

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

BUY

Current Price: C\$0.02

Fair Value: C\$0.12

Risk: 5

Attracts Coeur Mining – FINAL REPORT

Sector: Junior Resource

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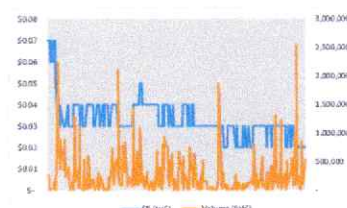
Highlights

- Last month, CMC Metals ("CMB") **secured Coeur Mining** (NYSE: CDE; Market Cap: \$2.8B) as an option partner to advance the Silverknife property in British Columbia. This property is located just 1.1 km from Coeur's Silvertip mine, one of the highest-grade silver-zinc-lead mines in the world.
- Coeur can acquire a 100% interest for \$6.3M through cash payments, and exploration expenditures. With CMC's MCAP at just \$3M, **it appears the market is not only undervaluing Silverknife**, but also overlooking the value of CMC's other assets.
- We believe this transaction **enables CMC to fully concentrate** on its other projects in B.C., and the Yukon.
- The company has also completed an updated resource estimate on its Silver Hart project (located 55 km north of Silverknife) in Yukon. Resources **increased by 18% to 8.8 Moz AgEq**. However, grades declined by 75%, as lower-grade materials were included in the revised estimate. We believe there is potential for resource expansion, as the project has not been fully drill-tested. Additionally, there is an opportunity to delineate resources from the adjacent Blue Heaven property. Management **plans to initiate studies** to assess the potential for a small-scale open-pit operation at Silver Hart.
- Recent sampling at the Amy silver-lead-zinc yielded ultra-high grades of up to **643 g/t Ag, 18.76% Pb, 8.3% Zn, and 9.7% Mn**. Mineralized zones on the property, extending up to 2.6 km, suggest potential for high-grade silver-lead-zinc carbonate replacement (CRD) mineralization. Management plans to conduct a drill program next year.
- Following our last report in January 2024, CMC decided to terminate its agreement to acquire the Gavilanes project in Durango, a property with small-tonnage and high-grade inferred resources. **This decision has adversely impacted our fair value estimate.**
- We maintain a **positive outlook on silver/gold prices**, in light of the anticipated rate cuts by the Fed, and elevated geopolitical tensions.
- **Upcoming catalysts** include metallurgical testing and ore sorting at Silver Hart, and drilling at Amy. **CMB is trading at \$0.14/oz AgEq vs the sector average of \$0.88/oz, an 84% discount.**

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Price Performance (1-year)



	YTD	12M
CMB	-50%	-87%
TSXV	11%	16%

Company Data

52 Week Range	\$0.02 - \$0.08
Shares O/S	158M
Market Cap.	C\$3M
Yield (forward)	N/A
P/E (forward)	N/A
P/B	N/A

Key Financial Data (FYE - Sept 30)

(C\$)	FY2024 (9M)
Cash	\$28,869
Working Capital	\$547,768
Total Assets	\$1,260,120
Net Income (Loss)	-\$1,234,541
EPS	-\$0.01

***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
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 a small historic resource - 79.8 Kt of 367 g/t Ag, 6.0% Zn and 2.8% Pb
Silverknife	B.C.	Silver-Zinc-Lead	Advanced Stage/Optioned to Coeur Mining	Lies in the emerging Rancheria Silver District, 1.1 km from Coeur Mining's Silvertip mine. Silverknife has historic resources totaling 17 Moz AgEq within high-grade veins.
Silver Hart	Yukon	Silver-Zinc-Lead	Advanced Stage/Available for JV	A 2024 resource study reported inferred resources totaling 8.8 Moz AgEq
Blue Heaven	Yukon	Silver-Zinc-Lead	Advanced Stage/Available for JV	38 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.
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

* Historical resources were not verified by a Qualified Person.

Source: Company

Last month, CMB entered into an agreement Coeur, wherein Coeur can acquire a 100% interest in the property for \$2.75M in cash, and \$3.55M in exploration expenditures, valuing the property at \$6.30M. Given CMC's 100% ownership of the project, and its \$3M MCAP, **it appears the market is not only undervaluing Silverknife, but also completely disregarding the value of CMC's other assets.**

Amy Project, B.C.

