

Price: C\$0.19
Target: C\$0.40

Focussed on Yukon and B.C. high grade silver-zinc-lead properties

New CEO in 2019 led to more systematic exploration and major expansion

Inferred Resource released of 7.5mn AgEq at a strong 584 g/t

Drilling of 10k m at Silverhart planned for 2021, and JV sought for 4.5k m drilling at Rancheria

Rating 3.50, given high grade, process reinvigoration, and typical junior risks

Upside catalysts of airborne survey and drilling programs

CMC Metals (CMB:V)

High-grade silver-zinc-lead in Yukon and B.C.

CMC Metals focusses on high grade silver-zinc-lead properties in the Yukon and B.C. and has seen a complete strategic overhaul and more systematic exploration approach by a new geologist CEO since 2019. This has increased the exploration footprint of Silverhart, its flagship Yukon property, by 400%, expanded it to include adjacent Blue Heaven, and lead to the acquisition of three properties comprising Rancheria South in B.C. CMC also has gold and polymetallic properties in B.C. and Newfoundland, at very early stages.

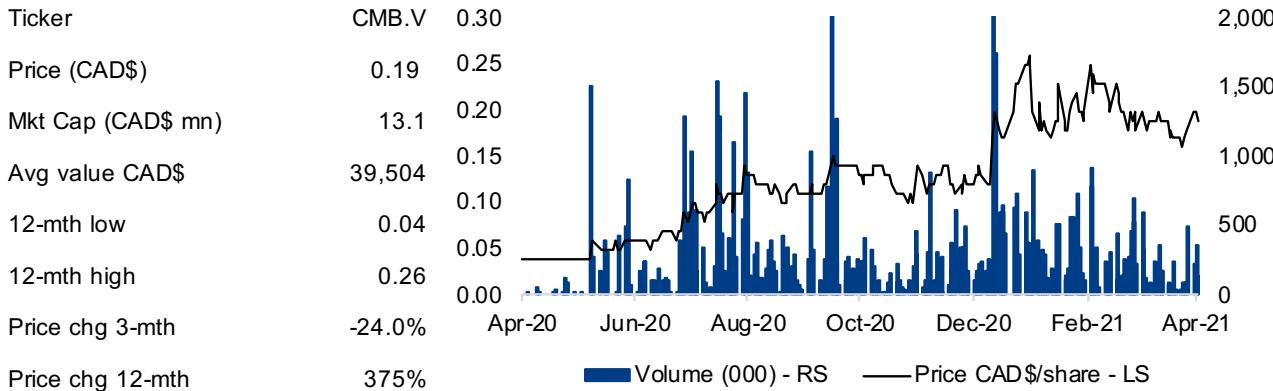
High grade resource released, drilling planned

The company released an Inferred Resource from Silverhart-Blue Heaven in December of 7.5mn AgEq at a strong 584 g/t AgEq and management sees potential for a considerable expansion of this resource, with a 10,000 m meter drill program at Silverhart and a 700-line km airborne survey covering all the silver properties planned for 2021. The company is also seeking to secure a JV for Rancheria South this year which could lead to the initiation of a 4,500 m drill program there this year. Other projects will likely see minimal exploration this year.

Promising thesis with potential catalysts in 2021

We rate CMC Metals a 3.5 (out of 5.0), given high-grade projects and the process overhaul, combined with typical risks inherent for juniors with early-stage projects. While CMC has gained 375% over the past year, we see upside from delivery on its strategy in 2021, with key catalysts including results from the airborne survey and drilling. We target a CAD\$0.40/share value, assuming a silver price of \$35/oz, moderate expansion of the existing 7.5mn oz Resource, with 10% in situ.

CMC Metals



Source: Yahoo Finance, Pricing as of Apr 7, 2021

CMC Metals: Overview

Yukon and B.C. silver-zinc-lead projects in focus

The company is focussed on early-stage silver-lead-zinc projects in the Yukon, but also has gold and polymetallic projects in B.C. and Newfoundland, at very early stages. The flagship is Silver Hart, a silver-zinc-lead project in the Yukon, which now includes the adjacent Blue Heaven claims acquired in June 2020 (Figure 1). This project is likely to see most of the expenditure in 2021, with a major drilling program planned to start by June 2021. The company acquired three additional silver-lead-zinc projects, Amy, Silverknife and Rancheria South, called Rancheria South, in the fall of 2020. The company is considering developing this group through a joint-venture, so progress will hinge on finding the appropriate partner. These acquisitions were made at reasonable prices, and are consistent with a strategy to identify and quantify targets that will could add significant silver resources in the near to medium term.

