

CMC METALS LTD.
CONSOLIDATED FINANCIAL STATEMENTS
Years Ended September 30, 2022 and 2021
(Expressed in Canadian Dollars)

Independent Auditor's Report

To the Shareholders of CMC Metals Ltd.

Opinion

We have audited the consolidated financial statements of CMC Metals Ltd. (the "Group"), which comprise the consolidated statements of financial position as at September 30, 2022 and September 30, 2021 and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity (deficiency) and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at September 30, 2022 and September 30, 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the consolidated financial statements which describes the material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the other information prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are

responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Diana Huang.

"Crowe MacKay LLP"

**Chartered Professional Accountants
Vancouver, Canada
January 30, 2023**

CMC METALS LTD.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at September 30, 2022 and 2021
(Expressed in Canadian dollars)

	2022	2021
ASSETS		
Current		
Cash	\$ 891,747	\$ 524,107
Receivables	229,406	62,316
Prepaid expenses	77,591	30,715
Marketable Securities (Note 3)	25,000	-
	1,223,744	617,138
Non-current		
Equipment (Note 4)	66,500	-
Reclamation bond (Notes 5 and 9)	421,012	402,311
TOTAL ASSETS	\$ 1,711,256	\$ 1,019,449
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 394,740	\$ 283,661
Due to related parties (Note 11)	30,325	14,895
Preferred shares (Note 8)	500,000	500,000
	925,065	798,556
Non-current		
Loan payable (Note 7)	32,862	24,646
Provision for restoration and environmental obligation (Note 9)	575,099	392,722
TOTAL LIABILITIES	1,533,026	1,215,924
SHAREHOLDERS' EQUITY (DEFICIENCY)		
Share capital (Note 10)	26,711,740	23,404,022
Share subscription receivable	(97,192)	-
Share-based payment reserve	2,391,876	958,266
Deficit	(28,828,194)	(24,558,763)
TOTAL SHAREHOLDERS' EQUITY (DEFICIENCY)	178,230	(196,475)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)	\$ 1,711,256	\$ 1,019,449

Nature and continuance of operations – (Note 1)

Commitments – (Note 6)

Subsequent events – (Note 15)

Approved and authorized for issuance on behalf of the Board of Directors:

“Kevin Brewer”

Kevin Brewer

“John Bossio”

John Bossio

CMC METALS LTD.**CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

For the years ended September 30, 2022 and 2021

(Expressed in Canadian dollars)

	2022	2021
Operating expenses		
Depreciation (Note 4)	\$ 3,500	\$ -
Consulting fees (Note 11)	345,134	164,231
Exploration and evaluation expenditures (Notes 6 and 11)	3,024,587	2,123,777
Filing fees and transfer agent	100,544	48,876
Financing fee	-	6,573
Insurance	4,513	-
Interest expense and bank charges (Note 7)	16,042	3,581
Management fees (Note 11)	8,776	9,914
Marketing	94,266	80,599
Office and miscellaneous (Note 11)	120,669	131,594
Professional fees	161,801	136,382
Rent (Note 11)	-	18,000
Share-based payments (Notes 10 and 11)	397,894	384,042
Travel	126,139	17,257
Wages and benefits	38,745	-
	4,442,610	3,124,826
Loss before other items	(4,442,610)	(3,124,826)
Other items		
Government grant (Note 7)	15,426	-
Gain on disposal of asset	9,458	-
Gain (loss) on foreign exchange	(18,598)	(12,004)
Interest income	3,726	-
Recovery of flow-through share premium (Note 14)	163,167	96,250
	173,179	84,246
Net loss and comprehensive loss for the year	\$ (4,269,431)	\$ (3,040,580)
Basic and diluted loss per share	\$ (0.04)	\$ (0.04)
Weighted average number of common shares outstanding	110,482,045	80,350,396

The accompanying notes are an integral part of these consolidated financial statements

CMC METALS LTD.**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)**

For the years ended September 30, 2022 and 2021

(Expressed in Canadian dollars)

	Number of Shares	Share Capital	Subscriptions Received in Advance (Receivable)	Share-Based Payment Reserve	Deficit	Total Shareholders' Equity (Deficiency)
Balance, September 30, 2020	66,345,385	\$ 20,654,620	\$ 2,500	\$ 611,437	\$ (21,531,268)	\$ (262,711)
Share issuances for cash	27,842,115	2,371,338	(2,500)	438,450	-	2,807,288
Share issuances for exploration and evaluation expenditures	320,000	45,900	-	-	-	45,900
Share issuance costs	-	(34,164)	-	-	-	(34,164)
Flow-through premium	-	(96,250)	-	-	-	(96,250)
Finder's fee agent's warrants	-	(15,947)	-	15,947	-	-
Share-based payments	-	-	-	384,042	-	384,042
Fair value reallocation on exercise of warrants	-	478,525	-	(478,525)	-	-
Fair value reallocation on expired warrants	-	-	-	(13,085)	13,085	-
Net loss for the year	-	-	-	-	(3,040,580)	(3,040,580)
Balance, September 30, 2021	94,507,500	\$ 23,404,022	\$ -	\$ 958,266	\$ (24,558,763)	\$ (196,475)
Balance, September 30, 2021	94,507,500	\$ 23,404,022	\$ -	\$ 958,266	\$ (24,558,763)	\$ (196,475)
Share issuances for cash	31,982,053	3,611,242	(97,192)	1,017,198	-	4,531,248
Share issue cost – cash	-	(241,589)	-	-	-	(241,589)
Agent's warrants issued	-	(55,637)	-	55,637	-	-
Flow-through premium	-	(163,167)	-	-	-	(163,167)
Shares issued for exploration and evaluation expenditures	700,000	80,750	-	-	-	80,750
Shares issued pursuant to exercise of stock options	300,000	76,119	-	(37,119)	-	39,000
Share-based payments	-	-	-	397,894	-	397,894
Net loss for the year	-	-	-	-	(4,269,431)	(4,269,431)
Balance, September 30, 2022	127,489,553	\$ 26,711,740	\$ (97,192)	\$ 2,391,876	\$ (28,828,194)	\$ 178,230

