

CMC Metals Ltd. (TSXV:CMB)

I Hart High-Grade Silver

Initiating Coverage
June 28, 2021

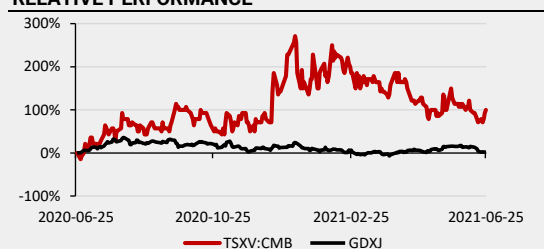
(Currency is C\$ unless noted otherwise)

Closing Price (C\$/sh)	\$0.14
Rating	BUY
Target (C\$/sh)	\$0.25
Return to Target	79%
NAV (C\$/sh)	\$0.30
P/NAV	0.47x
52 Week Low / High (C\$/sh)	\$0.06 / \$0.27
CAPITALIZATION	Basic Diluted
Shares Outstanding (M)	88.4 106.5
Market Capitalization (C\$M)	\$12.4
Enterprise Value (C\$M)	\$10.4
Cash and Cash Equivalents (C\$M)	\$2.0
Total Debt (C\$M)	\$0.0

STOCK CHART



RELATIVE PERFORMANCE



NET ASSET VALUE	(C\$M)	(C\$/sh)
Silver Hart – Blue Heaven	\$23.4	\$0.26
Rancheria and Amy & Silverknife	\$0.6	\$0.01
Bridal Veil and Terra Nova	\$0.2	\$0.00
Total Corporate Adjustments	\$2.0	\$0.02
Corporate NAV	\$26.2	\$0.30

RELATIVE VALUATION	US\$EV/oz AgEq
CMC Metals Ltd.	\$1.30
Peers*	\$1.19

*S&P Market Intelligence

MAJOR SHAREHOLDERS

Management & Insiders (7.43%)

DISCLOSURE CODE: 3,4

(Please refer to the disclosures listed on the back page)

Source: RCS, Company Information, S&P Capital IQ

Company Description

CMC Metals Ltd. is a growth stage mineral exploration company focused on opportunities in Yukon, British Columbia and Newfoundland. Its silver-lead-zinc projects include Silver Hart, Blue Heaven and the Rancheria South Properties (Rancheria South, Silverknife and Amy), and polymetallic projects with gold potential include Logjam (Yukon), Bridal Veil and Terra Nova (both in Newfoundland).

We are initiating coverage on CMC Metals (TSXV:CMB) with a BUY rating and a target price of C\$0.25/sh. CMC is advancing its flagship Silver Hart and Blue Heaven properties in the Yukon where it is systematically growing resources of ~7.5M oz AgEq via exploration and strategic claim acquisition. The company also remains active at three of its four other non-core assets demonstrating management's proactive approach towards value creation. **Our view is that CMC has a strong team that is positioned to significantly grow the Ag-Pb-Zn resources at its Yukon properties.**

- **Exploring for district scale silver potential.** With Silver Hart's inferred resources of 362.5 kt at 338.5 g/t Ag, 1.8% Pb and 4.4% Zn occupying only a fraction of known mineralized showings throughout the property, much potential remains for CMC to grow and upgrade resources. In 2020, the company also acquired an option for a 100%-interest in the adjacent Blue Heaven property expanding its access to district scale silver veining and carbonate replacement mineralization (CRM). CMC has launched a comprehensive exploration program with the objective of completing up to 10,000m of drilling supported by geophysics and geochemical work to produce a technical study by late 2022/early 2023.
- **Focused on value creation.** CMC has outlined preliminary exploration plans for three of its four non-core assets including two of its polymetallic projects in Newfoundland: Bridal Veil and Terra Nova, where it plans to acquire permits and complete field programs in 2021 and beyond. In B.C., within 25km of Coeur's (NYSE:CDE, Not Rated) Silvertip mine, CMC recently grew its land position to 3,500 ha at the Rancheria South project where it plans to re-establish access, acquire permits and conduct exploration via a potential JV arrangement.
- **Development on the horizon.** CMC is ultimately targeting the initiation of engineering studies followed by a PEA for the Silver Hart and Blue Heaven properties. To date, the company has completed bulk sampling and metallurgical testing on Silver Hart which has shown amenability to a bulk lead sulphide circuit and a lead oxide circuit achieving ~97% recoveries using each method.

Valuation:

Positive drill results and resource growth could drive share price higher.

Our price target of C\$0.25 is based on a sum-of-parts valuation method using a 0.8x multiple to our NAVPS estimate of C\$0.30. We note that ~90% of our NAV is from Silver Hart-Blue Heaven. With an EV of ~\$10.4M versus peers at ~\$128.3M, we believe continued exploration success could drive CMC's share price upwards. We would also expect a re-rating when the company releases a resource update for the Silver Hart-Blue Heaven properties. **Upcoming Catalysts:** 1) Silver Hart-Blue Heaven drill results (H2/21) and 2) Exploration updates for Rancheria and Newfoundland properties (H2/21). **Mining/exploration is inherently risky** and CMC is subject to various geopolitical, technical, corporate, or financial risks.

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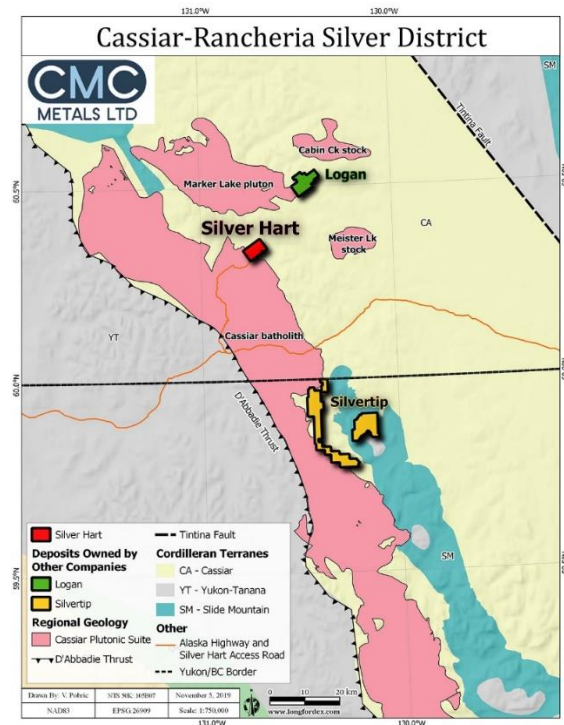
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CMC's flagship Silver Hart property, along with the Blue Heaven and Rancheria South properties are in the Cassiar-Rancheria Silver District

Investment Thesis

Emerging silver district in the Yukon. CMC's 100%-owned flagship Silver Hart property is in southern Yukon, 255km by road west of Whitehorse and 70km north of the Silvertip mine. The adjacent Blue Heaven as well as the Rancheria South projects are all situated within the wider Rancheria Silver District – an emerging district with a rich endowment of silver-lead-zinc+/-copper+/-gold occurrences. This expansive zone is prospective for high-grade silver veining as well as carbonate replacement mineralization. While some areas, such as the current Main Zone at Silver Hart have been extensively tested, much of the surrounding areas remains to be adequately explored leaving significant potential on the table. CMC has been systematically growing its land position in the area, multiplying claim ownership with the acquisition of an option to earn a 100%-interest in the Blue Heaven property located adjacent to the Silver Hart property, in addition to the acquisition of an option for a 100%-interest in the Rancheria South, Amy and Silverknife claims all road accessible and located within 25km of Coeur Mining's Ag-Pb-Zn Silvertip mine.

