

**CMC METALS LTD.**  
**MANAGEMENT DISCUSSION AND ANALYSIS (“MD&A”)**  
**Quarter Ended June 30, 2020, as of August 27, 2020**  
(all figures in Canadian dollars)

**General**

The following Management Discussion and Analysis of Financial Condition and Results of Operations for CMC Metals Ltd. (the “Company”), prepared August 27, 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](http://www.sedar.com) and on the Company's website at [www.cmcmetals.ca](http://www.cmcmetals.ca).

**Description of Business**

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

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

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

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

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

**CMC METALS LTD.**  
**MANAGEMENT DISCUSSION AND ANALYSIS (“MD&A”)**  
**Quarter Ended June 30, 2020, as of August 27, 2020**  
(all figures in Canadian dollars)

**IMPACT OF COVID 19**

During the Company’s most recent quarter ending June 30, 2020, there continued to be 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. The Company also developed and implemented a COVID Policy to ensure the safety of its workers and contractors.

**Discussion of Operations and Financial Condition**

**Operations Summary**

**Silver Hart Project (Silver Hart and Blue Heaven Claims), Yukon:**

The Silver Hart Project is located approximately 132 km west of Watson Lake. The project comprises of two property claim blocks namely (i) the Silver Hart claims which cover 2,200 hectares with 116 contiguous full and partial claims; and (ii) the Blue Heaven claims which cover 1,975 hectares with 118 contiguous full and partial claims. The Blue Heaven property adjoins the Silver Hart claims and was optioned from Strategic Metals Ltd. on June 3, 2020.

The Company has been actively exploring the Silver Hart area throughout the 2020 field season as well as improving the access road and conducting various environmental and engineering studies.

**Exploration on the Silver Hart Claims**

Recent exploration efforts have focussed on identifying new prospective areas for mineralization on the property with the overall aim to increase the resource potential and outline drill targets for 2021.

Our initial efforts started with a short drill program in 2019 where we tested extensions of known mineralized areas within the Main Zone which has been the primary focus of exploration efforts for the past 15 years. The Company conducted a 16-hole (1,048 meter) drill program in 2019 at Silver Hart. The program was designed to further test known mineralized zones within the main zone structure and possible extensions of those zones.

Drilling focused on the TM and S mineralized areas within the Main Zone which historically have been outlined as the deposits most likely suited for initial open pit mine development and possibly followed with underground mine development.

The results from the 2019 program were very encouraging as they identified continuity of high-grade intersections with over 900 g/t silver in holes 19-01 and 19-02 at depths. From past and current drilling results there is a continuity of high-grade mineralization from surface to the projected bottom of the possible open pitting of the TM zone. In addition, results from holes 19-05 and 19-06 in the southern portion of the S zone identified grades of silver exceeding 1100 g/t along with 4.25-11.38% lead and 8.61-13.48% zinc. In both zones an increase in zinc grades at depth was observed. Where significant mineralization was not intersected, the Company gained knowledge of the extent of the known zones and also filled gaps in areas previously untested, helping it to develop a greater understanding of the mineralizing system.

## **CMC METALS LTD.**

### **MANAGEMENT DISCUSSION AND ANALYSIS (“MD&A”)**

**Quarter Ended June 30, 2020, as of August 27, 2020**

(all figures in Canadian dollars)

#### **Operations Summary (cont’d)**

##### **Silver Hart Project (Silver Hart and Blue Heaven Claims), Yukon: (cont’d)**

Overall high-grade silver-lead-zinc mineralization has been identified in the TM and S zones of the main zone for a strike length in excess of 500 meters and remains open to the southwest and at depth. These deposits remain unexplored at depths below 85 meters and therefore have considerable potential for further resource expansion.

The drilling also served to identify extensions of the TM and S zones in the main zone. Hole 19-04 indicated an extension of the TM zone of at least 35 meters to the southwest and remaining open, and within hole 19-08, although there was no significant intercept, it did include alteration style rocks similar to those found within the mineralized areas of the TM zone. The S zone was also extended to the southwest and northeast through intersections in holes 19-10 and 19-07, respectively. The overall extension of the S zone from the 2019 drilling was estimated to be in excess of 100 meters. Testing of these extensions identified to the Company that the true exploration and resource potential of the existing mineralized zones has not been fully identified and that the drilling to date has been limited to only depths less than 100 meters signalling that there is a lot of potential for additional resources both along strike and at depth.