Figure 1: CMC Metals Projects

Project Detail	Yukon and British Columbia Project Locations
Silver Hart - Blue Heaven (Yukon)	
Rancheria South - Amy - Silverknife (B.C.)	
Bridal Veil - Terra Nova (Nfld) - Logjam (B.C.)	

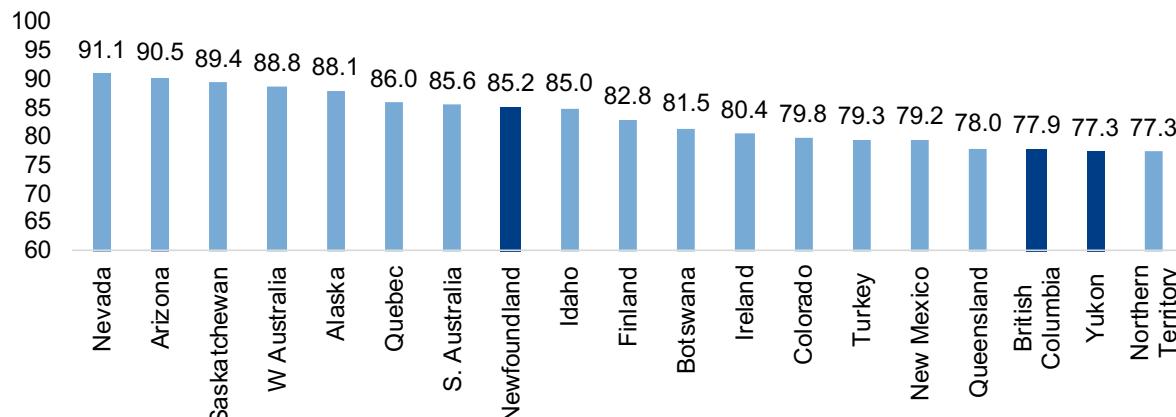
Source: Company

Operating in three highly ranked mining districts

The Yukon and B.C. rank eighteenth and nineteenth in the Fraser Institute's Global Mining Survey 2020, (Figure 2), given supportive regulatory frameworks and long mining histories, but have constraints from a relatively short exploration season, and issues of infrastructure given its geographic remoteness (although this is improving, particularly in B.C.). Newfoundland has jumped into the top ten of global districts this year, to number eight, as mining activity in the province has increased substantially. As CMC advances its exploration projects in Newfoundland in later 2021 and early 2022 the positive aspects of operating in this highly ranked jurisdiction could serve to help enhance its valuation.

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Figure 2: Mining District Investment Attractiveness Index 2020



Source: Fraser Institute

New CEO drives company restructuring since 2019

The ongoing restructuring of the company since 2019 has been driven by CEO Kevin Brewer, a registered professional geologist for more than 35 years with an extensive background in geoscience, environmental management, mine engineering and business management. He implements a hands-on management style, spending substantial time working in field operations and directly supervising work activities, driving a cost-effective program delivery. He has integrated extensive experience in exploration management and program design to implement a systematic exploration approach utilizing the latest industry technology and drawing on leading experts in data management, GIS, geoscience, geophysics, resource estimation, environmental and engineering studies.

Continuing to strengthen management team

The Board of Directors have a range of backgrounds and most have been with the Company for more than five years. An Advisory Group has been added to assist the Board and management, with expertise in finance, exploration management, and geophysics. The company intends to continue its ongoing restructuring, aiming to add further expertise to the Board in first nations/government relations, project development and feasibility, engineering, and finance. Ms. Denise Dronsella is a key team member, an assistant to Kevin, with over 30 years of experience in the administrative field and currently administers all securities filings, company records and financial reporting.