The accompanying notes are an integral part of these consolidated financial statements

CMC METALS LTD.**CONSOLIDATED STATEMENTS OF CASH FLOWS**

For the years ended September 30, 2022 and 2021

(Expressed in Canadian dollars)

	2022	2021
Operating Activities		
Net loss for the year	\$ (4,269,431)	\$ (3,040,580)
Items not affecting cash		
Depreciation	3,500	-
Accrued interest on loans payable	3,642	3,581
Marketable securities received for exploration and evaluation expenditures	(25,000)	-
Government grant	(15,426)	-
Gain on disposal of equipment	(9,458)	-
Share-based payments	397,894	384,042
Shares issued for properties	80,750	45,900
Recovery of flow-through share premium	(163,167)	(96,250)
Foreign exchange loss	18,598	13,493
Provision for restoration and environmental obligation	152,512	244,735
Changes in non-cash working capital items related to operations:		
Receivables	(167,090)	43,105
Prepays expenses	(46,853)	(207)
Accounts payables and accrued liabilities	102,167	54,922
Due to related parties	15,430	(46,709)
Cash used in operating activities	(3,921,932)	(2,393,968)
Investing Activities		
Purchase of equipment	(70,000)	-
Proceeds from disposal of equipment	9,458	-
Reclamation bond	-	(155,659)
Cash used in investing activities	(60,452)	(155,659)
Financing Activities		
Proceeds from RRRF loan	20,000	-
Proceeds from issuance of units	4,570,248	2,807,288
Share issuance costs	(241,589)	(34,164)
Cash provided by financing activities	4,348,659	2,773,124
Foreign exchange effect on cash	1,455	-
Change in cash during the year	367,640	223,497
Cash, beginning of year	524,107	300,610
Cash, end of the year	\$ 891,747	\$ 524,107
Supplemental Disclosure of Cash Flow Information:		
Interest received	\$ 3,726	\$ -
Income taxes paid	-	-
Non-cash financing and investing transactions:		
Shares issued for exploration and evaluation expenditures	\$ 80,750	\$ 45,900
Fair value of agent's warrants	55,637	15,947
Fair value on transfer from reserve on exercise of warrants/options	37,119	478,525
Reallocation on expiry of warrants	-	13,085
Marketable securities received from option agreement	25,000	-

The accompanying notes are an integral part of these consolidated financial statements

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 and principal address of the Company are located at Suite 1000 – 409 Granville Street, Vancouver, British Columbia, Canada, V6C 1T2 and its records office is located at Suite 1120 – 625 Howe Street, Vancouver British Columbia, Canada, V6C 2T6.

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 September 30, 2022, 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.

The Company’s business may be affected by changes in political and market conditions, such as interest rates, availability of credit, inflation rates, changes in laws, and national and international circumstances. Recent geopolitical events, including, the outbreaks of the coronavirus (COVID-19) pandemic, relations between NATO and Russian Federation regarding the situation in Ukraine, and potential economic global challenges such as the risk of the higher inflation and energy crises, may create further uncertainty and risk with respect to the prospects of the Company’s business.

The financial statements were authorized for issue on January 30, 2023 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”).

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., incorporated under the Business Corporations Act of British Columbia and 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.

	Country	Percentage of ownership	
		2022	2021
0877887 B.C. Ltd.	Canada	100%	100%
CMC Metals Corp.	United States	100%	100%

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

Significant estimates and assumptions

The preparation of consolidated financial statements in accordance with IFRS requires the Company to make estimates and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include provisions for restoration and environmental obligations. See note 9.

Significant judgments

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, apart from those requiring estimates, in applying accounting policies. The most significant judgments in applying the Company's financial statements include:

- The assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty;
- The determination of the functional currency of the parent company and its subsidiaries.

Cash and cash equivalents

Cash include cash on hand, demand deposits with financial institutions and other short-term, highly liquid investments that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value.

Foreign currency translation

The functional currency of each of the Company's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Canadian dollars which is the functional currency of the Company and its subsidiaries.

Transactions and balances:

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the exchange rate prevailing at the statement of financial position date. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Restoration and environmental obligations

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future restoration cost estimates arising from the decommissioning of plant and other site preparation work is expensed in the related exploration and evaluation expenditures before exploration and evaluation assets are capitalized, along with a corresponding increase in the restoration provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. When the restoration asset is capitalized, it will be depreciated on the same basis as other mining assets.

The Company's estimates of restoration costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to mining assets, or profit and loss before exploration and evaluation assets are capitalized, with a corresponding entry to the restoration provision. The Company's estimates are reviewed annually. Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit or loss. The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to profit or loss in the period incurred.

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

Restoration and environmental obligations – (cont’d)

The costs of restoration projects that were included in the provision are recorded against the provision as incurred. The costs to prevent and control environmental impacts at specific properties are capitalized or expensed in accordance with the Company’s accounting policy for exploration and evaluation assets.

Exploration and evaluation assets

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 expensed as incurred.

