

CMC METALS LTD.
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED DECEMBER 31, 2020
(Expressed in Canadian Dollars)
(Unaudited)

CMC METALS LTD.
INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)

	Note	December 31, 2020	September 30, 2020
ASSETS			
Current assets			
Cash		\$ 836,702	\$ 300,610
Receivables	4, 16	56,744	105,421
Prepays and deposit		27,993	30,508
		<u>921,439</u>	<u>436,539</u>
Non-current assets			
Reclamation bond	3	246,439	258,228
		<u>246,439</u>	<u>258,228</u>
TOTAL ASSETS		\$ 1,167,878	\$ 694,767
LIABILITIES			
Current liabilities			
Trade payables and accrued liabilities	7	\$ 162,985	\$ 228,739
Due to related parties	12	26,496	61,604
Preferred shares	9	500,000	500,000
Provision for restoration and environmental obligation	10, 14	146,070	146,070
		<u>835,551</u>	<u>936,413</u>
Non-Current liabilities			
Loan - non-current	8	21,065	21,065
		<u>856,616</u>	<u>957,478</u>
TOTAL LIABILITIES		856,616	957,478
SHAREHOLDERS' DEFICIENCY			
Share capital	11	21,053,227	20,654,620
Subscriptions received in advance	11	585,625	2,500
Share-based payment reserve	11	465,229	611,437
Deficit		(21,792,819)	(21,531,268)
TOTAL SHAREHOLDERS' DEFICIENCY		311,262	(262,711)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY		\$ 1,167,878	\$ 694,767

Nature and continuance of operations - Note 1

Commitments - Note 4

Subsequent events - Note 16

Approved on behalf of the Board:

"Kevin Brewer"

Kevin Brewer - President/CEO

"Morgan Pickering"

Morgan Pickering - Chief Financial Officer

See accompanying notes to the consolidated financial statements.

CMC METALS LTD.
INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in Canadian dollars)

		For the three months ended December 31,	
	Note	2020	2019
EXPENSES			
Amortization	5	\$ -	\$ 1,422
Consulting fees		27,590	21,092
Exploration expenditures, net	4, 12	172,574	245,930
Filing and transfer agent		12,230	1,502
Marketing		3,573	-
Office and miscellaneous	12	24,963	17,217
Professional fees		3,201	-
Rent	12	4,500	4,500
Travel		4,055	2,846
		(252,686)	(294,509)
OTHER ITEMS			
Investment income (loss)		-	393
Other income (loss)		-	70
Gain (loss) on foreign exchange		(8,864)	76,491
		(8,864)	76,954
COMPREHENSIVE LOSS FOR THE YEAR		\$ (261,550)	\$ (217,555)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES			
OUTSTANDING - BASIC AND DILUTED		67,594,278	39,388,098
NET LOSS PER SHARE - BASIC AND DILUTED		\$ (0.00)	\$ (0.01)

See accompanying notes to the consolidated financial statements.

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

(Expressed in Canadian dollars)

		Share capital		Subscriptions received in advance	Share-based payment reserve	Deficit	Total
	Notes	Number of shares	Amount				
Balance at September 30, 2019		33,550,055	\$ 19,220,318	\$ -	\$ 300,972	\$ (20,893,639)	\$ (1,372,349)
Comprehensive Loss:							
Net loss for the year		-	-	-	-	(217,555)	(217,555)
Total comprehensive loss for the year		-	-	-	-	(217,555)	(217,555)
Transactions with owners, in their capacity as owners, and other transfers:							
Share issuance for settlement of debts	11	15,588,210	1,091,175	-	-	-	1,091,175
Total transactions with owners and other transfers		15,588,210	1,091,175	-	-	-	1,091,175
Balance at December 31, 2019		49,138,265	19,220,318	-	300,972	(21,111,194)	(498,729)
Balance at September 30, 2020		66,345,385	\$ 20,654,620	\$ 2,500	\$ 611,437	\$ (21,531,268)	\$ (262,711)
Comprehensive Loss:							
Net loss for the year		-	-	-	-	(261,550)	(261,550)
Total comprehensive loss for the year		-	-	-	-	(261,550)	(261,550)
Transactions with owners, in their capacity as owners, and other transfers:							
Share issuance for cash	11	4,244,973	252,399	-	-	-	252,399
Subscriptions received in advance	11	-	-	583,125	-	-	583,125
Reallocation on exercise of warrants	11	-	146,208	-	(146,208)	-	-
Total transactions with owners and other transfers		4,244,973	398,607	583,125	(146,208)	-	835,524
Balance at December 31, 2020		\$ 70,590,358	\$ 21,053,227	\$ 585,625	\$ 465,229	\$ (21,792,819)	\$ 311,262