ii) Operational Progress

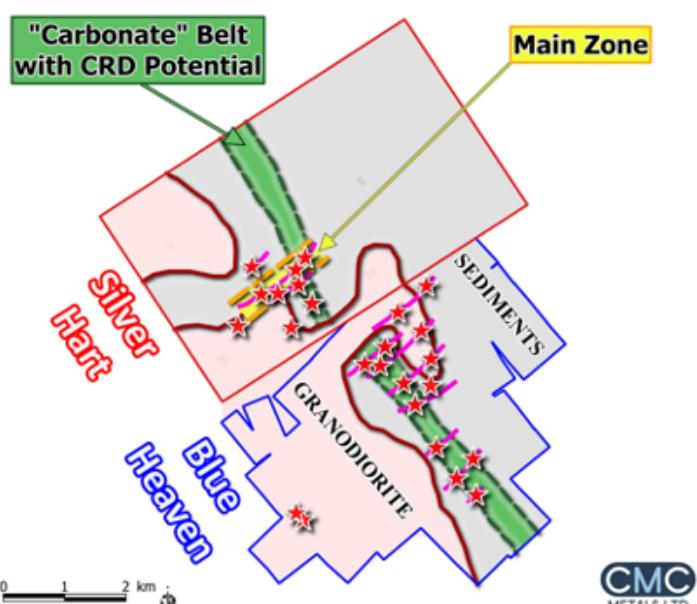
Process overhaul and aggressive exploration strategy

Since 2019 the company has significantly expanded and diversified its land holdings, minimized project risk, implemented a systematic approach to exploration. It is now targeting the Silver Hart Deposit and several advanced prospects all of which have above average industry silver equivalent grades. A critical key to process overhaul and future exploration success is having a comprehensive understanding of the mineralization systems in the Rancheria Silver District. The company has derived an exploration model that will provide guidance to exploration and drilling efforts. The mineralization on the properties, with the exception of Silverknife, start at surface and extends continuously to current drill extents that are limited.

Considerable exploration opportunities at Silver Hart

Silver Hart has only been drilled to an average of 60 meters and other drilling is also limited both at depth and along strike providing opportunities for speedy resource expansion. It also means that the mineralized areas are potentially amenable to open pit mining that would then be followed by underground mining. Trenching and drilling have shown that the high-grade silver-lead-zinc veins are associated with mineralized alteration haloes in both the footwall and hanging wall at mineable widths. Some key results at Silver Hart and Blue Heaven are shown Figure 3.

Figure 3: Silverhart and Blue Heaven project detail



Silver Hart - Resource Estimate - 2020 - Main Zone		
Inferred	Grade	Metal
Ag	310 g/t	3,942k oz
Pb	1.7%	14,572k lb
Zn	4.0%	36,166k lb
AgEq	584 g/t	7,501k oz

Silver Hart - Main Zone - Historical Best Results			
TM Subzone	Trenching	S Subzone	TM Subzone
	Drilling	Drilling	Drilling
m	10.5	5.5	11.7
Ag	898.4 g/t	1,139 g/t Ag	993 g/t Ag
Pb	0.97%	11.38% Pb	4.0% Pb
Zn	0.29%	8.61% Zn	9.6% Zn
Incl - m	5.0		
Ag	1,140 g/t		
Pb	0.84%		
Zn	0.32%		

Blue Heaven - Exploration Highlights			
Blue Zone	H Zone	Don Zone	
1,888 g/t Ag	2,969 g/t Ag	6,264.3 g/t Ag	778 g/t Ag
over 1.48 m	over 1.3 m	44.5% Pb	0.76% Pb
1,520 g/t Ag		17.6 Zn	over 3.7 m
over 1.40 m		over 0.6m	

