

**CMC METALS LTD.**  
**MANAGEMENT DISCUSSION AND ANALYSIS (“MD&A”)**  
**Quarter Ended March 31, 2021**  
(all figures in Canadian dollars)

***General***

The following Management Discussion and Analysis (“MD&A”) of Financial Condition and Results of Operations, prepared May 27, 2021, 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).

The MD&A is dated May 27, 2021

***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, and Newfoundland and Labrador on April 1, 2021.

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

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

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

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

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**IMPACT OF COVID 19**

During the Company’s most recent year ending September 30, 2020, there was a global outbreak of coronavirus (COVID-19). The actual and threatened spread of the virus globally has had a material adverse effect on the global economy and, specifically, the regional economies in which the Company operates.

The pandemic could continue to have a negative impact on the stock market, including trading prices of the Company’s shares and its ability to raise new capital. These factors, among others, could have a significant impact on the Company’s operations. 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-Lead-Zinc Projects**

The Rancheria Silver District is located approximately 300 kilometers east of Whitehorse, Yukon in a 130 km long by 50 km wide belt that straddles the Yukon and British Columbia border. CMC has been actively exploring this silver district on the northern end at its Silver Hart and Blue Heaven properties and from those efforts has identified successful exploration strategies and knowledge of the district.

As a result of successful exploration efforts on the Silver Hart claims, in 2020 CMC initially acquired the Blue Heaven property and later in the year the Rancheria South Property. CMC has recently acquired the Amy and Silverknife claims close to the Rancheria South property.

For future reference, the Company has divided these five properties into two projects:

1. The Silver Hart Project (including the Silver Hart and Blue Heaven claims)
2. The Rancheria South Project (including the Rancheria South, Amy and Silverknife claims)

**1. 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 1, 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 focused 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.

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##### **Silver-Lead-Zinc Projects (cont’d)**

###### **Exploration on the Silver Hart Claims (cont’d)**

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 in 2019 focused on the TM and S mineralized areas within the Main Zone. These 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 vein system. In addition, results from holes 19-05 and 19-06 in the southern portion of the S vein system identified grades of silver exceeding 1,100 g/t along with 4.25-11.38% lead and 8.61-13.48% zinc. In both mineralized areas, 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 vein systems and also filled gaps in areas previously untested, helping it to develop a greater understanding of the overall mineralizing system.

Overall high-grade silver-lead-zinc mineralization has now been identified in the TM, S, KL and M vein systems within the Main Zone for a strike length in excess of 1,400 meters and the mineralized vein system 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.

As a result of the data compilation in 2019-20, in recent exploration efforts 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.

In 2020, this work 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 culminated in a decision to produce a new Mineral Resource Estimate on the property based on the modelling of data from drill campaigns and geophysical survey efforts completed during the period 2010-2020.

Also in 2020, the Company completed a new mineral resource estimate (MRE) of inferred category for its Silver Hart silver-lead-zinc project in Yukon Canada. The new MRE totals 7.5 Moz @ 584 g/t silver equivalent (AgEq), in 362,500 tonnes utilizing a cut-off grade of 150 g/t AgEq. This MRE has been prepared

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**Silver-Lead-Zinc Projects (cont’d)**

**Exploration on the Silver Hart Claims (cont’d)**

in accordance with the Canadian Securities Administrators’ National Instrument 43-101 – Standards of Disclosure for Mineral Projects (“NI 43-101”).

Summary of the CIM Compliant mineral resource estimate of the Silver Hart silver-lead-zinc project

Domains	Tonnage t	Average Grade				Contained Metal			
		AgEq g/t	Ag g/t	Pb %	Zn %	AgEq t. oz	Ag t. oz	Pb lb	Zn lb
TM Veins	160,529	838	438	2.2	6.1	4,327,019	2,260,028	7,892,552	21,455,043
S Veins									
M Veins	62,130	769	473	2.6	3.8	1,536,585	943,849	3,497,769	5,187,747
KL Veins	70,133	361	144	1.6	3.0	813,996	323,895	2,466,072	4,622,423
	69,708	368	185	0.5	3.2	823,670	415,106	715,717	4,900,687
<b>Total Inferred Resources</b>	<b>362,500</b>	<b>584</b>	<b>310</b>	<b>1.7</b>	<b>4.0</b>	<b>7,501,300</b>	<b>3,942,900</b>	<b>14,572,100</b>	<b>36,165,900</b>

Notes on the Silver Hart MRE:

