

CMC METALS LTD.
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED JUNE 30, 2021
(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management)

CMC METALS LTD.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

These condensed interim consolidated financial statements of CMC Metals Ltd. as at and for the nine months ended June 30, 2021 have been prepared by the management of CMC Metals Ltd. The auditors of CMC Metals Ltd. have not audited or reviewed these condensed interim consolidated financial statements.

CMC METALS LTD.**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

As at June 30, 2021 and September 30, 2020

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

	June 30, 2021	September 30, 2020
ASSETS		
Current		
Cash	\$ 1,577,536	\$ 300,610
Receivables	217,818	105,421
Prepaid expenses (Note 10)	10,300	30,508
	1,805,654	436,539
Non-current		
Exploration and evaluation assets (Note 4)	111,900	-
Reclamation bond (Note 3)	241,047	258,228
	352,947	258,228
TOTAL ASSETS	\$ 2,158,601	\$ 694,767
LIABILITIES		
Current		
Trade payables	\$ 223,415	\$ 228,739
Due to related parties (Note 10)	-	61,604
Deferred premium on flow-through shares (Note 9)	96,250	-
Preferred shares (Note 7)	500,000	500,000
Provision for restoration and environmental obligation (Note 8)	146,070	146,070
	965,735	936,413
Non-current		
Loan – non-current (Note 6)	22,780	21,065
TOTAL LIABILITIES	988,515	957,478
SHAREHOLDERS' EQUITY		
Share capital (Note 9)	23,094,978	20,654,620
Share subscription receivable	(22,400)	2,500
Share-based payment reserve	974,541	611,437
Deficit	(22,877,033)	(21,531,268)
TOTAL SHAREHOLDERS' EQUITY (DEFICIENCY)	1,170,086	(262,711)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)	\$ 2,158,601	\$ 694,767

CMC METALS LTD.**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**

For the three and nine months ended June 30, 2021 and 2020

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

	For the three months ended June 30,		For the nine months ended June 30,	
	2021	2020	2021	2020
Administrative expenses				
Amortization	\$ -	\$ 955	\$ -	\$ 3,285
Consulting fees (Note 10)	65,254	72,668	119,876	114,083
Exploration expenditures (Notes 4 and 10)	181,665	52,414	470,090	359,064
Filing fees and transfer agent	8,718	4,043	45,255	14,595
Financing Fee	-	-	6,573	1,461
Flow-through share related tax	-	-	-	1,135
Insurance	-	-	10,411	-
Interest expense	89	-	1,805	-
Management fees (Note 10)	1,259	-	2,658	-
Marketing	65,868	-	144,292	-
Office and miscellaneous	120,560	19,060	164,837	54,619
Professional fees	29,629	-	90,056	29,611
Rent	9,000	6,000	18,000	15,000
Stock-based compensation (Notes 9 and 10)	35,885	-	319,533	-
Travel	3,987	3,380	12,545	8,860
	521,914	158,520	1,405,931	601,713
Loss before other items	(521,914)	(158,520)	(1,405,931)	(601,713)
Other items				
Other income (Note 5)	-	-	75,000	73
Gain on foreign exchange	(3,001)	18,784	(14,834)	127,388
Gain on marketable securities	-	-	-	393
	(3,001)	18,784	60,166	127,854
Net loss and comprehensive loss for the period	\$ (524,915)	\$ (139,736)	\$ (1,345,765)	\$ (473,859)
Basic and diluted loss per share	\$ (0.01)	\$ (0.00)	\$ (0.02)	\$ (0.01)
Weighted average number of common shares outstanding	86,173,745	46,997,029	75,687,252	46,997,029

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

For the nine months ended June 30, 2021 and 2020

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

	Number of Shares	Capital Stock	Subscriptions received in advance	Share-based payment reserve	Deficit	Total Shareholders' Equity (Deficiency)
Balance, September 30, 2019	33,550,055	\$ 19,220,318	\$ -	\$ 300,972	\$ (20,893,639)	\$ (1,372,349)
Comprehensive Loss:						
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:						
Shares issuance for settlement of debts	15,588,210	1,091,175	-	-	-	1,091,175
Share issuance for Cash	8,000,000	300,000	-	-	-	300,000
Share issuance for warrants exercised	300,000	15,000	-	-	-	15,000
Fair value of warrants exercised	-	(103,632)	-	103,632	-	-
Total transactions with owners and other transfers	23,888,210	1,302,543	-	103,632	-	1,406,175
Balance, June 30, 2020	57,438,265	\$ 20,522,861	\$ -	\$ 404,604	\$ (21,367,498)	\$ (440,033)

