

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

CMC METALS LTD.
CONDENSED INTERIM FINANCIAL STATEMENTS

These condensed interim financial statements of CMC Metals Ltd. as at and for the six months ended March 31, 2020 have been prepared by the management of CMC Metals Ltd. The auditors of CMC Metals Ltd. have not audited or reviewed these condensed interim financial statements.

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

	Note	March 31, 2020	September 30, 2019
ASSETS			
Current assets			
Cash		\$ 10,429	\$ 344,635
Receivables		5,194	10,078
Prepays and deposit		7,342	31,450
		<u>22,965</u>	<u>386,163</u>
Non-current assets			
Reclamation bond	3	274,645	256,370
Equipment	5	2,918	4,380
		<u>277,563</u>	<u>260,750</u>
TOTAL ASSETS		\$ 300,528	\$ 646,913
LIABILITIES			
Current liabilities			
Trade payables and accrued liabilities	7	\$ 148,322	\$ 102,389
Due to related parties	12	83,565	141,833
Loans	8	-	1,091,175
Preferred shares	9	500,000	500,000
Provision for restoration and environmental obligations	10	146,070	146,000
Deferred premium on flow-through shares		37,865	37,865
TOTAL LIABILITIES		<u>915,822</u>	<u>2,019,262</u>
SHAREHOLDERS' DEFICIENCY			
Share capital	11	20,311,493	19,220,318
Share-based payment reserve		300,972	300,972
Deficit		(21,227,759)	(20,893,639)
TOTAL SHAREHOLDERS' DEFICIENCY		<u>(615,294)</u>	<u>(1,372,349)</u>
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY		\$ 300,528	\$ 646,913

Subsequent events - Note 15

Approved on behalf of the Board:

"Michael C. Scholz"

Michael C. Scholz - Director

"Kevin Brewer"

Kevin Brewer - Director

See accompanying notes to the condensed consolidated interim financial statements.

- See accompanying notes -

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

	Note	For the three months ended March 31,		For the six months ended March 31,	
		2020	2019	2020	2019
EXPENSES					
Amortization	5	\$ 908	\$ 427	\$ 2,330	\$ 854
Consulting fees	13	20,323	11,425	41,415	19,518
Exploration expenditures	4	60,720	12,759	306,650	96,304
Filing and transfer agent		9,050	8,439	10,552	14,937
Financing Fee		1,461	-	1,461	1,461
Flow-through share related tax		1,135	8,575	1,135	17,274
Interest expense		-	25,857	-	43,910
Marketing		-	(9,983)	-	(4,633)
Office and miscellaneous	13	18,342	14,639	35,559	29,601
Professional fees		29,611	23,083	29,611	23,805
Rent	13	4,500	4,500	9,000	9,000
Travel		2,634	8,545	5,480	10,851
		<u>(148,684)</u>	<u>(108,266)</u>	<u>(443,193)</u>	<u>(262,882)</u>
OTHER ITEMS					
Other Income		-	-	76	1,923
Gain (Loss) on foreign exchange		32,119	(6,521)	108,604	(2,270)
Gain on settlement of debt		-	7,759	-	7,759
Gain (Loss) on marketable securities		-	(2,463)	393	(18,463)
		<u>32,119</u>	<u>(1,225)</u>	<u>109,073</u>	<u>(11,051)</u>
COMPREHENSIVE LOSS FOR THE PERIOD		<u>\$ (116,565)</u>	<u>\$ (109,491)</u>	<u>\$ (334,120)</u>	<u>\$ (273,933)</u>
WEIGHTED AVERAGE NUMBER OF COMMON SHARES					
OUTSTANDING - BASIC AND DILUTED					
		44,794,010	18,128,055	44,794,010	18,128,055
NET LOSS PER SHARE - BASIC AND DILUTED		<u>\$ (0.00)</u>	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>

See accompanying notes to the condensed consolidated interim financial statements.