See accompanying notes to the consolidated financial statements.

CMC METALS LTD.
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)

	For three months ended December 31,	
	2020	2019
Operating activities		
Net loss for the year	\$ (261,550)	\$ (217,555)
Adjustments for non-cash items:		
Amortization	-	1,422
Accrued interest on loan - non current	-	-
Changes in non-cash working capital items:		
Receivables	48,677	(4,875)
Prepays and deposit	2,515	(19,933)
Trade payables and accrued liabilities	(65,755)	2,189
Due to related parties	(35,108)	(70,043)
Net cash used in operating activities	(311,221)	(308,795)
Financing activities		
Repayment of loans	-	(1,091,175)
Proceeds on issuance of common shares	252,399	1,091,175
Subscriptions received in advance	583,125	-
Net cash provided by financing activities	835,524	-
Effect of foreign exchange	11,789	4,609
Change in cash	536,092	(304,186)
Cash, beginning	300,610	344,635
Cash, ending	\$ 836,702	\$ 40,449

Supplemental disclosure with respect to cash flows- Note 15

See accompanying notes to the consolidated financial statements.

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

For three months ended December 31, 2020

(Expressed in Canadian dollars)

(Unaudited)

1. NATURE AND CONTINUANCE OF OPERATIONS

CMC Metals Ltd. (the “Company”) is incorporated in the Province of British Columbia and its principal activity is the acquisition and exploration of mineral properties in Canada and the United States of America. The Company is listed on the TSX Venture Exchange (“TSX-V”).

The head office, principal address and records office of the Company are located at 605 – 369 Terminal Avenue, Vancouver, British Columbia, Canada, V6A 4C4.

These consolidated financial statements have been prepared on the assumption that the Company and its subsidiaries will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As of December 31, 2020, the Company had not advanced its properties to commercial production. The Company’s continuation as a going concern is dependent upon the successful results from its mineral property exploration activities and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. These uncertainties indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern. Management intends to finance operating costs over the next twelve months with loans from directors, by continuing to pursue additional sources of financing through equity offerings, seeking joint venture partners to fund exploration, monitoring exploration activity and reducing overhead costs.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. While the impact of COVID-19 is expected to be temporary, the current circumstances are dynamic and the impacts of COVID-19 on business operations cannot be reasonably estimated at this time. There can be no assurance that the Company will not be impacted by adverse consequences that may be brought about by the pandemic’s impact on its business, results of operations, financial position and cash flows in the future.

The financial statements were authorized for issue on February 25, 2021 by the directors of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION**Statement of compliance**

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”). These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by the IASB and interpretations issued by the IFRIC and should be read in conjunction with our audited consolidated financial statements as at September 30, 2020.

Basis of preparation

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

Basis of consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, 0877887 B.C. Ltd. (“0877887 B.C.”), incorporated under the Business Corporations Act of British Columbia and

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

For three months ended December 31, 2020

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

CMC Metals Corp. which is incorporated in the State of California and is inactive.

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

3. RECLAMATION BONDS

The Company has a reclamation bond held in trust by the Bureau of Land Management. As of December 31, 2020, the reclamation bond consists of a deposit of \$246,439 (September 30, 2020 - \$258,228) made by the Company for indemnification of site restoration of the Company's Bishop Mill Property (Note 4).