Figure 1: Project location and regional trend



Source: Company Reports

Expecting a catalyst driven year. Since acquiring Silver Hart in 2004, CMC has tabled two resources for the project, first in 2010 and more recently in 2020. Current resources for the property stand at 362.5 kt at 338.5 g/t Ag, 1.8% Pb and 4.4% Zn for ~7.5Moz AgEq located in the Main Zone. The company also acquired an option to earn a 100%-interest in the adjacent 1,975 ha Blue Heaven claims from Strategic Metals (TSXV:SMB, Not Rated, Taylor Combaluzier) significantly growing its land position and gaining access to a large geophysical and geochemical target along trend to the south of Silver Hart. CMC plans to drill up to 10,000m at Silver Hart paired with geophysics, geochemical sampling, and historic data compilation to move the project closer to test the consolidated land package with the ultimate goal of initiating an engineering study on the projects.

Figure 2: Silver Hart and Blue Heaven project overview

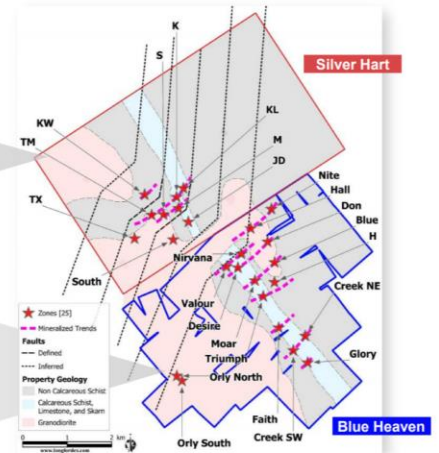
Silver Hart Project

Silver Hart Claims

- 100% CMC Ownership
- 116 claims, 2,017 hectares
- 11,901 m drilled in 192 holes

Blue Heaven Claims

- Option Agreement to earn a 100% interest
- 118 claims, 1,975 hectares
- Past advanced exploration efforts include drilling, trenching, geophysics, and mapping that have identified 13 mineralized areas and 36 showings



CMC Metals Ltd. | TSX-V: CMB | PKI: CMCXF | FWB: ZMSN | www.cmcmetals.ca | Sustainable Growth

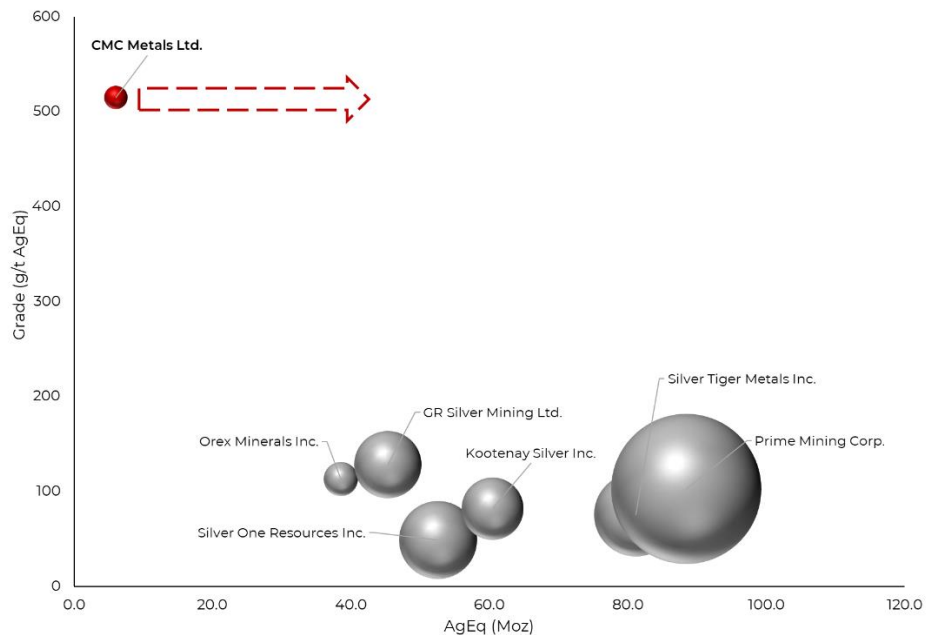
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Source: Company Reports

The Silver Hart resource features a AgEq grade of +500 g/t AgEq

Grade is king. At grades of 333.8 g/t Ag, 1.8% Pb and 4.4% Zn, the Silver Hart Resource boasts a silver grade equivalent over 500 g/t AgEq ranking it well ahead of peers (Figure 3), which average ~150 g/t AgEq and within range of the high grade nearby Silvertip mine which contains silver grades in the range of 270 g/t Ag, 9.4% Zn, and 4.9% Pb. Importantly, drill depth for the 2020 resource that utilized drill data from 2005 to 2019, averaged only 60m of depth leaving room for expansion below the existing deposit. There are considerable areas within the Main, KW, and South Zones that are yet to be drill tested where there are mineralized veins at surface. Further, with the addition of the Blue Heaven claims to the inventory, the company now has a long list of high-grade targets to test with the current and future drill programs.

Figure 3: Grade vs contained metal and market cap



CMC could re-rate as it grows its AgEq mineralization

Source: S&P Capital IQ, RCS Estimates

Commodity diversification in good jurisdictions. CMC is backstopped by several non-core assets which could be partnered on or divested as the company focuses on Silver Hart and Blue Heaven. This includes the Rancheria South + Amy + Silverknife projects in northern British-Colombia. In 2021, CMC plans to re-establish access to Rancheria South to complete an exploration program on the claims which host +10 mineralized showings. Like Silver Hart, the Rancheria properties are prospective for high-grade silver veining and carbonate replacement mineralization in addition to some tungsten +/- copper skarns. Importantly, the properties are located within trucking distance from the Silvertip mine and could develop into attractive options for toll milling, partnership or divestment should the company successfully outline a mineable deposit. We note that the company is actively looking for partners for its Rancheria South project. CMC also holds several early-stage gold + polymetallic projects including the Logjam project in south-central Yukon as well as the Bridal Veil and Terra Nova projects in Newfoundland. CMC plans to acquire exploration permits to complete field programs at its Newfoundland properties, which we expect should create value for shareholders in the background of the work underway in the Yukon.

