

CMC METALS LTD.
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED JUNE 30, 2020
(Expressed in Canadian Dollars)
(Unaudited)

CMC METALS LTD.

CONDENSED INTERIM FINANCIAL STATEMENTS

These condensed interim financial statements of CMC Metals Ltd. as at and for the nine months ended June 30, 2020 have been prepared by the management of CMC Metals Ltd. The auditors of CMC Metals Ltd. have not audited or reviewed these condensed interim financial statements.

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

| | Note | June 30, 2020 | September 30, 2019 |
|---|------|---------------------|-----------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash | | \$ 91,465 | \$ 344,635 |
| Receivables | | 5,511 | 10,078 |
| Prepays and deposit | | 514 | 31,450 |
| | | <u>97,490</u> | <u>386,163</u> |
| Non-current assets | | | |
| Reclamation bond | 3 | 263,823 | 256,370 |
| Equipment | 5 | 1,666 | 4,380 |
| | | <u>265,489</u> | <u>260,750</u> |
| TOTAL ASSETS | | \$ 362,979 | \$ 646,913 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade payables and accrued liabilities | 7 | \$ 75,448 | \$ 102,389 |
| Due to related parties | 12 | 43,629 | 141,833 |
| Loans | 8 | - | 1,091,175 |
| Preferred shares | 9 | 500,000 | 500,000 |
| Provision for restoration and environmental obligations | 10 | 146,070 | 146,000 |
| Deferred premium on flow-through shares | | 37,865 | 37,865 |
| TOTAL LIABILITIES | | <u>803,012</u> | <u>2,019,262</u> |
| SHAREHOLDERS' DEFICIENCY | | | |
| Share capital | 11 | 20,522,861 | 19,220,318 |
| Share-based payment reserve | | 404,604 | 300,972 |
| Deficit | | <u>(21,367,498)</u> | <u>(20,893,639)</u> |
| TOTAL SHAREHOLDERS' DEFICIENCY | | <u>(440,033)</u> | <u>(1,372,349)</u> |
| TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY | | \$ 362,979 | \$ 646,913 |

Subsequent events - Note 15

Approved on behalf of the Board:

"Kevin Brewer"

Kevin Brewer - Director

"Graham Chisholm"

Graham Chisholm - Director

See accompanying notes to the condensed consolidated interim financial statements.

CMC METALS LTD.
INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in Canadian dollars)
(Unaudited)

| | Note | For the three months ended June 30, | | For the nine months ended June 30, | |
|---|------|--|--------------------|---------------------------------------|---------------------|
| | | 2020 | 2019 | 2020 | 2019 |
| EXPENSES | | | | | |
| Amortization | 5 | \$ 955 | \$ 427 | \$ 3,285 | \$ 1,281 |
| Consulting fees | 12 | 72,668 | (4,240) | 114,083 | 15,278 |
| Exploration expenditures | 4 | 52,414 | 2,235 | 359,064 | 98,539 |
| Filing and transfer agent | | 4,043 | 953 | 14,595 | 15,890 |
| Financing Fee | | - | - | 1,461 | 1,461 |
| Flow-through share related tax | | - | 8,576 | 1,135 | 25,850 |
| Interest expense | | - | 24,834 | - | 68,744 |
| Marketing | | - | - | - | (4,633) |
| Office and miscellaneous | 12 | 19,060 | 20,209 | 54,619 | 49,810 |
| Professional fees | | - | (4,599) | 29,611 | 19,206 |
| Rent | 12 | 6,000 | 4,500 | 15,000 | 13,500 |
| Travel | | 3,380 | 13,698 | 8,860 | 24,549 |
| | | <u>(158,520)</u> | <u>(66,593)</u> | <u>(601,713)</u> | <u>(329,475)</u> |
| OTHER ITEMS | | | | | |
| Other Income | | - | - | 73 | 1,923 |
| Gain on foreign exchange | | 18,784 | (7,087) | 127,388 | (9,357) |
| Gain on settlement of debt | | - | (7,759) | - | - |
| Gain on marketable securities | | - | 16,000 | 393 | (18,463) |
| | | <u>18,784</u> | <u>1,154</u> | <u>127,854</u> | <u>(25,897)</u> |
| COMPREHENSIVE LOSS FOR THE PERIOD | | \$ (139,736) | \$ (65,439) | \$ (473,859) | \$ (355,372) |
| WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - BASIC AND DILUTED | | | | | |
| | | 46,997,029 | 18,128,055 | 46,997,029 | 18,128,055 |
| NET LOSS PER SHARE - BASIC AND DILUTED | | \$ (0.00) | \$ (0.00) | \$ (0.01) | \$ (0.02) |

See accompanying notes to the condensed consolidated interim financial statements.