In 2019 we also conducted a preliminary soil geochemical survey of areas considered to have exploration potential from an examination of the property geology, with a focus on the contact between the granodioritic intrusive and the outlying sediments as within these sequences are hosted high grade silver-lead-zinc veins and possibly carbonate replacement deposits. Two areas were examined including the now named KW zone and the South Zone. Both areas identified significant silver anomalies coincident with zinc and lead anomalies and possibly associated with faults structures as they were also coincident with VLF-EM conductors.

The Company then undertook a detailed examination of all drill and geological data of exploration on the property dating back to the earliest efforts in 1985. From this data several additional prospective areas were identified. In addition, the potential for the extension of these major systems onto the adjoining Blue Heaven property was identified and as a result the Company pursued and concluded an agreement to option highly prospective areas from Strategic Metals Ltd.

As a result of the data compilation in 2020, the Company has undertaken a thorough evaluation of (i) possible extensions of the Main Zone to the south; (ii) an area northeast of the M subzone which is possibly a northern extension of the South Zone; (iii) a more detailed examination of the KW zone; (iv) other prospective terrain within a 2 kilometer radius of the Main Zone; and (v) an initial examination of previous identified sites in the Blue Heaven claims to provide a verification of past data and to aid planning for exploration of those claims in 2021 and beyond.

This work has involved a combination of (i) soil and rock geochemistry; (ii) trenching and trail building within the new prospective areas; (iii) grid preparation and brush cutting; and (iv) geophysical surveys comprising of Induced Polarization and VLF-EM surveys. This data will then all be evaluated to identify numerous drill targets for future drilling campaigns.

In the latter part of 2020, the Company will be undertaking acid rock drainage and metal leachate studies to provide an initial examination of any possible environmental and water management issues that will need to be addressed in mine planning and development. The Company will also be undertaking further

## **CMC METALS LTD.**

### **MANAGEMENT DISCUSSION AND ANALYSIS (“MD&A”)**

**Quarter Ended June 30, 2020, as of August 27, 2020**

(all figures in Canadian dollars)

#### **Operations Summary (cont’d)**

##### **Silver Hart Project (Silver Hart and Blue Heaven Claims), Yukon, (cont’d)**

metallurgical studies to identify the suitability of the known deposits for processing and initial ore processing recovery rates. The Company has also completed site surveys of the access road for planning of bridge improvements on the access road and engineering studies of the hydrology of the creek crossings and load capacities on the current bridge infrastructure. This will facilitate all planning and permit requirements for completion of access road improvements to the site.

In June, 2020, the Company was approved for 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.

##### **Blue Heaven Claims, Yukon**

As previously noted, the Blue Heaven claims lie immediately adjacent to the southeast of the Silver Hart claims. The Blue Heaven claims cover part of the Cassiar Batholith, a satellite plug and surrounding calcareous and non-calcareous sediments which are thought to be a multi-kilometer extension of the same geological units at Silver Hart. Past exploration efforts within Blue Heaven have served to identify 16 mineralized zones comprising of high- grade silver-lead-zinc veins, silver-lead-zinc carbonate replacement occurrences and tungsten +/- copper skarns.

A 1999 bulk sample of hand sorted material from excavations on two of the vein zones produced 51.47 dry tonnes grading 8,563 g/t silver, 56.2% lead, 9.5% zinc and 1.2 g/t gold.

The carbonate replacement zones are found within a 200 to 500 meter thick section of calcareous meta-sediments that extend for at least four kilometers into the Blue Heaven property from Silver Hart and that have an associated strong lead and zinc response throughout most of the belt.

Mineralization at Blue Heaven has been exposed in over 100 completed trenches and through several drill campaigns (over 30 holes). Highlights of past results include:

- H Zone: 2,969 g/t silver over 1.3 meters within a massive sphalerite-galena lens that averaged 6,264.3 g/t silver, 445.5% lead and 17.6% zinc over 0.6 meters;
- Don Zone: trench result that produced 778 g/t silver and 0.76% lead over 3.7 meters;
- Desire Zone: Chip samples over 35.8 meters averaging 65.5 g/t silver, 5% lead and 3.6% zinc and in another trench 115.6 g/t silver, 4.2% lead and 3.4% zinc over 24.1 meters;
- Orly Zone South: grab samples with 1,675 g/t silver, 15% lead and 3.97% zinc over 0.15 meters and 5,063 g/t silver and 59.7% lead (sample width unknown);
- Orly North Zone: grab sample grading 3,748.3 g/t silver 8.87% lead and 5.9% zinc.