- See accompanying notes -

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

(Expressed in Canadian dollars)

(Unaudited)

	Notes	Share capital		Share-based payment reserve	Deficit	Total
		Number of shares	Amount			
Balance at September 30, 2018		18,128,055	\$ 18,608,267	\$ 129,400	\$ (20,414,828)	\$ (1,677,161)
Comprehensive loss:						
Loss for the period					(273,933)	(273,933)
Total comprehensive loss for the period		-	-	-	(273,933)	(273,933)
Balance at March 31, 2019		18,128,055	\$ 18,608,267	\$ 129,400	\$ (20,688,761)	\$ (1,951,094)
Balance at September 30, 2019		33,550,055	19,220,318	300,972	(20,893,639)	(1,372,349)
Comprehensive Income:						
Loss for the year					(334,120)	(334,120)
Total comprehensive loss for the period		-	-	-	(334,120)	(334,120)
Transactions with owners, in their capacity as owners, and other transfers:						
Share issuance for settlement of debts	12	15,588,210	1,091,175	-	-	1,091,175
Total transactions with owners and other transfers		15,588,210	1,091,175	-	-	1,091,175
Balance at March 31, 2020		49,138,265	\$ 20,311,493	\$ 300,972	\$ (21,227,759)	\$ (615,294)

See accompanying notes to the condensed consolidated interim financial statements.

- See accompanying notes -

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

	For three months period ended March 31,		For six months period ended March 31,	
	2020	2019	2020	2019
Operating activities				
Net Income (Loss) for the year	\$ (116,565)	\$ (109,491)	\$ (334,120)	\$ (273,933)
Adjustments for non-cash items:				
Amortization	908	427	2,330	854
Accrued interest on promissory note and loans	-	43,910	-	43,910
Gain on settlement of debt	-	(7,759)	-	(7,759)
Unrealized foreign exchange	-	571	-	571
Exploration and evaluation costs	-	(85,303)	-	-
Unrealized loss on investment	-	2,463	-	18,463
Recovery of exploration and evaluation costs recovered	-	-	-	-
Changes in non-cash working capital items:				
Receivables	9,759	2,845	4,884	891
Prepays	44,041	3,006	24,108	2,529
Trade payables and accrued liabilities	43,744	(11,819)	45,933	44,518
Due to related parties	11,775	12,286	(58,268)	32,109
Net cash used in operating activities	(6,338)	(148,864)	(315,133)	(137,847)
Investing activities				
Sales Proceeds on disposal of marketable securities	-	42,537	-	42,537
Net cash provided by (used in) investing activities	-	42,537	-	42,537
Financing activities				
Repayment of loans	-	-	(1,091,175)	-
Proceeds on issuance of common shares	-	-	1,091,175	-
Proceeds on issuance of debt	-	101,500	-	101,500
Net cash provided by financing activities	-	101,500	-	101,500
Effect of foreign exchange	(23,682)	12,749	(19,073)	-
Change in cash	(30,020)	7,922	(334,206)	6,190
Cash, beginning	40,449	2,371	344,635	4,103
Cash, ending	\$ 10,429	\$ 10,293	\$ 10,429	\$ 10,293

See accompanying notes to the consolidated financial statements.

- See accompanying notes -

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

For six months ended March 31, 2020

(Expressed in Canadian dollars)

(Unaudited)

1. NATURE AND CONTINUANCE OF OPERATIONS

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

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

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

The financial statements were authorized for issue on May 29, 2020, by the directors of the Company.

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

The Company applies International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and Interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”). These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by the IASB and interpretations issued by the IFRIC and should be read in conjunction with our audited consolidated financial statements as at September 30, 2019.

3. RECLAMATION BONDS

The Company has a current reclamation bond held in trust by the Bureau of Land Management. As at March 31, 2020, the reclamation bond consisted of a deposit of \$274,645 (September 30, 2019 - \$256,370) made by the Company for indemnification of site restoration on the Bishop Mill Property.

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

For six months ended March 31, 2020

(Expressed in Canadian dollars)

(Unaudited)

4. EXPLORATION AND EVALUATION ASSETS

	Silver Hart Property
Acquisition costs	
Balance, September 30, 2018 and 2019, and March 31, 2020	\$ -
Exploration costs	
Balance, September 30, 2018	-
Costs incurred during the year:	
Assaying	18,472
Contractors	96,231
Drilling	28,975
Field office	175,491
Transportation and supplies	11,359
Travel expenses	38,112
	<u>368,640</u>
Exploration expenditures	(368,640)
Balance, September 30, 2019	-
Costs incurred during the period:	
Assaying	22,502
Contractors	131,060
Drilling	22,889
Field office	43,686
Transportation and supplies	11,547
Travel expenses	40,001
	<u>271,685</u>
Exploration expenditures	(271,685)
Balance - March 31, 2020	\$ -

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

For six months ended March 31, 2020

(Expressed in Canadian dollars)

(Unaudited)

