

**CMC Metals Ltd.**  
(TSXV: CMB / OTCQB: CMCXF / FSE: ZM5P)

**Nabs a Promising Project Near First Majestic's Mine**

**BUY**

**Current Price: C\$0.035**

**Fair Value: C\$0.17**

**Risk: 5**

**Sector: Junior Resource**

[Click here for more research on the company and to share your views](#)

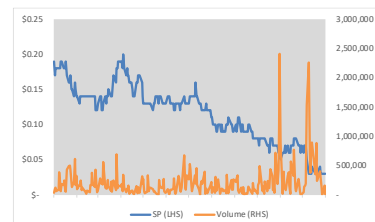
**Highlights**

- In December 2023, CMC Metals (“CMB”) entered into an agreement with Sailfish Royalty (TSXV: FISH/MCAP: \$80M) to acquire the Gavilanes silver-polymetallic project in Mexico, located near First Majestic Silver’s (TSX: FR) San Dimas/Tayoltita mine. Gavilanes hosts **small tonnage/high-grade inferred resources totaling 18.2 Moz AgEq (silver equivalent), grading 320 g/t AgEq**. We note that the property exhibits significant resource expansion potential, given that its deposits remain open in several directions. In addition, multiple targets remain untested.
- CMB can acquire Gavilanes with **back-end weighted staged payments** through 2026, totaling \$11M in cash, shares, and exploration expenditures. **We estimate that CMB is paying \$0.61/oz vs the sector average of \$0.77/oz, implying a 21% discount.** Management believes they are paying \$0.11/oz as they feel that Gavilanes has potential to host 100+ Moz AgEq.
- The company has completed a geophysical survey, and a drill program, at its Silverknife project in B.C. This property is just **1.1 km from Coeur Mining’s (NYSE: CDE/MCAP: \$1.4B) Silvertip mine**; one of the highest-grade silver-zinc-lead mines in the world. Silverknife has **historic resources totaling 17 Moz AgEq** within high-grade veins.
- CMB is planning a multi-phase study to identify new exploration targets at the Silver Hart project (located 55 km north of Silverknife), which hosts **high-grade inferred resources totaling 7.5 Moz AgEq**, grading 584 g/t.
- We maintain a **positive outlook on silver/gold prices**, in light of the anticipated rate cuts by the Fed, and as we anticipate inflation to remain above its historic average in 2024.
- **CMB is trading at \$0.34/oz AgEq** vs the sector average of \$0.77/oz, implying a 56% discount.
- **Upcoming catalysts** include drilling at Gavilanes, as well as positive sentiment towards gold/silver juniors.

**Sid Rajeev, B.Tech, CFA, MBA**  
Head of Research

**Nina Rose Coderis, BSc (Geology)**  
Equity Analyst

**Price Performance (1-year)**



	YTD	12M
CMB	-13%	-81%
TSXV	-0.1%	-10%

**Company Data**

52 Week Range	\$0.03 - \$0.20
Shares O/S	146M
Market Cap.	C\$5M
Yield (forward)	N/A
P/E (forward)	N/A
P/B	4.9x

**Key Financial Data (FYE - Sept 30)**  
(C\$)

	FY2023 (9M)
Cash	\$1,220,332
Working Capital	\$568,569
Total Assets	\$1,940,352
Net Income (Loss)	-\$2,158,746
EPS	-\$0.02

\*Subsequent to Q3-FY2023, CMB raised \$0.6M through equity financings

**\*See last page for important disclosures, rating and risk definitions. All figures in C\$ unless otherwise specified.**