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

For the nine months ended June 30, 2021 and 2020

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

	Number of Shares	Capital Stock	Subscriptions received in advance	Share-based payment reserve	Deficit	Total Shareholders' Equity (Deficiency)
Balance, September 30, 2020	66,345,385	\$ 20,654,620	\$ 2,500	\$ 611,437	\$ (21,531,268)	\$ (262,711)
Comprehensive Loss:						
Loss for the period	-	-	-	-	(1,345,765)	(1,345,765)
Total comprehensive loss for the period	-	-	-	-	(1,345,765)	(1,345,765)
Transactions with owners, in their capacity as owners, and other transfers:						
Share issuances for cash	24,892,115	2,473,537	(2,500)	-	-	2,471,037
Share subscriptions received	-	-	(22,400)	-	-	(22,400)
Share issuances for exploration and evaluation assets	320,000	45,900	-	-	-	45,900
Share issuance costs	-	(35,508)	-	-	-	(35,508)
Finder's fee agent's warrants	-	(15,947)	-	15,947	-	-
Stock-based compensation	-	-	-	319,533	-	319,533
Fair value allocated to warrants	-	(463,728)	-	463,728	-	-
Reallocation on exercise of warrants	-	436,104	-	(436,104)	-	-
Total transactions with owners and other transfers	25,212,115	2,440,358	(24,900)	363,104	-	2,778,562
Balance, June 30, 2021	91,557,500	\$ 23,094,978	\$ (22,400)	\$ 974,541	\$ (22,877,033)	\$ 1,170,086

CMC METALS LTD.**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**

For the nine months ended June 30, 2021 and 2020

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

	For the nine months ended	
	June 30,	
	2021	2020
Operating Activities		
Net loss for the period	\$ (1,345,765)	\$ (473,859)
Items not affecting cash		
Amortization	-	3,285
Accrued interest on promissory note and loans	1,715	-
Stock-based compensation	319,533	-
Changes in non-cash working capital items related to operations:		
Receivables	(112,397)	4,567
Prepays	20,208	30,936
Trade payables and accrued liabilities	(5,324)	(26,941)
Due to related parties	(61,604)	(98,204)
Cash used in operating activities	(1,183,634)	(560,216)
Investing Activities		
Exploration and evaluation assets	(66,000)	-
Cash used in investing activity	(66,000)	-
Financing Activities		
Repayment of loans	-	(1,091,175)
Proceeds on issuance of common shares	2,544,887	1,406,175
Proceeds on issuance of debt	-	-
Share issuance costs	(35,508)	-
Cash provided by financing activities	2,509,379	315,000
Effect of foreign exchange	17,181	(7,954)
Change in cash during the period	1,276,926	(253,170)
Cash, beginning of period	300,610	344,635
Cash, end of the period	\$ 1,577,536	\$ 91,465
Supplemental Disclosure of Cash Flo Information:		
Cash paid during the period		
Interest	\$ -	\$ -
Income taxes	-	-
Non-cash transactions:		
Shares issued for exploration and evaluation assets	\$ 45,900	\$ -
Fair value on transfer from reserve on exercise of warrants	436,104	410,355

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

For nine months ended June 30, 2021

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

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 condensed interim 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, 2021, 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 30, 2021, 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, 2020.

Basis of preparation

The condensed interim consolidated financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The condensed interim consolidated financial statements are presented in Canadian dollars unless otherwise noted.

Basis of consolidation

The condensed interim consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, 0877887 B.C. Ltd. (“0877887 B.C.”), incorporated under the Business Corporations Act of British Columbia and CMC Metals Corp. which is incorporated in the State of California and is inactive.

Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated on consolidation.