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

On February 21, 2005, as last amended on September 24, 2018, and as completed November 20, 2019, 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, of which \$270,000 remained unpaid as at September 30, 2019, which was secured by a Loan comprised of a principal balance of \$270,000 (2019 - \$270,000) and extension fees totaling \$85,000 (2019 - \$85,000). The amount unpaid was interest bearing at 8.5% per annum. During the year ended September 30, 2019, the Company recorded interest expense of \$54,160 (2018 - \$32,271) and at September 30, 2019, accrued interest amounted to \$602,893 (September 30, 2018 - \$494,573). Pursuant to the amended agreement dated September 24, 2018, the principal, extension fees and accrued interest was due on September 30, 2019. On November 20, 2019, the Company extinguished the loan covering the Silver Hart Property by issuance of shares at \$0.07 per share (Note 8).

Pursuant to the acquisition of the Silver Hart Property, the Company was further required to issue 1,000,000 common shares by July 5, 2007. The Company did not issue the shares by the due date and the fair value of the shares at the time of \$300,000 was recorded as an obligation to issue shares, with a corresponding entry to exploration and evaluation assets. These shares were issued by the Company during the year ended September 30, 2017.

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

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 incurred additional costs in order to bring the mill and equipment to use. During the year ended September 30, 2015, the Company had fully impaired the Bishop Mill Property.

As at March 31, 2020, the Bishop Mill was not capable of operating in a manner intended by management. During the period, the Company incurred \$7,310 (2018 - \$48,176) in clean-up costs on the Bishop Mill Property.

5. EQUIPMENT

	Vehicle
Balance, September 30, 2018	\$ 8,543
Amortization for the year	(3,192)
Foreign exchange	(971)
Balance, September 30, 2019	4,380
Amortization for the period	(2,330)
Foreign exchange	868
Balance, March 31, 2020	\$ 2,918

6. INVESTMENTS

During the year ended September 30, 2018, the Company received a total of 200,000 common shares of MGX Minerals Ltd. ("MGX") in consideration for the rental of a floatation plant on the Silver Hart Property up to April 30, 2019. The investment was measured at a fair value of \$183,000 at initial recognition and recorded as a recovery of exploration and evaluation costs.

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

For six months ended March 31, 2020

(Expressed in Canadian dollars)

(Unaudited)

6. INVESTMENTS (cont'd)

During the year ended September 30, 2018, the Company received a total of 200,000 common shares of MGX Minerals Ltd. ("MGX") in consideration for the rental of a floatation plant on the Silver Hart Property up to April 30, 2019. The investment was measured at a fair value of \$183,000 at initial recognition and recorded as a recovery of exploration and evaluation costs.

During the year ended September 30, 2018, the Company sold 100,000 MGX shares with a fair value of \$96,000 for proceeds of \$134,509 and realized a gain of \$39,600.

At September 30, 2018, the Company held 100,000 MGX shares with a fair value of \$87,000 at initial recognition. At September 30, 2018 these shares had a fair value of \$61,000 resulting in an unrealized loss on investment of \$26,000.

During the year ended September 30, 2019, the Company sold 100,000 MGX shares with a fair value of \$61,000 for proceeds of \$42,537 and realized a loss on sale of \$18,463.

7. TRADE PAYABLES AND ACCRUED LIABILITIES

	March 31, 2020	September 30, 2019
Trade payables	\$ 148,324	\$ 102,389
	\$ 148,324	\$ 102,389

8. LOANS

As at September 30, 2019, pursuant to the acquisition of the Silver Hart Property (Note 4), a principal balance of \$270,000 (2018 - \$270,000) and extension fees totaling \$85,000 (2018 - \$85,000) was owed to a director of the Company. This amount was interest bearing at 8.5% per annum. During the year ended September 30, 2019, the Company recorded interest expense of \$54,160 (2018 - \$32,271). At September 30, 2019, accrued interest amounted to \$602,893 (September 30, 2018 - \$494,573). The principal, extension fees and accrued interest was due on September 30, 2019 pursuant to an amendment agreement dated September 24, 2018. The Company had granted a first charge on the Silver Hart Property as security for the payments. As at September 30, 2019, the Company was in default with respect to repayment of the loan.

During the year ended September 30, 2019, the Company entered into Promissory Notes totalling \$131,500 (2018 - \$34,000) with a company controlled by a director and officer of the Company, which Notes were payable on demand with interest at 18% per annum. As at September 30, 2019, the Company had recorded incurred interest of interest \$1,782 (2018 - \$Nil).