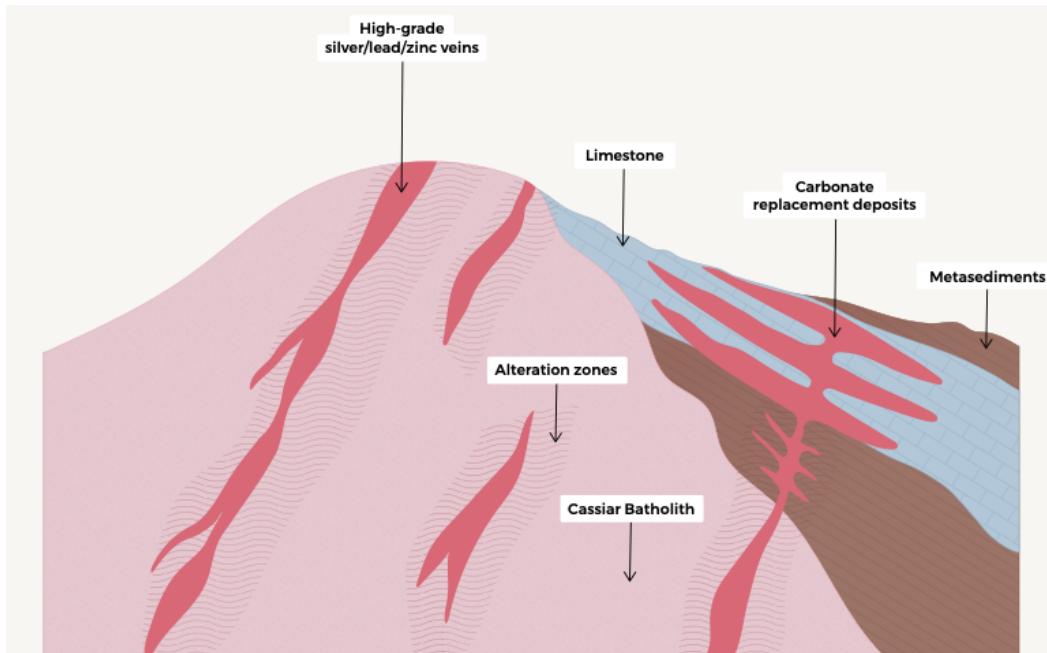
Source: Company, Longford

Other indications of the presence of high-grade silver-lead-zinc mineralization in the Silver Hart area is illustrated from historic bulk sampling. There are two outstanding samples from Blue Heaven; a 52.1 tonne sample from the Blue and H zones, graded 8,563 g/t silver, 56.2% lead, 9.5% zinc and 1.2 g/t gold and a sample from the Desire Zone graded 65.6 g/t silver, 5.0% lead and 3.6% zinc over 35.8 meters.

Potential at Silverhart for carbonate replacement deposits

High grade silver-lead-zinc veins are associated with northeast trending faults. Exploration efforts have historically focussed solely on the identification of the high-grade veins but the geological setting holds potential for the discovery of larger carbonate replacement deposits like Silvertip (Figure 4). Recent geophysical studies suggest that areas with stronger anomalies are yet to be explored, pointing to further upside with the current systematic exploration process.