Past exploration has identified several mineralized showings, comprised of high-grade, carbon replacement (CRD) style silver-lead-zinc veins. In November 2024, 23 samples from outcrops, trench, and dump samples returned ultra-high grades of up to **643 g/t Ag, 18.76% Pb, 8.3% Zn, and 9.7% Mn.**

Targeting silver-focused polymetallic projects in Canada

Three properties with resource estimates, one of which is optioned to Coeur

Located in the Rancheria silver district, 8 km west of the Silvertip mine, covering 954 hectares

Hosts a small, historic resource totaling 79.8 Kt of 367 g/t Ag, 6% Zn, and 2.8% Pb

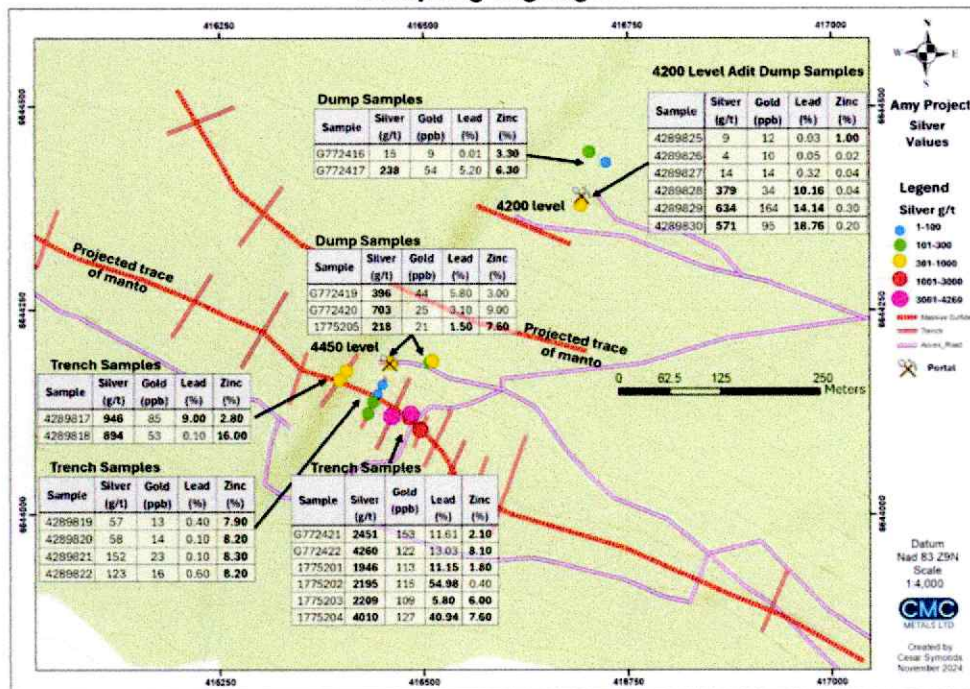
Existing infrastructure includes 742 m of drift/adit development

Mapping has identified vein/manto systems extending up to 2.6 km at surface

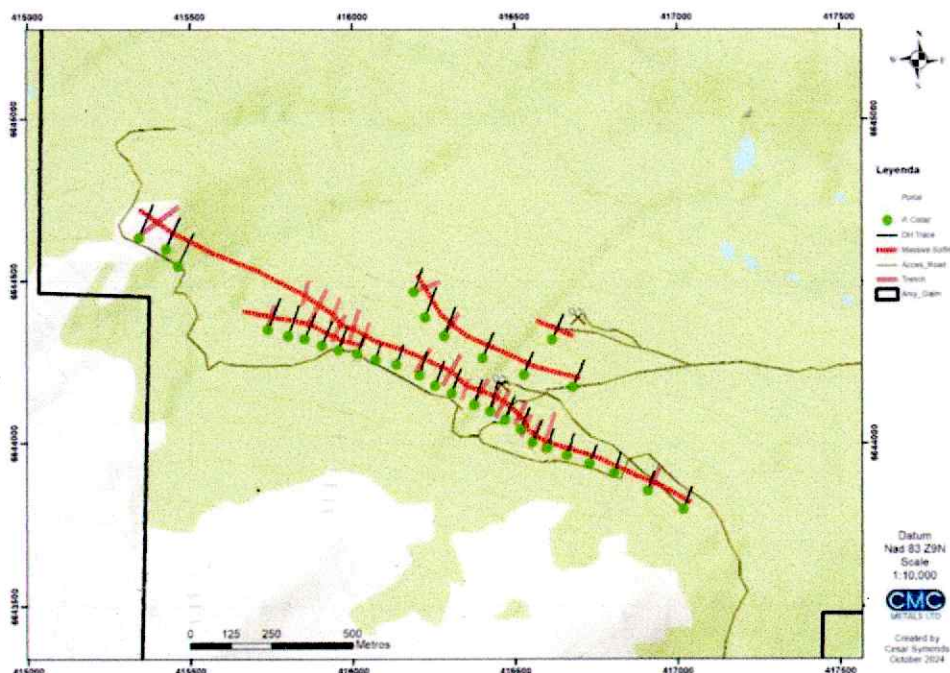
Recent sampling yielded ultra-high grades