CMC METALS LTD.**INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIENCY**

(Expressed in Canadian dollars)

(Unaudited)

| | Notes | Share capital | | Share-based payment reserve | Deficit | Total |
|---|-------|---------------------|---------------|--------------------------------|-----------------|----------------|
| | | Number of shares | Amount | | | |
| Balance at September 30, 2018 | | 18,128,055 | \$ 18,608,267 | \$ 129,400 | \$ (20,414,828) | \$ (1,677,161) |
| Comprehensive loss: | | | | | | |
| Loss for the period | | | | | (355,372) | (355,372) |
| Total comprehensive loss for the period | | - | - | - | (355,372) | (355,372) |
| Balance at June 30, 2019 | | 18,128,055 | \$ 18,608,267 | \$ 129,400 | \$ (20,770,200) | \$ (2,032,533) |
| Balance at September 30, 2019 | | 33,550,055 | 19,220,318 | 300,972 | (20,893,639) | (1,372,349) |
| Comprehensive Income: | | | | | | |
| Loss for the period | | | | | (473,859) | (473,859) |
| Total comprehensive loss for the period | | - | - | - | (473,859) | (473,859) |
| Transactions with owners, in their capacity as owners, and other transfers: | | | | | | |
| Share issuance for settlement of debts | 11 | 15,588,210 | 1,091,175 | - | - | 1,091,175 |
| Share issuance for Cash | 11 | 8,000,000 | 300,000 | - | - | 300,000 |
| Share issuance for warrants exercised | 11 | 300,000 | 15,000 | - | - | 15,000 |
| Fair value of warrants issued | 11 | - | (103,632) | 103,632 | - | - |
| Reallocation of share issuance cost | 11 | - | - | - | - | - |
| Reallocation of options expired and exercised | 11 | - | - | - | - | - |
| Reallocation of cancellation of shares | 11 | - | - | - | - | - |
| Stock based compensation | 11 | - | - | - | - | - |
| Total transactions with owners and other transfers | | 23,888,210 | 1,302,543 | 103,632 | - | 1,406,175 |
| Balance at June 30, 2020 | | 57,438,265 | \$ 20,522,861 | \$ 404,604 | \$ (21,367,498) | \$ (440,033) |

See accompanying notes to the condensed consolidated interim financial statements.

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

| | For the nine months ended June 30, | | For the nine months ended June 30, | |
|--|---------------------------------------|-----------------|---------------------------------------|------------------|
| | 2020 | 2019 | 2020 | 2019 |
| Operating activities | | | | |
| Net Income (Loss) for the period | \$ (139,736) | \$ (65,439) | \$ (473,859) | \$ (355,372) |
| Adjustments for non-cash items: | | | | |
| Amortization | 955 | 427 | 3,285 | 1,281 |
| Accrued interest on promissory note and loans | - | 8,835 | - | 68,744 |
| Gain on settlement of debt | - | 7,759 | - | - |
| Unrealized foreign exchange | - | (571) | - | - |
| Unrealized loss on investment | - | - | - | 18,463 |
| Changes in non-cash working capital items: | | | | |
| Receivables | (317) | 614 | 4,567 | 1,505 |
| Prepays | 6,828 | (12,624) | 30,936 | (10,095) |
| Trade payables and accrued liabilities | (66,261) | 22,078 | (26,941) | 66,596 |
| Due to related parties | (46,549) | 6,674 | (98,204) | 38,783 |
| Net cash used in operating activities | (245,081) | (32,247) | (560,216) | (170,094) |
| Investing activities | | | | |
| Sales Proceeds on disposal of marketable securities | - | - | - | 42,537 |
| Net cash provided by (used in) investing activities | - | - | - | 42,537 |
| Financing activities | | | | |
| Repayment of loans | - | (34,000) | (1,091,175) | (34,000) |
| Proceeds on issuance of common shares | 315,000 | - | 1,406,175 | - |
| Proceeds on issuance of debt | - | 64,000 | - | 165,500 |
| Net cash provided by financing activities | 315,000 | 30,000 | 315,000 | 131,500 |
| Effect of foreign exchange | 11,117 | (1,688) | (7,954) | (1,688) |
| Change in cash | 81,036 | (3,935) | (253,170) | 2,255 |
| Cash, beginning | 10,429 | 10,293 | 344,635 | 4,103 |
| Cash, ending | \$ 91,465 | \$ 6,358 | \$ 91,465 | \$ 6,358 |

See accompanying notes to the consolidated financial statements.