Figure 4: High-Grade Veins versus Carbonate Replacement Deposits

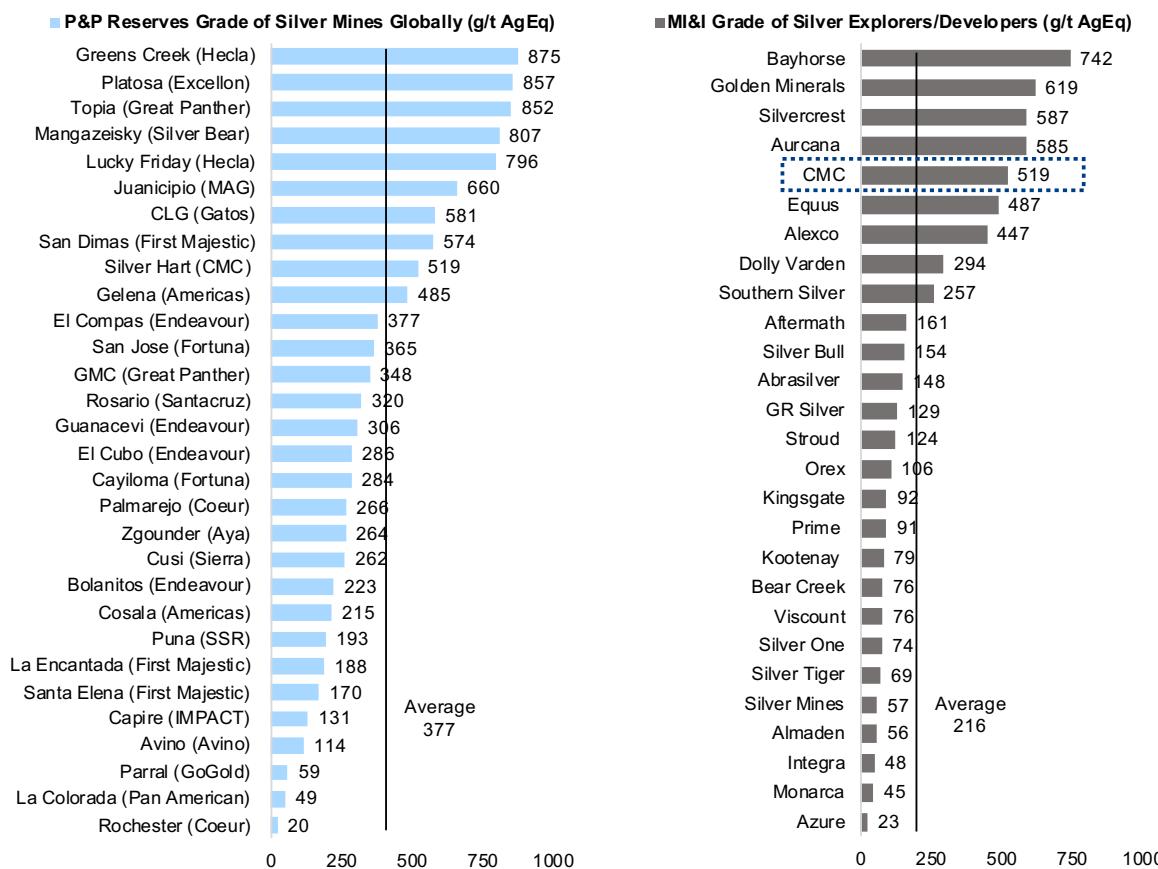


Source: Company, Longford Exploration Services Ltd

Silverhart grade high and metallurgical studies encouraging

Key to all of the exploration efforts is the high-grade nature of the silver-lead-zinc mineralization on all of CMC's projects. Management cites that the grades in the recent resource estimate at Silver Hart are 40% above existing silver mines globally and 140% above the average grade of silver exploration projects (Figure 5). Furthermore, the historical grades from Halliday (2,039 g/t AgEq) and Amy (790 g/t AgEq) are significant. The company has also completed previous metallurgical studies in 1986 and 2006. Both studies indicated that mineralized material at Silver Hart is amenable with material that showed good recovery of ore concentrate is possible from processing by conventional gravity and flotation cycles.

There is a need to conduct additional metallurgical studies and the company plans to collect a representative sample from Silver Hart this summer for testing. The company has initiated environmental studies and will continue to expand these in 2021 along with some preliminary mine engineering studies. These studies combined with the metallurgical work and focus on resource expansion establishes the framework for a Preliminary Economic Assessment likely in late 2022 or early 2023.

Figure 5: Silverhart grades versus comparables


Source: Company

Expanding into B.C. with Rancheria South

The company continued to search for new properties in 2020, and acquired Rancheria South, just south of the Yukon border in British Columbia (see Figure 1). Rancheria South comprises of 9 mineralized showings and two advanced zones, Halliday and Lucky. The Halliday Prospect has a historical non-compliant 43-101 resource of 36,287 tonnes grading 427.2 g/t silver, 20.78% zinc and 14.95% lead for 2,441,730 ounces of silver equivalent grading 2,039 g/t. The Lucky Zone is a drilled prospect that merits further exploration. In early 2021, CMC also acquired the Amy and Silverknife claims. The Amy claims are immediately adjacent and contiguous with the southernmost extension of the Rancheria South claims. They include the Amy deposit which has a historical non-compliant 43-101 indicated resource of 79,849 tonnes grading 367 g/t silver, 6.0% zinc and 2.8% lead, (1,839,654 oz at 790 g/t silver equivalent) and an Inferred resource of 59,000 tonnes with no grade assigned.

The Silverknife claims include the drilled Silverknife prospect that does not have an estimated resource. Halliday, Amy and Silverknife remain open for extensions along strike and at depth. The key to development of these prospects is to upgrade and expand the historical resources into 43-101 compliant status and their loose proximity to the Coeur's Silvertip mill (within 3 to 25 kilometers) which provides an opportunity for development as a mill feed at Silvertip.

Good road access for both Silver Hart and Rancheria

Both of the main projects Silver Hart and Rancheria South benefit from good road access, which is a huge advantage for exploration projects in northern Canada. With assistance from the Yukon Department of Highways and Public Works, the company has been gradually upgrading the Silver Hart access road to mine haul quality. All of the Rancheria South properties are accessed from several roads that branch off the Silvertip Mine road that extends southwards from the Yukon-Alaska Highway into British Columbia (Figure 1).