CMC METALS LTD.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For nine months ended June 30, 2021

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (cont'd)

Change in accounting policy

Exploration and evaluation assets

Upon adoption of IFRS and in accordance with IFRS 6, the Company's accounting policy for exploration and evaluation assets was as follows -

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are capitalized. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

During the nine-month period ended June 30, 2021, the Company performed a comprehensive review of its accounting policy for exploration and evaluation assets. The Company made a voluntary change in accounting policy, on the basis of more relevant and reliable information about the Company's principal activity of the acquisition and exploration of mineral properties, as follows -

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. All direct costs related to the acquisition of exploration and evaluation asset interests are capitalized as intangible assets. Costs related to exploration expenditures are charged to profit and loss as incurred. When a decision to proceed with development is made, costs related to exploration expenditures subsequently incurred to develop a mine prior to the start of mining operations are capitalized and carried at cost. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

The Company retroactively applied the change in accounting policy with no net effect, as all previously held exploration and evaluation assets had been impaired.

Recent accounting pronouncements

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 was effective for reporting periods beginning on or after January 1, 2019. The Company does not have any leases.

There are no other standards, amendments to standards and interpretations that are expected to have a material impact on the Company.

3. RECLAMATION BOND

The Company has a reclamation bond held in trust by the Bureau of Land Management. As of June 30, 2021, the reclamation bond consists of a deposit of \$241,047 (September 30, 2020 - \$258,228) made by the Company for indemnification of site restoration of the Company's Bishop Mill Property (Note 4).

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

For nine months ended June 30, 2021

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

4. EXPLORATION AND EVALUATION ASSETS

	Silver Hart	Bishop Mill	Blue Heaven	Bridal Veil	Rancheria	Amy/ Silverknife	Terra Nova	Total
Acquisition costs								
Balance, September 30, 2019 and 2020	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Costs incurred during the period:								
Acquisition costs	-	-	30,000	30,400	12,000	34,500	5,000	111,900
Balance, June 30, 2021	\$ -	\$ -	\$ 30,000	\$ 30,400	\$ 12,000	\$ 34,500	\$ 5,000	\$ 111,900
Exploration costs								
Balance, September 30, 2019	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Costs incurred during the year:								
Assaying	25,715	-	7,500	-	-	-	-	33,215
Clean up costs	-	78,545	-	-	-	-	-	78,545
Contractors	435,295	-	-	-	-	-	-	435,295
Drilling	(44,865)	-	-	-	-	-	-	(44,865)
Field office	44,947	-	-	-	-	-	-	44,947
Road construction and exploration	127,358	-	-	-	-	-	-	127,358
trenching								
Transportation and supplies	40,167	-	-	-	-	-	-	40,167
Travel expenses	5,616	-	-	-	-	-	-	5,616
	634,233	78,545	7,500	-	-	-	-	720,278
Government credit	(40,000)	-	-	-	-	-	-	(40,000)
Government loan	(20,521)	-	-	-	-	-	-	(20,521)
Balance, September 30, 2020	\$ 573,712	\$ 78,545	\$ 7,500	\$ -	\$ -	\$ -	\$ -	\$ 659,757
Costs incurred during the period:								
Contractors	111,085	-	785	8,855	5,790	7,918	1,092	135,525
Clean up costs	-	52,807	-	-	-	-	-	52,807
Drilling	15,000	-	-	-	-	-	-	15,000
Equipment	22,857	-	-	-	4,000	-	-	26,857
Field office	9,409	-	-	-	-	-	-	9,409
Geological	75,184	-	-	4,804	8,461	725	2,036	91,210
Geophysical	35,959	-	23,959	500	27,853	20,063	-	108,334
Travel expenses	28,895	-	-	333	1,078	642	-	30,948
Balance, June 30, 2021	\$ 298,389	\$ 52,807	\$ 24,744	\$ 14,492	\$ 47,182	\$ 29,348	\$ 3,128	\$ 470,090

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).