Government tax credits received are recorded as a reduction to the exploration costs incurred.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Depreciation is provided for using the straight-line method at the following annual rates:

Equipment	20% declining balance
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Property, plant and equipment are derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

Share-based payments

Share-based payments to employees are measured at the fair value of the stock options granted and recognized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably estimated. The fair value of stock options is determined using the Black–Scholes Option Pricing Model, taking into account the terms and condition upon which stock options are granted. At each reporting date, the amount recognized as an expense is adjusted to reflect the actual number of stock options are expected to vest.

All equity-settled share-based payments are reflected in reserves until exercised. Upon exercise, shares are issued from treasury and the amount reflected in reserves is credited to share capital, adjusted for any consideration paid.

Where a grant of options is cancelled and settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense. Amount recorded in reserves for share options which expire unexercised are transferred to deficit.

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

Financial instruments

The following is the Company’s accounting policy for financial instruments under IFRS 9:

(i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss (“FVTPL”), at fair value through other comprehensive income (loss) (“FVTOCI”) or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company’s business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL. The Company’s financial instruments are classified as follows:

<u>Financial Instruments</u>	<u>Classification</u>
Cash	Amortized cost
Receivables	Amortized cost
Marketable securities	FVTPL
Reclamation bond	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Due to related parties	Amortized cost
Loan payable	Amortized cost
Preferred shares	Amortized cost

(ii) Measurement

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in profit or loss in the period in which they arise.

Debt investments at FVTOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in Other Comprehensive Income (“OCI”). On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVTOCI

These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

(iii) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the consolidated statements of net (loss) income, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

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

Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

The Company has adopted a pro rata method with respect to the measurement of shares and warrants issued as private placement units. The pro rata method requires each component to be valued at fair value and an allocation of the total proceeds received based on the pro rata relative values of the components. The fair value of the common shares is based on the closing quoted bid price on the announcement date but no more than the unit price and the fair value of the common share purchase warrants is determined at the announcement date using the Black-Scholes option pricing model. The fair value attributed to the warrants is recorded in equity reserves.

If the warrants are exercised, the related amount is reclassified as share capital. If the warrants expire unexercised, the related amount is transferred to deficit. If and when the expiration date of such warrants is extended or the exercise price decreases, the Company does not record a charge for the incremental increase in fair value.

Loss per share

Basic loss per share is computed by dividing net loss available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted loss per share is computed similar to basic loss per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods. The calculation of basic and diluted earnings per share for all periods presented is adjusted retrospectively when the number of ordinary or potential ordinary shares outstanding increases as a result of a capitalization, bonus issue or share split, or decreases as a result of a reverse share split.

Income tax

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income. Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred income tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

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

Flow-through shares

The Company will, from time to time, issue flow-through shares to finance a significant portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On the issuance of a flow-through share, it is bifurcated into equity (share) and liability (flow-through) components on the issue date. The equity portion is measured at the market value and the residual is allocated as a liability. The liability is recorded at the fair value of the obligation to renounce the expenditures that the issuer has incurred. This is effectively the “premium” the investor attributes to a flow-through share versus an ordinary share.

When the expenditures are renounced, the Company records a deferred tax liability and deferred tax expense (renounced expenditures multiplied by the effective corporate tax rate). Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

Contingent liabilities

Provisions are recognized when a present obligation exists (legal or constructive), as a result of a past event, for which it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the expenditure required to settle the obligation at the reporting date, measured using the expected cash flows discounted for the time value of money. The increase in provision (accretion) due to the passage of time is recognized as a finance cost in profit or loss. Contingent liabilities are possible obligations whose existence will be confirmed only on the occurrence or non-occurrence of uncertain future events outside the entity's control, or present obligations that are not recognized because it is not probable that an outflow of economic benefits would be required to settle the obligation or the amount cannot be measured reliably. Contingent liabilities are not recognized but are disclosed and described in the notes to the consolidated financial statements, including an estimate of their potential financial effect and uncertainties relating to the amount or timing of any outflow, unless the possibility of settlement is remote.

Impairment of non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of comprehensive loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, however the increased carrying amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years.

Recent accounting pronouncements

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for future accounting periods are as follows:

Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

The amendments to IAS1 provide a more general approach to the classification of liabilities based on the contractual arrangements in place at the reporting date. These amendments are effective for reporting periods beginning on or after January 1, 2023. The Company does not expect the adoption of the amendments to IAS 1 will have an impact on the Company's financial statements.

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

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(Expressed in Canadian dollars)

3. MARKETABLE SECURITIES

Marketable securities are fair valued at the end of each reporting period. The fair values of the common shares of the publicly traded companies have been directly referenced to published price quotations in an active market.

Marketable securities consisted of the following as of September 30, 2022:

Investment in marketable securities	Number of shares held	Investment Cost	Fair Value at September 30, 2022	Fair Value at September 30, 2021
	#	\$	\$	\$
Public Companies				
Highbank Resources Ltd.	500,000	25,000	25,000	-

During the year ended September 30, 2022, the Company received 500,000 (2021 – Nil) common shares of Highbank Resources Ltd. pursuant to the property option agreement with Highbank Resources Ltd. (Note 6).

4. EQUIPMENT

	Equipment	Total
<u>Cost</u>		
Balance at September 30, 2021	\$ -	\$ -
Additions	70,000	70,000
Balance at September 30, 2022	\$ 70,000	\$ 70,000
<u>Accumulated Depreciation</u>		
Balance at September 30, 2021	\$ -	\$ -
Depreciation	3,500	3,500
Balance at September 30, 2022	\$ 3,500	\$ 3,500
<u>Net Book Value</u>		
At September 30, 2021	\$ -	\$ -
At September 30, 2022	\$ 66,500	\$ 66,500

5. RECLAMATION BOND

The Company has a reclamation bond held in trust by the Bureau of Land Management. As of September 30, 2022, the reclamation bond consists of a deposit of \$265,353 (2021 - \$246,652) made by the Company for indemnification of site restoration of the Company's Bishop Mill Property (Note 6).