- CIM Definition standards (2014) were used for reporting the Mineral Resources.
- Mineral resource estimate prepared by Motherlode Consulting Inc.
- Inferred mineral resources are considered too speculative geologically to have economic consideration applied to them that would enable them to be categorized as mineral reserves. There is also no certainty that these inferred mineral resources will be converted to the measured and indicated categories through further drilling, or into mineral reserves, once economic considerations are applied.
- A base cut-off of 150 g/t AgEq was assumed to meet the NI43-101 requirement for mineral resource estimates to demonstrate “reasonable prospects for eventual economic extraction”.
- Silver-equivalent (AgEq) ounces were calculated using the formula:

$$\text{AgEq} = (\text{Est. Ag ppm}) * (90\% \text{ recovery}) * (\text{Ag } \$/\text{g}) + (\text{Est. Zn ppm}) * (97\% \text{ recovery}) * (\text{Zn } \$/\text{g}) + (\text{Est. Pb ppm}) * (97\% \text{ recovery}) * (\text{Pb } \$/\text{g})$$

$$(\text{Ag } \$/\text{g}) * (90\% \text{ recovery})$$

Where:

- Silver equivalent calculation used a 36-month average daily metal prices of Silver - \$17.14/oz, Zinc - \$1.19/lb, and Lead - \$0.93/lb (in US Dollars, extracted from S&P Market Intelligence).
- Est. = estimated metal grade at block centroids using Ordinary Kriging.
- Silver equivalent ounces were based on recovery rates of 90% for silver, and 97% for lead and zinc.
- Specific gravity of 2.9 g/cm<sup>3</sup> was used for the estimate of all metals as in previous resource estimates.
- Mineral resources are diluted to a minimum width of 1.2 meters.
- Effective date: November 30, 2020
- Totals may not sum due to rounding to the nearest hundred.

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**Silver-Lead-Zinc Projects (cont’d)**

**Exploration on the Silver Hart Claims (cont’d)**

The modelling of mineralized domains incorporated data from 114 diamond drill holes (total: 6,829.8 meters) completed from 2005 to 2019, where the average length of drill holes was only 60 meters. The new MRE included 51 holes (total: 2,713.1 meters) that were drilled by the Company between 2010 and 2019.

Modelling of the Silver Hart mineralized domains was completed using Leapfrog Geo software and the resource estimation was completed using Leapfrog’s EDGE estimation module. Data from diamond drill holes completed between 1985 and 1987 by Silver Hart Mines Ltd. was not incorporated into the model given the unavailability of assay certificates for these holes. Cross sections of one of the zones modelled within the resource estimate are provided in attached figures to provide further insight into the modelling work.

Further details on the new mineral resource estimate at Silver Hart and the use of the above-mentioned parameters have been provided in a new NI 43-101F report that was prepared by Motherlode Consulting Inc. and Longford Exploration Services Ltd., both of Vancouver, British Columbia, and filed on SEDAR on January 18, 2021.

This new resource estimate demonstrates the resource potential of Silver Hart. Drilling to date has covered a very small portion of the property and exclusively within the Main Zone. Even within the Main Zone it is evident from current data that there are opportunities to expand many of the known mineralized vein systems (TM, KL, S and M), investigate other vein systems in the Main Zone (i.e. K and H), investigate drill-ready targets in the KW and South Zones, follow up on numerous anomalous areas identified during the 2020 exploration season, and possibly identify targets in areas not current covered by exploration efforts. To date, at an average of 60 meter-hole depths as documented in the new MRE, drilling has been very limited at depth and in most of the mineralized zones/vein systems has only served to identify near surface mineralization.

Through assistance from the Rural Access Roads Program (“RARP”) administered by the Yukon Department of Highways and Public Works, the first 12 kilometers of the access road was upgraded. The Company also completed engineering and environmental studies of all existing crossings and will utilize this information to continue work with Yukon to complete upgrading of the entire access road.

**Blue Heaven Claims, Yukon**

As previously noted, the Blue Heaven claims lie immediately adjacent to the southeast of the Silver Hart claims and are deemed a part of the “Silver Hart” project. 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.

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##### **Silver-Lead-Zinc Projects (cont’d)**

###### **Blue Heaven Claims, Yukon (cont’d)**

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.

It is the intent of the Company to undertake a similar exploration program to that of the 2020 program completed on the Silver Hart claims to evaluate the Blue Heaven property in the 2021 exploration season.

##### **Rancheria South Project, British Columbia**

The Rancheria South Project in British Columbia immediately south of the Yukon-BC border and collectively comprises of approximately 3,500 hectares of land in there claim areas (i) Rancheria South; (ii) Amy; and (iii) Silverknife. These will now be described.

On November 2, 2020, the Company entered into a mineral property option agreement to acquire up to a 100% working interest in the Rancheria South mineral property in the Rancheria Silver District.

The Rancheria Silver District is located approximately 300 kilometers east of Whitehorse, Yukon in a 130 km long by 50 km wide belt that straddles the Yukon and British Columbia border. CMC has been actively exploring this silver district on the northern end at its Silver Hart and Blue Heaven properties and from those efforts has identified successful exploration strategies and knowledge of the district that helped to identify the significant prospectivity of the Rancheria South Property.