## Portfolio Summary

Project Name	Location	Commodity	Exploration Stage	Project Status
Gavilanes	Mexico	Silver-Zinc-Lead	Advanced Stage	<b>Inferred resources totaling 18.2 Moz AgEq at 320 g/t;</b> remains open in multiple directions. Exploration has identified >20 veins covering an area of >15 km <sup>2</sup> . Drilling planned this year.
Silverknife	B.C.	Silver-Zinc-Lead	Advanced Stage/Available for JV	Lies in the emerging Rancheria Silver District and is just 1.1 km from Coeur Mining's Silvertip mine. Silverknife has <b>historic resources totaling 17 Moz AgEq within high-grade veins.</b>
Silver Hart	Yukon	Silver-Zinc-Lead	Advanced Stage/Available for JV	A 2020 resource study reported <b>inferred resources totaling 7.5 Mz AgEq.</b> A 2022 drill program (25 holes/ 4,404 m) identified a new vein, and extended the Main Zone - KL vein.
Blue Heaven	Yukon	Silver-Zinc-Lead	Advanced Stage/Available for JV	36 mineralized areas comprised of high-grade silver-lead-zinc veins, silver-lead-zinc CRD, and tungsten-copper skarns. Sampling returned high grades such as 7.8% Pb, 2.8% Zn, 112 g/t Ag and 12.4% Mn.
Amy	B.C.	Silver-Zinc-Lead	Advanced Stage/Available for JV	Historical exploration included geological, geochemical, geophysical work, adit development, and limited drilling that identified <b>a small historic resource - 79.8 Kt of 367 g/t Ag, 6.0% Zn and 2.8% Pb</b>
Bridal Veil	Newfoundland	Copper-Silver-Lead Polymetallic	Early Stage/Available for JV	High-grade gold, copper and silver identified from six mineralized showings
Logjam	Yukon	Gold-Silver Polymetallic	Early Stage/Available for JV	Historical drilling, underground development (two adits), and surface sampling identified potential for high-grade gold-silver mineralization

Source: Company

Targeting silver-focused polymetallic projects in Canada, and Mexico

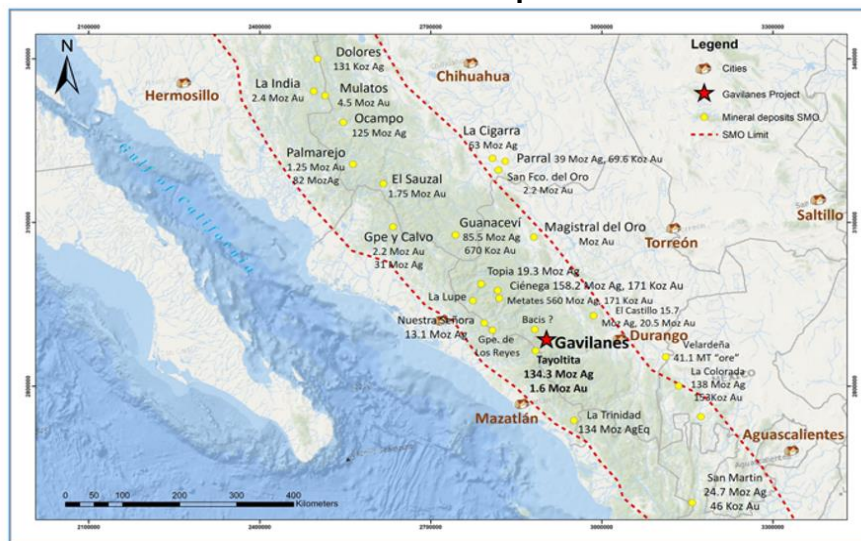
Four properties with resource estimates

Although Gavilanes is the company's new flagship project, management remains committed to advancing the Rancheria silver district projects in B.C. and Yukon, while seeking JV partners

### Gavilanes Project, Mexico

Last month, CMB entered into an option to acquire this project through back-ended weighted staged payments through 2026, totaling \$10M in cash, shares and exploration expenditures. Gavilanes is located in the San Dimas district, known for producing 11+ Moz gold, and 580+ Moz silver.

### Location Map



Source: Company

Located in the prolific Sierra Madre Occidental province in southwestern Durango

23 km northeast of First Majestic Silver's San Dimas/Tayoltita mine, which hosts 134 Moz Ag, and 1.6 Moz Au

The property hosts an intermediate to low sulphidation epithermal deposit, with inferred resources totaling **18.2 Moz AgEq at 320 g/t**.