Figure 4: CMC project overview and locations

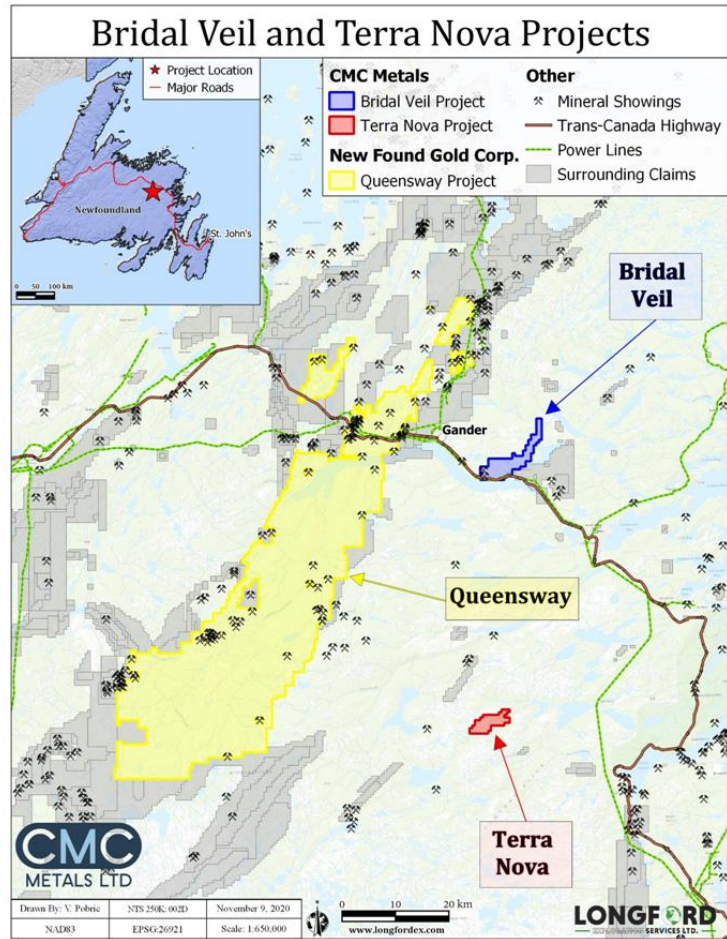


Source: Company Reports

Two projects in proximity to the high-grade Queensway project. CMC's two Newfoundland projects, Bridal Veil and Terra Nova, are located close to Newfound Gold's (TSXV:NFG, Not Rated) high-grade gold Queensway project at 15km to the west and 32km to the east, respectively. Bridal Veil (3,150 ha) is an epigenetic, structurally controlled polymetallic target that is prospective for Cu-Pb-Zn+/-Au mineralization. To date, less than 10% of the property has been explored. Grab samples from mineralized zones have returned grades of up to 8.9% Cu, 5.6% Pb, 8.6 oz/t Ag and 750 ppb Au and another grab containing 3.82 g/t Au. The Terra Nova project (1,775 ha) has seen limited exploration; however, a 4x3km mineralized zone has been identified with rocks containing ubiquitous quartz veins with locally semi-massive sulfides including abundant pyrite, chalcopyrite bornite and galena. The company intends to further examine its Newfoundland projects later in 2021 (additional details on page 14). **We believe both Bridal Veil and Terra Nova are prospective for polymetallic mineralization and warrant a closer look. Given their proximity to the Queensway project, they could potentially provide additional exploration upside in a hot jurisdiction for CMC.**

CMC has projects in numerous jurisdictions in Canada

Newfoundland properties offer future exploration upside in a hot jurisdiction

Figure 5: Map showing proximity of Bridal Veil and Terra Nova to Queensway


Source: Company Reports

Catalysts

CMC is planning to undertake a drill program of up to 10,000m at both Silver Hart and Blue Heaven where it is targeting resource expansion. Work is to be completed in conjunction with data compilation of historical drilling and 3D modelling to guide drill targeting as well as expanded geophysical (IP and VLF-EM) and geochemical surveying. Results from this program should pave the way for the start of an engineering study with the aim of issuing a PEA over the medium to near term. In addition, the company is taking steps to establish access and exploration permits at its Rancheria South properties to complete exploration in 2021 and beyond. For its gold and polymetallic projects, CMC is completing a review of past results from the Bridal Veil project with plans to initiate field work in 2021. Following this, the company is also looking to evaluate the Terra Nova project for potential exploration in 2022.

Upcoming Catalysts for CMC Metals include:

1. Drill results from Silver Hart and Blue Heaven (H2/2021)
2. Evaluation of airborne geophysical data on all five of its Yukon and B.C. properties (H2/2021)
3. Detailed exploration plans at Rancheria, Bridal Veil and Terra Nova (H2/2021)
4. Potential JV partner for its Rancheria South projects (2021E)

Bridal Veil and Terra Nova are in close proximity to Newfound Gold's high-grade gold Queensway project

CMC is gearing up for a drill program at Silver Hart and Blue Heaven

We are launching coverage on CMC Metals with a BUY rating and C\$0.25 target

Valuation and Financial Analysis

Our C\$0.25 target for CMC Metals is based on a sum-of-parts valuation method using a 0.8x multiple to our NAVPS estimate of C\$0.30. Our valuation, Figure 6, is based primarily on the company's Silver Hart and Blue Heaven assets where we have valued them using our probability-based valuation method (see below). For Rancheria South, Amy & Silverknife, Bridal Veil and Terra Nova, we have used an option agreement terms valuation method whereby an approximation of the value of the property is reflected in the payments made and work commitments fulfilled, plus the subjective probability of the optionee making the rest of the payments and fulfilling the balance of the exploration programs. Given that CMC's Silver Hart project has a NI 43-101 compliant resource estimate, we are comfortable using a 0.80x multiple to account for the uncertainty associated with our estimates. **We derive our C\$0.25 target by applying a 0.80x multiple to our NAVPS estimate of \$0.30, which generates a 79% return to target and justifies our BUY rating.**

Figure 6: Sum-of-Parts Valuation for CMC Metals

Asset	Status	Resource (Moz AgEq)	Valuation Method	Fair Value Estimate		(%)
				(C\$M)	(C\$/sh)	
Assets						
Silver Hart – Blue Heaven	Exploration	7.50	Probability Based	\$23.4	\$0.26	89%
Rancheria and Amy & Silverknife	Early Exploration	NA	Option Agreement Terms	\$0.6	\$0.01	2%
Bridal Veil and Terra Nova	Early Exploration	NA	Option Agreement Terms	\$0.2	\$0.00	1%
Project NAV				\$24.2	\$0.27	92%
Cash				\$2.0	\$0.02	8%
Total Corporate Adjustments				\$2.0	\$0.02	8%
Corporate NAV				\$26.2	\$0.30	100%

Multiple	0.80x
Target Price	\$0.25

Source: RCS Estimates

Using our probability-weighted valuation methodology, we estimate that Silver Hart and Blue Heaven are potentially worth C\$0.26/sh. This methodology accounts for the probability of each scenario being achieved, along with the time and money required to achieve them. For Silver Hart – Blue Heaven our three valuation scenarios are outlined as follows:

1. **Lower Case – C\$0.14/sh – 10% probability** – Our Lower Case reflects Silver Hart as it currently is and assumes no material change in the existing ~7.5M oz AgEq mineral resource estimate. We view this scenario as unlikely as the company is funded to conduct drilling at the Silver Hart – Blue Heaven properties with a goal of growing the mineral resource.
2. **Base Case – C\$0.24/sh – 50% probability** – This case assumes that CMC can double the resource to ~15M oz AgEq. We believe this would require ~10,000m of drilling which we estimate would cost ~\$3M (i.e. \$300/m). We note that this is more than the company's current cash balance. We also believe that CMC would likely spend some of that money on exploration work at its other assets. Thus, we estimate that the company would need to raise an additional \$2M. At this time, we view this scenario as most likely.

We see a path for Silver Hart and Blue Heaven to grow to ~25M oz AgEq

3. **Upside Case – C\$0.34/sh – 40% probability** – This case assumes that CMC could grow the resource at Silver Hart – Blue Heaven to ~25M oz AgEq. We estimate that this scenario would require an additional \$5M which would enable an ~16,500m of additional drilling.