CMC is preparing for a 10,000 m drill program in 2025, and plans to initiate its permitting process shortly

Sampling Highlights



Proposed Drill Program



Source: Company

Silver Hart Project, Yukon

Located in the Rancheria silver district

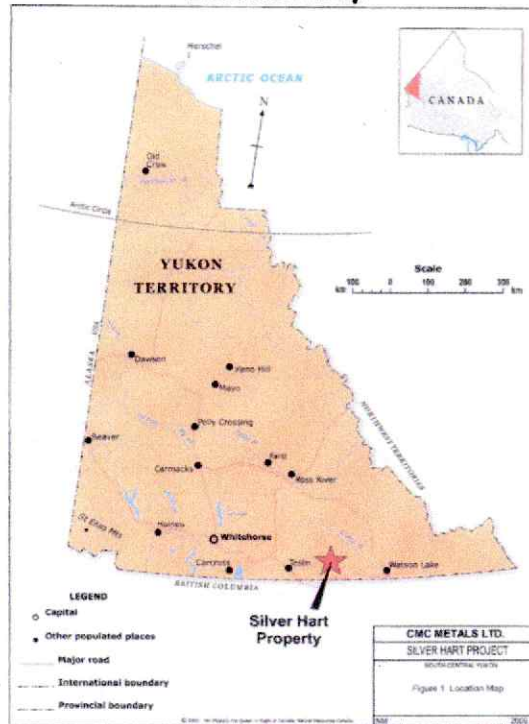
50 km northwest of the recently optioned Silverknife project

Existing infrastructure includes 673 m of underground development

Resources increased by 18% to 8.8 Moz AgEq

Grades declined by 75% to 145 g/t AgEq, implying higher OPEX, as lower-grade materials were included in the new estimate

Location Map



Silver Hart Resource Estimate

2024 Resources										
Category	Domain	Tonnage	Grade				Contained Metal			
			Ag (g/t)	Pb (%)	Zn (%)	AgEq (g/t)	Ag (Moz)	Pb (Mlbs)	Zn (Mlbs)	AgEq (Moz)
Inferred	TM Zone	269,000	153	0.56	1.88	230	1.32	3.30	11.10	1.99
	S Zone	127,000	262	0.36	1.90	335	1.07	1.00	5.30	1.37
	KL ZOne	1,026,000	36	0.11	2.17	111	1.18	2.50	49.00	3.66
	K Zone	265,000	14	0.09	1.90	80	0.12	0.50	11.10	0.68
	M Zone	202,000	98	0.58	1.82	174	0.64	2.60	8.10	1.13
Total		1,889,000	71	0.24	2.03	145	4.33	9.90	84.70	8.82
2020 Resources										
Category	Domain	Tonnage	Grade				Contained Metal			
			Ag	Pb	Zn	AgEq	Ag	Pb	Zn	AgEq
Inferred	M Zone	346,800	310	1.70	4.00	584	3.94	14.57	34.57	7.50
Total		346,800	310	1.70	4.00	584	3.94	14.57	34.57	7.50