The Rancheria South Property lies just south of the British Columbia-Yukon border and is located only 15 kilometers north of Coeur Mining Ltd. Silvertip mine and mill complex. Rancheria South comprises of 12 mineral tenures covering 2008.32 hectares. Rancheria South covers part of the Cassiar Batholith, a satellite plug and surrounding

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**Silver-Lead-Zinc Projects (cont’d)**

**Rancheria South Project, British Columbia (cont’d)**

calcareous and non-calcareous sediments and is a multi-kilometer extension of the same geological units found within Silvertip and Silver Hart. The claims include the Halliday Prospect which includes a non-compliant 43-101 historic resource of 36,287 tonnes grading 427.2 g/t silver, 20.78% zinc and 14.95% lead (i.e., 2,441,730 silver equivalent ounces at a grade of 2,093 g/t). A total of 8 additional mineralized showings have been identified within the Rancheria South property comprising high grade silver veins, silver-lead-zinc carbonate replacement occurrences, and tungsten +/- copper skarns. The three (3) primary showings include the Switchback, Luck and Gunnar Berg.

**Silverknife and Amy Claims**

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”).

The road accessible **Silverknife Property** lies just south of the British Columbia-Yukon border. The property claims are immediately adjacent, and to the west of, the claims owned by Coeur Mining that host the Silvertip deposit. Silverknife comprises of 2 mineral tenures covering approximately 538.3 hectares. Silverknife mineralization represents a zone of known silver-lead-zinc mineralization distal to, and stratigraphically lower than the Silvertip Deposit and more proximate to the Cassiar Batholith (heat source). This presents opportunities for the discovery of mineralization associated with chimney-type feeders and mantos that may be related to the SilverTip mineralizing event.

The road accessible **Amy Property** lies 8 kilometers to the west of the Silvertip Mine complex. The Amy claims comprising of 16 mineral tenures (approximately 908.4 hectares) cover part of the Cassiar Batholith, a satellite plug and surrounding calcareous and non-calcareous sediments which in this area is a multikilometer extension of the same geological units that are mineralized in our Silver Hart Property. This highly prospective target stratigraphy extends southwards from our Rancheria South claims and transects the entire Amy claim block that is contiguous with the Rancheria South claims. A total of 7 mineralized showings have been identified within the Amy property comprising of high-grade silver veins and silver-lead-zinc carbonate replacement occurrences. The primary showing comprises of the Amy Showing which is a developed prospect comprising of a galena, sphalerite, pyrite, arsenopyrite, argentite, and fribergite “manto” body formed by replacement mineralization in folded Cambro-Ordovician Kechika Group metasediments. The property has been subjected to geological mapping, geochemical sampling, geophysical surveys. It hosts the developed prospect called “Amy” which has been subjected to 742 meters of drift/adit development and approximately 33 diamond drill holes focussed on a mineralized zone with a known strike length of 170 meters. The Amy prospect has a non-compliant 43-101 historic resource comprising of 72,431 tonnes grading 366.7 g/t silver, 6.03% zinc and 2.84% lead (i.e., 1.8 million ounces of silver equivalent at a grade of 790 g/t silver) (BC Minfile 104O 004).

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**Silver-Lead-Zinc Projects (cont’d)**

**Silverknife and Amy Claims (cont’d)**

Other mineralized zones and areas within the Amy claims include:

- Cub Zone: a channel sample graded 1.88 oz/t (53.3 g/t) silver, 4.6% lead and 3.42% zinc;
- Zone 2: trenching produced two samples grading (i) 11.4 oz/t (323.2 g/t) silver, 10.5% lead and 13% zinc; and (ii) 150.5 oz/t (4266.7 g/t) silver, 47.4% lead and 1.9% zinc;
- NE anomaly: a soil anomaly measuring 500 by 300 meters where sampling have produced up to 9,200 g/t lead, 4,250 g/t zinc and >20 g/t silver and mineralized float found in the same area grading from 29.82-74.10 oz/t (845.4-1817.2 g/t) silver, 4.6-31.4% lead and 0.33-5.4% zinc;
- Breccia Zone: mineralized float sample graded 22.29 oz/t silver (631.9 g/t), 4.82% lead and 2.22% zinc; and,
- Unnamed Zone: mineralized float graded 47.1 oz/t (1,335.3 g/t) silver.

*Note: The information on these showings and related non 43-101 compliant historic resources are summarized by the BC Minfile and were included in information provided by the Prospector to the Company prior to acquisition. The Company has also not verified these results at this time nor conducted a field visit due to winter conditions.*

**Recent Activities**

In March 2021, the Company completed a 671 km VTEM survey with SkyTEM covering all five of its silver-lead-zinc properties in British Columbia and Yukon. The results of this survey will be analyzed and interpreted over the next few months. The survey is highly beneficial in terms of identifying geology and anomalous areas that merit further investigation by ground surveys.