As outlined in Figure 7, in each scenario, we try to account for time, money and the cost of capital to further define the target. To achieve each case, we assume the company's share price progressively increases or decreases with exploration success or failure. Additionally, the capital required to achieve each case is reduced by any work done in a lower case (i.e. to achieve the Upper Case, \$5M in additional spending is required to supplement the \$2M required to achieve the middle case for a total of \$7M). For each case, our potential value is based on Canadian and U.S. peer trading multiples of US\$1.25/oz AgEq. Finally, to account for time, we have used a discount rate of 8%. We note that with each new piece of exploration data, we plan to adjust our estimates.

Figure 7: Probability Weighted Valuation Estimate for Silver Hart – Blue Heaven

Scenario	Description	Potential Value (C\$M)	Additional Capital Required (C\$M)	Shares to be issued to achieve this case	Est. Share Count When Achieved	Per Share (C\$)	Time to Achieve (Years)	Time Adjusted Per Share Value (C\$)	Probability
Lower Case	~7.5M oz AgEq at 641.6 g/t AgEq (US\$1.25/oz)	\$12.5	\$0.0	0.0	88.4	\$0.14	0.0	\$0.14	10%
Base Case	~15.0M oz AgEq at +500 g/t AgEq (US\$1.25/oz)	\$25.0	\$2.0	8.6	97.1	\$0.26	1.0	\$0.24	50%
Upside Case	~25.0M oz AgEq at +500 g/t AgEq (US\$1.25/oz)	\$41.7	\$7.0	11.9	108.9	\$0.38	2.0	\$0.33	40%
Probability Weighted Valuation Estimate								\$0.26	

Notes:

Discount rate of 8%

To achieve lower case, shares issued at current share price

Base case shares issued in 3 tranches at an average price of \$0.24

Upside case shares issued in 3 tranches at an average price of \$0.43

Capital to be raised in subsequent cases, reduced by prior case

Assumed that any in the money warrants/options would reduce the required capital to be raised and would have a roughly neutral impact

Source: RCS Estimates

We note that the company recently closed a non-brokered private placement raising gross proceeds of ~\$1.4M. We calculate that the company has an approximate cash balance of \$2.0M and no debt. The share structure of the company consists of ~88.4M shares outstanding with 2.0M options and ~16.0M warrants. We also note that the company could bring in ~\$0.4M in proceeds from the exercise of in the money warrants (~7.5M) by September 2021.

Figure 8: Capital structure of CMC Metals

Capital Structure	Shares (M)
Shares Outstanding	88.4
Options	2.0
Warrants	16.0
Fully Diluted Shares	106.5

Source: Company Reports

CMC Metals is trading at a discount to peers

Relative Valuation

CMC Metals is undervalued compared to peers. CMC Metals has an EV of \$10.4M versus peers that have an average EV of ~\$128.3M. We have assembled a comparison of CMC with North and Central American-based silver companies that are resource stage in Figure 9. We note that CMC trades in line with peers on an EV/oz AgEq basis at US\$1.30/oz versus US\$1.19/oz for peers (Figure 10). It also trades at a discount on a P/NAV basis at 0.47x NAV versus peers at 0.52x. Using US\$1.25/oz AgEq, we calculate that Silver Hart is worth \$12.5M (\$0.14/sh), which backstops CMC's valuation.

Figure 9: Comparable Companies

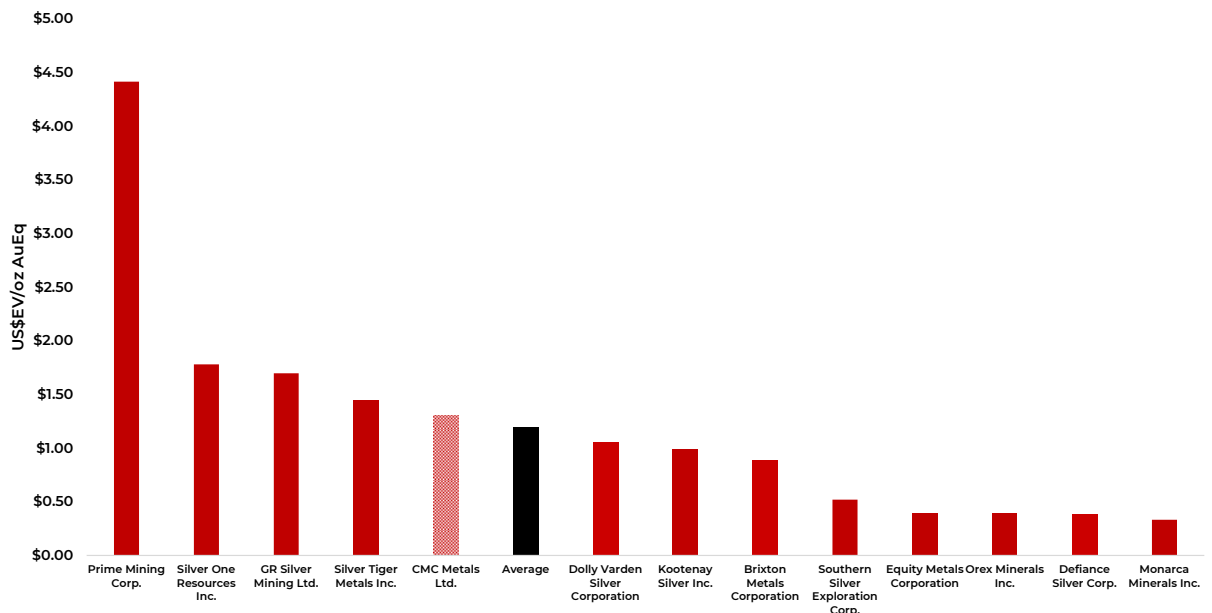
Company	Ticker	Price (C\$/sh)	YTD Perf.	Shares (M)	Mkt. Cap C\$M	Cash C\$M	Debt C\$M	EV C\$M	AgEq (Moz)	US\$EV/oz AgEq	Consensus P/NAV
CMC Metals Ltd.	TSXV:CMB	\$0.14	-39%	88.4	\$12.4	\$2.0	\$0.0	\$10.4	6.0	\$1.30	0.47x
Prime Mining Corp.	TSXV:PRYM	\$4.00	108%	131.6	\$526.3	\$5.8	\$0.1	\$520.5	88.4	\$4.41	0.90x
Vizsla Silver Corp.	TSXV:VZLA	\$2.60	50%	142.7	\$371.0	\$23.6	\$0.0	\$347.4	NA	-	0.60x
Silver Tiger Metals Inc.	TSXV:SLVR	\$0.60	2%	273.6	\$164.2	\$7.0	\$0.0	\$157.2	81.2	\$1.45	0.46x
Defiance Silver Corp.	TSXV:DEF	\$0.71	-21%	234.1	\$166.2	\$11.1	\$0.0	\$155.1	302.5	\$0.38	0.36x
Blackrock Silver Corp.	TSXV:BRC	\$0.95	8%	155.0	\$147.3	\$1.9	\$0.0	\$145.4	NA	-	NA
Southern Silver Exploration Corp.	TSXV:SSV	\$0.44	-15%	321.1	\$141.3	\$9.4	\$0.0	\$131.9	190.6	\$0.52	0.52x
Silver One Resources Inc.	TSXV:SVE	\$0.63	-6%	224.1	\$141.2	\$16.7	\$0.3	\$124.8	52.6	\$1.78	NA
GR Silver Mining Ltd.	TSXV:GRSL	\$0.60	-23%	175.3	\$105.2	\$2.6	\$0.0	\$102.6	45.3	\$1.70	NA
Reyna Silver Corp.	TSXV:RSLV	\$0.86	-37%	107.2	\$92.2	\$11.9	\$0.0	\$80.3	NA	-	NA
Kootenay Silver Inc.	TSXV:KTN	\$0.27	-36%	337.8	\$89.5	\$9.8	\$0.0	\$79.7	60.4	\$0.99	NA
Silver Viper Minerals Corp.	TSXV:VIPR	\$0.69	55%	99.7	\$68.8	\$1.2	\$0.0	\$67.6	NA	-	NA
Dolly Varden Silver Corporation	TSXV:DV	\$0.64	-30%	133.4	\$85.4	\$22.9	\$0.0	\$62.5	44.4	\$1.06	NA
Brixton Metals Corporation	TSXV:BBB	\$0.18	-41%	198.1	\$34.7	\$7.6	\$0.1	\$27.1	NA	\$0.89	0.27x
Orex Minerals Inc.	TSXV:REX	\$0.14	-15%	188.4	\$26.4	\$6.2	\$0.0	\$20.1	38.5	\$0.39	NA
Equity Metals Corporation	TSXV:EQTY	\$0.21	-28%	98.3	\$20.6	\$3.2	\$0.0	\$17.5	33.3	\$0.39	NA
Monarca Minerals Inc.	TSXV:MMN	\$0.10	-20%	136.8	\$13.7	\$1.7	\$1.3	\$13.3	30.0	\$0.33	NA
		Median						\$91.4	52.6	\$0.94	0.49x
		Average						\$128.3	87.9	\$1.19	0.52x

