

METALLIS RESOURCES INC.

Management's Discussion and Analysis Nine months ended September 30, 2018

Introduction

This Management Discussion and Analysis ("MD&A") is dated November 29, 2018 and should be read in conjunction with Metallis Resources Inc.'s ("the Company", "we", "our") condensed interim financial statements for the nine-month period ended September 30, 2018, and the annual financial statements for the year ended December 31, 2017 and the related notes thereto. Technical aspects of this MD&A have been reviewed and approved by Metallis Resources' V.P. of Exploration, Mr. David Dupre, P.Geo., designated as a Qualified Person under National Instrument 43-101. This MD&A was written to comply with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations, and includes material events and transactions up to the date of this report. Results are reported in Canadian dollars, unless otherwise noted. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. The results presented for the period ended September 30, 2018, are not necessarily indicative of the results that may be expected for any future period.

For the purposes of preparing this MD&A, management, in conjunction with the Board of Directors, considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of the Company's common shares; or (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) if it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board of Directors, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

The Company's common shares are listed on Tier 2 of the TSX Venture Exchange ("TSX-V") under the trading symbol "MTS", and on the OTCQB Marketplace under the symbol "MTLFF". Further information about the Company and its operations can be obtained from the offices of the Company, located at Suite #515 - 850 West Hastings St., Vancouver, BC, V6C 1E1, or from Canadian System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com.

Cautionary Note Regarding Forward-Looking Information

This MD&A contains forward-looking statements about the Company's objectives, strategies, financial condition, results of operations, cash flows and businesses. These statements are "forward-looking" because they are based on current expectations, estimates, assumptions, risks and uncertainties. These forward-looking statements are typically identified by future or conditional verbs such as "outlook", "believe", "anticipate", "estimate", "project", "expect", "intend", "plan", and terms and expressions of similar import. Such forward-looking statements are subject to a number of risks and uncertainties which include, but are not limited to: cyclical downturn, competitive pressures, dealing with business and political systems in a variety of jurisdictions, repatriation of property in other jurisdictions, payment of taxes in various jurisdictions, exposure to currency movements, inadequate or failed internal processes, people or systems or from external events, safety performance, expansion and acquisition strategy, legal and regulatory risk, extreme weather conditions and the impact of natural or other disasters, specialized skills and cost of labour increases, equipment and parts availability and reputational risk. Actual results could be materially different from expectations if known or unknown risks

affect the business, or if estimates or assumptions turn out to be inaccurate. The Company does not guarantee that any forward-looking statement will materialize and, accordingly, the reader is cautioned not to place reliance on these forward-looking statements.

The forward-looking statements in this MD&A are based on numerous assumptions regarding the Company's present and future business strategies and the environment in which the Company will operate in the future, including assumptions regarding the Company's ability to raise additional financing, execute business and operating strategies, and the Company's ability to ability to develop its mineral properties. Discussions regarding the future exploration of the Company's properties presume such assumptions such as that sufficient financing will successfully complete on reasonable terms, whether from equity or debt issuance, joint venture or the sale of assets.

The Company disclaims any intention and assumes no obligation to update any forward-looking statement, even if new information becomes available, as a result of future events or for any other reasons, except in accordance with applicable securities laws. Risks that could cause the Company's actual results to materially differ from its current expectations are also discussed in this MD&A.

Description of Business

The Company is in mineral exploration with its primary focus on gold, copper, nickel, and silver in northwestern British Columbia where it holds a 100% interest in 30 contiguous claims comprising the Kirkham Property (the "Property"), covering an area of 10,610 hectares. The Property is in the south-central part of B.C.'s "Golden Triangle" situated in the Skeena Mining Division, a significant North American exploration region, hosting numerous mineral deposits, operating mines and former producing mines. The Company has recently completed its drilling season, drilling 5,094 meters ("m") of core in several locations within the Property, between July 21 and October 6, 2018 when the exploration season ended. This followed up on an initial 1,648m drilled in 2017.

Mineral exploration involves a high degree of risk. The recoverability of the amounts expended on exploration by the Company is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete its exploration programs, the development of its mineral properties and upon future profitable production or the proceeds from the disposition of its properties. The Company has not yet determined whether the Property contains economically recoverable reserves. To date, the Company has not earned any revenues and is considered to be in the exploration stage. As at September 30, 2018 the Company has incurred net cumulative acquisition and exploration costs of \$4,182,469 on the Property, and had net current assets of \$3,126,728.