**Gold-Polymetallic Projects**

**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.

In 2020, the Company completed a brief reconnaissance and sampling effort of rusty altered outcrops along the trail route extending from Largo Resources’ Northern Dancer claims through a cross section of the stratigraphy in the southern part of the Property. This was to follow up on historical results identifying the possible existence of gold-silver-lead-zinc and copper mineralization in that area. At time of writing the results from this effort are pending as results on samples submitted for assaying are yet to be received.

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**Gold-Polymetallic Projects (cont’d)**

**Logjam Property, Yukon (cont’d)**

The Company also received a permit to upgrade the road access to the property enabling vehicular traffic to the site and to be able to conduct a range of exploration activities such as prospecting, geological mapping, geochemistry, and trenching. 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.

**Bridal Veil Property, Newfoundland**

On October 22, 2020, the Company entered into an option agreement and acquired a 100% working interest in the Bridal Veil Property, a gold, silver, copper prospect located close to one of the world’s hottest gold exploration plays located in the Newfoundland Gold Queensway Project. Bridal Veil is adjacent to the Trans Canada Highway with 150 claims that host six mineralized showings containing high-grade gold, copper and silver. It diversifies the Company’s holdings and significantly extends our exploration season.

The Bridal Veil (gold-copper-silver) Property is located 10 kilometers east of Gander immediately adjacent to the Trans-Canada Highway and is situated between the Newfound Gold Corp. “Queensway” Property (15 kilometers to the west) and the StarTrack Gold Property near Benton, Newfoundland. The property comprises of 150 claims (3,150 hectares) and lies within the Gander Zone and is underlain by sedimentary rocks of the Gander Group. Bridal Veil is an epigenetic, structurally controlled polymetallic target which has also been noted to have the potential to host gold mineralization. Grab samples from mineralized zones have returned grades of up to 8.9% copper, 5.6% lead, 8.6 oz/t silver and 750 ppb gold and another grab containing 3.82 g/t gold. Other grab samples from the mineralized zones include:

Bridal Veil:	1.33% copper, 5.2% lead, 1.0 oz/t silver
Abbott’s Ridge:	8.5% copper, 1.0% lead and 0.6 oz/t silver
Hidden outcrop:	0.29% copper, 3.2% lead and 5.4 oz/t silver
Growler:	0.21% copper, 0.85% lead, and 1.13 oz/t silver
Meggan’s Rise:	0.75% copper, 8.4% lead and 7.8 oz/t silver

Bridal Veil has also been subjected to geophysical investigations including an Induced Polarization Survey and a Magnetometer Survey which have served to identify anomalous areas that merit follow up exploration. Most of the exploration to date has been conducted in the southern portion of the property adjacent to the Trans Canada Highway. Over 90% of the property is yet to be subjected to any modern exploration techniques. The Company therefore plans to conduct geological mapping, geophysical interpretation and geochemical sampling of most if not all of the property, in 2021.

**Terra Nova Property, Newfoundland**

On October 22, 2020, the Company entered into an option agreement and acquired a 100% working interest in the Terra Nova Property located approximately 45 kilometers southeast of Gander, Newfoundland, which property is road accessible and is transected by the HV dc power line. It is also situated approximately 32 kilometers east of the high-grade gold discovery by Newfound Gold Corp.

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##### **Gold-Polymetallic Projects (cont’d)**

###### **Terra Nova Property, Newfoundland (cont’d)**

The Terra Nova Property comprises 71 claims (approximately 1,775 hectares) and is underlain by the Square Pond Gneiss and sedimentary rocks of the Gander Group.

Recent exploration by prospectors Nancy and Scott Rogers who entered into an option agreement with CMC Metals Ltd. on the property, resulted in the discovery of new mineralization in Gander Zone meta-sedimentary rocks adjacent to the Maccles Lake Granite. Prospecting followed the exposure of new outcrop by blasting operations associated with the construction of the transmission line from the Lower Churchill project. Extensive sampling of the blast rock within a several hundred-meter area was undertaken. The blasted rock comprises mainly semi-pelitic to psammitic rocks of the Gander Group with overprint from the thermal effects of the Maccles Lake Granite. The rocks contain ubiquitous quartz veins, with locally semi-massive sulphides including abundant pyrite, chalcopyrite, galena and bornite.

The best values obtained in prospecting efforts from outcrop in 2018, in the area of quarrying operations associated with the construction of the Churchill Falls high voltage powerline, were 1048 ppb gold, 9.8 g/t silver and 366 ppm copper. The best values from boulders blasted from local outcrop are 1557 ppb gold, 120.6 g/t silver, 1862 g/t copper, 4400 g/t lead, 535 g/t bismuth and 1000 g/t tungsten.