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

For nine months ended June 30, 2021

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

4. EXPLORATION AND EVALUATION ASSETS (cont'd)**Silver Hart Property (cont'd)**

During the year ended September 30, 2020, the Company entered into a Yukon Mineral Exploration Transfer Payment Program Agreement with the Yukon Geological Survey (“YG”) for a one-time financial assistance to assist with the costs of an exploration program related to the Silver Hart Property. The YG agreed to contribute up to a maximum of \$40,000 (the “Government Credit”) towards eligible exploration expenditures which are, in the opinion of YG, reasonable and directly attributable to the Silver Hart Property project and incurred from April 1, 2020 until March 31, 2020. During the year ended September 30, 2020, the Company incurred the eligible exploration expenditures and, therefore, recorded the \$40,000 Government Credit in receivables and as a reduction to the cumulative costs incurred on the Silver Hart Property. The Government Credit was received in full during the nine month ending June 30, 2021.

The Contribution was made available on certain terms and conditions, and in reliance on attestations made by the Company in the agreement. Non-compliance with the terms and conditions may result in termination, withholding by the YG of some or all of the Government Credit or repayment of all or part of the Government Credit. The amount demanded for repayment shall bear interest beginning on the due date and ending on the day before the day on which payment is received by YG. To June 30, 2021 and subsequently, the Company has not received notification of non-compliance.

For the nine-month period ended June 30, 2021, the Company incurred \$298,389 (year ended September 30, 2020 - \$573,712) in exploration expenditures on the Silver Hart Property.

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 continued to incur additional costs in order to bring the mill and equipment to use. As at June 30, 2021, the Bishop Mill was not capable of operating in a manner intended by management. For the nine-month period ended June 30, 2021, the Company incurred \$52,807 (September 30, 2020 - \$78,545) in clean-up costs on the Bishop Mill Property.

Blue Heaven Property

On June 1, 2020, the Company entered into a mineral property option agreement to acquire up to a 100% interest in certain claims comprising the Blue Heaven Property located in the Rancheria Silver District, Yukon Territories.

The Company has the option to acquire an 80% interest for the following consideration payments:

- \$7,500 upon execution of the Agreement (paid);
- An additional \$30,000 on or before June 1, 2021 (paid);
- An additional \$62,500 on or before June 1, 2022;
- An additional \$125,000 on or before June 1, 2023; and
- An additional \$175,000 on or before June 1, 2024.

Upon completion of the First Option payments, the Company and Strategic will enter into a joint venture to pursue the exploration, development, construction and mining of the Blue Heaven Property. The Company will be the initial operator of the joint venture and remain for as long as its interest is equal to or exceeds 50%.

The Company has the option to acquire a further 20% interest (the “Second Option”) by payment of \$500,000 on or before November 28, 2024. Upon completion of the Second Option payment, the Company will be deemed to have acquired a 100% interest in the Blue Heaven Property.

CMC METALS LTD.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For nine months ended June 30, 2021

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

4. EXPLORATION AND EVALUATION ASSETS (cont'd)

Blue Heaven Property (cont'd)

The Blue Heaven Property is subject to a 2% net smelter royalty (“NSR”). The Company has the option to acquire one-half, being 1%, of the NSR for \$1,000,000.

For the nine-month period ended June 30, 2021, the Company incurred \$24,744 (year ended September 30, 2020 - \$7,500) in exploration expenditures on the Blue Heaven Property.

Bridal Veil Property

On October 22, 2020, the Company entered into a mineral property option agreement to acquire a 100% working interest in the Bridal Veil Property located in the Gander Subzone in Central Newfoundland, for consideration comprised of cash and the issuance of common shares of the Company, subject to TSX-V approval, which was received on December 11, 2020. The Company paid \$16,000 cash and issued 120,000 common shares at a fair value of \$14,400 to the optionors on December 15, 2020.

Pursuant to this agreement, the Company is required to make the following additional payments:

- \$24,000 plus issue 100,000 common shares or pay \$10,000 in cash and issue 200,000 common shares at the first anniversary date; and,
- \$20,000 plus 100,000 common shares or \$10,000 and 200,000 common shares on each of the second and third anniversary dates.

There is a 2.5% NSR of which 1.5% can be purchased at any time by the Company from the optionors for \$1,000,000 per 1%.

