement of \$1,091,175 worth of debt owing to a senior officer and director of the Company, pursuant to the Silver Hart Property, as mentioned herein, and for loans secured by Promissory Note for general working capital.

On September 5, 2019, the Company completed a non-brokered private placement of a total of 8,400,000 units at \$0.05 per unit, for gross proceeds of \$420,000. Each unit consists of one common share and one transferrable share purchase warrant exercisable for a two year period at \$0.075 per share expiring September 5, 2021.

Included in the private placement financings completed during the year ended September 30, 2019 were 1,500,000 common shares with an aggregate value of \$75,000 that were issued to consultants and recorded to stock-based compensation.

On September 9, 2019, the Company completed a non-brokered flow-through private placement of a total of 7,022,000 common shares at \$0.065 per share, for gross proceeds of \$456,430. On issuance, the Company bifurcated the flow-through shares into i) a flow-through share premium of \$70,220 that investors pay for the flow-through feature, which is recognized as a liability and; ii) share capital of \$386,210. To September 30, 2019, the Company expensed \$210,308 in eligible exploration expenditures and accordingly, the flow-through liability was reduced to \$37,865.

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.

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.

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Annual Information

The following is a summary of the results of financial operations of the Company for the year ended September 30, 2019, and for the years ended September 30, 2018 and September 30, 2017.

	Year Ended September 30, 2019	Year Ended September 30, 2018	Year Ended September 30, 2017
Revenues	Nil	Nil	Nil
Expenses General & Administrative	\$(697,526)	\$(567,294)	\$(1,962,838)
Amortization	Nil	Nil	Nil
Net Gain (Loss)	\$(478,811)	\$535,858	\$(1,362,257)
Working Capital (Deficiency)	\$(1,633,099)	\$(1,936,305)	\$(2,808,904)
Property, plant & equipment	Nil	Nil	Nil
Exploration and evaluation assets	Nil	Nil	Nil
Total Assets	\$646,913	\$358,837	\$344,202
Long Term Liabilities	\$Nil	\$Nil	\$Nil
Shareholder Equity			
Number of common shares	33,550,055	18,128,055	17,058,055
Share Capital	\$19,220,318	\$18,608,267	\$18,386,139

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 06/30/2018	Quarter Ended 09/30/2018	Quarter Ended 12/31/2018	Quarter Ended 03/31/2019
Net Income (loss)	\$993,526	\$(416,504)	\$164,442	\$(109,491)
Income (Loss) per share	\$0.01	\$0.03	\$(0.01)	\$0.01
	Quarter Ended 06/30/2019	Quarter Ended 09/30/2019	Quarter Ended 12/31/2019	Quarter Ended 03/31/2020
Net Income (loss)	\$(65,439)	\$(468,323)	\$(217,555)	\$(116,565)
Income (loss) per share	\$0.03	\$0.01	\$(0.01)	\$(0.00)

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Management Discussion and Analysis

Quarter Ended March 31, 2020 Compared to Year Ended September 30, 2019

As of March 31, 2020, the Company had total assets of \$300,528 as compared with \$646,913 at September 30, 2019. The Company had a working capital deficiency at March 31, 2020 of \$827,857 compared to a working capital deficiency of \$1,633,099 as at September 30, 2019.

Quarter Ended March 31, 2020 Compared to Quarter Ended March 31, 2019

As of March 31, 2020, the Company had total assets of \$300,528 as compared with \$306,941 at March 31, 2019. The Company had a working capital deficit at March 31, 2020 of \$892,857 compared to a working capital deficit of \$1,951,094 at March 31, 2019.

Total operating expenses during the quarter ended March 31, 2020 amounted to \$148,684 compared to \$108,266 for the quarter ended March 31, 2019. The income per share for the quarter ended March 31, 2020 was (\$0.00) compared with an income per share of (\$0.01) for the quarter ended March 31, 2019.

General and Administrative (G&A)

General and administration expenses were as follows:

For the quarter ended March 31,	<u>2020</u>	<u>2019</u>
Amortization	\$ 908	\$ 427
Consulting	20,323	11,425
Exploration and evaluation assets costs recovery	60,720	12,759
Filing and transfer agent fees	9,050	8,440
Financing Fee	1,461	-
Flow through share related taxes	1,135	8,575
Interest expense	-	25,857
Marketing	-	(9,983)
Office and miscellaneous	18,342	14,639
Professional fees	29,611	23,083
Rent	4,500	4,500
Travel	2,634	8,545
	<u>\$ 148,684</u>	<u>\$108,266</u>

Related Party Transactions

During the three months ended March 31, 2020, the Company entered into the following transactions with related parties:

- incurred rent of \$9,000 (March 31, 2019 – \$9,000) to a company controlled by a director and officer of the Company;
- incurred secretarial fees of \$11,700 (March 31, 2019 - \$23,400) to a company controlled by a director and officer of the Company which was recorded in office and miscellaneous;

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Related Party Transactions (cont’d)

c) incurred sub-contractor fees of \$36,069 (March 31, 2019 - \$7,500) to directors of the Company.

At March 31, 2020, a total of \$83,565 (March 31, 2019 - \$114,887) 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:

	March 31, 2020	March 31, 2019
Sub-contractor fees	\$ 36,069	\$7,500
	\$ 36,069	\$7,500

The only other related party transaction is that of the 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 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.

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Liquidity & Capital Resources

Cash as of March 31, 2020 was \$10,429 compared to \$344,635 for the year ended September 30, 2019. As at March 31, 2020, the Company had a working capital deficit of (\$892,857) compared to a working capital deficit of (\$1,633,099) as at the September 30, 2019 year end.

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 March 31, 2020, 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 previously had paid employees through its US operations at the Bishop Mill, California through its wholly owned subsidiary company, 0877887 BC Ltd. Any workers at the Bishop Mill site are paid on a contract basis at this time.

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 previously noted, the Company will examine reclamation requirements for the Silver Hart site during the 2020 exploration season as part of its ongoing discussions with Yukon and intends to complete the disposal of waste and contaminants at the Bishop Mill facility.

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

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Risk, Uncertainties and Outlook (cont’d)

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 condensed consolidated interim 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 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.

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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.

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:

	March 31, 2020 (Unaudited)	September 30, 2019 (Audited)
Loans and receivables:		
Cash	\$ 10,429	\$344,635
Reclamation deposits	274,645	256,370
	<u>\$285,074</u>	<u>\$601,005</u>

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

	March 31, 2020 (Unaudited)	September 30, 2019 (Audited)
Non-derivative financial liabilities:		
Trade payables	\$148,324	\$102,389
	<u>\$148,324</u>	<u>\$102,389</u>

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Share Capital

As of May 29, 2020, the Company had 49,138,265 common shares issued and outstanding.

In addition, as at May 29, 2020 the Company had no outstanding incentive stock options and 8,400,000 warrants outstanding convertible into 8,400,000 common shares at \$0.075 per share expiring September 4, 2021.

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 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 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.