Note:

AuEq calculated using metals prices of (US\$): \$2000/oz Au, \$25/oz Ag, \$3/lb Cu, \$7/lb Ni, \$11/lb Zn and \$0.85/lb Pb
Reflects estimates by RCS for CMC Metals Ltd.; all other companies based on S&P Capital IQ.

Source: S&P Capital IQ, Company Reports

Figure 10: Comparable Companies



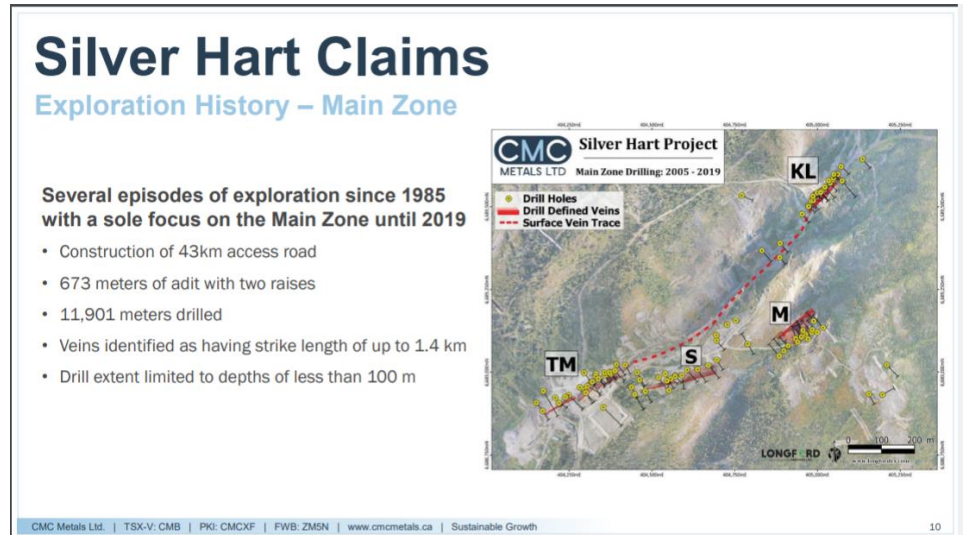
Source: S&P Capital IQ, Company Reports

Assets

Silver Hart

Silver Hart is CMC's flagship property covering 2,017 ha in south-central Yukon. The property hosts a recent resource at a 150 g/t AgEq cut-off (Dec 2020): 362.5k tonnes at 333.8 g/t Ag, 1.8% Pb, 4.4% Zn containing ~7.5M oz AgEq (3.9M oz Ag, 14.6M lbs Pb and 36.2M lbs Zn). The deposit is subdivided into two deposit types over the 1.4km trend: a high-grade polymetallic vein system which includes the TM and S subzones and carbonate replacement mineralization (CRM) included in the KL and M subzones.

Figure 11: Silver Hart property overview



Source: Company Reports

Infrastructure

The project can be accessed via a 43km-long gravel road off the Yukon-Alaska highway and is located 70km north of the Silvertip mine. Whitehorse is a ~355km drive away by road. The nearest deep-water port is located at Skagway in Alaska, 430km to the west southwest and rail transport is in Fort Nelson BC 720km to the east-southeast. The area surrounding the property is relatively well serviced by the small town of Watson Lake (pop. 1,200) which offers groceries, medical services, fuel, and an airport which is located 1.5 hrs drive via highway from the project site.

The Silver Hart property includes an all-season camp for up to 30 people. The company currently uses diesel fuel generators to generate electrical power. The property also includes some underground development consisting of two raises and an adit which were driven in the early 1980s in the Main Zone.

Geology and Mineralization

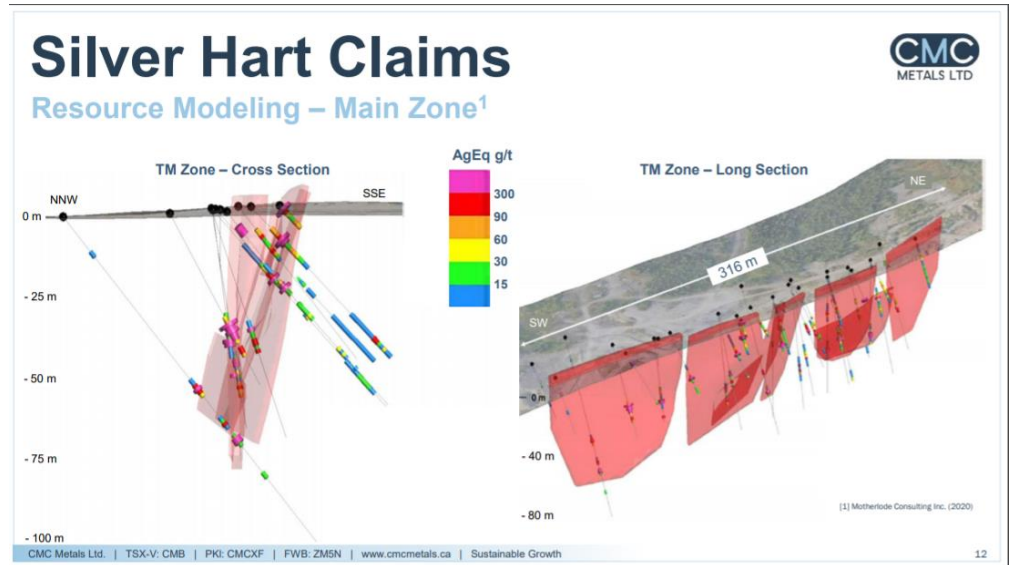
Mineralization at Silver Hart occurs as high-grade meta-sediment hosted silver-lead-zinc+/-copper+/-gold veins and is similar to silver deposits found in northern Mexico and the Coeur d'Alene Silver district in Idaho. These dominantly northeast-southwest trending veins contain galena, tetrahedrite and sphalerite and range in size from 10cm to several meters wide. Additionally, veins are encompassed in a mineralized alteration envelope further increasing the mineable width to 10-15m. The

Silver Hart features a 2020 high-grade AgEq resource estimate

Silver Hart features good infrastructure

property also hosts bulk tonnage carbonate replacement mineralization where the northeast trending structures cross calcareous sediments.