During the year ended September 30, 2022, the Company advanced \$Nil (2021 - \$9,589) to the Government of the Yukon Territory as additional security deposit for site restoration on the Silver Hart property. This is in addition to the \$146,070 letter of Credit that was provided to the Government of the Yukon Territory (Note 9). The letter of Credit is secured by the Company's Guaranteed Investment Certificate of \$146,070 and recorded in reclamation bond.

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

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6. EXPLORATION AND EVALUATION EXPENDITURES

	Silver Hart	Bishop Mill	Bridal Veil	Rancheria	Amy and Silverknife	Terra Nova	Blue Heaven	Rodney Pond	Total
Costs incurred during the year:									
Acquisition costs	\$ -	\$ -	\$ 29,000	\$ 26,250	\$ 43,000	\$ 10,000	\$ 62,500	\$ 17,500	\$ 188,250
Accommodation	11,872	-	4,503	-	-	-	-	-	16,375
Assaying	133,574	-	13,065	-	-	96	-	-	146,735
Asset retirement obligation	-	152,512	-	-	-	-	-	-	152,512
Contractors	608,961	-	76,370	8,326	137,348	28,064	21,608	11,046	891,723
Clean up costs	-	24,194	-	-	-	-	-	-	24,194
Drilling	650,000	-	-	-	-	-	-	-	650,000
Equipment rental	298,713	-	17,674	-	105,683	4,566	1,115	1,509	429,260
Field office	87,473	-	184	9,440	2,397	-	-	264	99,758
Geological	116,184	-	31,308	135	425	2,061	-	400	150,513
Geophysical	4,000	-	5,500	14,330	411	-	4,962	-	29,203
Mapping	1,058	-	-	-	1,058	-	-	-	2,116
Meals	25,274	-	12,578	109	847	-	-	101	38,909
Supervision fees	7,658	-	-	-	-	-	-	-	7,658
Travel expenses	126,971	-	395	77,398	26,183	307	-	1,127	232,381
Option payments received	-	-	-	-	-	(35,000)	-	-	(35,000)
For the year ended September 30, 2022	\$ 2,071,738	\$ 176,706	\$ 190,577	\$ 135,988	\$ 317,352	\$ 10,094	\$ 90,185	\$ 31,947	\$ 3,024,587

	Silver Hart	Bishop Mill	Blue Heaven	Bridal Veil	Rancheria	Amy and Silverknife	Terra Nova	Total
Costs incurred during the year:								
Acquisition costs	\$ -	\$ -	\$ 30,000	\$ 30,400	\$ 12,000	\$ 34,500	\$ 5,000	\$ 111,900
Asset retirement obligation	-	244,735	-	-	-	-	-	244,735
Contractors	486,628	-	785	8,855	5,790	7,918	1,092	511,068
Clean up costs	-	60,846	-	-	-	-	-	60,846
Equipment rental	182,170	-	-	-	4,000	-	-	186,170
Field office	161,513	-	-	-	-	-	-	161,513
Geological	215,698	-	-	4,804	47,046	724	2,036	270,308
Geophysical	371,905	-	23,959	500	27,853	20,063	-	444,280
Supervision fees	22,455	-	-	-	-	-	-	22,455
Transportation and supplies	101,087	-	-	107	138	-	-	101,332
Travel expenses	7,362	-	-	226	940	642	-	9,170
For the year ended September 30, 2021	\$ 1,548,818	\$ 305,581	\$ 54,744	\$ 44,892	\$ 97,767	\$ 63,847	\$ 8,128	\$ 2,123,777

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

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6. EXPLORATION AND EVALUATION EXPENDITURES – (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.

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.

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 year ended September 30, 2021, the Government Credit was received in full.

The Government Credit 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, 2022 and subsequently, the Company has not received notification of non-compliance.

The Company was subject to a claim made by the Government of the Yukon Territory related to the remediation of the Silver Hart Property. Accordingly, the Company has recognized its obligation to remediate the claim and have provided reclamation deposits on a progressive basis (Notes 5 and 9).

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.

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 (paid);
- An additional \$62,500 on or before June 1, 2022 (paid);
- 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.

6. EXPLORATION AND EVALUATION EXPENDITURES – (cont'd)

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 September 30, 2022, the Bishop Mill was not capable of operating in a manner intended by management. For the year ended September 30, 2022, the Company incurred \$24,194 (September 30, 2021 - \$60,846) in clean-up costs on the Bishop Mill Property. As at September 30, 2022, the Company has a reclamation bond with the Bureau of Land Management and has recognized its asset retirement obligation to remediate the claims (Notes 5 and 9).

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 on December 11, 2020. The Company paid \$16,000 cash and issued 120,000 common shares at a fair value of \$14,400 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 (paid) and issue 200,000 common shares on or before October 22, 2021 (issued); and
- \$20,000 plus 100,000 common shares or \$10,000 (paid subsequent to year end) and 200,000 common shares on or before October 22, 2022 (issued subsequent to year end); and
- \$20,000 plus 100,000 common shares or \$10,000 and 200,000 common shares on or before October 22, 2023

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%.

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 Liard Mining Division in the Province of British Columbia, 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 on December 11, 2020.

The Company issued 100,000 common shares at a fair value of \$12,000 (issued) to the optionor on December 15, 2020 and will issue:

- 250,000 common shares on or before November 2, 2021 (issued);
- 400,000 common shares on November 2, 2022; and
- 750,000 common shares on November 2, 2023.