Also, in 2018 prospecting also identified a new area of sulphide-rich mineralization in quartz-veined boulders and outcrop. Values of up to 6.9 g/t gold, 49.6 g/t silver and 0.16% copper were noted to occur in quartz veins. Massive, galena-rich veins have also been discovered and have been put in for assay. These new occurrences indicate that the mineralized zone is potentially much larger than previously thought and may be over several kilometers in extent. Other mineralized grabs sent for assay are expected to farther enlarge the mineralized zone.

Exploration work in 2019 extended the mineralized zone which now is estimated to be up to 12 square kilometers in size (approximately 4 kilometers in an east-west direction and 3 kilometers in a north-south direction) (Map 2). The best values from this work included a grab sample containing 480ppb gold, 159.6 g/t silver, 2.33% copper, 567g/t molybdenum, 1.01% lead, 280g/t bismuth, and >1000 g/t tungsten.

Plans are now underway to conduct additional prospecting within this mineralized zone. A preliminary survey is underway and that will then be used to finalize plans for exploration in 2021 and to facilitate project permitting.

#### **Other Projects**

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

Previous financial reports have documented the purchase agreement and project permitting efforts of the 100 tpd mill facility in Bishop, Inyo County, California. The original purpose of the asset acquisition was based on the Bishop Mill being the only permitted facility in Inyo County, California and it was expected that several permitted active mines would require processing that could be completed at Bishop.

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**Other Projects (cont’d)**

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

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. In 2020, the Company completed a significant clean-up effort of the site utilizing the services of a professional waste management consultant to complete an assessment of the waste and then arrange for the disposal of all waste at the site. The Company will examine options for the mill in 2021.

**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, 2019. Lease arrangement and revenues generated by the Company have been documented in previous financial statements.

Pursuant to the terms of the lease agreement, MGX was permitted to transport the Plant at its own cost to a quarry site just north of Invermere, British Columbia, 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.

Now that the lease term has expired, the Company is working to settle the final lease payment and to take back possession of the portable mill from MGX. This is expected to be completed in Q3, 2021.

**Property Acquisitions and New Financial Arrangements in 2020**

**Bishop Mill, Inyo County, California, USA**

Previous financial statements have presented the history of the mill purchase and bond reclamation requirements. The Company is obligated by the US Bureau of Land Management to maintain a reclamation bond for the Bishop mill facility and the estimated amount of this bond is renewed on an annual basis. If necessary, the Company then provided additional monies to be held by BLM to cover the increased bond estimate.

Subsequently, the Company has been fulfilling all of the annual increases by the BLM for the mine reclamation bond, and as of September 30, 2020, the Company has provided the BLM with a reclamation bond of \$243,438 (US\$193,854). The Company has entered into discussions with the BLM to see if the bond can be held in an interest-bearing account, in the hope that the annual interest could offset all, or some of, the annual increases required by the BLM towards the bond.

Also as at September 30, 2020, the Bishop Mill remained in care and maintenance status.

**Logjam Property, Yukon Territory, Canada**

As of September 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.

**CMC METALS LTD.**  
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(all figures in Canadian dollars)

**Operations Summary**

**Property Acquisitions and New Financial Arrangements in 2020 (cont’d)**

**Silver Hart Property, Yukon Territory, Canada**

As of September 30, 2020, the Silver Hart claims remain in good standing and there are no outstanding debts. The Company renegotiated a security agreement held by Yukon for reclamation of the site and as standard procedures under the Yukon Quartz Mining Act. The security amount remained the same at \$146,070 and is held in the form of a Letter of Credit (“LOC”). Further details on this security arrangement have been provided in previous financial statements.

**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.

**Bridal Veil Property, Newfoundland Canada**

On October 22, 2020, the Company entered into an Option Agreement to earn up to a 100 percent working interest in the Bridal Veil property in the highly prospective Gander Subzone in Central Newfoundland, subject to an option agreement with the BVAR Group of St. John’s, Newfoundland (“Bridal Veil Agreement”). Pursuant to the terms of the Bridal Veil Agreement, the Company paid \$16,000 upon execution of the Agreement and issued 120,000 common shares, after the deal received regulatory approval on December 11, 2020.