Figure 12: Silver Hart resource model in the Main Zone



Source: Company Reports

Figure 13: 2020 Mineral Resource Estimate – Silver Hart Main Zone

Domains	Tonnes	Silver Hart Inferred Mineral Resources (150 g/t AgEq cutoff)					Contained			
		Grade								
		Ag (g/t)	Pb (%)	Zn (%)	AgEq (g/t)		Ag (oz)	Pb (lb)	Zn (lb)	AgEq (oz)
TM Veins	160,529	438.0	2.2%	6.1%	838.0	2,260,028	7,892,552	21,455,043	4,327,019	
S Veins	62,130	473.0	2.6%	3.8%	769.0	943,849	3,497,769	5,187,747	1,536,585	
M Veins	70,133	144.0	1.6%	3.0%	361.0	323,895	2,466,072	4,622,423	813,996	
KL Veins	69,708	185.0	0.5%	3.2%	358.0	415,106	715,717	4,900,687	823,670	
Total	362,500	338.5	1.8%	4.4%	641.6	3,942,878	14,572,110	36,165,900	7,501,270	

Notes:

Metal prices: US\$17.14/oz Ag, US\$1.19/lb Zn and US\$0.93/lb Pb

AgEq oz based on recovery rates of 90% for Ag and 97% for Zn and Pb

Values may vary slightly due to rounding. We utilize a weighted average top calculate our totals.

Source: Company Reports, RCS

Exploration

CMC completed a large exploration program in 2019 which added resources in the footwall and hanging wall that could add to the Main Zone (TM, KL, S and M). Historical and recent drilling at Silver Hart totals 11,901m in 192 holes. Exploration since 2019 has significantly expanded the exploration footprint at Silver Hart, resulting in numerous new drill targets and areas that have yet to be investigated. Highlights of the 2019 drill program include:

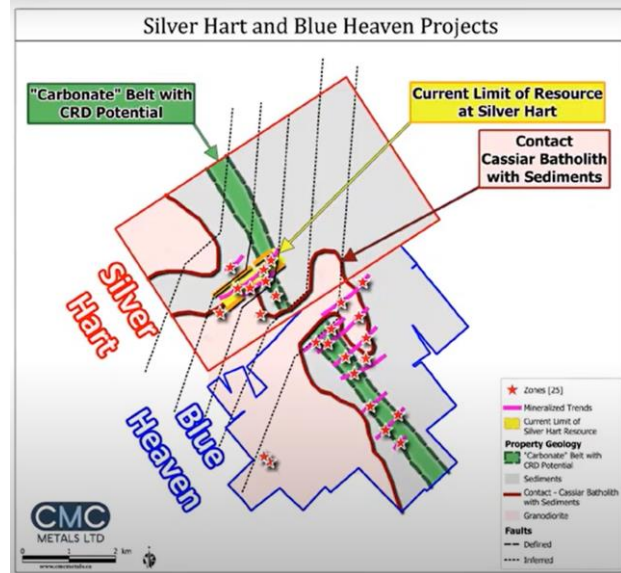
- S subzone: 1,139 g/t Ag, 11.38% Pb, 8.61% Zn over 5.5m (from 37.5m depth)
- TM subzone: 993.7 g/t Ag, 4% Pb, 9.6% Zn over 11.7m (from 38.25m depth)

In 2021, the company plans to continue to test around the Main, KW and South Zones and between the now consolidated Silver Hart and Blue Heaven trends. Current resources at Silver Hart are limited to only a small portion of the property. High-grade silver veins have been delineated in the contact zone between the granites assigned to the Cassiar Batholith and overlying sediments. The property has the potential to host bulk mineable CRM hosted within the limestone carbonate “belt” which bisects the

CMC completed a large exploration program in 2019 at Silver Hart

property. The recently completed airborne geophysical survey identified the important contact between the Cassiar Batholith and metasediments, which is key to localizing mineralization in the Rancheria Silver District. Towards the south along trend to the Blue Heaven property, geophysics (IP) and soil sampling also indicate potential for large zones of vein, skarn and CRM deposits that remain to be tested. Finally, there also exists material potential to go deeper in the known mineralized zones at the Silver Hart deposit. On average, drilling is limited to 60m depth. As a result, the company plans to test to depths of 250m or more to prove the extent of the vein and/or CRM systems.

Figure 14: Silver Hart and Blue Heaven mineralization overview



Source: Company Reports

Metallurgy

Initial metallurgical testing on the project has been positive, demonstrating potential viability of gravity and flotation separation.

Testing completed in 1986 on an 1,833 g/t Ag, 5.38% Pb and 10.2% Zn grade sample from the TM, KL veins and M subzones and returned >80% Ag recoveries and 90% recoveries for Pb and Zn in a >55% Pb Zn concentrate. Follow up work in 2006 tested a 38.2% Pb and 8,011 g/t Ag TM vein sample and returned 97.1% for Pb and 97% for Ag from a bulk lead sulphide and a lead oxide circuit. The company has plans to initiate further metallurgical studies in the future.

Next Steps

In early June, the company announced that field crews had mobilized to the Silver Hart property to reopen camp facilities and make other preparations for the upcoming drill program. The 2021 drilling program plans to expand and better define additional high-grade silver and polymetallic resources at the Silver Hart Project (including both the Silver Hart and Blue Heaven claims). Drill targets are anticipated to include step-outs and deeper drilling to grow the known resources and infill areas where existing drill spacing is insufficient to support a resource within the Main Zone, and testing of identified targets within the KW and South Zones with the goal to increase resources. The company recently had an airborne geophysical survey conducted over Silver Hart and is currently analyzing the data, which is expected to guide exploration in 2021. CMC also expects to conduct geochemical surveys in select areas.

Mineralization from Silver Hart is likely to extend SE to the Blue Heaven claims

Blue Heaven hosts high-grade Ag-Pb-Zn veins

Blue Heaven

CMC holds an option to acquire 100% interest in the Blue Heaven property, which runs contiguously to its Silver Hart property in the Yukon. CMC announced its option to acquire the property from Strategic Metals in June 2020. The terms of the agreement include staged payments totalling \$400,000 over four years for 80% and the option to acquire the remaining 20% for \$500,000. The agreement also includes a 2% NSR reducible to 1% for \$1M. Blue Heaven covers 1,975 ha and like Silver Hart, hosts high grade Ag-Pb and Zn veins and carbonate replacement mineralization. Access to the project is also like Silver Hart with the gravel road extending from the Silver Hart campsite to the Blue Heaven property.