**Historical Drill Highlights**

*Gavilanes hosts a small tonnage, epithermal deposit; epithermal deposits typically host high grades*

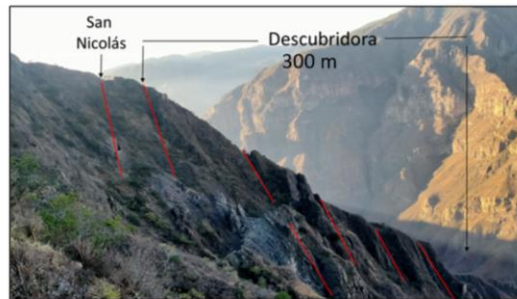
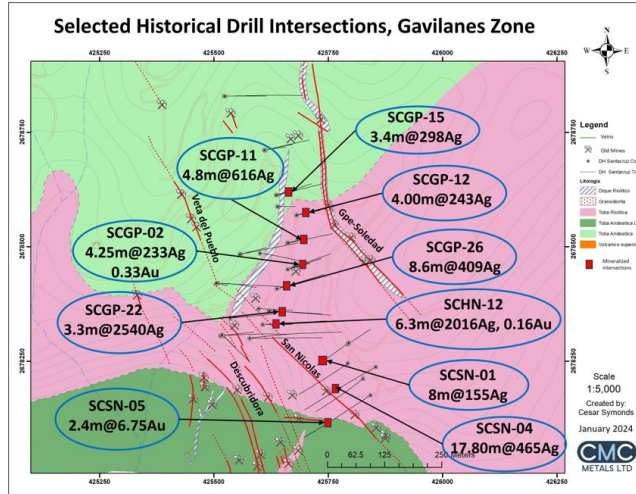
61 holes (13,011 m) drilled to date

Three mineralized zones including the Gavilanes, Central, and Western zones

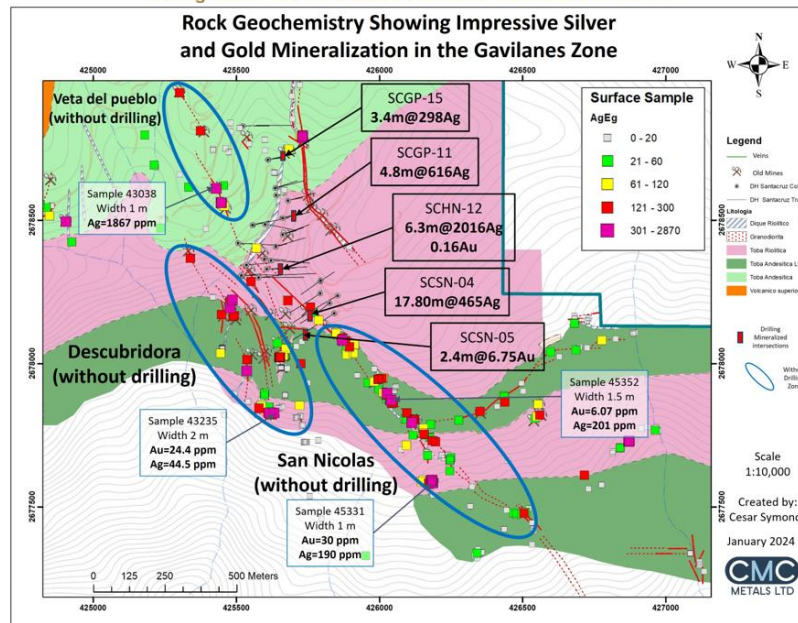
18.2 Moz in inferred resources spread across <2% of the Gavilanes zone

Recent mapping and sampling have identified 20+ veins, and several breccia zones, in the Gavilanes zone

The project is currently permitted for 4,650 m of drilling; CMB aims to drill 35,000-50,000 m during 2024-2026



Panoramic photograph of San Nicolás-Descubridora mineralized zone looking south. The mineralized structures are marked in red line.



Source: Company



Ejido Los Gavilanes (a communal agrarian cooperative), which owns surface rights in the core area, have had exploration agreements with the previous operators of Gavilanes. CMB has initiated negotiations for a new agreement, aiming to conclude within the next few months.