For the nine-month period ended June 30, 2021, the Company incurred \$14,492 (year ended September 30, 2020 - \$Nil) in exploration expenditures on the Bridal Veil Property.

Rancheria Property

On November 2, 2020, the Company entered into a mineral property option agreement to earn up to a 100% working interest in the Rancheria South mineral property located in the Rancheria Silver District in the Yukon, for consideration of the issuance of a total of 1,500,000 common shares of the Company over a period of three years from the date of the agreement, subject to TSX-V approval which was received on December 11, 2020.

The Company issued 100,000 common shares at a fair value of \$12,000 (issued) to the optionor on December 15, 2020 and will issue:

- 250,000 common shares on the first anniversary date;
- 400,000 common shares on the second anniversary date; and,
- 750,000 common shares on the third anniversary date.

The Company is committed to incurring exploration expenditures on the Rancheria Property totaling \$175,000 as follows:

- \$25,000 on or before the first anniversary date;
- an additional \$50,000 on or before the second anniversary date; and,
- an additional \$100,000 on or before the third anniversary date.

There is a 2% NSR which can be reduced to 1% upon the payment of \$1,000,000.

For the nine-month period ended June 30, 2021, the Company incurred \$47,182 (year ended September 30, 2020 - \$Nil) in exploration expenditures on the Rancheria Property.

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

For nine months ended June 30, 2021

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

4. EXPLORATION AND EVALUATION ASSETS (cont'd)**Amy and Silverknife Property**

On February 10, 2021, the Company entered into a mineral property option agreement to acquire up to a 100% working interest in the Silverknife and Amy mineral properties in the Rancheria Silver District, north-central British Columbia (the “Rancheria Silver District”), for consideration comprised of cash and the issuance of common shares of the Company, subject to TSX-V approval, which was received on February 25, 2021, and the Company paid \$15,000 cash on February 4, 2021 and issued 100,000 common shares at a fair value of \$19,500 to the optionors on March 4, 2021.

Pursuant to this agreement, the Company is required to make the following additional payments:

- \$15,000 plus issue 200,000 common shares at the first anniversary date;
- \$20,000 plus issue 400,000 common shares the second anniversary date;
- \$40,000 plus issue 500,000 common shares the third anniversary date.

The Company is committed to incurring exploration expenditures on the Amy and Silverknife Property totaling \$60,000 as follows:

- \$10,000 on or before the first anniversary date;
- an additional \$20,000 on or before the second anniversary date; and,
- an additional \$30,000 on or before the third anniversary date.

There is a 2% NSR of which 1% can be purchased at any time by the Company from the optionors for \$1,000,000.

For the nine-month period ended June 30, 2021, the Company incurred \$29,348 (year ended September 30, 2020 - \$Nil) in exploration expenditures on the Amy and Silverknife Property.

Terra Nova Property

On October 22, 2020, the Company entered into a mineral property option agreement to earn up to a 100% working interest in the Terra Nova Property located in the Gander Subzone in Central Newfoundland, for consideration of cash only, \$5,000 (paid) which was due on signing, and subsequent payments as follows:

- \$10,000 on the first anniversary date;
- \$20,000 on the second anniversary date; and,
- \$30,000 on the third anniversary date.

On the fifth anniversary date, an advance royalty is to be paid of \$5,000 per year to the optionors and a NSR of 2.0% of which 1.0% can be purchased at any time by the Company for \$1,000,000.

For the nine-month period ended June 30, 2021, the Company incurred \$3,128 (year ended September 30, 2020 - \$Nil) in exploration expenditures for the Terra Nova Property.

5. OTHER INCOME

During the nine-month period ended June 30, 2021, the Company recovered previously expensed costs of \$75,000. This recovery was treated as other income for the period.

CMC METALS LTD.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For nine months ended June 30, 2021

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

6. LOANS

Silver Hart Property Loan

As consideration for the Silver Hart Property, a balance of \$270,000 remained unpaid as at September 30, 2019 to a significant shareholder of the Company. The unpaid balance was secured by a loan, as last amended on September 24, 2018, was due on September 30, 2019 and was interest bearing at a rate of 8.5% per annum. On September 30, 2019, the principal balance, accrued interest and extension fees for amendments amounted to \$917,000.