Carbonate-hosted silver-lead-zinc replacement deposits such as those that may exist at Silver Hart and Blue Heaven are comparable to the highly productive silver belt in Coeur d’Alene, Idaho. Carbonate hosted deposits are important and highly valuable sources of silver, lead, zinc and other minerals, and typically comprise of ore bodies ranging from 0.5 million tonnes to upwards of 20 million tonnes or more and are commonly found in clusters. These deposits along with the high-grade veins are the focus of exploration efforts at the Silver Hart project.

## **CMC METALS LTD.**

### **MANAGEMENT DISCUSSION AND ANALYSIS (“MD&A”)**

**Quarter Ended June 30, 2020, as of August 27, 2020**

(all figures in Canadian dollars)

#### **Operations Summary (cont’d)**

##### **Logjam Property, Yukon**

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

Mineralization at Logjam comprises of no less than 10 polymetallic veins containing gold, silver, lead, zinc, copper and to a lesser extent antimony, bismuth and tungsten. Logjam has seen a lot of historical work completed on the project including 701 meters of underground development in two adits (5600 and 5150 levels) and 2,971 meters of drilling. Limited exploration has taken place since the mid 1980’s but it is considered that the property has exploration potential to host a polymetallic deposit.

The Company conducted a brief reconnaissance effort to examine areas with obvious mineralization on the property, complete an assessment of the property infrastructure (including a former 40 person camp), and property accessibility to help plan future exploration and permitting efforts. During this reconnaissance effort, 7 grab samples were collected.

Key highlights from the grab samples, that may not be representative of the entire property, were collected during the reconnaissance regional sampling effort at Logjam include:

- Sample 1319601: Obtained 1.99 g/t gold, 489 g/t silver, 4.4% lead, 1,555 g/t zinc, and 1,636 g/t stibnite (antimony sulfide)
- Sample 1319603: Obtained 7.53 g/t gold, 1000 g/t silver, 10% lead, 1,836 g/t zinc, 2,000 g/t stibnite, and 6,673 g/t copper.
- Sample 1319604: Obtained 3.66 g/t gold, 211 g/t silver, 6,657 g/t lead, 4% zinc, 393 g/t stibnite, and 1,882 g/t copper.
- Sample 1319606 (taken from the underground portal): Obtained 49.6 g/t silver, 4,137 g/t lead, 6,350 g/t zinc, and 414 g/t copper.

The other three samples from the regional reconnaissance effort all identified anomalous amounts of gold, silver, lead, zinc, copper, and antimony mineralization. This brief reconnaissance effort demonstrates that Logjam has the potential to host a polymetallic deposit. The areal extent of anomalous polymetallic veins and associated grades are very encouraging. The existing infrastructure including the adits and camp will help reduce the costs of future exploration efforts. Current plans are to initiate permitting to re-establish the road access to the property, conduct a geotechnical evaluation of the portals necessary to determine whether or not drilling may be possible from these underground areas, camp and site remediation, and other exploration activities such as prospecting, geological mapping, geochemistry, and trenching. This work is targeted to prepare the Company to be able to conduct a more detailed exploration in 2021. Logjam has never been subjected to modern exploration methods, therefore plans will also include integration of the existing data into a geological model which will guide future drilling and be used to initiate a program to better understand the deposit structure and mineralizing controls.

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 deposit is open along both strike and depth. Logjam has seen a lot of historical work completed on the project including

## **CMC METALS LTD.**

### **MANAGEMENT DISCUSSION AND ANALYSIS (“MD&A”)**

**Quarter Ended June 30, 2020, as of August 27, 2020**

(all figures in Canadian dollars)

#### **Operations Summary (cont’d)**

##### **Logjam Property, Yukon: (cont’d)**

701 meters of underground development in two adits and 2,971 meters of drilling which will be placed into a geological model and then used to guide future exploration efforts.

The Company is currently awaiting a permit to initiate exploration efforts. Environmental assessment of the permit is completed and consultation between Yukon and First Nations is underway as part of the standard permitting process in Yukon. Plans are underway to conduct exploration on the property in 2021.

##### **Bishop Mill Processing Facility, Bishop, California**

On March 15, 2010, the Company signed a Purchase Agreement for the Bishop Mill facilities located 8 miles north east of Bishop, California. The purpose of the asset acquisition was based on the Bishop Mill being the only current permitted facility in Inyo County, California 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 operator and determined on December 23, 2011, that the tailings were non-toxic and required no further site reclamation.