4. EXPLORATION AND EVALUATION ASSETS

	Silver Hart Property	Bishop Mill Property	Blue Heaven Property	Bridal Veil Property	Rancheria Property	Terra Nova Property	Total
Acquisition costs							
Balance, September 30, 2019 and 2020, December 31, 2020	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Exploration costs							
Balance - September 30, 2019	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Costs incurred during the year:							
Assaying	25,715	-	-	-	-	-	25,715
Contractors (Note 12)	435,295	-	7,500	-	-	-	442,795
Clean up costs	-	78,545	-	-	-	-	78,545
Drilling	(44,865)	-	-	-	-	-	(44,865)
Field office	44,947	-	-	-	-	-	44,947
Travel expenses	5,616	-	-	-	-	-	5,616
Road construction and exploration trenching	127,358	-	-	-	-	-	127,358
Transportation and supplies	40,167	-	-	-	-	-	40,167
	634,233	78,545	7,500	-	-	-	720,278
Government credit	(40,000)	-	-	-	-	-	(40,000)
Government loan (Note 8)	(20,521)	-	-	-	-	-	(20,521)
Exploration expenditures	(573,712)	(78,545)	(7,500)	-	-	-	(659,757)
Balance - September 30, 2020	-	-	-	-	-	-	-
Costs incurred during the period:							
Acquisition costs	-	-	-	25,900	10,000	5,000	40,900
Contractors (Note 12)	60,359	-	479	6,734	1,697	342	69,611
Clean up costs	-	45,890	-	-	-	-	45,890
Drilling	15,000	-	-	-	-	-	15,000
Field office	840	-	-	-	-	-	840
Travel expenses	-	-	-	333	-	-	333
	76,199	45,890	479	32,967	11,697	5,342	172,574
Exploration expenditures	(76,199)	(45,890)	(479)	(32,967)	(11,697)	(5,342)	(172,574)
Balance - December 31, 2020	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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

For three months ended December 31, 2020

(Expressed in Canadian dollars)

(Unaudited)

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

On February 21, 2005, the Company acquired a 100% interest in certain claims comprising the Silver Hart Property located in the Watson Lake Mining District, Yukon Territories from an individual who subsequently became a director and officer of the Company for a total of \$995,000. The Company's remaining and additional obligation for the consideration was settled by the issuance of a loan (the "Silver Hart Property Loan") (Note 8).

The Company fully impaired the Silver Hart Property in previous years and all ongoing exploration costs are expensed as incurred.

During the year ended September 30, 2020, the Company entered into a Yukon Mineral Exploration Transfer Payment Program Agreement with the Yukon Geological Survey ("YG") for a one-time financial assistance to assist with the costs of an exploration program related to the Silver Hart Property. The YG agreed to contribute up to a maximum of \$40,000 (the "Government Credit") towards eligible exploration expenditures which are, in the opinion of YG, reasonable and directly attributable to the Silver Hart Property project and incurred from April 1, 2020 until March 31, 2020. During the year ended September 30, 2020, the Company incurred the eligible exploration expenditures and, therefore, recorded the \$40,000 Government Credit in receivables and as a reduction to the cumulative costs incurred on the Silver Hart Property. During the quarter ending December 31, 2020, the Company received \$33,417 from the Yukon Government pursuant to the Government Credit with the balance remaining of \$6,583 outstanding (Note 16).

The Contribution was made available on certain terms and conditions, and in reliance on attestations made by the Company in the agreement. Non-compliance with the terms and conditions may result in termination, withholding by the YG of some or all of the Government Credit or repayment of all or part of the Government Credit. The amount demanded for repayment shall bear interest beginning on the due date and ending on the day before the day on which payment is received by YG. To September 30, 2020 and subsequently, the Company has not received notification of non-compliance.

Bishop Mill Property

On March 19, 2010, and as completed on April 15, 2010, the Company entered into a sale and purchase agreement and acquired a 100% interest in certain claims, buildings, water rights and machinery, comprising the Bishop Mill Property located near Bishop, California.