Exploration Highlights:

The Company has received and disclosed assay results for 4,708m of drill core from the 2018 drilling program and only the assay results for the Thunder North target remain outstanding, which included 2 holes totalling 386m of drill core. All results of the 2018 exploration season will be modelled into the Company's database as it considers its next steps in preparation for the 2019 exploration season.

Drilling on the southern portion of the Property began on July 21, 2018, focussing on the Cliff Target where 6 deep diamond drill holes were completed totalling 3,007 meters. Assay results

yield broad intervals of significant gold-rich mineralization and confirmed the continuity of copper-gold grades associated with multiple porphyry intrusions and hydrothermal events in the Cliff target, extending over a strike-length of 3 km, with specific highlights as follows:

- Extensive gold-copper intervals (ie: **141 meters of 0.4 g/t Au** and **0.23% Cu** in hole KH18-16) are associated with a swarm of potassically altered Hawilson Monzonite dikes.
- Broad intercepts of gold-rich mineralization such as **37 meters of 1.54 g/t Au** and **0.05% Cu** in drill hole KH18-14 are linked to secondary hydrothermal event of intense quartz-carbonate veins and highly silicified hydrothermal breccias along the contacts with the Hawilson Monzonite dikes.
- Localized 1-3 meter intercepts with gold grades up to **3.0 g/t Au** are associated with late-stage quartz-carbonate and massive sulphide veins of pyrite-pyrrhotite-chalcopyrite mineralization.

Drilling continued to test all other regional targets. The first ever drill hole at the Nina target discovered a new porphyry copper-gold system located 1 km to the north of the Cliff target. KH18-17; a major step out hole intersected 180 meters of mineralized Hawilson Monzonite (“HM”) and breccias highlighted by 17 meters of 0.33 g/t AuEq and 2 meters of pristine potassic alteration with 0.34% Cu and 0.25g/t Au.

Geological mapping and the first ever drilling program at the Cole target, comprising 3 holes totalling 1,301m of diamond drilling discovered a new porphyry copper-gold system. The Porphyry dike swarm at Cole transitions westward into massive pyrite-pyrrhotite-gold veins highlighted by 11.18 g/t Au over 7.7m including 137 g/t Au over 0.6m. The massive sulphide veins subsequently transition into sheeted epithermal quartz veins further to the west near Etta target (described below). All three holes in the Cole target intersected mineralized porphyry intrusions and host rocks and are summarized below:

- KH18-18 intersected porphyry style mineralization in shallow quartz stockwork zones and sulphides carrying 0.94 g/t Au over 9m and 0.42 g/t Au over 10m. Alteration patterns in the core, geology and geophysics all vector towards a mineralized system to the southeast.
- KH18-19 discovered a high-grade zone of 11.18 g/t Au over 7.7m including 137 g/t Au over 0.6m associated with shallow intrusion-related massive sulphide veins. These veins transition outward into epithermal sheeted veins located at the Etta target to the west. (MTS New Release - Nov 20, 2018).
- KH18-20 was drilled along and across the Adam fault cutting through a series of 4-9m gold intercepts ranging from 0.40 to 0.74 g/t AuEq, associated with similar centimeter-scale massive sulphide veins as in KH18-19.

A summary of the 2018 drill holes at the Cliff, Nina and Cole targets are tabulated in Table 1 below:

Table: 1 Summary of Metallis' 2018 drilling program at Cliff, Nina and Cole Targets.