Additional payments and share issuances will be made in the following years if CMC desires to fulfill the terms of the option agreement and acquire a 100% working interest as follows:

1st Anniversary Date, October 22, 2021:

- a) \$24,000 cash plus the issuance of 100,000 common shares of the Company; or,
- b) \$10,000 cash plus the issuance of 200,000 common shares of the Company;

2nd Anniversary Date, October 22, 2022:

- a) \$20,000 cash plus the issuance of 100,000 common shares of the Company; or,
- b) \$10,000 cash plus the issuance of 200,000 common shares of the Company;

3rd Anniversary Date, October 22, 2023:

- a) \$20,000 cash plus the issuance of 100,000 common shares of the Company; or,
- b) \$10,000 cash plus the issuance of 200,000 common shares of the Company;

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The original owner group (BVAR Group, St. John’s, NL) retain a conventional royalty of 2.5% of which 1.5% can be purchased at any time by the Company for \$1,000,000 per 1%.

**Operations Summary**

**Property Acquisitions and New Financial Arrangements in 2020 (cont’d)**

**Terra Nova Property, Newfoundland, Canada**

On October 22, 2020 the Company entered into an Option Agreement to earn up to a 100 percent working interest in the Terra Nova Property in the Gander Subzone in Central Newfoundland, subject to an option agreement with Nancy and Scott Rogers of Hare Bay, Newfoundland (“Terra Nova Agreement”). Pursuant to the terms of the Terra Nova Agreement, the Company paid \$5,000 upon execution of the Agreement. Additional payments will be made in the following years of \$10,000 at the end of year one, \$20,000 at the end of year two, and \$30,000 at the end of year three. In addition, starting at the fifth anniversary date, there will be an advance royalty of \$5,000 per year payable to Nancy and Scott Rogers (the “Prospectors”) and a conventional royalty of 2% of which 1% can be purchased at any time by the Company from the Prospectors for \$1,000,000.

**Rancheria Property, Yukon**

On November 2, 2020, the Company entered into a Mineral Property Option Agreement to earn up to a 100 percent working interest in the Rancheria Property in the Rancheria Silver District, Yukon, subject to an option agreement with Brian Scott (“Rancheria Agreement”). Upon receiving regulatory approval of the arrangement on December 11, 2020, the Company completed issuance of 100,000 common shares to the Brian Scott (the “Prospector”) that was due at time of Signing of the Agreement.

Pursuant to the terms of the Rancheria Agreement, the Company will earn a 100% working interest in the Property with the completion of the following:

- on the First Anniversary Date (November 2, 2021) issue 250,000 common shares to the Prospector and incur \$25,000 in exploration and development expenditures;
- on the Second Anniversary Date (November 2, 2022) issue 400,000 common shares to the Prospector and incur an additional \$50,000 in exploration and development expenditures;
- on the Third Anniversary Date (November 2, 2023) issue 750,000 common shares to the Prospector and incur an additional \$100,000 in exploration and development expenditures.

In addition, the Rancheria Agreement is subject to a 2% net smelter royalty which can be reduced to 1% upon the payment of \$1,000,000 to the Prospector.

**Silverknife and Amy Properties, British Columbia**

On February 10, 2021, the Company entered into a Mineral Property Option Agreement to earn up to a 100 percent working interest in the Silverknife and Amy mineral properties in the Rancheria Silver District, north-central British Columbia, with Mr. Steven Scott (“Silverknife and Amy Agreement”), subject to regulatory approval. TSX-V approval 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.

**CMC METALS LTD.**  
**MANAGEMENT DISCUSSION AND ANALYSIS (“MD&A”)**  
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**Operations Summary**

**Property Acquisitions and New Financial Arrangements in 2020 (cont’d)**

**Silverknife and Amy Properties, British Columbia (cont’d)**

Pursuant to the terms of the Silverknife and Amy Agreement, the Company will earn a 100% working interest in the Property with the completion of the following:

- on the First Anniversary Date (February 10, 2022) pay \$15,000 cash and issue 200,000 common shares to the Prospector and incur \$10,000 in exploration and development expenditures;
- on the Second Anniversary Date (February 10, 2023) pay \$20,000 cash and issue 400,000 common shares to the Prospector and incur an additional \$20,000 in exploration and development expenditures;
- on the Third Anniversary Date (February 10, 2024) pay \$40,000 cash and issue 500,000 common shares to the Prospector and incur an additional \$30,000 in exploration and development expenditures.

In addition, the Silverknife and Amy Agreement is subject to a 2% net smelter royalty which can be reduced to 1% upon the payment of \$1,000,000 to the Prospector.

**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 Issuances**

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.

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.

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.

During the six-month period ended March 31, 2021, the Company issued 8,255,380 common shares upon the exercise of 9,817,880 warrants for proceeds of \$520,894, of which \$2,500 was previously recorded in subscriptions received in advance, pursuant to the exercise of warrants. Accordingly, the Company reallocated \$304,549 from share-based payment reserve to share capital upon exercise of such warrants.

## **CMC METALS LTD.**

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

#### **Quarter Ended March 31, 2021**

(all figures in Canadian dollars)

#### **Share Issuances (cont’d)**

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. 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 six-month period ended March 31, 2021.