On November 20, 2019, the Company extinguished the Silver Hart Property Loan by issuance of common shares (Note 9).

Promissory Notes

During the year ended September 30, 2019, the Company entered into Promissory Notes totaling \$155,500 with a company controlled by a significant shareholder of the Company, which Notes were payable on demand with interest at 18% per annum. To September 30, 2019 the principal balance and accrued interest amounted to \$174,175.

On November 20, 2019, the Company settled the Promissory Notes by issuance of common shares (Note 9).

Regional Relief and Recovery Fund Loan

During the year ended September 30, 2020, the Company applied for a \$40,000 loan from Her Majesty the Queen in Right of Canada as represented by the Minister responsible for Western Economic Diversification Canada (the “Minister”), pursuant to the Regional Relief and Recovery Fund (“RRRF”) program (the “RRRF Loan”). The RRRF Loan was made available on certain terms and conditions, and in reliance on attestations made by the Company in the loan agreement. The \$40,000 was recorded in receivables at September 30, 2020 and received during the six month period ended March 31, 2021

The RRRF Loan is an interest-free loan, available to the Company until December 31, 2020. On January 1, 2021, the RRRF Loan will be converted to a 3-year, 0% interest term loan, to be repaid by December 31, 2022. If the Company repays \$30,000 by December 31, 2022, a balance of \$10,000 will be forgiven. If on December 31, 2022, the Company has not repaid the \$30,000, it may exercise the option for a 3-year term extension and, accordingly, a 5% interest rate will be applied during this extension period on any balance remaining.

The funds from the RRRF Loan may only be used by the Company to pay non-deferrable operating expenses including, without limitation, payroll, rent, utilities, insurance, property tax and regularly scheduled debt service, and may not be used to fund any payments or expenses such as prepayment/refinancing of existing indebtedness, payments of dividends, distributions and increases in management compensation. As such, the government grant was amortized and recognized in the statement of loss and comprehensive loss over the year ending September 30, 2020; the period in which the Company recognized the related expenditures for which the balances were intended to compensate.

Upon initial receipt, the Company recorded the RRRF Loan at a fair value of \$19,479, based on a prevailing market rate of 17%. The Company recorded the result of the benefit received from the interest-free RRRF Loan of \$10,521 as a government grant. The portion of the forgivable RRRF Loan of \$10,000 was also treated as a government grant, given reasonable assurance that the Company will meet the terms for forgiveness of the loan.

During the year ended September 30, 2020, the government grant and RRRF Loan, totaling \$20,521 had been amortized and recognized as a recovery of exploration expenditures in the statement of loss and comprehensive loss. During the nine-month period ended June 30, 2021, the Company recorded \$1,715 (year ended September 30, 2020 - \$1,586) in interest on the RRRF Loan.

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7. 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, 2021, 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.

8. 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 Bishop Mill Property (Note 3) and Silver Hart Property (Note 4).

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 (September 30, 2020 - \$146,070) by way of estimating its obligation to remediate the claim. This liability is secured by a Letter of Credit ("LOC") guaranteed by a third party to whom, commencing January 1, 2021, the Company is obligated to pay a 4% finance fee (Note 13).

9. SHARE CAPITAL

Authorized

Unlimited common shares, without par value

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

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9. SHARE CAPITAL (cont'd)**Issued common shares**

91,557,500 (September 30, 2020 – 66,345,385) common shares issued and outstanding.