Subsequent to the purchase of the Bishop Mill Property, the Company has continued to incur additional costs in order to bring the mill and equipment to use. As at December 31, 2020, the Bishop Mill was not capable of operating in a manner intended by management. For the three-month period ended December 31, 2020, the Company incurred \$45,890 (2019 - \$78,545) in clean-up costs on the Bishop Mill Property.

The Company fully impaired the Bishop Mill Property in previous years and all ongoing exploration costs are expensed as incurred.

Blue Heaven Property

On June 1, 2020, the Company entered into a Property Option Agreement with Strategic Metals Ltd. ("Strategic") to acquire up to a 100% interest in certain claims comprising the Blue Heaven Property located in the Rancheria Silver District, Yukon Territories.

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(Unaudited)

4. EXPLORATION AND EVALUATION ASSETS (cont'd)**Blue Heaven Property (cont'd)**

The Company has the option to acquire an 80% interest (the “First Option”) for the following consideration payments:

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

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

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

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

Bridal Veil Property

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

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

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

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

For the three-month period ended December 31, 2020, the Company has engaged and incurred costs of \$32,967 to the Bridal Veil Property project:

Rancheria Property

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

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

For three months ended December 31, 2020

(Expressed in Canadian dollars)

(Unaudited)

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

The Company issued 100,000 common shares to the Optionor on December 15, 2020 and will issue:

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

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

For the three-month period ended December 31, 2020, the Company has engaged and incurred costs of \$11,697 to the Rancheria Property project:

Terra Nova Property

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

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

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

For the three-month period ended December 31, 2020, the Company has engaged and incurred costs of \$5,342 to the Terra Nova Property project:

5. EQUIPMENT

	Vehicle
Balance, September 30, 2019	\$ 4,380
Amortization for the year	(4,508)
Foreign exchange	128
Balance, September 30, 2020	-
Amortization for the period	-
Foreign exchange	-
Balance, December 31, 2020	\$ -

6. INVESTMENTS

During the year ended September 30, 2018, the Company received a total of 200,000 common shares of MGX Minerals Ltd. ("MGX") in consideration for the rental of a floatation plant on the Silver Hart Property up to April 30, 2019. The investment was initially measured at a fair value of \$183,000 at initial recognition and recorded as a recovery of exploration and evaluation costs. During the year ended September 30, 2019, the Company sold its remaining investment of 100,000 MGX shares with a fair value of \$61,000 for proceeds of \$42,537 and realized a loss on sale of \$18,463.

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

For three months ended December 31, 2020

(Expressed in Canadian dollars)

(Unaudited)

7. TRADE PAYABLES AND ACCRUED LIABILITIES

	December 31, 2020	September 30, 2020
Trade payables	\$ 162,985	\$ 228,739

8. LOANS***Silver Hart Property Loan***

As consideration for the Silver Hart Property, a balance of \$270,000 remained unpaid as at September 30, 2019 to a significant shareholder of the Company (Note 4). The unpaid balance was secured by a loan, as last amended on September 24, 2018, was due on September 30, 2019 and was interest bearing at a rate of 8.5% per annum. On September 30, 2019, the principal balance, accrued interest and extension fees for amendments amounted to \$917,000.

On November 20, 2019, the Company extinguished the Silver Hart Property Loan by issuance of common shares (Note 11).

Promissory Notes

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

On November 20, 2019, the Company settled the Promissory Notes by issuance of common shares (Note 11).

Regional Relief and Recovery Fund Loan

During the year ended September 30, 2020, the Company applied for a \$40,000 loan from Her Majesty the Queen in Right of Canada as represented by the Minister responsible for Western Economic Diversification Canada (the "Minister"), pursuant to the Regional Relief and Recovery Fund ("RRRF") program (the "RRRF Loan"). The RRRF Loan was made available on certain terms and conditions, and in reliance on attestations made by the Company in the loan agreement and received in full subsequent to year end.

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

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

Upon initial receipt, the Company recorded the RRRF Loan at a fair value of \$19,478, based on a prevailing market rate of 17%. The Company recorded the result of the benefit received from the interest-free RRRF Loan of \$10,522 as a government grant. The portion of the forgivable RRRF Loan of \$10,000 was also treated as a government grant, given reasonable assurance that the Company will meet the terms for forgiveness of the loan.