#### ***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.

**CMC METALS LTD.****MANAGEMENT DISCUSSION AND ANALYSIS (“MD&A”)****Quarter Ended March 31, 2021**

(all figures 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, 2020, and for the years ended September 30, 2019 and September 30, 2018.

	Year Ended September 30, 2020	Year Ended September 30, 2019	Year Ended September 30, 2018
Revenues	Nil	Nil	Nil
Expenses General & Administrative	\$(988,737)	\$(812,762)	\$(567,294)
Amortization	Nil	Nil	Nil
Net Gain (Loss)	\$(949,393)	\$(478,811)	\$535,858
Working Capital (Deficiency)	\$(499,874)	\$(1,633,099)	\$(1,936,305)
Property, plant & equipment	Nil	\$4,380	\$8,543
Exploration and evaluation assets	Nil	Nil	Nil
Total Assets	\$694,767	\$646,913	\$358,837
Long Term Liabilities	\$Nil	\$Nil	\$Nil
Shareholder Equity			
Number of common shares	66,345,385	33,550,055	18,128,055
Share Capital	\$20,654,620	\$19,220,318	\$18,608,267

**Quarterly Information**

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

	Quarter Ended 06/30/2019	Quarter Ended 09/30/2019	Quarter Ended 12/31/2019	Quarter Ended 03/31/2020
Net Income (loss)	\$(65,439)	\$(468,323)	\$(217,555)	\$(116,565)
Income (Loss) per share	\$(0.00)	\$(0.03)	\$(0.01)	\$(0.00)
	Quarter Ended 06/30/2020	Quarter Ended 09/30/2020	Quarter Ended 12/31/2020	Quarter Ended 03/31/2021
Net Income (loss)	\$(139,736)	\$(475,537)	\$(262,415)	\$(558,437)
Income (loss) per share	\$(0.00)	\$(0.02)	\$(0.00)	\$(0.01)

## CMC METALS LTD.

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

#### Quarter Ended March 31, 2021

(all figures in Canadian dollars)

#### Management Discussion and Analysis

##### *Quarter Ended March 31, 2021 Compared to Year Ended September 30, 2020*

As of March 31, 2021, the Company had total assets of \$1,168,111 as compared with \$694,767 at September 30, 2020. The Company had a working capital at March 31, 2021 of \$56,522 compared to a working capital deficiency of \$499,874 as at September 30, 2020.

##### *Quarter Ended March 31, 2021 Compared to Quarter Ended March 31, 2020*

As of March 31, 2021, the Company had total assets of \$1,168,111 as compared with \$300,528 at March 31, 2020. The Company had a working capital at March 31, 2021 of \$56,252 compared to a working capital deficit of \$1,951,094 at March 31, 2020.

##### *Quarter Ended March 31, 2021 Compared to Quarter Ended March 31, 2020*

Total operating expenses during the quarter ended March 31, 2021 amounted to \$623,895 compared to \$147,223 for the quarter ended March 31, 2020. The loss per share for the quarter ended March 31, 2021 was (\$0.01) compared with an income per share of (\$0.00) for the quarter ended March 31, 2020.

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

General and administration expenses were as follows:

For the quarter ended March 31,	<u>2021</u>	<u>2020</u>
Amortization	\$ -	\$ 908
Consulting	27,032	20,323
Exploration and evaluation assets costs recovery	115,852	60,720
Filing and transfer agent fees	24,308	9,050
Flow-through share related taxes	-	1,135
Insurance	10,411	-
Interest expenses	850	-
Management fees	1,399	-
Marketing	74,850	-
Office and miscellaneous	19,315	18,342
Professional fees	57,226	29,611
Rent	4,500	4,500
Stock-based compensation	283,649	-
Travel	4,503	2,634
	<hr/>	<hr/>
	\$623,895	\$147,223

**CMC METALS LTD.**  
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**Related Party Transactions**

During the six months ended March 31, 2021, the Company entered into the following transactions with related parties:

- a) incurred finance fees of \$5,843 (March 31, 2020 – \$Nil) to a company controlled by a significant shareholder of the Company.
- b) incurred rent of \$9,000 (March 31, 2020 – \$9,000) to a company controlled by a significant shareholder of the Company.
- c) incurred secretarial fees of \$28,900 (March 31, 2020 - \$11,700) to a company controlled by a significant shareholder of the Company which was recorded in office and miscellaneous.
- d) incurred management fees of \$1,399 (March 31, 2020 – \$Nil) to a company controlled by a director of the Company.
- e) incurred consulting fees of \$1,000 (March 31, 2020 - \$27,904) to a director of the Company.
- f) incurred consulting fees of \$45,594 (March 31, 2020 - \$Nil) to a company controlled by a director of the Company.
- g) incurred contractor fees of \$40,488 (March 31, 2020 – \$8,165) to a company controlled by a director of the Company which were recorded within exploration and evaluation expenditures.
- h) recognized stock-based compensation of \$261,086 (March 31, 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.