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. This work commenced in the summer of 2019 and it is expected that the site clean-up will be completed once approval of the waste management disposal plan has been provided by the BLM and LWB which is anticipated to be completed by year end.

##### **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,

**CMC METALS LTD.**  
**MANAGEMENT DISCUSSION AND ANALYSIS (“MD&A”)**  
**Quarter Ended June 30, 2020, as of August 27, 2020**  
(all figures in Canadian dollars)

**Operations Summary (cont’d)**

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

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.

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 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

**CMC METALS LTD.**  
**MANAGEMENT DISCUSSION AND ANALYSIS (“MD&A”)**  
**Quarter Ended June 30, 2020, as of August 27, 2020**  
(all figures in Canadian dollars)

**Property Acquisitions (cont’d)**

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

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 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 June 30, 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 June 30, 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 June 30, 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



**CMC METALS LTD.**  
**MANAGEMENT DISCUSSION AND ANALYSIS (“MD&A”)**  
**Quarter Ended June 30, 2020, as of August 27, 2020**  
(all figures in Canadian dollars)

**Property Acquisitions (cont’d)**

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

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.

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.

**Blue Heaven Property, Yukon Canada**

On June 1, 2020, the Company entered into a Property Option Agreement to earn up to a 100 percent working interest in the Blue Heaven mineral property in the Rancheria Silver District, Yukon, subject to an option agreement with Strategic Metals Ltd. (TSX-V: SMD) (“Blue Heaven Agreement”). Pursuant to the terms of the Blue Heaven Agreement, the Company paid \$7,500 upon execution of the Agreement and will pay \$30,000 on the first anniversary. Additional payments will be made in the following years of \$62,500 at the end of year two, \$125,000 at the end of year three and \$175,000 at the end of year four resulting in total payments of \$400,000 for an 80% interest in the Blue Heaven Property. The Company will have an option to acquire the remaining 20% interest for a cash payment of \$500,000. The Blue Heaven Property is subject to a 2% net smelter royalty which can be reduced to 1% upon the payment of \$1,000,000.

**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.

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

## **CMC METALS LTD.**

### **MANAGEMENT DISCUSSION AND ANALYSIS (“MD&A”)**

**Quarter Ended June 30, 2020, as of August 27, 2020**

(all figures in Canadian dollars)

#### **Share Roll-Back (cont’d)**

rollback, and any fractional common shares that would otherwise be issued were rounded down or up to the nearest whole number.

#### **Share Issuances**

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.

On July 27, 2020, the Company completed a non-brokered flow-through private placement of a total of 6,000,000 units at \$0.08 per unit, for gross proceeds of \$480,000. Each unit consists of one common share and one transferrable share purchase warrant exercisable on a 2:1 basis for a one year period at \$0.10 per share expiring July 27, 2021.

On June 29, 2020, the Company issued 300,000 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.

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.

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, 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,

**CMC METALS LTD.**  
**MANAGEMENT DISCUSSION AND ANALYSIS (“MD&A”)**  
**Quarter Ended June 30, 2020, as of August 27, 2020**  
(all figures in Canadian dollars)

**Share Issuances (cont’d)**

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.

**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

**CMC METALS LTD.****MANAGEMENT DISCUSSION AND ANALYSIS (“MD&A”)****Quarter Ended June 30, 2020, as of August 27, 2020**

(all figures in Canadian dollars)

**Quarterly Information**

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

	Quarter Ended 09/30/2018	Quarter Ended 12/31/2018	Quarter Ended 03/31/2019	Quarter Ended 06/30/2019
Net Income (loss)	\$(416,504)	\$164,442	\$(109,491)	\$(65,439)
Income (Loss) per share	\$0.03	\$(0.01)	\$0.01	\$0.03
	Quarter Ended 09/30/2019	Quarter Ended 12/31/2019	Quarter Ended 03/31/2020	Quarter Ended 06/30/2020
Net Income (loss)	\$(468,323)	\$(217,555)	\$(116,565)	\$(139,736)
Income (loss) per share	\$0.01	\$(0.01)	\$(0.00)	\$(0.00)

**Management Discussion and Analysis*****Quarter Ended June 30, 2020 Compared to Year Ended September 30, 2019***

As of June 30, 2020, the Company had total assets of \$362,979 as compared with \$646,913 at September 30, 2019. The Company had a working capital deficiency at June 30, 2020 of \$705,522 compared to a working capital deficiency of \$1,633,099 as at September 30, 2019.