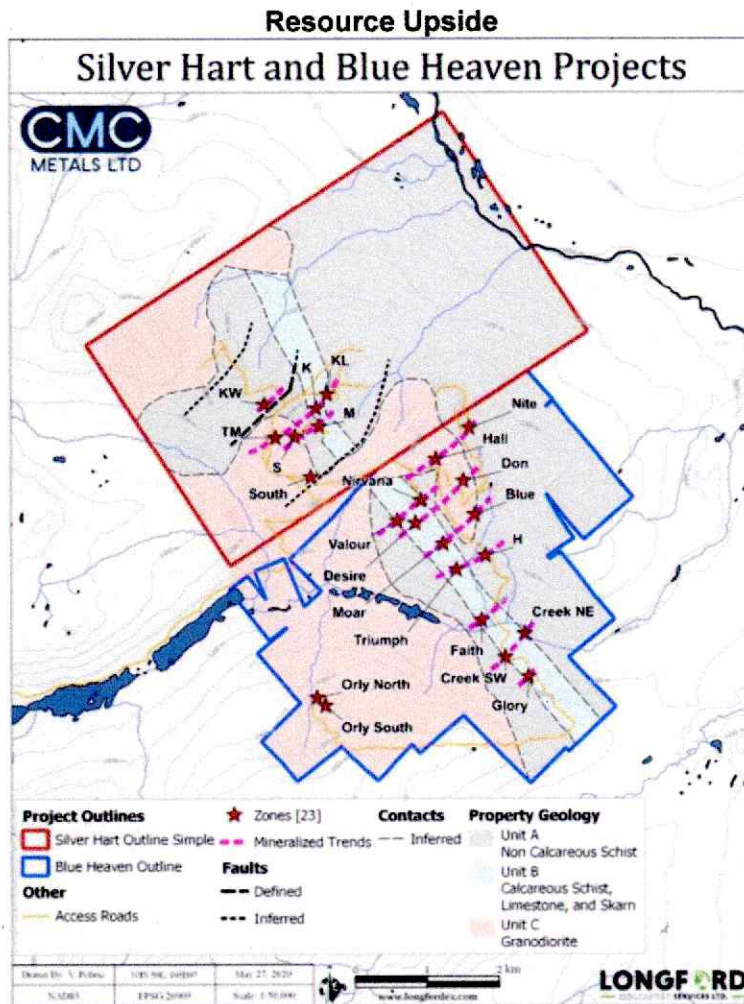
Source: FRC / Company

The current resource spans five zones over a 1.4 km strike length, and is suitable for open-pit mining, whereas the previous estimate focused on only one zone

Although we were disappointed by the steep decline in grades in the new resource estimate, we note that the project remains in its early stages

We believe there is potential for resource expansion, as the project has yet to be fully drill-tested

Additionally, there is an opportunity to delineate resources from the adjacent Blue Heaven property



Source: Company

Management plans to initiate metallurgical, and ore sorting technology studies, to evaluate the feasibility of a small-scale open-pit operation at Silver Hart.

Upcoming Catalysts

Multiple catalysts

- **Silver Hart:** Metallurgical testing and ore sorting studies
- **Amy:** Permitting, followed by drilling
- **Other Projects:** Exploring potential joint venture or option partnerships

Financials

Key Financial Data (FYE - Sept 30)	FY2024 (9M)
Cash	\$28,869
Working Capital	\$547,768
Current Ratio	2.50
Monthly Burn Rate (G&A)	-\$59,303
Exploration and Development	-\$711,641
Cash from Financing Activities	\$353,248

Options	#	Exercise Price	Amount
Total	9,560,000	\$0.15	\$1,476,250
In-the-Money	-	-	-

Warrants	#	Exercise Price	Value
Total	8,785,494	\$0.10	\$859,180
In-the-Money	-	-	-

Source: FRC / Company

FRC Valuation

Silver Juniors	Location	Enterprise Value (\$M)	EV / Resource* (\$/oz)
1 Endeavour Silver	Mexico	\$1,640	\$9.81
2 Pan American Silver Corp.	South America, U.S.	\$12,613	\$5.87
3 MAG Silver Corp.	Mexico	\$2,152	\$4.65
4 SSR Mining	South America, U.S., Canada	\$3,218	\$2.48
5 Hochschild Mining	South America	\$2,626	\$2.24
6 GR Silver	Mexico	\$66	\$1.57
7 Avino Silver	Mexico	\$220	\$1.04
8 Excellon Resources Inc.	Mexico	\$14	\$0.84
9 Integra Resources Corp.	Idaho	\$234	\$0.78
10 Alexco Resource Corp. - acquired	Canada	\$99	\$0.69
11 Austral Gold Limited.	South America	\$36	\$0.63
12 Silver X	Peru	\$46	\$0.45
13 Kootenay Silver	Mexico	\$62	\$0.38
14 Southern Silver	Mexico	\$63	\$0.28
16 Silver Dollar	Mexico	\$14	\$0.18
15 CMC Metals	Canada	\$3	\$0.14

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

Average	\$1.68
Average (Producers)	\$3.44
Average (Explorers)	\$0.88

Source: FRC / S&P Capital IQ / Various

We anticipate CMC will pursue a \$1-\$2M equity financing shortly

Silver juniors are trading at \$0.88/oz (previously \$0.77/oz)

CMB is trading at \$0.14/oz (previously \$0.34/oz), an 84% discount

Applying the sector average multiple of \$0.88/oz, we arrived at a fair value estimate of \$0.12/share (previously \$0.17/share)

Our valuation was adversely impacted by CMC's decision to back out of its previously announced intent to acquire the Gavilanes project in Durango

We are reiterating our BUY rating, and adjusting our fair value estimate from \$0.17 to \$0.12/share. CMC's strategic partnership with Coeur highlights the significant potential of the Silverknife project. While the recent Silver Hart resource update was mixed, the company's diverse project pipeline, and promising exploration results at Amy, offer encouraging potential.

Risks

We believe the company is exposed to the following risks:

*Maintaining our risk
rating of 5 (Highly
Speculative)*

- 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

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.

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