The company intends to conduct resource expansion drilling on the San Nicolas, Descubridora, Guadalupe-Soledad, and Pueblo de Veta veins. Recent sampling of outcrops produced numerous anomalous results. **Management believes that Gavilanes shares similarities with the San Dimas/Tayoltita mine, and has potential to host 100M+ oz AgEq.**

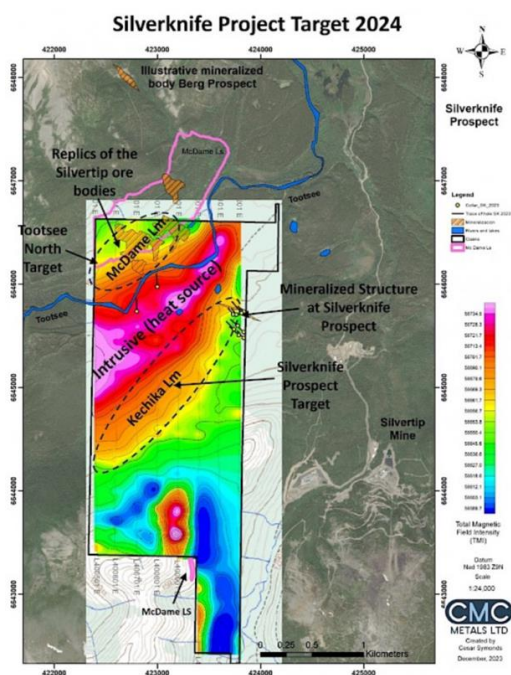
### Silverknife Project, B.C.

This property is 1.1 km northwest of Coeur’s Silvertip silver-zinc-lead mine, one of the highest-grade silver-zinc-lead mines in the world.

Located in northern B.C., south of the Yukon border

Mineralization at Silverknife is similar to other Carbonate- Replacement Deposits (CRD) in the Rancheria silver district, such as Silvertip

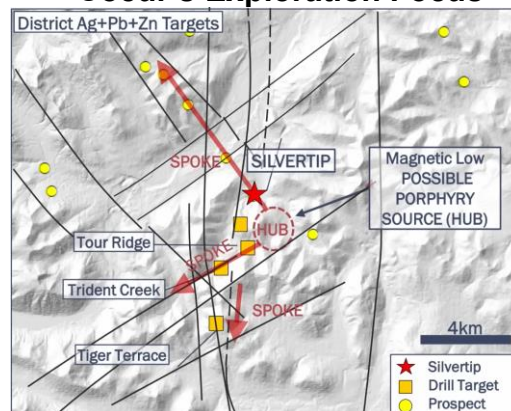
CRDs are typically found in clusters of large ore bodies



Source: Company

The project has historic resources totaling 17 Moz AgEq. Historic drilling (in the 1980s) returned high weighted average grades of **511 g/t silver, 3.7 gpt gold, 12.5% lead, and 4.8% zinc.**

### Coeur’s Exploration Focus



The red arrows above show Coeur’s key exploration areas. Silverknife is located in the same direction as the arrow pointing northwest.

**A new discovery at Silvertip, is just 700 m east of Silverknife.**

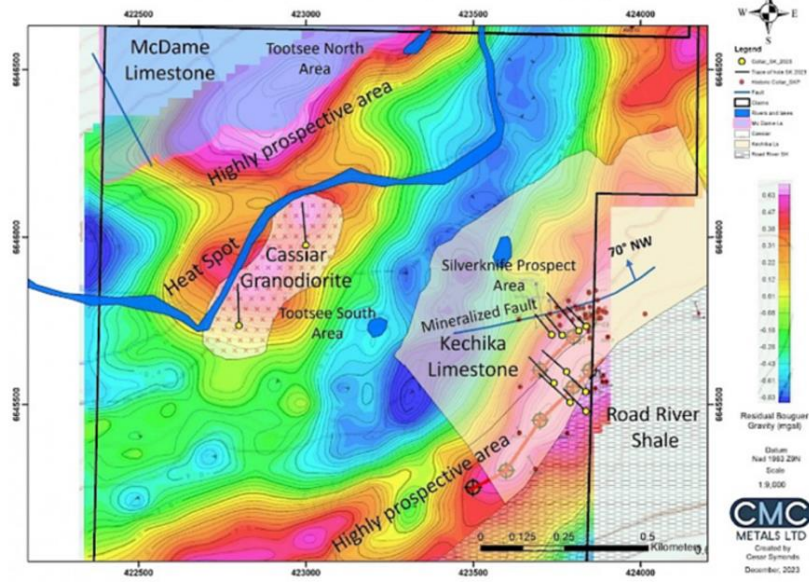
Source: Coeur/FRC

A recent drill program targeting Tootsee South, and the Silverknife prospect, did not return any promising values