During the six month quarter ending March 31, 2020, on November 20, 2019, the Company settled the loan secured on the Silver Hart Property and the loans secured by Promissory Notes by issuance of a total of 15,588,210 common shares at \$0.07 per share, to a director and a company owned by a director. The Company has discharged the first charge covering the Silver Hart Property on settlement of that loan.

9. PREFERRED SHARES

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

CMC METALS LTD.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For six months ended March 31, 2020

(Expressed in Canadian dollars)

(Unaudited)

9. PREFERRED SHARES (cont'd)

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

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

10. RESTORATION AND ENVIRONMENTAL OBLIGATIONS

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

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

11. SHARE CAPITAL

Authorized

Unlimited common shares, without par value

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

Issued common shares

49,138,265 (September 30, 2019 – 33,550,055) common shares issued and outstanding.

On September 27, 2018, the Company completed a rollback of its issued and outstanding common shares on the basis of one (new) post rollback share for each two and one-half (old) pre-rollback shares. The Company had 45,320,139 common shares issued and outstanding. Following the rollback, the Company had 18,128,055 common shares issued and outstanding.

The exercise or conversion price and the number of common shares issuable under any of the Company's outstanding warrants and stock options have been proportionately adjusted to reflect the rollback in accordance with their respective terms thereof. No fractional common shares were issued pursuant to the rollback, and any fractional common shares that would otherwise be issued were rounded down or up to the nearest whole number.

For the six month period ended March 31, 2020

On November 20, 2019, the Company issued a total of 15,588,210 common shares at \$0.07 per share, to a director and a company owned by a director, in settlement of the loans secured by Promissory Notes and related to the Silver Hart Property, totalling \$1,091,175 (Notes 4 and 8).

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

For six months ended March 31, 2020

(Expressed in Canadian dollars)

(Unaudited)

11. SHARE CAPITAL (cont'd)**Issued common shares (cont'd)***Year ended September 30, 2019*

On September 5, 2019, the Company completed a non-brokered private placement of a total of 8,400,000 units at \$0.05 per unit, for gross proceeds of \$420,000. Each unit consists of one common share and one transferrable share purchase warrant exercisable for a two year period at \$0.075 per share expiring September 5, 2021. A fair value of \$171,572 was allocated to the 8,400,000 warrants using the Black Scholes Option Pricing Model with the following assumptions: risk free interest rate – 1.05%; annual dividends - nil; expected life - 24 months; expected stock price volatility- 130%.

On September 9, 2019, the Company completed a non-brokered flow-through private placement of a total of 7,022,000 common shares at \$0.065 per share, for gross proceeds of \$456,430. On issuance, the Company bifurcated the flow-through shares into i) a flow-through share premium of \$70,220 that investors pay for the flow-through feature, which is recognized as a liability and; ii) share capital of \$386,210. To September 30, 2019, the Company expensed \$210,308 in eligible exploration expenditures and accordingly, the flow-through liability was reduced to \$37,865.

The Company paid finders fees of \$22,587 relating to the private placements.

Included in the private placement financings completed during the year ended September 30, 2019 were 1,500,000 common shares with an aggregate value of \$75,000 that were issued to consultants and recorded to stock-based compensation.

Year ended September 30, 2018

During the year ended September 30, 2018, 810,000 options were exercised for proceeds of \$101,250. Accordingly, the Company reallocated \$32,827 from share-based payment reserve to share capital upon exercise of such stock options.

During the year ended September 30, 2018, 260,000 warrants were exercised for proceeds of \$78,000.

On September 27, 2018, the Company completed a rollback of its issued and outstanding common shares on the basis of one (new) post rollback share for each two and one-half (old) pre-rollback shares. The exercise or conversion price and the number of common shares issuable under any of the Company's outstanding warrants and stock options have been proportionately adjusted to reflect the rollback in accordance with their respective terms thereof. No fractional common shares were issued pursuant to the rollback, and any fractional common shares that would otherwise be issued were rounded down or up to the nearest whole number.

For the six months period ended December 31, 2018

During the period ended December 31, 2018, no warrants or options were exercised or issued and outstanding.

Year ended September 30, 2018

During the year ended September 30, 2018, 810,000 options were exercised for proceeds of \$101,250. Accordingly, the Company reallocated \$32,827 from share-based payment reserve to share capital upon exercise of such stock options.