For the nine month period ended June 30, 2021

On June 14, 2021, the Company issued 4,812,500 flow-through (FT) units at a price of \$0.16 per FT unit and 2,286,735 non-flow-through (NFT) units at a price of \$0.14 per NFT unit for gross proceeds of \$1,090,143. The Company recognized a flow-through premium of \$96,250. Each FT unit and each NFT unit comprises one common share and one-half of one transferable non-flow-through share purchase warrant. Each whole warrant entitles the holder thereof to acquire one NFT common share of the company at a price of \$0.30 per warrant share, expiring on June 14, 2023. A fair value of \$270,126 was allocated to the 3,549,618 warrants using the Black-Scholes Option Pricing Model with the following assumptions: risk-free-interest-rate – 0.32%, annual dividends – nil, expected life – 24 months, expected stock price volatility – 139%. The Company paid a cash fee of \$18,410 and issued 115,063 finder's warrants to Red Cloud Securities Inc., equal to 7 per cent of gross proceeds and units received from subscribers located by Red Cloud. A cash fee of \$11,798 and issued 84,271 finder's warrants to German Mining Networks GmbH, equal to 6 per cent of gross proceeds received from subscribers located by German Mining. The terms of the finder's warrants will be the same as the warrants. The Company fair value the finders' warrants at \$15,947 using the Black-Scholes Option Pricing Model with the following assumptions: risk free interest rate – 0.45%; annual dividends - nil; expected life - 24 months; expected stock price volatility- 139%.

On March 4, 2021, the Company issued 100,000 common shares at a fair value of \$19,500, pursuant to the Amy and Silverknife Property option agreement (Note 4).

On January 13, 2021, the Company completed a private placement of a total of 4,800,000 units at \$0.125 per unit, for gross proceeds of \$600,000. Each unit consists of one common share and one transferrable share purchase warrant exercisable for a two-year period at \$0.20 per share on 2:1 basis expiring January 13, 2023. A fair value of \$251,329 was allocated to the 4,800,000 warrants using the Black-Scholes Option Pricing Model with the following assumptions: risk free interest rate – 0.16%; annual dividends - nil; expected life - 24 months; expected stock price volatility- 177%. The Company paid share issuance costs of \$5,300 in relation to the private placement.

On December 15, 2020, the Company issued 100,000 common shares at a fair value of \$12,000, pursuant to the Rancheria Property option agreement (Note 4).

On December 15, 2020, the Company issued 120,000 common shares at a fair value of \$14,400 pursuant to the Bridal Veil Property option agreement (Note 4).

During the nine-month period ended June 30, 2021, the Company issued 12,992,880 common shares pursuant to the exercise of share purchase warrants for total proceeds of \$783,394. Accordingly, the Company reallocated \$436,104 from share-based payment reserve to share capital upon exercise of such warrants.

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9. SHARE CAPITAL (cont'd)*Year ended September 30, 2020*

On November 20, 2019, the Company issued a total of 15,588,210 common shares at a fair value of \$779,411 for settlement of debt totaling \$1,091,175, to a significant shareholder of the Company, in settlement of the Silver Hart Property Loan and Promissory Notes (Note 7). Accordingly, the Company recorded a gain on settlement of debt of \$311,764.

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 \$253,329 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- 125%.

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.

A fair value of \$157,025 was allocated to the 6,000,000 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- 119%. On issuance, the Company determined there was no flow-through share premium.

During the year ended September 30, 2020, the Company issued 3,207,120 common shares for proceeds of \$185,356 pursuant to the exercise of warrants. Accordingly, the Company reallocated \$99,890 from share-based payment reserve to share capital upon exercise of such warrants.

To September 30, 2020, the Company received \$2,500 in advance for warrants exercised during the nine-month period ended June 30, 2021

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.

On January 13, 2021, the Company granted 2,010,000 stock options at a price of \$0.20 per share expiring on January 13, 2026 to certain of its directors, officers, employees, and consultants of the Company pursuant to the Company's Rolling Share Option Plan. 1,760,000 of the options granted vest over 90 days, and 250,000 of the options granted vest in stages over a period of twelve months from the date of grant with no more than one-quarter of the options vesting in any three months period.

As of June 30, 2021, there were 2,010,000 (September 30, 2020 - \$Nil) options issued and outstanding.

The weighted average fair value of stock options granted was \$323,940 using the Black-Scholes Option Pricing Model with the following assumptions: risk free interest rate – 0.36%; annual dividends - nil; expected life - 60 months; expected stock price volatility- 147%. During the nine-month period ended June 30, 2021, the Company recorded \$319,533 (2020 - \$Nil) in stock-based compensation expense for vested stock options.