At March 31, 2021, a total of \$18,723 (March 31, 2020 - \$83,565) was owing to a director, company controlled by a director or to a significant shareholder of the Company.

On March 31, 2021, the LOC secured for the provision for restoration and environmental obligation pursuant to the Silver Hart Property is guaranteed by companies controlled by a significant shareholder of the Company. Subsequent to the filing of this MD&A, the third-party guarantee will be extinguished.

Amounts due to or from related parties are non-interest bearing, unsecured and have no fixed terms of repayment unless specifically disclosed.

The Company incurred the following key management compensation charges:

	March 31, 2021	March 31, 2020
Consulting fees	\$46,594	\$27,904
Exploration and evaluation expenditures – contractors	40,488	8,165
Management fees	1,399	Nil
Stock-based compensation	261,086	-
	<u>\$349,567</u>	<u>\$36,059</u>

**CMC METALS LTD.**  
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**Off Balance Sheet Agreements**

None

**Proposed transactions**

None

**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 six-month period ended March 31, 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**

The Company did not adopt any new or amended standards for the year beginning October 1, 2019 that had a material impact on the consolidated financial statements. The following new standards, amendments to standards and interpretations have been issued but have no effect for 2020.

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

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**Recent Accounting Pronouncements (cont’d)**

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. The Company does not have any leases.

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 March 31, 2021 was \$827,260, compared to \$300,610 for the year ended September 30, 2020. As at March 31, 2021, the Company had a working capital of \$56,522 compared to a working capital deficit of (\$499,874) as at the September 30, 2020 year end.

The Company will require additional capital to provide working capital and to finance its current and any proposed acquisition.

**Risk, Uncertainties and Outlook**

The business of mineral deposit exploration and extraction involves a high degree of risk. Few properties that are explored ultimately become producing mines.

The Company currently has paid employees through its US operations at the Bishop Mill, California through its wholly owned subsidiary company, 0877887 BC Ltd.

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 such, management feels that there is no significant reclamation liability outstanding on properties owned by the Company.

## **CMC METALS LTD.**

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

**Quarter Ended March 31, 2021**

(all figures in Canadian dollars)

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

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.

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.

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***Liquidity risk (cont’d)***

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding. The Company has a working capital deficiency and the contractual maturities of all financial liabilities is less than one year.

***Foreign exchange risk***

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company's subsidiary is not exposed to material currency risk as its functional currency is the Canadian dollar. The Company does not hedge its exposure to fluctuations in foreign exchange rates.

***Interest rate risk***

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

***Capital management***

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

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

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

**Classification of financial instruments**

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

	March 31, 2021 (Unaudited)	September 30, 2020 (Audited)
Loans and receivables:		
Cash	\$ 827,260	\$300,610
Receivables	15,024	105,421
Reclamation deposits	243,438	258,228
	<b>\$1,085,722</b>	<b>\$664,259</b>

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**MANAGEMENT DISCUSSION AND ANALYSIS (“MD&A”)**  
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**Classification of financial instruments (cont’d)**

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

	March 31, 2021 (Unaudited)	September 30, 2020 (Audited)
Non-derivative financial liabilities:		
Trade payables	\$121,458	\$228,739
Due to related parties	18,723	61,604
Loan – non-current	22,780	21,065
	<b>\$162,961</b>	<b>\$311,408</b>

**Share Capital**

As of May 27, 2021, the Company had 81,333,265 common shares issued and outstanding.

In addition, as at May 27, 2021 the Company had 2,010,000 outstanding incentive stock options exercisable at the price of \$0.20 per share expiring January 13, 2026, and the following warrants:

- 5,200,000 of a total of 8,400,000 warrants exercisable on a 1:1 basis at \$0.075 per share, pursuant to the 8,400,000 unit private placement which closed September 5, 2020 (warrants expiring September 5, 2021);
- 2,500,000 of a total of 6,000,000 warrants exercisable on a 2:1 basis at \$0.10 per share, pursuant to the 6,000,000 unit flow-through private placement which closed July 27, 2020 (warrants expiring July 27, 2021);
- 4,800,000 of a total of 4,800,000 warrants exercisable on a 2:1 basis at \$0.20 per share, pursuant to the 4,800,000 unit private placement which closed January 23, 2021 (warrants expiring January 13, 2023).

**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.

**CMC METALS LTD.**

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

**Quarter Ended March 31, 2021**

(all figures in Canadian dollars)

**Forward-looking Statements (cont’d)**

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 even 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.