***Quarter Ended June 30, 2020 Compared to Quarter Ended June 30, 2019***

As of June 30, 2020, the Company had total assets of \$362,979 as compared with \$309,088 at June 30, 2019. The Company had a working capital deficit at June 30, 2020 of \$705,522, compared to a working capital deficit of \$2,032,533 at June 30, 2019.

Total operating expenses during the quarter ended June 30, 2020 amounted to \$601,713 compared to \$329,475 for the quarter ended June 30, 2019. The income per share for the quarter ended June 30, 2020 was \$(0.01) compared with an income per share of \$(0.02) for the quarter ended June 30, 2019.

**CMC METALS LTD.**  
**MANAGEMENT DISCUSSION AND ANALYSIS (“MD&A”)**  
**Quarter Ended June 30, 2020, as of August 27, 2020**  
(all figures in Canadian dollars)

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

General and administration expenses were as follows:

For the quarter ended June 30,	<u>2020</u>	<u>2019</u>
Amortization	\$ 3,285	\$ 1,281
Consulting	114,083	15,278
Exploration and evaluation assets costs recovery	359,064	98,539
Filing and transfer agent fees	14,595	15,890
Financing Fee	1,461	1,461
Flow through share related taxes	1,135	25,850
Interest expense	-	68,744
Marketing	-	(4,633)
Office and miscellaneous	54,619	49,810
Professional fees	29,611	19,206
Rent	15,000	3,500
Travel	8,860	24,549
	<u>\$601,713</u>	<u>\$329,475</u>

**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.

**CMC METALS LTD.**  
**MANAGEMENT DISCUSSION AND ANALYSIS (“MD&A”)**  
**Quarter Ended June 30, 2020, as of August 27, 2020**  
(all figures in Canadian dollars)

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

The Company incurred the following key management compensation charges during the nine months period ended:

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

**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.

**Liquidity & Capital Resources**

Cash as of June 30, 2020 was \$91,465 compared to \$344,635 for the year ended September 30, 2019. As at June 30, 2020, the Company had a working capital deficit of (\$705,522) 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.

## **CMC METALS LTD.**

### **MANAGEMENT DISCUSSION AND ANALYSIS (“MD&A”)**

**Quarter Ended June 30, 2020, as of August 27, 2020**

(all figures in Canadian dollars)

#### **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 June 30, 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 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.

## **CMC METALS LTD.**

### **MANAGEMENT DISCUSSION AND ANALYSIS (“MD&A”)**

**Quarter Ended June 30, 2020, as of August 27, 2020**

(all figures in Canadian dollars)

#### **Risk, Uncertainties and Outlook (cont’d)**

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.

#### ***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.



**CMC METALS LTD.**  
**MANAGEMENT DISCUSSION AND ANALYSIS (“MD&A”)**  
**Quarter Ended June 30, 2020, as of August 27, 2020**  
(all figures in Canadian dollars)

**Risk, Uncertainties and Outlook (cont’d)**

***Interest rate risk***

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

**Capital management**

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of equity, comprising share capital, net of accumulated deficit.

There were no changes in the Company's approach to capital management during the year.

The Company is not subject to any externally imposed capital requirements.

**Classification of financial instruments**

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

	June 30, 2020 (Unaudited)	September 30, 2019 (Audited)
Loans and receivables:		
Cash	\$ 91,465	\$344,635
Reclamation deposits	263,823	256,370
	<b>\$355,288</b>	<b>\$601,005</b>

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

	June 30, 2020 (Unaudited)	September 30, 2019 (Audited)
Non-derivative financial liabilities:		
Trade payables	\$75,448	\$102,389
	<b>\$75,448</b>	<b>\$102,389</b>

**CMC METALS LTD.**  
**MANAGEMENT DISCUSSION AND ANALYSIS (“MD&A”)**  
**Quarter Ended June 30, 2020, as of August 27, 2020**  
(all figures in Canadian dollars)

**Share Capital**

As of August 27, 2020, the Company had 63,938,265 common shares issued and outstanding.

In addition, as at August 27, 2020 the Company had no outstanding incentive stock options and 21,600,000 warrants outstanding convertible as follows

1. 8,400,000 exercisable into 8,400,000 common shares at \$0.075 per share expiring September 5, 2021;
2. 7,200,000 exercisable into 7,200,000 common shares at \$0.05 per share expiring June 4, 2021;
3. 6,000,000 exercisable into 3,000,000 common shares at \$0.10 per share expiring July 27, 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.