The Company is committed to incurring exploration expenditures on the Rancheria Property totaling \$175,000 as follows:

- \$25,000 on or before November 2, 2021 (incurred);
- an additional \$50,000 on or before November 2, 2022 (incurred); and
- an additional \$100,000 on or before November 2, 2023.

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

During the year ended September 30, 2022, the Company terminated the mineral property option agreement.

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6. EXPLORATION AND EVALUATION EXPENDITURES – (cont'd)**Amy and Silverknife Property**

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 Liard Mining Division in the Province of British Columbia, for consideration comprised of cash and the issuance of common shares of the Company, subject to TSX-V approval, which 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.

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

- \$15,000 plus issue 200,000 common shares on or before February 10, 2022 (issued and paid);
- \$20,000 plus issue 400,000 common shares on or before February 10, 2023; and
- \$40,000 plus issue 500,000 common shares on or before February 10, 2024;.

The Company is committed to incurring exploration expenditures on the Amy and Silverknife Property totaling \$60,000 as follows:

- \$10,000 on or before February 10, 2022 (incurred);
- an additional \$20,000 on or before February 10, 2023 (incurred); and
- an additional \$30,000 on or before February 10, 2024 (incurred).

There is a 2% NSR of which 1% can be purchased at any time by the Company from the optionors for \$1,000,000.

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 Terra Nova District in Central Newfoundland, for consideration of cash only, \$5,000 (paid) which was due on signing, and subsequent payments as follows:

- \$10,000 on or before October 22 2021 (paid);
- \$20,000 on or before October 22, 2022 (paid subsequent to year end); and
- \$30,000 on or before October 22, 2023.

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% of which 1.0% can be purchased at any time by the Company for \$1,000,000.

On July 4, 2022, the Company entered into a property option agreement with Highbank Resources Ltd. ("Highbank") whereby Highbank has the option to acquire an 80% interest in and to the claims of the Terra Nova property subject to a 2% Net Smelter Return royalty pursuant to an underlying agreement. As consideration Highbank will pay an aggregate of \$10,000 in cash within 30 days of signing the agreement (received) and subsequent payments as follows:

- \$20,000 on or before October 21, 2022 (received subsequent to year end);
- \$30,000 on or before October 21, 2023;
- issue 500,000 common shares on the effective date (received);
- issue 500,000 common shares within six months of the effective date (received subsequent to year-end); and,
- issue 500,000 common shares of Highbank within on year of the effective date.

When the option is exercised, Highbank and the Company shall enter into and be bound by the terms of a joint venture agreement, which agreement shall be completed in a timely manner at any time following the exercised by Highbank of the option. The joint venture agreement shall contain the following provisions:

- Highbank shall be the operator of the joint venture, provided that Highbank has exercised the option in full;
- Highbank and the Company shall participate on a pro-rata basis in all financing programs relating to the exploration, development and production of minerals extracted from the claims; and
- Dilution of interests in and to the claims in the event of partial or non-participation.

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6. EXPLORATION AND EVALUATION EXPENDITURES – (cont'd)**Rodney Pond Property**

On January 6, 2022, the Company acquired an option to earn up to a 100% working interest in the Rodney Pond Property in the highly prospective Gander Subzone in central Newfoundland, subject to an option agreement with Nancy, Stephen and Larry Rogers (the prospectors) of Hare Bay, Nfld. Pursuant to the terms of the agreement the Company will make the following to the prospectors:

- \$10,000 cash payment and issuance of 50,000 common shares on execution of the agreement. (issued and paid)
- First anniversary date, January 6, 2023: \$10,000 cash and 50,000 common shares (issued and paid subsequent to year end);
- Second anniversary date, January 6, 2024: \$15,000 cash and 75,000 common shares; and
- Third anniversary date, January 6, 2025: \$25,000 cash and 125,000 common shares;

In addition, the agreement provides for a conventional royalty of 2%, of which 1% can be purchased at any time by the company from the prospectors for \$1,000,000.

7. LOANS***Regional Relief and Recovery Fund Loan***

During the year ended September 30, 2020, the Company received 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.

During the year ended September 30, 2022, the Company receive an additional \$20,000 in RRRF to the maximum of \$60,000.

The RRRF Loan is an interest-free loan until December 31, 2023. If the Company repays \$34,000 by December 31, 2023, a balance of \$20,000 will be forgiven. If on December 31, 2023, the Company has not repaid the \$40,000, 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.

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

RRRF Loan	September 30, 2022	September 30, 2021
Balance, opening	\$ 24,646	\$ 21,065
Accretion	3,642	3,581
Additions	20,000	-
Government grant	(15,426)	-
Balance, ending	\$ 32,862	\$ 24,646

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8. PREFERRED SHARES

The Company's subsidiary (0877887 B.C. Ltd.) 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 September 30, 2022, 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.

The preferred shares are treated as a liability.

9. RESTORATION AND ENVIRONMENTAL OBLIGATIONS

The Company measured the best estimated of the future remediation costs for reclamation that arose as a result of past exploration activities to be \$575,099 (2021 - \$392,722) for the Bishop Mill Property and Silver Hart Property (Notes 5 and 6). The fair value of the liability was determined to be equal to the estimated remediation costs. The timing of the cash flow related to the reclamation activities is beyond one year with not fixed timeline at this time.

The Company was 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 (2021 - \$146,070) by way of estimating its obligation to remediate the claim. This liability is secured by a Letter of Credit secured by a guaranteed investment certificate for the same amount which bore interest at 2.05% per annum and cashable at maturity and is included in reclamation bond at September 30, 2022.