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

For three months ended December 31, 2020

(Expressed in Canadian dollars)

(Unaudited)

8. LOANS (cont'd)***Regional Relief and Recovery Fund Loan (cont'd)***

During the year ended September 30, 2020, the government grant of \$10,522 had been amortized and recognized in the statement of loss and comprehensive loss. To September 30, 2020, the Company has recorded \$1,586 in interest on the RRRF Loan.

9. PREFERRED SHARES

The Company's subsidiary issued 5,000 Class A non-voting preferred shares (the "Class A preferred shares") at a price of \$100 per share, for total proceeds of \$500,000. Attached to these preferred shares is an annual non-cumulative preferred cash dividend of 4.5% of the total, payable annually on March 31 of each year. To December 31, 2020, no dividends have been declared.

After April 9, 2015, redemption may be affected in whole or any number of the Class A preferred shares, if the Company is not insolvent at such time and that the redemption would not render the Company insolvent, as follows:

- Company: Upon giving no less than 10-day notice to the holders. If notice to redemption is given by the Company and holders of the Class A preferred shares fail to present and surrender the share certificates representing the shares called for redemption, the Company may deposit an amount sufficient to redeem the shares with any trust company or chartered bank of Canada and the holder will have no rights against the Company in respect of such shares except upon the surrender of certificates for such shares to receive payment; and
- Holder: Upon giving notice to the Company. The Company shall pay the holder within 30 days a redemption amount, in respect of each of the shares specified in the notice.

10. RESTORATION AND ENVIRONMENTAL OBLIGATIONS

The Company's provision for restoration and environmental obligations consists of costs accrued based on the current best estimate of reclamation activities that will be required on the Bishop Mill Property (Note 3) and Silver Hart Property (Note 4), which properties were both fully impaired during the year ended September 30, 2015.

The Company is subject to a claim made by the Government of the Yukon Territory related to the remediation of the Silver Hart mineral property pursuant to its exploration program. The Company's provision for future site closure and reclamation costs is based on the level of known disturbance at the reporting date and known legal requirements. It is not currently possible to estimate the impact on operating results, if any, of future legislative or regulatory developments. The Company has accrued a provision of \$146,070 (2019 - \$146,070) by way of estimating its obligation to remediate the claim. This liability is secured by a Letter of Credit ("LOC") guaranteed by a third party (Note 12).

11. SHARE CAPITAL**Authorized**

Unlimited common shares, without par value

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

Issued common shares

70,590,358 (September 30, 2020 – 66,345,385) common shares issued and outstanding.

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

For three months ended December 31, 2020

(Expressed in Canadian dollars)

(Unaudited)

11. SHARE CAPITAL (cont'd)**Issued common shares (cont'd)***For the three month period ended December 31, 2020*

A total of 3,399,973 common shares were issued as follows, at \$0.05 per share from the exercise of Warrants exercisable on a 1:1 basis, expiring June 5, 2021, granted pursuant to the Company's 8,000,000 Unit private placement, which closed June 4, 2020, for total proceeds of \$173,499:

- 250,000 common shares on October 7, 2020;
- 171,413 common shares on October 28, 2020;
- 1,428,560 common shares on November 17, 2020;
- 400,000 common shares on November 26, 2020;
- 1,150,000 common shares on December 29, 2020.

On December 15, 2020, the Company issued 100,000 common shares at a deemed price per share of \$0.10, pursuant to Rancheria Transaction. (Note 4)

On December 15, 2020, the Company issued 120,000 common shares at a deemed price per share of \$0.0825 pursuant to the Bridal Veil Transaction (Note 4).

On December 29, 2020, the Company issued 625,000 common shares at \$0.10 per share, pursuant to Warrants exercisable on a 2:1 basis, expiring July 27, 2021, granted pursuant to the Company's 6,000,000 Unit private placement, which closed July 27, 2020, for proceeds of \$62,500.