Geology and Mineralization

The Blue Heaven property hosts 13 mineralized areas and 36 showings. Much like Silver Hart, the property hosts high-grade silver-lead-zinc veins, skarn, and carbonate replacement mineralization. The Blue and H Zones are the best traced veins on the property to date, returning assays of 12,396 g/t Ag over 20 cm and 10,561 g/t Ag over 94 cm, respectively. Additionally, skarn showings have been tested in the Moar Zone, which returned anomalous copper from an excavator trench sample completed in 1998. In 1999, a bulk sample was completed on two vein zones – the 51.47 tonne bulk sample returned grades of 8,563 g/t Ag, 56.2% Pb, 9.5% Zn and 1.2 g/t Au. In 2002, a hand trenching and auger drilling program was completed but the program was cut short due to budgetary constraints.

Figure 15: Blue Heaven project overview



Source: Company Reports

Next Steps

The company recently had an airborne geophysical survey completed that included coverage of the entire Blue Heaven claims and is currently analyzing the data, which is expected to guide exploration in 2021.

The company is analyzing data from an airborne geophysical survey to guide 2021 exploration

The Rancheria South properties are near the Silvertip mine

The Rancheria South properties feature extensive historical exploration work

Rancheria South Properties

In November 2020, CMC entered into an option agreement with a prospector to acquire a 100% interest in the Rancheria South claims. In February, CMC announced its entry into an option agreement with another prospector to acquire a 100%-interest in the Amy and Silverknife claims, thereby bringing the company's land holdings to 3,500 ha in B.C. The Rancheria projects are located within 25km of the Silvertip mine owned by Coeur Mining, making the properties candidates for toll milling or as a takeout targets for Coeur to supplement mill feed.

Location and Ownership

The Rancheria South property lies just south of and at the British Columbia-Yukon border and is located only 15 km north of Coeur Mining Ltd. Silvertip mine and mill complex. Rancheria South comprises of 12 mineral tenures covering ~2,008 ha. Silverknife comprises of 2 mineral tenures covering ~538.3 ha, whereas Amy comprises 16 mineral tenures covering ~908.4 ha. Notably, Silverknife is just south of the British Columbia-Yukon border and is located immediately adjacent to the west of the Silvertip mining lease lands is ~1km from the mine and mill complex. Amy is only 8km west of the Silvertip Mine complex. All three tenure areas are road accessible. The company is currently earning a 100% interest in the Rancheria South, Silverknife and Amy claims.

Geology and Exploration

Mineralization at Rancheria South consists of high-grade silver veins, silver-lead-zinc replacement, and tungsten +/- copper skarns. Rancheria South covers part of the Cassiar Batholith, a satellite plug and surrounding calcareous and non-calcareous sediments and is a multi-kilometer extension of the same geological units found within Silvertip and Silver Hart. Rancheria South hosts nine mineralized showings with highlights such as the Switchback showing from which a 14-tonne bulk sample completed in 1999 assayed 1.30 g/t Au, 532.01 g/t Ag, 29.1% Pb, 13.9% Zn and 0.16% Cu. The other notable showings at Rancheria South include the Gunnar Berg Showing and the Luck Showing. Gunnar Berg comprises of banded and brecciated skarn outcrops and two discontinuous chip samples taken across 12m assayed 429.3 g/t Ag. An eight-hole (540m) drill program completed in 1984 identified a breccia zone that is a sheet or tabular body and further exploration was recommended to delineate the higher grade zone. At Luck, Assays of float material in this area have returned up to 17,088 g/t Ag, 10% Pb, 0.84% Zn, and 0.62% Cu. In the mid 1980s the showing was investigated with eight rotary drill percussion drill holes (387m). Hole LK 85-3 was reported to have intersected 4.5m of quartz carbonate veins and sericite-limonite-chlorite alteration that assayed 433.7 g/t Ag over 1.5m.

The **Silverknife property** is located immediately west of the Silvertip mining lease lands and is prospective for Silvertip-style mineralization, which is thought to be genetically linked to the Silvertip mineralization and represents a zone of known Ag-Pb-Zn mineralization distal to, and stratigraphically lower than the Silvertip Deposit and more proximal to the Cassiar Batholith (heat source).

The **Amy property** is transected by similar geologic units as the Silver Hart property up trend to the North over an alteration area of +4km in strike length and 500-1,300m in width. Amy currently hosts seven mineralized showings and numerous anomalous areas that comprise similar high-grade Ag-Pb-Zn veins and CRM as seen at Silver Hart. The primary mineralized area to date is the Amy prospect, which is comprised of a

galena, sphalerite, pyrite, arsenopyrite, argentite, and fribergite “manto” body formed by replacement mineralization in folded Cambro-Ordovician Kechika Group metasediments. Other mineralized zones within the Amy claims include:

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

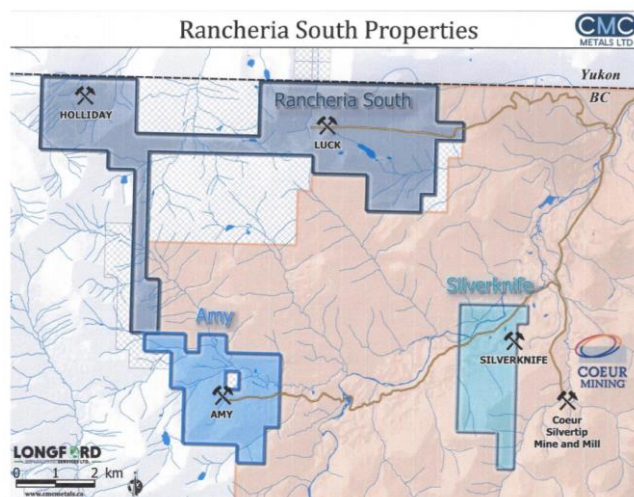
The Amy property has been subjected to geological mapping, geochemical sampling, geophysical surveys, 742m of drift/adit development and ~33 diamond drill holes focused on a mineralized zone with a known strike length of 170m that remains open along strike and at depth. The mineralized zone is also in proximity to parallel mineralized structures that have yet to be drill tested.

Next Steps

All three projects are highly prospective for a Ag-Zn discovery and as a result, we expect the company should be able to apply its knowledge from the Silver Hart and Blue Heaven properties to the north to potentially outline a mineable deposit at the Rancheria group of properties. CMC is actively seeking a partnership for the Rancheria South project, which we believe it will be well positioned to put in place, as it adds value via exploration. However, we note that the company plans to focus most of its exploration funds on its flagship Silver Hart project at the current time. For the current exploration season, CMC is looking to re-establish access to the Rancheria South tenure and acquire permits for exploration and drilling programs on the property. Presently, permits have been filed for all three tenure areas.

CMC has filed permits for all three tenure areas and is looking for a JV partner

Figure 16: Rancheria South properties overview



Source: Company Reports

CMC has several other non-core assets that could provide future upside

Bridal Veil and Terra Nova are located close to Newfound Gold's high-grade gold Queensway project

Other Assets

CMC holds several non-core assets which offer valuable optionality for the company to divest or partner on. This includes the 100%-owned Logjam property in the Yukon which hosts over ten high grade vein occurrences containing Au-Ag-Pb-Zn. The property has seen some 2,971m of drilling and includes a historic resource of 70,144 tonnes grading 3.02 g/t Au, 392.2 g/t Ag 2-3% Pb and Zn. As of yet, CMC has not announced any plans to complete work on the Logjam property as it focuses on its flagship Silver Hart project. The company is considering alternatives for Logjam, which includes seeking a JV partner or optioning the property.