The movement of the restoration and environmental obligations are as follows:

	Silver Hart	Bishop Mill	Total
Balance at September 30, 2020	\$ 146,070	\$ -	\$ 146,070
Increase in estimate	-	246,652	246,652
Balance at September 30, 2021	146,070	246,652	392,722
Increase in estimate	-	152,512	152,512
Foreign Exchange	-	29,865	29,865
Balance at September 30, 2022	\$ 146,070	\$ 429,029	\$ 575,099

10. SHARE CAPITAL

Authorized

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

Issued common shares

As at September 30, 2022 – 127,489,553 (2021 – 94,507,500) common shares are issued and outstanding.

For the year ended September 30, 2022

On September 26, 2022, the Company issued an aggregate of 4,323,111 units consisting of 2,575,000 non-flow-through (“NFT”) units at a price of \$0.16 per NFT unit and 1,748,111 flow-through (“FT”) units at a price of \$0.18 per FT unit for total proceeds of \$726,660 of which \$97,192 is included in share subscription receivable at September 30, 2022. This amount was received subsequent to September 30, 2022. Each NFT unit consists of one common share of the company and one-half of one transferable share purchase warrant. Each FT unit consists of one FT share of the Company and one-half of one transferable share purchase warrant. Each whole warrant entitles the holder thereof to acquire one common share of the Company at a price of \$0.20 per share on or before September 27, 2024. The Company used the pro rata method with respect to the measurement of shares and warrants issued and a fair value of \$154,606 was allocated to the 2,161,556 share purchase warrants. In connection to the financing the Company paid a finders fees of \$24,616. The Company recognized a flow-through premium of \$34,962 on the private placement.

On May 24, 2022, the Company issued 300,000 common shares pursuant to the exercise of stock options at a price of \$0.13 per share for total proceeds of \$39,000. The Company transferred \$37,119 from contributed surplus.

On April 19, 2022, the Company issued an aggregate of 20,158,942 units consisting of 13,761,998 NFT units at a price of \$0.15 per NFT unit and 6,396,944 FT units at a price of \$0.17 per FT unit for total proceeds of \$3,151,780. Each NFT unit consists of one common share of the company and one-half of one transferable share purchase warrant. Each FT unit consists of one FT share of the company and one-half of one transferable share purchase warrant. Each whole warrant entitles the holder thereof to acquire one common share of the Company at a price of \$0.20 per share on or before April 19, 2024. The Company used the pro rata method with respect to the measurement of shares and warrants issued and a fair value of \$689,473 was allocated to the 10,079,471 share purchase warrants. In connection to the financing the Company paid a finders fees of \$167,363 and issued 523,217 non-transferable finders’ warrants exercisable at \$0.20 per share expiring on April 19, 2024. The Company fair value the finders’ warrants at \$34,037 using the Black-Scholes Option Pricing Model with the following assumptions: risk free interest rate – 2.50%; annual dividends - nil; expected life - 24 months; expected stock price volatility- 131%. The Company recognized a flow-through premium of \$128,205 on the private placement.

On February 25, 2022, the Company issued 50,000 common shares at a fair value of \$7,500 pursuant to the Rodney Pond property option agreement. (Note 6)

On February 22, 2022, the Company issued 200,000 common shares at a fair value of \$28,000 pursuant to the Amy and Silverknife mineral property option agreement. (Note 6)

On December 3, 2021, the Company issued 7,500,000 FT units at a price of \$0.10 per FT unit. Each FT unit consists of one FT share of the company and one-half of one transferable share purchase warrant. Each whole warrant entitles the holder thereof to acquire one common share of the company at a price of \$0.15 per share on or before December 3, 2023. The Company used the pro rata method with respect to the measurement of shares and warrants issued and a fair value of \$173,119 was allocated to the 3,750,000 warrants. In connection to the financing the Company paid a finders fees of \$45,500 and other share issue cost of \$4,110 and issued 455,000 non-transferable finders’ warrants exercisable at \$0.10 per share expiring on December 3, 2023. The Company fair value the finders’ warrants at \$21,600 using the Black-Scholes Option Pricing Model with the following assumptions: risk free interest rate – 0.99%; annual dividends - nil; expected life - 24 months; expected stock price volatility- 137%.

On October 27, 2021, the Company issued 250,000 common shares at a fair value of \$26,250, pursuant to the Rancheria mineral property option agreement (Note 6).

On October 6, 2021, the Company issued 200,000 common shares at a fair value of \$19,000, pursuant to the Bridal Veil mineral property option agreement (Note 6).

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10. SHARE CAPITAL – (cont'd)**Issued common shares - (cont'd)***For the year ended September 30, 2021*

On June 14, 2021, the Company issued 4,812,500 FT units at a price of \$0.16 per FT unit and 2,286,735 NFT units at a price of \$0.14 per NFT unit for gross proceeds of \$1,090,143. The Company recognized a flow-through premium of \$96,250. Each FT unit and each NFT unit comprises one common share and one transferable share purchase warrant exercisable on a 2:1 basis for a period of two years at a price of \$0.30 per share, expiring on June 14, 2023. The Company used the pro rata method with respect to the measurement of shares and warrants issued and a fair value of \$212,400 was allocated to the 3,549,618 warrants. The Company paid a cash fee of \$18,410 and issued 115,063 finder's warrants to Red Cloud Securities Inc., equal to 7% of gross proceeds and units received from subscribers located by Red Cloud. A cash fee of \$10,454 and issued 84,271 finder's warrants to German Mining Networks GmbH, equal to 6% of gross proceeds received from subscribers located by German Mining. Each finder's warrants entitles the holder thereof to acquire one common share of the Company at a price of \$0.30 per share expiring on June 14, 2023. The Company fair value the finders' warrants at \$15,947 using the Black-Scholes Option Pricing Model with the following assumptions: risk free interest rate – 0.45%; annual dividends - nil; expected life - 24 months; expected stock price volatility- 139%.