To December 31, 2020, the Company received \$585,625 in advance from placees participating in the Company's 4,800,000 Unit private placement at \$0.125 per Unit, announced December 10, 2020, as amended December 22, 2020 (Note 16).

Year ended September 30, 2020

On November 20, 2019, the Company issued a total of 15,588,210 common shares at a fair value of \$779,411 for settlement of debt totaling \$1,091,175, to a significant shareholder of the Company, in settlement of the Silver Hart Property Loan and Promissory Notes (Note 8). 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 \$253,330 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- 129%.

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.

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For three months ended December 31, 2020

(Expressed in Canadian dollars)

(Unaudited)

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

To September 30, 2020, the Company received \$2,500 in advance for warrants exercised subsequent to year end (Note 17).

Stock options

The Company follows the policies of the TSX-V under which it would be authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. Under the policies, the exercise price of each option equals the market price or a discounted price of the Company's stock as calculated on the date of grant. The options can be granted for a maximum term of five years. The Company calculates the fair value of all stock-based compensation awards as determined using the Black-Scholes Option Pricing Model.

During the period ended December 31, 2020 (Note 16), the Company did not grant any stock options and there were no options issued and outstanding and the Company did not recognize share based compensation during the period (2018 - \$Nil).

The weighted average fair value of stock options granted during the year ended December 31, 2020 was \$Nil (2018 - \$Nil). The following weighted average assumptions were used for the Black-Scholes Option Pricing Model in the valuation of stock options granted:

	December 31, 2020	December 31, 2020
Risk-free interest rate	-	-
Expected life	-	-
Annualized volatility	-	-
Dividend yield	-	-

During the period ended December 31, 2020, there was no transaction for any options granted and no stock options outstanding.

Share-based payment reserve:

The share-based payment reserve records items recognized as share-based payments, expenses, and other share-based payments until such time that the stock options or warrants are exercised at which time the corresponding amount will be transferred to share capital.

Warrants

Warrant transactions are summarized as follows:

	Number of warrants	Weighted average exercised price
Balance, September 30, 2019	8,400,000	0.075
Warrant issued	14,000,000	0.071
Warrants exercised	(3,207,120)	0.058
Balance, September 30, 2020	19,192,880	0.075
Warrants exercised	(4,649,973)	0.075
Balance, December 31, 2020	14,542,907	0.075

As of December 31, 2020, there were 14,542,907 warrants exercisable and outstanding.

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(Unaudited)

12. RELATED PARTY TRANSACTIONS

During the three months ended December 31, 2020, the Company entered into the following transactions with related parties:

- a) incurred rent of \$4,500 (December 31, 2019 – \$4,500) to a company controlled by a significant shareholder of the Company;
- b) incurred secretarial fees of \$12,450 (December 31, 2019 - \$11,700) to a company controlled by a significant shareholder of the Company which was recorded in office and miscellaneous;
- c) incurred management fees of \$747 (December 31, 2019 - \$Nil) and sub-contractor fees of \$49,234 (December 31, 2019 - \$20,359) to a company controlled by a director of the Company.
- d) incurred sub-contractor fees of \$1,000 (December 31, 2019 - \$Nil) to a director of the Company.

At December 31, 2020, a total of \$26,495 (December 31, 2019 - \$71,790) was owing to directors of the Company.

On December 31, 2020, the LOC secured for the provision for restoration and environmental obligation (Note 10) is guaranteed by companies controlled by a significant shareholder of the Company.

The Company incurred the following key management compensation charges:

	December 31, 2020	December 31, 2019
Sub-contractor fees	\$ 50,234	\$20,369
Management fees	747	\$ Nil
	<u>\$ 50,981</u>	<u>\$20,369</u>

13. FINANCIAL RISK AND CAPITAL MANAGEMENT

The fair value of the Company's financial assets and liabilities approximates its carrying amount.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, and
- Level 3 – Inputs that are not based on observable market data.

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts.