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

For nine months ended June 30, 2020

(Expressed in Canadian dollars)

(Unaudited)

1. NATURE AND CONTINUANCE OF OPERATIONS

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

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

These consolidated financial statements have been prepared on the assumption that the Company and its subsidiaries will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at June 30, 2020, the Company had not advanced its properties to commercial production. The Company’s continuation as a going concern is dependent upon the successful results from its mineral property exploration activities and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. These uncertainties indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern. Management intends to finance operating costs over the next twelve months with loans from directors, by continuing to pursue additional sources of financing through equity offerings, seeking joint venture partners to fund exploration, monitoring exploration activity and reducing overhead costs.

The financial statements were authorized for issue on August 27, 2020, 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 our audited consolidated financial statements as at September 30, 2019.

3. RECLAMATION BONDS

The Company has a current reclamation bond held in trust by the Bureau of Land Management. As at June 30, 2020, the reclamation bond consisted of a deposit of \$263,823 (September 30, 2019 - \$256,370) made by the Company for indemnification of site restoration on the Bishop Mill Property.

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

For nine months ended June 30, 2020

(Expressed in Canadian dollars)

(Unaudited)

4. EXPLORATION AND EVALUATION ASSETS

| | Silver Hart |
|---|------------------|
| Acquisition costs | |
| Balance, September 30, 2018 and 2019, and June 30, 2020 | \$ - |
| Exploration costs | |
| Balance, September 30, 2018 | - |
| Costs incurred during the year: | |
| Assaying | 18,472 |
| Contractors | 96,231 |
| Drilling | 28,975 |
| Field office | 175,491 |
| Transportation and supplies | 11,359 |
| Travel expenses | 38,112 |
| | <u>368,640</u> |
| Exploration expenditures | <u>(368,640)</u> |
| Balance, September 30, 2019 | - |
| Costs incurred during the nine months period: | |
| Assaying | 4,029 |
| Contractors | 322,065 |
| Drilling | 9,585 |
| Field office | 13,807 |
| Transportation and supplies | 7,688 |
| Travel expenses | 1,890 |
| | <u>359,064</u> |
| Exploration expenditures | <u>(359,064)</u> |
| Balance - June 30, 2020 | \$ - |

Silver Hart Property

On February 21, 2005, as last amended on September 24, 2018, and as completed November 20, 2019, 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 \$270,000 remained unpaid as at September 30, 2019, which was secured by a Loan comprised of a principal balance of \$270,000 (2019 - \$270,000) and extension fees totaling \$85,000 (2019 - \$85,000). The amount unpaid was interest bearing at 8.5% per annum. During the year ended September 30, 2019, the Company recorded interest expense of \$54,160 (2018 - \$32,271) and at September 30, 2019, accrued interest amounted to \$602,893 (September 30, 2018 - \$494,573). Pursuant to the amended agreement dated September 24, 2018, the principal, extension fees and accrued interest was due on September 30, 2019. On November 20, 2019, the Company extinguished the loan covering the Silver Hart Property by issuance of shares at \$0.07 per share (Note 8).

Pursuant to the acquisition of the Silver Hart Property, 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

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

For nine months ended June 30, 2020

(Expressed in Canadian dollars)

(Unaudited)

4. EXPLORATION AND EVALUATION ASSETS (cont'd)

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 and all exploration costs are expensed as incurred.

Bishop Mill Property

On March 19, 2010, and as completed on April 15, 2010, the Company entered into a sale and purchase agreement and acquired a 100% interest in certain claims, buildings, water rights and machinery, comprising the Bishop Mill Property located near Bishop, California. Subsequent to the purchase of the Bishop Mill Property, the Company has incurred additional costs in order to bring the mill and equipment to use. During the year ended September 30, 2015, the Company had fully impaired the Bishop Mill Property.

As at June 30, 2020, the Bishop Mill was not capable of operating in a manner intended by management. During the period, the Company incurred \$183,356 (2019 - \$Nil) in clean-up costs on the Bishop Mill Property.