During the year ended September 30, 2018, 260,000 warrants were exercised for proceeds of \$78,000.

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

For six months ended March 31, 2020

(Expressed in Canadian dollars)

(Unaudited)

11. SHARE CAPITAL (cont'd)**Stock options**

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

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

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

	March 31, 2020	March 31, 2019
Risk-free interest rate	-	-
Expected life	-	-
Annualized volatility	-	-
Dividend yield	-	-

Option transactions are summarized as follows:

	Number of options	Weighted average exercise price
Balance, September 30, 2017	845,600	\$0.275
Options granted	2,230,000	0.125
Options exercised	(810,000)	0.125
Options forfeited	(160,000)	0.30
Options expired	(2,105,600)	0.243
Balance, September 30, 2018 and 2019	-	\$0.00

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

Share-based payment reserve:

The share-based payment reserve is used to recognize the fair value of share options granted to employees and consultants, including key management personnel, as part of their remuneration. When options are subsequently exercised, the fair value of such options in share based payment reserve is credited to share capital.

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

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11. SHARE CAPITAL (cont'd)**Warrants**

Warrant transactions are summarized as follows:

	Number of warrants	Weighted average exercise price
Balance, September 30, 2018	5,071,920	\$0.550
Warrants exercised	(260,000)	0.300
Warrants expired	(4,811,920)	0.550
Balance, September 30, 2019	-	\$ -
Warrants issued	8,400,000	0.075
Balance, September 30, 2018 and March 31, 2019	8,400,000	\$0.075

As at March 31, 2020, there were 8,400,000 warrants exercisable and outstanding.

12. RELATED PARTY TRANSACTIONS

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

- a) incurred rent of \$9,000 (March 31, 2019 – \$9,000) to a company controlled by a director and officer of the Company;
- b) incurred secretarial fees of \$11,700 (March 31, 2019 - \$23,400) to a company controlled by a director and officer of the Company which was recorded in office and miscellaneous;
- c) incurred sub-contractor fees of \$36,069 (March 31, 2019 - \$7,500) to directors of the Company.

At March 31, 2020, a total of \$83,565 (March 31, 2019 - \$114,887) was owing to directors of the Company.

Amounts due to or from related parties are non-interest bearing, unsecured and have no fixed terms of repayment unless specifically disclosed.

The Company incurred the following key management compensation charges during the six months period ended:

	March 31, 2020	March 31, 2019
Sub-contractor fees	\$ 36,069	\$7,500
	\$ 36,069	\$7,500

13. FINANCIAL RISK AND CAPITAL MANAGEMENT

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

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

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

CMC METALS LTD.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

- Level 3 – Inputs that are not based on observable market data.

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

Credit risk

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

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

Liquidity risk

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

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

The Company has a working capital deficiency and the contractual maturities of all financial liabilities is less than one year.

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.

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. The fair value of the Company's cash accounts are relatively unaffected by changes in short term interest rates. The Company's debt has a fixed interest rate and is not affected by changes in interest rates.

Capital management

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of equity, comprising share capital, net of accumulated deficit. There were no changes in the Company's approach to capital management during the year. The Company is not subject to any externally imposed capital requirements.

14. CONTINGENT LIABILITY

The Company is subject to a claim made by the Government of the Yukon Territory related to the remediation of the Silver Hart Property (Note 4) pursuant to its exploration program. The Company has accrued a provision of \$146,070 by way of estimating its obligation to remediate the claims but the actual amount of any economic outflow related to this contingency is dependent upon future events and cannot be reliably measured as at March 31, 2020.

CMC METALS LTD.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For six months ended March 31, 2020

(Expressed in Canadian dollars)

(Unaudited)

15. SUBSEQUENT EVENTS

Subsequent to March 31, 2020, the Company:

- (a) Announced it had agreed to conduct a private placement to raise \$300,000 to issue up to 8,000,000 Units at \$0.0375 per Unit pursuant to its press releases dated April 23, 2020, May 14, 2020 and May 26, 2020. Each Unit consisting of one common share and one transferrable share purchase warrant exercisable on a 1:1 basis for one year at \$0.05 per share. The funds derived from this placement will be used for general working capital, exploration, environmental and engineering work for the Silver Hart and Logjam projects in Yukon, Canada. This transaction has received conditional TSX Venture Exchange approval;
- (b) As of May 29, 2020, the Company received \$132,017 in subscriptions received in advance pursuant to the referenced 8,000,000 Unit private placement.