The majority of cash is deposited in bank accounts held with one major bank in Canada. As most of the Company's cash is held in one bank there is a concentration of credit risk. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies. The Company's secondary exposure to risk is on its other receivables and reclamation bond. This risk is minimal as receivables consist primarily of refundable government goods and services taxes and the reclamation bond are held with government authorities.

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

For three months ended December 31, 2020

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13. FINANCIAL RISK AND CAPITAL MANAGEMENT (cont'd)***Liquidity risk***

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis.

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

The Company has a working capital deficiency at September 30, 2020 and the contractual maturities of all financial liabilities is less than one year. Liquidity risk is assessed as high.

Foreign exchange risk

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

Foreign exchange risk (cont'd)

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.

14. CONTINGENT LIABILITY

The Company is subject to a claim made by the Government of the Yukon Territory related to the remediation of the Silver Hart Property (Note 4) pursuant to its exploration program. The Company has accrued a provision of \$146,070 by way of estimating its obligation to remediate the claims but the actual amount of any economic outflow related to this contingency is dependent upon future events and cannot be reliably measured as at December 30, 2020.

15. SUPPLEMENT DISCLOSURE TO CASH FLOWS

Significant non-cash transactions for the Three months period ended December 31, 2020 as follows: -

	Three months period ended	
	December 31, 2020	December 31, 2019
Non-cash financing and investing activities:		
Issuance of common shares for settlement of debt	\$ -	\$ 1,091,175
Reallocation on exercise of warrants	(107,665)	-

CMC METALS LTD.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For three months ended December 31, 2020

(Expressed in Canadian dollars)

(Unaudited)

16. SUBSEQUENT EVENTS

Subsequent to December 31, 2020, the Company:

- (a) (i) From the exercise of Warrants expiring June 4, 2021, issued at \$0.05 per share, the following:
 - 70,000 common shares on January 5, 2021 for proceeds of \$3,500;
 - 1,000,000 common shares on January 28, 2021 for proceeds of \$50,000;
 - 30,000 common shares on February 11, 2021 for proceeds of \$1,500;
 - 992,907 common shares on February 17, 2021 for proceeds of \$49,645.35;
- (ii) From the exercise of Warrants expiring July 27, 2021, issued at \$0.10 per share, the following:
 - 937,500 common shares on February 17, 2021 for proceeds of \$93,750;
- (iii) From the exercise of Warrants expiring September 5, 2021, issued at \$0.075 per share, the following shares:
 - 200,000 common shares on February 11, 2021 for proceeds of \$15,000;
 - 1,000,000 common shares on February 23, 2021 for proceeds of \$75,000;
- (b) On January 13, 2021, the Company closed its 4,800,000 unit non-brokered private placement at \$0.125 per Unit, as announced January 13, 2021 and issued 4,800,000 common shares and 4,800,000 warrants exercisable into 2,400,000 common shares at \$0.20 per share expiring January 13, 2023.
- (c) On January 13, 2021, the Company announced the granting of 2,010,000 incentive stock options at \$0.20 per share, for a period of five years. The granting of the stock options are subject to TSX-V approval.
- (d) On January 22, 2021, the Company received \$40,000 from the Minister, pursuant to the RRRF program after entering into an agreement with the Minister dated January 15, 2021 (Note 8).
- (e) On February 10, 2021, the Company entered into a mineral property option agreement to acquire a 100% working interest in the Silverknife and Amy mineral properties located in the Rancheria Silver District, north-central British Columbia, for consideration of \$15,000 cash on signing (paid), and the issuance of 100,000 common shares of the Company to the Optionee, subject to TSX Venture Exchange approval ("TSX-V") approval. Pursuant to the terms of the agreement, the Company is to pay \$15,000 cash (paid) and issued 200,000 common shares to the Optionee on the first anniversary date, \$20,000 cash and issued 400,000 common shares on the second anniversary date, and pay \$40,000 cash and issue 500,000 common shares on the third anniversary date. There is a 2% NSR which can be reduced to 1% upon the payment of \$1,000,000.
- (f) On February 25, 2021, the Company received \$6,583 owing of the total \$40,000 grant from the Yukon Mineral Exploration Assistance Program (Note 4).