To the east, CMC has optioned the Bridal Veil (option up to 100%) and Terra Nova (option up to 100%) Cu-polymetallic properties located in central Newfoundland. At Bridal Veil, CMC plans to complete a review of historical geophysics and outline a field program for 2021. A recent site visit to Bridal Veil returned values from grab samples of veined psammitic metasediments that ranged from 0.041% to 3.473% Cu, 0.74-136.96 g/t bismuth, and 1,069-1,9340 ppb Ag. Work is expected to include trenching, mapping and possibly geophysics on the nine mineralized occurrences throughout the property. Similarly, at Terra Nova, the company plans to complete a reconciliation of historic and develop a detailed exploration plan for late 2021 or 2022.

Figure 17: Summary of CMC's non-core assets

Project	Location	Commodities	Development Stage	Highlights
Bridal Veil	Central Newfoundland, Canada	Epigenetic - Orogenic, Cu-Pb-Ag-Au	Exploration, pre-resource	9.4% Cu, 10.2% Pb, 7.8 oz/ton Ag, and 3.75 g/t Au from grab sample
Terra Nova	Central Newfoundland, Canada	Au-Ag-Cu	Exploration, pre-resource	1557 ppb Au, 120.6 g/t Ag, 1,862 g/t Cu, 4,400 g/t Pb, 535 g/t bismuth and 1,000 g/t tungsten from blasted boulders
Logjam	South central Yukon, Canada	Au-Ag-Zn	Exploration, pre-resource	Non 43-101 compliant reserve of 70,144 tons grading 3.02 g/t Au and 392.2 g/t Ag estimated in 1979
Bishop Mill	Bishop, California, USA	N/A	Looking for JV or toll mill opportunities to re-start mill operations	100 ton per day flotation mill and 32,000 ton waste management facility

Source: Company Reports, RCS

Risks

Exploration, development, and mining projects are inherently risky investments given the large initial expenses that are required in advance of any potential revenue. Our view is based on publicly available information but note that our estimates and views are not without political, technical, geologic or financing risk typical for junior exploration companies. For CMC Metals Ltd., these risks may include:

1. **Geopolitical/jurisdictional risks** – Some of these risks may be out of the control of the company, including royalty and taxation levels, land agreement liabilities, regulatory, environmental and permit requirements and timing, global trade wars and political instability. We note that CMC Metals holds projects in Canada, which is a top-tier jurisdiction for mining investment.
2. **Technical risks** – This covers a wide variety of issues that we see associated with the deposit including exploration, development and exploitation strategies and methods. It would cover such issues as accuracy of geological interpretation, resource/reserve estimates and economic studies and inputs such as commodity prices, cost and grade fluctuations, assay reconciliation, metallurgical issues and exploration success. Our positive view relies on using existing technical data, recent exploration results and to a limited extent, expected positive results from future drilling. Future results may differ and negatively impact our assumptions.
3. **Corporate risks** – These may include project execution by management, investor relations effectiveness, or market sentiment. Management pedigree and performance are paramount. Market sentiment is also an issue. While we expect the current robust silver and gold market to continue to improve throughout 2021, our estimates may be negatively impacted by a change in market sentiment.
4. **Financial risks** – These may occur at the project or corporate level, including variation in valuation parameters/metrics, commodity price or foreign exchange fluctuations, access to credit including debt, equity financing or potential for shareholder dilution.

As new information becomes available, we plan to refine our estimates and forecasts.

Appendix A: Management & Directors

Kevin Brewer, P.Geo - President, CEO and Director

Kevin Brewer, is a registered professional geoscientist with over 30 years of progressive managerial positions and extensive exposure to all aspects of exploration, project management, environment management and mine engineering. He is also the President and Chief Executive Officer of the Company's wholly owned subsidiary 0877887 BC Ltd. and in that role oversees the US Operations. He is also the founder and Chief Geologist of 39627 Yukon Inc. (an exploration management company), and is currently a Company Advisor to Lionheart Exploration Ltd. He has also recently been the former General Manager of Largo Resources Ltd. (2008-2015) and managed exploration operations for Castillian Resources Corp., Yukoterre Resources Inc. Cash Minerals Ltd. and Sourdough Resources Inc. He holds degrees of Bachelor of Science (Honours), Masters of Business and Administration, and a Diploma of Mine Engineering.

John Bossio - Chairman and Director

John Bossio is a Registered Psychologist having received a Master of Arts in Counselling Psychology from City University, Bellevue, Washington in 2002, and Bachelor of Science in Family Studies from the University of Alberta, Edmonton, in 1991, and Member of both the Psychologists Association of Alberta and College of Alberta Psychologists. Mr. Bossio currently runs a private practise through Bossio Psychological Services Incorporated, a non-reporting issuer, of which he is a director.

Graham Chisholm, A.C.I.S. - Corporate Secretary and Director

Graham Chisholm, a Chartered Secretary, A.C.I.S., is a seasoned mining and business executive with experience in public company governance, overseeing exploration and start-ups. Mr. Chisholm is also the Owner of Aisco Industrial Supply Ltd., a private company; Chairman of Timelapse Film Media House Inc., a private company; Founder and former CEO and President of Nubian Resources Ltd., a TSXV listed company, 2006 to 2011.

Mark Luchinski - Chief Financial Officer

Mr. Luchinski has over 20 years of capital market experience, having worked in both public and private sectors. Mr. Luchinski is a graduate from the University of Victoria. He is currently a Director of Marvel Discovery Corp., Operations Manager for Falcon Gold Corp., Director of Operations for R7 Capital Ventures Ltd., Director of Power One Resources Corp., and is well versed in corporate governance, compliance, and the administration of publicly traded companies.

Robert Wheeler - Director

Businessman; Retired Vice-President of Future Electronics, a worldwide leader electronic components distributor, from 1979 to November, 2012.

Arif Merali - Director

Arif Merali has been Manager of 663312 B.C. Ltd., since 2004. Mr. Merali served as an Acting Chief Financial Officer of Dentonia Resources Ltd. since October 28, 2011. He has been a self-employed investor since 2001. He served as a Registered Representative of Canaccord Capital Corporation from 1999 to 2001. He served as a Director of Petrostar Petroleum Corp., since May 2012. He served as Director of Atocha Resources Inc. from August 31, 2006 to April 25, 2012; and Dentonia Resources Ltd. from May 2008 to 2012. Mr. Merali served as a Director of Monte Christo Capital Inc

Taylor Combaluzier | Mining Analyst
Koby Kushner | Research Associate
Alina Islam | Research Associate
Daniel Kozielowicz | Research Associate
Elie Khazzaka | Research Associate

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Disclosure Statement

Updated June 25, 2021

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Date	Rating	Target C\$/sh	Status	%
2021-02-01	NA	NA	BUY	67%
2021-03-08	NA	NA	BUY (S)	27%
2021-06-21	NA	NA	HOLD	0%
			SELL / Tender	0%
			NA	5%
			Under Review	2%

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Company Name	Ticker Symbol	Disclosures
CMC Metals Ltd.	TSXV:CMB	3,4

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