Airborne survey over next month, drilling at Silverhart this summer

The main immediate activity over the next few weeks will be a 700 km airborne geophysical survey over all the company's Yukon and B.C. properties. This is expected to identify numerous anomalies, aid geological mapping, and present drill targets. The interpretation and analysis of the airborne geophysical survey is expected to be completed prior to the upcoming summer drill season. In early May, at Silver Hart the Company plans to reopen the access road and upgrade the camp for the 2021 operations. CMC have contracted Ardor Exploration Ltd to conduct drilling starting in early June 2021. Geological crews will also commence and resume trenching, sampling and mapping programs. This will be followed by ground geophysical surveys over anomalous targets from the airborne survey to identify additional drill targets. Work on the Blue Heaven claims will be started this year to develop a pipeline of drill targets for 2022 and beyond.

Progress on Rancheria South depends on securing JV partner

At the Rancheria South Project, the amount of work to be completed will be highly dependent upon current efforts by the company to secure a JV partner. The overall aim is to secure a partner to fund expenditures up to \$3,000K in 2021 which would include, but may not be limited to, 4,500 meters of drilling, geophysical studies, detailed mapping and sampling programs, camp construction, and upgrading of access roads. If a partner is not secured, the company will upgrade the access roads, undertake a preliminary examination of the key prospects, conduct a limited sampling/geophysics program and continue marketing efforts to secure a partner for 2022 and beyond.

Medium term target to advance to PEA for Silverhart

The medium-term plan is to advance a Preliminary Economic Assessment at Silverhart including a revised resource estimate, metallurgical testing, and initial environmental and engineering studies. The overall aim is to generate an economically viable project with a stand-alone mine and mill complex. The contingency plan would be to identify resources that could be trucked to a mill facility such as Coeur's Silvertip mill. At Rancheria South the aim is to identify resources that can be mined in the medium term and sold to Coeur at the Silvertip mill gate given where the estimated largest trucking distance would be approximately 30 kilometers or less.

iii) Finances and Share Structure

Sufficient cash for airborne survey, initiating Silverhart operation

The company currently has sufficient cash to purchase all necessary lead items, pay for the airborne geophysical survey, deposits to contractors and suppliers and initiate operations at Silver Hart, where total 10,000 m drill program is targeted for this summer. We expect CMC to announce a financing effort of up to \$2,500K to fully fund Phase I of this drilling, expected to be around 4,500m-5,000m, and other exploration activities to mid-summer. The company will then utilize results from the airborne geophysical survey, early drill and sampling efforts to raise the remainder of funds to complete the 10,000 m. The total estimated financing will be \$5,000k in two tranches of \$2,500k.

Estimated \$5,000k cost of summer exploration program

Direct all-in drill costs (including drill, geologists, camp costs and fuel) are estimated to be approximately \$300/meter or a total of \$3,000K for the 10,000 m. If the company does reach this target for a total \$5,000K, it will be about ten times the average exploration expenditure of the last several years, which typically was approximately \$600K or less. For Rancheria South, the Company has outlined a cost of the program of approximately \$3,000K to complete 4,500 meters of drilling and a range of advanced exploration activities. A joint venture partner is being sought to finance this. Otherwise, the Company will conduct a more limited program at the properties in the range of \$100-150K.

Share count low versus smaller silver exploration companies

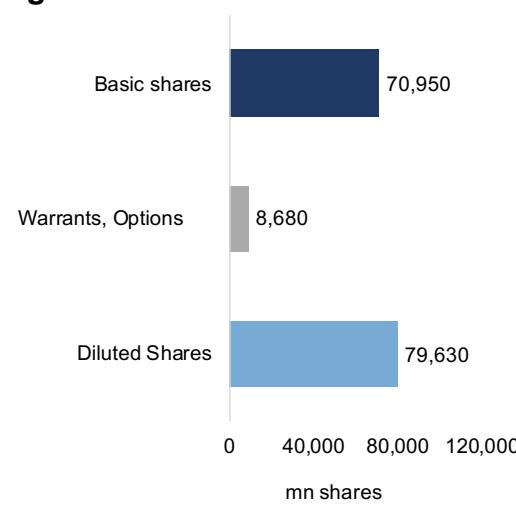
The company has 70.59mn shares and fully diluted shares of 79.63mn, with management and former management holding over 30%. This is a reasonably tight share structure compared to a group of ten comparable silver explorers and with markets caps below \$CAD100mn, ranging from the lowest at 34mn shares for Silver Bull, the second lowest being CMC and highest 308mn for Azure, with an average for the group of 159mn shares. The company targets a financing strategy that will minimize dilution while enabling a significant exploration effort.