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9. SHARE CAPITAL (cont'd)**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
Balance, September 30, 2019	8,400,000	\$0.075	September 5, 2021
Issued	8,000,000	\$0.071	June 4, 2021
Issued	6,000,000	\$0.071	July 27, 2021
Exercised	(3,207,120)	\$0.058	
Balance September 30, 2020	19,192,880	\$0.075	
Issued	2,400,000	\$0.260	January 13, 2023
Issued	3,748,952	\$0.300	June 14, 2023
Exercised	(14,555,380)	\$0.071	
Balance, June 30, 2021	10,786,452	\$0.19	

Subsequent to June 30, 2021, 2,437,500 share purchase warrants (2:1) expired unexercised.

10. RELATED PARTY TRANSACTIONS

During the nine months ended June 30, 2021, the Company entered into the following transactions with related parties:

- incurred finance fees of \$5,843 (June 30, 2020 – \$Nil) to a company controlled by a significant shareholder of the Company.
- incurred rent of \$18,000 (June 30, 2020 – \$13,500) to a company controlled by a significant shareholder of the Company.
- incurred secretarial fees of \$63,300 (June 30, 2020 - \$27,000) to a company controlled by a significant shareholder of the Company which was recorded in office and miscellaneous.
- incurred management fees of \$2,658 (June 30, 2020 – \$Nil) to a company controlled by a director of the Company.
- incurred consulting fees of \$1,000 (June 30, 2020 - \$Nil) to a director of the Company.
- incurred consulting fees of \$77,014 (June 30, 2020 - \$103,237) to a company controlled by a director of the Company.
- incurred contractor fees of \$80,566 (June 30, 2020 – \$Nil) to a company controlled by a director of the Company which were recorded within exploration and evaluation expenditures.
- recognized stock-based compensation of \$257,535 (June 30, 2020 - \$Nil) for six directors of the Company including President/CEO, CFO that were granted a total of 1,620,000 stock options on January 13, 2021.

Included in prepaid expense is \$10,000 (September 30, 2020 - \$Nil) to a company controlled by the CEO for consulting fees.

At June 30, 2021, a total of \$Nil (September 30, 2020 - \$61,604) 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.

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10. RELATED PARTY TRANSACTIONS (cont'd)

The Company incurred the following key management compensation charges during the nine months ended June 30, 2021 and 2020:

	June 30, 2021	June 30, 2020
Sub-contractor fees	\$78,014	\$103,237
Exploration and evaluation expenditures contractors	80,566	-
Management fees	2,658	-
	<u>\$161,238</u>	<u>\$103,237</u>

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

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.

12. 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, 2021.

13. COMMITMENT

Effective December 21, 2020, the Company entered into a 6 month (the "Initial Term") non-exclusive independent contractors' agreement with Red Cloud Financial Services Inc. and Red Cloud Securities Inc. (collectively, "Red Cloud") to provide marketing and potential transaction services (the "Transaction") which may include but not limited to (i) an equity financing, (ii) a financing by way of debt instrument and (iii) sale or arrangement.

As consideration, the Company will compensate Red Cloud as follows:

- (a) Marketing fee of \$10,000 per month for the Initial Term.
- (b) Equity financing fee of 7.0% commission based on the gross proceeds raised and warrants equal to 7% of the number of securities sold at an exercise price equal to the offering price of the securities and exercisable for a period of 24 months. *
- (c) Transaction fee equal to the greater of a minimum of \$75,000 and a percentage of 1.5% - 5.0% of the transaction value, the total of which will be reduced by 25% of the Marketing fee paid to such date. *
- (d) Break free equal to the greater of a minimum of \$50,000 and 25% of any such fee to which the Company may be entitled. *

* In the event that a party as introduced by Red Cloud is involved with a Transaction with the Company during the Initial Term or within a period of 12 months thereafter, these such fees are applicable.

During the nine-month period ended June 30, 2021, the Company incurred \$30,000 (June 30, 2020 - \$Nil) in marketing fees pursuant to the agreement.

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16. SUBSEQUENT EVENTS

Subsequent to June 30, 2021, the Company:

The Company granted 950,000 stock options to directors, officers and consultants of the company at a price of \$0.13 per share for a period of five years from the date of grant. These stock options will vest on a quarterly basis commencing three months from the date of grant.