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 (Note 6).

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. The Company used the pro rata method with respect to the measurement of shares and warrants issued and a fair value of \$226,050 was allocated to the 4,800,000 warrants. 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 (Note 6).

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 (Note 6).

During the year ended September 30, 2021, the Company issued 15,942,880 common shares pursuant to the exercise of share purchase warrants for total proceeds of \$1,119,645. Accordingly, the Company reallocated \$478,525 from share-based payment reserve to share capital upon exercise of such warrants.

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 calculated the fair value of all stock-based compensation awards as determined using the Black-Scholes Option Pricing Model.

On January 13, 2021, the Company granted 2,010,000 stock options at a price of \$0.20 per share expiring on January 13, 2026 to certain of its directors, officers, employees, and consultants of the Company pursuant to the Company's Rolling Share Option Plan. 1,760,000 of the options granted vest over 90 days, and 250,000 of the options granted vest in stages over a period of twelve months from the date of grant with no more than one-quarter of the options. The weighted average fair value of stock options granted was \$324,012 using the Black-Scholes Option Pricing Model with the following assumptions: risk free interest rate – 0.36%; annual dividends - nil; expected life - 60 months; expected stock price volatility- 147%. During the year ended September 30, 2022, the Company recorded \$73 in share-based payments for vested stock options.

On July 2, 2021, the Company granted 950,000 stock options to directors, officers and to consultants of the Company. The stock options entitle the holders thereof the right to purchase one common share for each option at a price of \$0.13 per share expiring on July 2, 2026 and vested at 25% every quarter with the first vesting on October 2, 2021. The fair value of the stock options of \$117,705 was determined using the Black Scholes option pricing model with the following assumptions – Share price on grant date of \$0.13; Risk-free interest rate of 0.78%; Dividend yield of nil; Expected volatility of 177%; Expected life of 5 years. During the year ended September 30, 2022, the Company recorded \$57,601 in share-based payments for vested stock options.

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10. SHARE CAPITAL – (cont'd)**Stock options – (cont'd)**

On December 31 2021, the Company granted 2,500,000 stock options to directors, officers and to consultants of the Company. The stock options entitle the holders thereof the right to purchase one common share for each option at a price of \$0.12 per share expiring on December 31, 2026 and vested at the date of grant. The fair value of the stock options of \$279,500 was determined using the Black Scholes option pricing model with the following assumptions – Share price on grant date of \$0.13; Risk-free interest rate of 1.30%; Dividend yield of nil; Expected volatility of 128%; Expected life of 5 years. During the year ended September 30, 2022, the Company recorded \$279,500 in share-based payments.

On April 29, 2022, the Company granted 300,000 stock options to a consultant of the Company. The stock options entitle the holders thereof the right to purchase one common share for each option at a price of \$0.21 per share expiring on April 29, 2027 and vested at the date of grant. The fair value of the stock options of \$60,720 was determined using the Black Scholes option pricing model with the following assumptions – Share price on grant date of \$0.23; Risk-free interest rate of 2.64%; Dividend yield of nil; Expected volatility of 125%; Expected life of 5 years. During the year ended September 30, 2022, the Company recorded \$60,720 in share-based payments.

Volatility was determined based on the Company's historical data.

The following table summarizes the continuity of the Company's stock options:

	Number of Stock Options	Weighted Average Exercise Price
Balance, September 30, 2020	-	\$-
Granted	2,960,000	0.18
in Balance, September 30, 2021	2,960,000	0.18
Granted	2,800,000	0.13
Exercised	(300,000)	0.13
Cancelled	(435,000)	0.20
Balance, September 30, 2022	5,025,000	\$0.15

As at September 30, 2022, the Company had stock options outstanding enabling holders to acquire the following:

Number of Options	Vested	Weighted Average Remaining Life	Exercise Price per Option	Expiry Date
1,600,000	1,600,000		\$0.20	January 13, 2026
*625,000	625,000		\$0.13	July 2, 2026
*2,500,000	2,500,000		\$0.12	December 31, 2026
300,000	300,000		\$0.21	April 29, 2027
5,025,000	5,025,000	3.63 years		

*Subsequent to September 30, 2022, a total of 150,000 options were exercised.

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 stocks options or warrants are exercised at which time the corresponding amount will be transferred to share capital.

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10. SHARE CAPITAL – (cont'd)

Share Purchase Warrants

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, September 30, 2020	19,192,880	\$0.08
Issued	12,098,569	0.26
Expired	(500,000)	0.10
Exercised	(18,692,880)	0.07
Balance, September 30, 2021	12,098,569	0.26
Issued	16,969,244	0.19
Balance, September 30, 2022	29,067,813	\$0.22

As at September 30, 2022, the Company had share purchase warrants outstanding enabling holders to acquire the following:

Number of Share Purchase Warrants	Number of Share Purchase Warrants	Total Number of Share Purchase Warrant	Weighted Average Remaining Life	Exercise Price per Share	Expiry Date
2 for 1 basis	1 for 1 basis				
*4,800,000	-	4,800,000		\$0.20	January 13, 2023
7,099,235	199,334	7,298,569		\$0.30	June 14, 2023
-	3,750,000	3,750,000		\$0.15	December 3, 2023
-	455,000	455,000		\$0.10	December 3, 2023
-	*10,079,471	10,079,471		\$0.20	April 19, 2024
-	523,217	523,217		\$0.20	April 19, 2024
-	2,161,556	2,161,556		\$0.20	September 27, 2024
11,899,235	17,168,578	29,067,813	1.11 years		

*Subsequent to September 30, 2022, a total of 1,242,500 warrants were exercised and 3,675,000 warrants expired unexercised.