Figure 6: Financials

CMC Metals Financials	Mar/20	Jun/20	Sep/20	Dec/20
Income Statement				
Operating expenses	84.4	158.5	669.2	270.4
Financial, other items	32.1	-18.8	9.5	-8.9
Total expenses	116.6	139.7	678.6	261.6
Balance Sheet				
Cash	10	91	301	837
Other assets	290	272	394	331
Total assets	301	363	695	1,168
Liabilities	916	803	957	857
Equity	-615	-440	-263	311
Total Liabilities, Equity	301	363	695	1,168
Cash Flow Statement				
Operating cash flow	-6	-245	114	-311
Investing cash flow	0	0	-854	0
Financing cash flow	-24	326	1,763	836
Net cash flow	-30	81	1,023	524

Source: Company

Figure 7: Shares

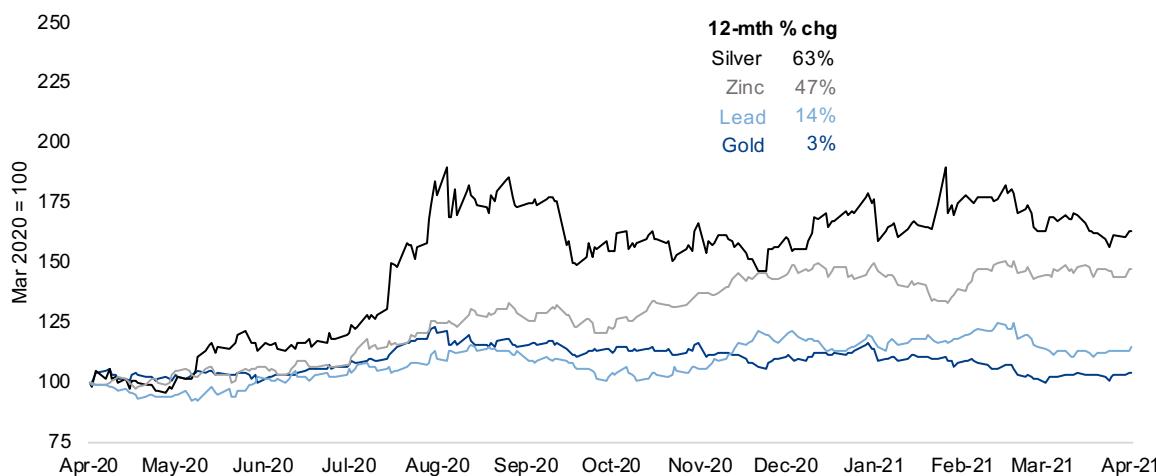


iv) Macroeconomic Overview

Silver, zinc and lead prices all have strong price performance

CMC Metals' main projects are leveraged to silver, zinc and lead prices, all of which have performed well over the past year (Figure 7). Silver, which currently comprises the majority of the Inferred Resource for SilverHart, has jumped 68% over the past year. This has been driven by its wide industrial uses, with demand rising because of a major cyclical rebound in the economy over the past half year, but also from a longer-term secular trend of the growing electronics and electric vehicle market. Silver is also a monetary metal, like gold, although it is far less affected by monetary drivers than gold, which has seen pressure from rising bond yields. We expect demand for silver will remain robust, and currently forecast a long-term average of \$35/oz.

Figure 8: Silver, zinc, lead and gold price performance



Source: S&P

Zinc has benefited from the cyclical rebound in the economy given its wide range of industrial uses, and also is a main metal for the ongoing global electrification of the economy, and its price has soared 51% this year, and we expect zinc prices to remain high in 2021. Lead has also performed reasonably well over the past year, up 16%, as it is a base metal which has benefited in general by the economic rebound, but does not play such a major role in the global electrification trend. Gold has not done as well, as bond yields have spiked, and there is the idea that investors will move to the bond market to chase yield, exiting yieldless gold. While this thesis seems a bit dubious to us, given the massive monetary expansion ongoing, and gold's role as an inflation hedge, in the short-term rising yields are likely to pressure gold, even if it rebounds (substantially) medium-term.