5. EQUIPMENT

| | Vehicle |
|-----------------------------|----------|
| Balance, September 30, 2018 | \$ 8,543 |
| Amortization for the year | (3,192) |
| Foreign exchange | (971) |
| Balance, September 30, 2019 | 4,380 |
| Amortization for the period | (3,285) |
| Foreign exchange | 571 |
| Balance, June 30, 2020 | \$ 1,666 |

6. INVESTMENTS

During the year ended September 30, 2019, the Company sold 100,000 MGX shares with a fair value of \$61,000 for proceeds of \$42,537 and realized a loss on sale of \$18,463.

During the nine month quarter ending June 30, 2020, there was no movement of the investment.

7. TRADE PAYABLES AND ACCRUED LIABILITIES

| | June 30, 2020 | September 30, 2019 |
|----------------|---------------|--------------------|
| Trade payables | \$ 75,450 | \$ 102,389 |
| | \$ 75,450 | \$ 102,389 |

8. LOANS

As at September 30, 2019, pursuant to the acquisition of the Silver Hart Property (Note 4), a principal balance of \$270,000 (2018 - \$270,000) and extension fees totaling \$85,000 (2018 - \$85,000) was owed to a director of the Company. This amount was interest bearing at 8.5% per annum. During the year ended September 30, 2019, the

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

For nine months ended June 30, 2020

(Expressed in Canadian dollars)

(Unaudited)

8. LOANS (cont'd)

Company recorded interest expense of \$54,160 (2018 - \$32,271). At September 30, 2019, accrued interest amounted to \$602,893 (September 30, 2018 - \$494,573). The principal, extension fees and accrued interest was due on September 30, 2019 pursuant to an amendment agreement dated September 24, 2018. The Company had granted a first charge on the Silver Hart Property as security for the payments. As at September 30, 2019, the Company was in default with respect to repayment of the loan.

During the year ended September 30, 2019, the Company entered into Promissory Notes totalling \$131,500 (2018 - \$34,000) with a company controlled by a director and officer of the Company, which Notes were payable on demand with interest at 18% per annum. As at September 30, 2019, the Company had recorded incurred interest of interest \$1,782 (2018 - \$Nil).

During the nine month quarter ending June 30, 2020, on November 20, 2019, the Company settled the loan secured on the Silver Hart Property and the loans secured by Promissory Notes by issuance of a total of 15,588,210 common shares at \$0.07 per share, to a former director and a company owned by a former director. The Company has discharged the first charge covering the Silver Hart Property on settlement of that loan.

9. 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 June 30, 2020, 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.

10. 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 (Note 4), 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 \$146,070 by way of estimating its obligation to remediate the claim.

CMC METALS LTD.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For nine months ended June 30, 2020

(Expressed in Canadian dollars)

(Unaudited)

11. SHARE CAPITAL

Authorized

Unlimited common shares, without par value

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

Issued common shares

57,438,265 (September 30, 2019 – 33,550,055) common shares issued and outstanding.

For the nine month period ended June 30, 2020

On June 4, 2020, the Company completed a non-brokered private placement of a total of 8,000,000 units at \$0.0375 per unit, for gross proceeds of \$300,000. Each unit consists of one common share and one transferrable share purchase warrant exercisable for a one year period at \$0.05 per share expiring June 4, 2021. A fair value of \$103,632 was allocated to the 8,000,000 warrants using the Black Scholes Option Pricing Model with the following assumptions: risk free interest rate – 0.27%; annual dividends - nil; expected life - 12 months; expected stock price volatility- 129%.

Pursuant to the 8,000,000 Unit private placement, the Company issued a total of 300,000 common shares at \$0.05 per share on June 29, 2020, pursuant to an exercise of a warrant granted pursuant to the Company's 8,000,000 Unit private placement that closed June 4, 2020.

On November 20, 2019, the Company issued a total of 15,588,210 common shares at \$0.07 per share, to a director and a company owned by a director, in settlement of the loans secured by Promissory Notes and related to the Silver Hart Property, totalling \$1,091,175 (Notes 4 and 8).

Year ended September 30, 2019

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. A fair value of \$171,572 was allocated to the 8,400,000 warrants using the Black Scholes Option Pricing Model with the following assumptions: risk free interest rate – 1.05%; annual dividends - nil; expected life - 24 months; expected stock price volatility- 130%.

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.

The Company paid finders fees of \$22,587 relating to the private placements.

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.

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

For nine months ended June 30, 2020

(Expressed in Canadian dollars)

(Unaudited)

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

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

During the period ended June 30, 2020, the Company did not grant any stock options and there were no options issued and outstanding and the Company did not recognize share based compensation during the period (2019 - \$Nil).