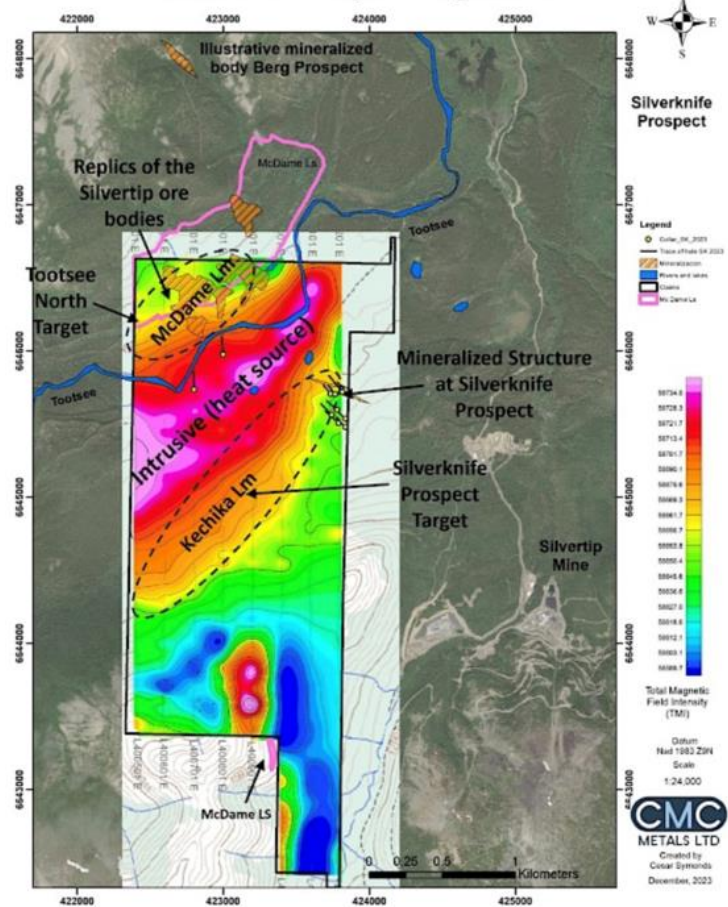
The Tootsee North area is underlain by the limestone McDame formation, which hosts the Silvertip mine

In 2024, management intends to assess major structural faults at Tootsee North, and the Silverknife prospect area, to pinpoint potential drill targets

Drilled areas in the Silverknife 2023 project



Silverknife Project Target 2024



Source: Company

## Upcoming Catalysts

Multiple catalysts

- **Gavilanes** – Enter into an exploration agreement with the Ejido de Los Gavilanes (Q1-2024), drilling (Q2-Q4,2024), followed by an updated resource estimate (Q4-2024/Q1-2025)
- Resume exploration in **Rancheria silver district projects** (Silver Hart, Blue Heaven, and Silverknife): Q3-2024
- Baseline environmental studies for constructing a route to **Amy**: Q3-2024
- Secure a new exploration permit for **Silver Hart** (in progress)

## Financials

Healthy balance  
sheet

Subsequent to Q3-  
FY2023, CMB  
raised \$0.6M  
through equity  
financings, and sold  
certain non-core  
assets in California  
for \$1M in cash and  
shares

Key Financial Data (FYE - Sept 30)	FY2023 (9M)
Cash	\$1,220,332
Working Capital	\$568,569
Current Ratio	1.63
Monthly Burn Rate (G&A)	-\$72,557
Exploration and Development	-\$1,342,533
Cash from Financing Activities	\$2,027,674

Options	#	Exercise Price	Amount
Total	9,225,000	\$0.13	\$1,230,250
In-the-Money	-	-	-

Warrants	#	Exercise Price	Value
Total	23,156,940	\$0.19	\$4,331,323
In-the-Money	-	-	-