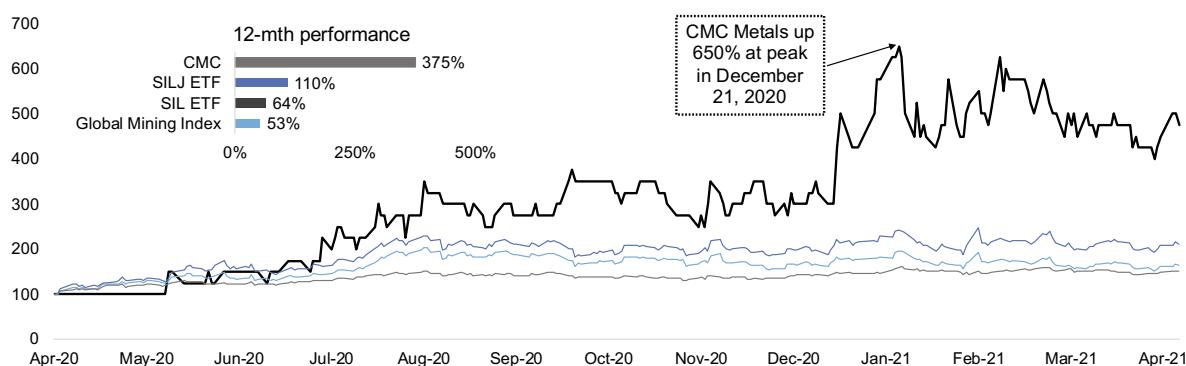
While we expect silver, zinc and lead to hold up, the main risk to this thesis is an economic pullback, although given the outsized monetary and fiscal stimulus by global governments a slowdown seems unlikely through 2021-2020. These metals are unlikely to be hit by a further rise in bond yields, as these would be driven by rising inflation expectations, that are in turn driven by improving economic conditions. While gold is likely to continue to be affected by this, this is only a factor for CMC's gold projects, that are certainly not the focus of 2021 exploration, and may only see limited exploration into 2022, assuming strong progress at SilverHart-Blue Heaven.

v) Comparables and Rating

Strongly outperforming main indices, valuation upside

The company has seen strong share price gains over the past year, up 375%, and was up 650% at its peak on December 21, 2020 (Figure 9). We expect to see upside for the stock, with a base case valuation of CAD\$0.40/share. This assumes 20% from the current 7.5mn oz Ag resource to 9.0mn oz, at a silver price of CAD\$35/share, for a CAD\$315mn, with 10% in situ for a value of CAD\$31.5mn or CAD\$0.40/share (Figure 10). We also consider scenarios applying a silver price CAD\$50/oz (noting that last year at this time the current price would have been considered an aggressive estimate), and even CAD\$100/oz, suggesting over 200%, and 500% upside.

Figure 9: CMC Metals price performance versus comparable indices



Source: Yahoo Finance

Figure 10: CMC Valuation

Current Resource Estimate (mn oz)	7.5	Silver Price CAD\$/oz	50
Exploration Upside (mn oz) 20%	1.5	Resource times silver price CAD\$mn	450.0
Total Resource Assumption (mn oz)	9.0	Assuming 10% in situ	45.0
Silver Price CAD\$/oz	35	Value/Share CAD\$	0.57
Resource times silver price CAD\$mn	315.0	% Upside	205%
Assuming 10% in situ CAD\$mn	31.5	Silver Price CAD\$/oz	100
Shares mn	79.6	Resource times silver price CAD\$mn	900.0
Value/Share CAD\$	0.40	Assuming 10% in situ	90.0
Current Price CAD\$	0.19	Value/Share CAD\$	1.13
% Upside	114%	% Upside	511%

Source: Yahoo Finance

Successfully reinvigorated, with clear development path

We rate CMC Metals 3.5 out of 5.0, with a Target Price of CAD\$0.40/share. This rating is based on potentially very high-grade silver projects and the ongoing revamp of operations and project acquisition by new management since 2019 and the clear path for development in 2021, but also incorporates the risk inherent to all juniors at an early stage of development. This contrasts with the target price, which shows the potential upside for the company under an excellent execution of the strategy it has outlined while successful avoiding the major risks inherent in the process. *Immediate catalysts are the airborne geophysical survey and new financing rounds, and later this year the catalyst will be results from a planned summer drilling program.*