The weighted average fair value of stock options granted during the year ended June 30, 2020 was \$Nil (2018 - \$Nil).

During the period ended June 30, 2020 and the year ended September 30, 2019, there was no transaction for any options granted and no stock options outstanding.

Share-based payment reserve:

The share-based payment reserve is used to recognize the fair value of share options granted to employees and consultants, including key management personnel, as part of their remuneration. When options are subsequently exercised, the fair value of such options in share based payment reserve is credited to share capital.

Warrants

Warrant transactions are summarized as follows:

| | Number of warrants | Weighted average exercise price | Expiry Date |
|---|--------------------|---------------------------------|-------------------|
| Outstanding balance, September 30, 2018 | 5,071,920 | \$0.550 | |
| Warrants exercised | (260,000) | 0.300 | |
| Warrants expired | (4,811,920) | 0.550 | |
| Warrants issued | 8,400,000 | 0.075 | September 5, 2021 |
| Outstanding balance, September 30, 2019 | 8,400,000 | \$0.075 | |
| Warrants issued | 8,000,000 | 0.050 | June 4, 2021 |
| Warrants exercised | (300,000) | 0.050 | |
| Outstanding balance, June 30, 2020 | 16,100,000 | \$0.063 | |

As of June 30, 2020, 8,400,000 warrants exercisable at \$0.075 expiring on September 5, 2021 and 7,700,000 warrants exercisable at \$0.50 expiring on June 4, 2021 in a total of 16,100,000 warrants remained unexercised.

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

For nine months ended June 30, 2020

(Expressed in Canadian dollars)

(Unaudited)

12. RELATED PARTY TRANSACTIONS

During the nine months ended June 30, 2020, the Company entered into the following transactions with related parties:

- a) incurred rent of \$13,500 (June 30, 2019 – \$13,500) to a company controlled by an insider of the Company;
- b) incurred secretarial fees of \$27,000 (June 30, 2019 - \$35,100) to a company controlled by an insider of the Company which was recorded in office and miscellaneous;
- c) incurred sub-contractor fees of \$103,237 (June 30, 2019 - \$3,500) to a director or a company controlled by a director and officer of the Company.

At June 30, 2020, a total of \$43,629 (June 30, 2019 - \$121,561) 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 during the nine month period ended:

| | June 30, 2020 | June 30, 2019 |
|---------------------|---------------|---------------|
| Sub-contractor fees | \$103,237 | \$3,500 |
| | \$103,237 | \$3,500 |

13. FINANCIAL RISK AND CAPITAL MANAGEMENT

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

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

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 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.

CMC METALS LTD.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For nine months ended June 30, 2020

(Expressed in Canadian dollars)

(Unaudited)

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

Liquidity risk (cont'd)

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 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.

14. CONTINGENT LIABILITY

The Company is subject to a claim made by the Government of the Yukon Territory related to the remediation of the Silver Hart Property (Note 4) pursuant to its exploration program. The Company has accrued a provision of \$146,070 by way of estimating its obligation to remediate the claims but the actual amount of any economic outflow related to this contingency is dependent upon future events and cannot be reliably measured as at June 30, 2020.

15. SUBSEQUENT EVENTS

Subsequent to June 30, 2020, the Company:

- (a) Announced by press release dated July 7, 2020, that it had agreed to conduct a flow-through private placement to raise \$480,000 to issue up to 6,000,000 Units at \$0.08 per Unit. Each Unit consisting of one common share and one transferrable share purchase warrant exercisable on a 2:1 basis for one year at \$0.10 per share. The funds derived from this placement will be used for the Company's exploration program at the Silver Hart Property, Yukon, Canada. This transaction received TSX Venture Exchange approval by final approval letter dated July 27, 2020 and closed;
- (b) On August 6, 2020, the Company issued 500,000 common shares pursuant to the exercise of Warrants at \$0.05 per share pursuant to its 8,000,000 Unit private placement which closed June 4, 2020.
- (c) As of August 27, 2020, the Company received \$15,000 in subscriptions received in advance pursuant to the exercise of Warrants exercised pursuant to its 8,000,000 Unit private placement;
- (d) The Company received a \$40,000 grant from the Yukon Mineral Exploration Assistance Program (YMEP) to support exploration activities on the Silver Hart claims for 2020. YMEP is a program administered by the Yukon Department of Energy, Mines and Resources designed to support individuals and companies exploring mineral occurrences and advanced exploration projects in Yukon.