Source: FRC / Company

## FRC Valuation

	Company	Location	Enterprise Value (\$,M)	EV / Resource* (\$/oz)
1	Pan American Silver Corp.	South America, U.S.	\$7,943	\$3.70
2	SSR Mining	South America, U.S., Canada	\$3,936	\$3.03
3	Endeavour Silver	Mexico	\$466	\$2.79
4	MAG Silver Corp.	Mexico	\$1,232	\$2.66
5	Excellon Resources Inc.	Mexico	\$21	\$1.26
6	Hochschild Mining	South America	\$1,174	\$1.00
7	GR Silver	Mexico	\$30	\$0.71
8	Alexco Resource Corp. - acquired	Canada	\$99	\$0.69
9	Austral Gold Limited.	South America	\$32	\$0.56
10	Avino Silver	Mexico	\$83	\$0.39
11	Silver X	Peru	\$37	\$0.37
12	CMC Metals	Canada/Mexico	\$14	\$0.34
13	Kootenay Silver	Mexico	\$44	\$0.27
14	Integra Resources Corp.	Idaho	\$78	\$0.26

\* 100% of Measured and Indicated, plus 50% of Inferred Resource

Average

\$0.77

Source: FRC / S&P Capital IQ / Various

For the comparables listed above, we used 100% of M&I resources, and 50% of inferred resources. However, we did not apply any discounts to CMC, and instead used 100% of its inferred and historic resources, given the resource expansion potential of its projects. **We are reiterating our BUY rating, and adjusting our fair value estimate from \$0.31 to \$0.17/share.** Upcoming catalysts include drilling, and positive sentiment towards gold/silver juniors.

## Risks

We believe the company is exposed to the following risks:

- The value of the company is dependent on commodity prices
- **Exploration and development**
- **Access to capital and potential for share dilution**
- No guarantee that the company will be able to advance all its projects simultaneously

Silver juniors are trading at \$0.77/oz (previously \$1.70/oz)

CMB is trading at \$0.34/oz, implying a 56% discount

Applying the sector average multiple of \$0.77/oz, we arrived at a fair value estimate of \$0.17/share (previously \$0.31/share)

Maintaining our risk rating of 5 (Highly Speculative)



**Fundamental Research Corp. Equity Rating Scale:**

**Buy** – Annual expected rate of return exceeds 12% or the expected return is commensurate with risk

**Hold** – Annual expected rate of return is between 5% and 12%

**Sell** – Annual expected rate of return is below 5% or the expected return is not commensurate with risk

**Suspended or Rating N/A**— Coverage and ratings suspended until more information can be obtained from the company regarding recent events.

**Fundamental Research Corp. Risk Rating Scale:**

**1 (Low Risk)** - The company operates in an industry where it has a strong position (for example a monopoly, high market share etc.) or operates in a regulated industry. The future outlook is stable or positive for the industry. The company generates positive free cash flow and has a history of profitability. The capital structure is conservative with little or no debt.

**2 (Below Average Risk)** - The company operates in an industry where the fundamentals and outlook are positive. The industry and company are relatively less sensitive to systematic risk than companies with a Risk Rating of 3. The company has a history of profitability and has demonstrated its ability to generate positive free cash flows (though current free cash flow may be negative due to capital investment). The company's capital structure is conservative with little to modest use of debt.

**3 (Average Risk)** - The company operates in an industry that has average sensitivity to systematic risk. The industry may be cyclical. Profits and cash flow are sensitive to economic factors although the company has demonstrated its ability to generate positive earnings and cash flow. Debt use is in line with industry averages, and coverage ratios are sufficient.

**4 (Speculative)** - The company has little or no history of generating earnings or cash flow. Debt use is higher. These companies may be in start-up mode or in a turnaround situation. These companies should be considered speculative.

**5 (Highly Speculative)** - The company has no history of generating earnings or cash flow. They may operate in a new industry with new, and unproven products. Products may be at the development stage, testing, or seeking regulatory approval. These companies may run into liquidity issues and may rely on external funding. These stocks are considered highly speculative.