11. RELATED PARTY TRANSACTIONS

The Company entered the following transactions with related parties:

- incurred rent of \$Nil (2021 – \$18,000) with a company controlled by a significant shareholder of the Company.
- incurred secretarial fees of \$Nil (2021 – \$63,300) with a company controlled by a significant shareholder of the Company which was recorded in office and miscellaneous.
- incurred exploration expenditures of \$210,243 (2021 - \$204,879) with a director or a company controlled by a director and officer of the Company.
- incurred share-based payments of \$284,375 (2021 - \$298,803) with directors and officers of the Company.
- incurred consulting fees of \$39,500 (2021 - \$Nil) with a company controlled by a director and officer of the Company.

On September 30, 2022, a total of \$30,325 (2021 - \$14,895) was owing to directors and a company controlled by a director of the Company, unsecured, non-interest bearing, no specific terms of repayment.

12. 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's only financial instrument measured at fair value are its marketable securities, for which the fair value is determined using closing prices at the reporting date with any unrealized gain or loss recognized in profit or loss. The marketable securities are classified as Level 1.

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 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 the financial institution.

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 of \$298,679 at September 30, 2022 (2021- working capital deficiency of \$181,418). 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.

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. Interest earned on cash is at nominal interest rates and therefore, the Company does not consider interest rate risk to be significant.

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.

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13. INCOME TAXES

A reconciliation of the expected income tax recovery to the actual income tax recovery is as follows:

	2022	2021
Loss before income taxes	\$ (4,269,431)	\$ (3,040,580)
Statutory income tax rates	27%	27%
Expected tax recovery	\$ (1,153,000)	\$ (821,000)
Non-deductible expenses	67,000	133,000
True up and other differences	(46,000)	(543,000)
Tax benefits not recognized	1,132,000	1,231,000
Total current and deferred income tax recovery	\$ -	\$ -

The significant components of the Company's deductible temporary differences, unused tax credits and unused tax losses that have not been included on the statement of financial position are as follows:

	Expiry	2022	Expiry	2021
Non-capital loss carry-forwards and other available deductions	2023-2042	\$ 7,195,000	2028-2041	\$ 5,763,000
Exploration and evaluation assets	None	8,018,000	None	7,325,000
Capital assets	None	2,118,000	None	2,145,000
Capital loss carry-forwards and other	None	1,952,000	None	1,769,000
Total		\$ 19,283,000		\$ 17,002,000

14. FLOW THROUGH SHARE COMMITMENT

Under the IFRS framework, the increase to share capital when flow-through shares are issued is measured based on the current market price or concurrent non-flow-through share price of common shares. The incremental proceeds, or "premium", are recorded as deferred income.

Flow-through common shares require the Company to spend an amount equivalent to the proceeds of the issued flow-through common shares on Canadian qualifying exploration expenditures. The Company may be required to indemnify the holders of such shares for any tax and other costs payable by them in the event the Company has not made the required exploration expenditures.

During the year ended September 30, 2022, the Company received \$2,152,140 from the issue of flow-through shares and has fully incurred the qualifying expenditures during the year ended September 30, 2022. A flow through premium liability of \$163,167 was recognized as recovery of flow-through share premium during the year ended September 30, 2022.

During the year ended September 30, 2021, the Company received \$770,000 from the issue of flow-through shares and has fully incurred the qualifying expenditures during the year ended September 30, 2021. A flow through premium liability of \$96,250 was recognized as recovery of flow-through share premium during the year ended September 30, 2021.

During the year ended September 30, 2022, the Company recorded a recovery of flow-through share premium of \$163,167 (2021 - \$96,250). As at September 30, 2022, the Company has \$nil (2021 - \$nil) remaining flow through commitment to incur eligible exploration expenditures.

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15. SUBSEQUENT EVENTS

Subsequent to September 30, 2022, the Company:

On October 12, 2022, the Company issued an aggregate of 3,884,028 units consisting of 656,250 NFT units at a price of \$0.16 per NFT unit and 3,227,778 flow-through (FT) units at a price of \$0.18 per FT unit for total proceeds of \$686,000. Each NFT unit consists of one common share of the Company and one-half of one transferable share purchase warrant. Each FT unit consists of one FT share of the Company and one-half of one transferable share purchase warrant. Each whole warrant entitles the holder thereof to acquire one common share of the Company at a price of \$0.20 per share on or before October 13, 2024. In connection to the financing the Company paid a finders fees of \$74,834 and issued 312,290 finders warrants. Each finders warrant entitles the holder thereof to acquire one common share of the Company at a price of \$0.20 per share expiring on October 13, 2024.

On December 7, 2022, the Company issued 5,454,100 FT units at a price of \$0.22 per FT unit for total proceeds of \$1,199,902. Each FT unit consists of one FT share of the Company and one-half of one transferable share purchase warrant. Each whole warrant entitles the holder thereof to acquire one common share of the Company at a price of \$0.25 per share on or before December 7, 2024. In connection to the financing the Company paid a finders fees of \$56,994 and issued 259,065 finders warrants. Each finders warrant entitles the holder thereof to acquire one common share of the Company at a price of \$0.22 per share expiring on December 7, 2024.