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SPECIAL REPORT

CMC Metals Ltd. (TSX.V:CMB)

PRODUCTION IS NEAR

CMC Metals is on its way to production. It has been a long and tumultuous road for the both the company and its investors as approvals have taken much longer than anticipated. I believe the patient investors will soon be rewarded. It is very hard to find a successful story in the Venture Market -- CMC Metals is poised to be one of them. With energy prices decreasing coupled with the US\$ increasing in value, CMC Metals stands to make more profit as their producing property, the Radcliff Mine is located in California. With a \$4 million market cap, the company stands to make that and more in its first 12 months of production. In this buyers' market, investors are seeking high grade producing mines with a strong pay-out. I believe CMC boasts such a mine.

Some of the highlights include:

- (1) The Bureau of Land Management has accepted the Plan of Operation for the Bishops Mill
- (2) Lahontan Water Board (LWB) has confirmed that Class A Tailings Pond design application has been deemed complete
- (3) The California Environmental Quality Act (CEQA) assessment has been complete
- (4) The Water License approval has been granted
- (5) Construction of the class A Pond started in March 2014
- (6) ANTICIPATED THAT THE BISHOP MILL FACILITIES WILL HAVE ALL APPROVALS AND BE OPERATING AT FULL CAPACITY BY THE SECOND QUARTER OF 2015



According to Rockstone Research Ltd's latest write up on CMC Metals:

- (1) Radcliff is a high grade gold deposit at surface amenable for open-pit mining. Since December 2010, the Radcliffe Mine Property is a 50/50 joint venture between CMC and Pruet-Ballart Inc. (PBI), a Nevada based company specialized in mining engineering and the current operator of the Radcliff Mine
- (2) With a total of around 15,000 meters of drilling, Radcliff is considered "drilled-off" (i.e. no more drilling needed) with the result of well-defined gold resources
- (3) Radcliff's total gold resource: around 300,000 oz average 3 g/t (very high-grade for open-pits)
- (4) In order to start large scale open-pit mining, CAPEX of around \$30-40million is required. For such a large investment, a time-consuming and costly feasibility study would be required.

To avoid such, CMC is executing the flowing plan to start immediately:

- Around 100,000 oz gold remain in 3 high-grade portions of the Radcliff Deposit (so-called gold pods/lenses/exhalites) averaging 15g/t gold
- One of the 3 gold pods contains around 25,000 oz gold (at an average mineralization of 35 g/t gold). CMC and PBI plan to mine out this gold pod first (underground). It will take



around 1.5 years to mine the 22,000 tons of rock containing around 25,000 oz gold (valued \$30 million @ \$1200/oz)

- Currently CMC is constructing a 30 m long adit which goes straight to the high-grade gold #1 (there are 3 such gold pods). The adit is 2/3rd complete and is expected to be operational in March. 3 months ago, CMC started construction of this 3x3 adit, which is large enough for mining vehicles to drive through. The adit is already fully approved
- The rocks from the construction of this adit are stockpiled and average around 3g/t gold. This material may be processed at a later stage as CMC focus first on mining selected high-grade sections, which material is subsequently just crushed and grinded in order to be shipped directly to a processing facility. Thus, no tailings pond is required for such high-grade material (in contrast to 3-15 g/t gold material from Radcliffe)
- The other 2 gold pods are near-by (100-150 m from gold pod

#1) and contain around 85,000 oz gold at an average mineralization of 22 g/t gold

- 4-5 years are needed to mine out the 100,000 oz from the 3 gold pods (one at a time). CMC plans to produce a minimum of 20,000 oz gold per year and thus generating sales of \$24 million per year for a total of \$120 million (at a gold price of \$1200/oz)
- Production costs for the first 100,000 oz gold is estimated at \$600-700/oz
- CMC owns 100% of the Bishop Mill, located around 2 hour by truck on highway. This mill will process all of the high-grade material mined from Radcliff
- Thus, CMC may be credited net 10,000 oz gold per year for 5 years plus the milling costs of around \$150 per ton processed by the Bishop Mill (at 2,000 tons/month = \$300,000/month or \$3.6 million/year). With gold at \$1200/oz, CMC is about to generate revenues of around \$16 million per year (\$80 million in 5 years)

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- The Bishop Mill has been upgraded by CMC during the last 5 years and is fully permitted now. At the moment, CMC is running it with some test batches
- The tailings pond has been laid and lined, and is about to get fully permitted. The final approval is expected to be granted within 90 days – which does not really matter because the first zone to be encountered with the adit showed 124 g/t (over 8 feet) and 218 g/t gold (over 10 feet) in 2 drill holes. Hence, all of the very high-grade material (+15 g/t gold) will be transported on trucks to CMC's Bishop Mill, where it will get crushed and grinded. CMC does not need to put such high-grade material into the tailings pond but can ship it directly to a processor facility in order to produce saleable gold dore bars. Metallurgy showed favourable recoveries of more than 90%.

The highlights by Rockstone Research really dwell into CMC's plans and expectations. That all being said, the first 12 months of production would probably net CMC \$4-6 million of revenues. That would equate to about \$.04 to \$.05 per share of net revenues—the stock is currently trading at \$.04. I would expect the following years to net more as they start to penetrate into the other two high gold pods. Another upside is the Silver Hart property located in Yukon that has turned in some extremely high silver grades. I am expecting that

once Radcliffe is in production, the company will start to focus on permitting Silver Hart. After the recent oversubscribed private placement, insiders will own 14,279,499 shares which is 13.5% of the outstanding float. I am excited for CMC and its shareholders. There should be more news flowing as production is around the corner. I look forward to keeping readers abreast as this exciting story unfolds.

Happy Investing!
Kal Kotecha MBA



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