**Disclaimers and Disclosure**

The opinions expressed in this report are the true opinions of the analyst about this company and industry. Any "forward looking statements" are our best estimates and opinions based upon information that is publicly available and that we believe to be correct, but we have not independently verified with respect to truth or correctness. There is no guarantee that our forecasts will materialize. Actual results will likely vary. The analyst and Fundamental Research Corp. "FRC" does not own any shares of the subject company, does not make a market or offer shares for sale of the subject company, and does not have any investment banking business with the subject company. Fees were paid by CMB to FRC. The purpose of the fee is to subsidize the high costs of research and monitoring. FRC takes steps to ensure independence including setting fees in advance and utilizing analysts who must abide by CFA Institute Code of Ethics and Standards of Professional Conduct. Additionally, analysts may not trade in any security under coverage. Our full editorial control of all research, timing of release of the reports, and release of liability for negative reports are protected contractually. To further ensure independence, CMB has agreed to a minimum coverage term including an initial report and three updates. Coverage cannot be unilaterally terminated. Distribution procedure: our reports are distributed first to our web-based subscribers on the date shown on this report then made available to delayed access users through various other channels for a limited time.

The distribution of FRC's ratings are as follows: BUY (67%), HOLD (3%), SELL / SUSPEND (30%).

To subscribe for real-time access to research, visit <https://www.researchfrc.com/website/subscribe/> for subscription options.

This report contains "forward looking" statements. Forward-looking statements regarding the Company and/or stock's performance inherently involve risks and uncertainties that could cause actual results to differ from such forward-looking statements. Factors that would cause or contribute to such differences include, but are not limited to, continued acceptance of the Company's products/services in the marketplace; acceptance in the marketplace of the Company's new product lines/services; competitive factors; new product/service introductions by others; technological changes; dependence on suppliers; systematic market risks and other risks discussed in the Company's periodic report filings, including interim reports, annual reports, and annual information forms filed with the various securities regulators. By making these forward-looking statements, Fundamental Research Corp. and the analyst/author of this report undertakes no obligation to update these statements for revisions or changes after the date of this report. A report initiating coverage will most often be updated quarterly while a report issuing a rating may have no further or less frequent updates because the subject company is likely to be in earlier stages where nothing material may occur quarter to quarter. Fundamental Research Corp DOES NOT MAKE ANY WARRANTIES, EXPRESSED OR IMPLIED, AS TO RESULTS TO BE OBTAINED FROM USING THIS INFORMATION AND MAKES NO EXPRESS OR IMPLIED WARRANTIES OR FITNESS FOR A PARTICULAR USE. ANYONE USING THIS REPORT ASSUMES FULL RESPONSIBILITY FOR WHATEVER RESULTS THEY OBTAIN FROM WHATEVER USE THE INFORMATION WAS PUT TO. ALWAYS TALK TO YOUR FINANCIAL ADVISOR BEFORE YOU INVEST. WHETHER A STOCK SHOULD BE INCLUDED IN A PORTFOLIO DEPENDS ON ONE'S RISK TOLERANCE, OBJECTIVES, SITUATION, RETURN ON OTHER ASSETS, ETC. ONLY YOUR INVESTMENT ADVISOR WHO KNOWS YOUR UNIQUE CIRCUMSTANCES CAN MAKE A PROPER RECOMMENDATION AS TO THE MERIT OF ANY PARTICULAR SECURITY FOR INCLUSION IN YOUR PORTFOLIO. This REPORT is solely for informative purposes and is not a solicitation or an offer to buy or sell any security. It is not intended as being a complete description of the company, industry, securities or developments referred to in the material. Any forecasts contained in this report were independently prepared unless otherwise stated and HAVE NOT BEEN endorsed by the Management of the company which is the subject of this report. Additional information is available upon request. THIS REPORT IS COPYRIGHT. YOU MAY NOT REDISTRIBUTE THIS REPORT WITHOUT OUR PERMISSION. Please give proper credit, including citing Fundamental Research Corp and/or the analyst, when quoting information from this report.

The information contained in this report is intended to be viewed only in jurisdictions where it may be legally viewed and is not intended for use by any person or entity in any jurisdiction where such use would be contrary to local regulations or which would require any registration requirement within such jurisdiction.