Prospect / (Total meters)	Hole_ID	Easting	Northing	Elev_m	Azi	Dip	Depth	Description
Cliff (3006.4m)	KH18-11	399331	6258387	1107	282	-67	493.8	Drilled underneath Paget-1, intersected ~350 m of Hawilson Monzonite dikes and hydrothermal-intrusive breccias. Consistent zones of silicification and Cu-sulphide mineralization.
	KH18-12	399256	6258181	1071	281	-65	490.7	Similar to KH18-11, intersected repeated dikes of HM as well as breccias. Consistent zones of QSP alteration and sulphides.
	KH18-13	398909	6257845	1104	108	-65	568.5	Drilled 500m of Hawilson Monzonite and multiple intervals of breccias. Consistent QSP/SCC alteration variable intensities of potassic alteration with pyrite-chalcopyrite below 220m.
	KH18-14	399110	6257534	819	282	-71	606.6	Potassically altered Hawilson Monzonite vectors away into QSP and propylitic alteration around 220m. Drill continued through syn-mineral fault encountering variable elevated gold values.
	KH18-15	398675	6257213	624	104	-62	502.9	Drilled beneath KH17-08. The top 65m of black shale are followed by ~300m of Hawilson Monzonite with calc-potassic and QSP alteration zones.
	KH18-16	398826	6257283	794	290	-70	399.6	Drilled from KH17-08 pad to the west. This hole intersected ~380m of mineralized Hawilson Monzonite before exiting into black shale at the hook anomaly. Strong potassic alteration from surface to 150m.
Nina (344m)	KH18-17	399572	6260342	1033	272	-60	344.4	~ 200m of Hawilson Monzonite with 2m intervals of strong potassic alteration at 60m followed by 40m of hydrothermal breccia before exiting into black shale at 200m.
Cole (1301.5m)	KH18-18	399660	6263042	1142	315	-60	457.2	The top 3m of hydrothermal breccia is followed by two 50m intervals of Hawilson Monzonite dikes hosted by propylitic sediments. Massive sulphide veins are intercepted near the base.
	KH18-19	399510	6263188	1160	310	-50	378.0	Shallow hole with strong propylitically altered seds and higher sulphide content. Minimal Hawilson Monzonite intercepted. High-grade gold values are associated with massive sulphide veins in propylitic siltstone.
	KH18-20	399452	6263062	1143	161	-65	466.3	Drilled mostly siltstone/shales/greywackes as well as small intrusive units. The drill went through a dip slope surface of Hawilson Monzonite and was caught below in a fault for most of its extent.
Total Holes	10	Total Meters					4708.0	

Corporate Outlook

We presently remain well funded with cash of \$2.4 million and liabilities of \$120,000; enough for general working capital for the ensuing year and for specified exploration programs next summer, including drilling. Depending on the scope of drilling, further financing may be required.

We note that with global interest rates and inflation rising slowly, many analysts have predicted stronger commodities markets in 2019. We remain optimistic about the Company's future, given the encouraging assay results to date, numerous property targets, and multiple geological structures including porphyry and shear vein mineralization. We see continued investor interest in the potential for establishing nickel deposits near the Metallis-Garibaldi Resources property border and have hired an investor relations consultant and attended two trade shows to help us communicate our exploration results to the capital markets, shareholders and investors. We have also improved shareholder liquidity for US investors by listing the shares for trading on the OTCQB Marketplace, under the symbol "MTLFF", on July 13, 2018.

Kirkham Property

Overview

The Kirkham Property is the sole material resource asset of the Company, consisting of 30 wholly-owned contiguous mineral claims covering an area of 106 sq. km within a highly prospective metallogenic belt known as the Golden Triangle in northwestern British Columbia. The Company acquired the Property through a combination of staking and purchase agreements with third parties between 2013 and 2015. More recent exploration work by the Company, has identified several target areas demonstrating a variety of mineral deposits, offering potential for gold, copper, silver and nickel.

In June 2018, the Company purchased a pre-existing 2% net smelter return ("NSR") royalty over two mineral claims, thus securing 100% unencumbered ownership over several critical target areas of the Property, including the entire 7 km length of the Hawilson Monzonite which contains the Cole, King, Nina, Natt and Cliff targets. The NSR was purchased under a Right of First Refusal for US\$300,000.

Twenty (20) of the thirty (30) mineral claims are subject to third-party Net Smelter Return ("NSR") royalties of 2%. The Company is entitled to purchase each 1% increment of the NSR royalty for \$500,000.

In May 2018, the Company entered into a Communications Agreement with the Tahltan Central Government ("TCG"), the administrative body of the Tahltan Nation, located in northwest British Columbia. The TCG protects Tahltan Aboriginal rights and title, the ecosystems and natural resources of the Tahltan traditional territory by managing sustainable economic development, and supporting the cultural wellness of the Tahltan community. The Agreement establishes a solid framework and collaborative working arrangement between the parties, based on open dialogue, transparent communications and mutual cooperation with regards to the company's exploration activities on the Property. The Agreement also offers opportunities for cultural, economic and educational support for Tahltan members. Representatives of the TCG toured the Property this summer and received an update of the Company's work done to date, including its exploration and drilling activities, its environmental and reclamation policies and standards, and its socio-economic measures related to local communities. For more information about the TCG, visit www.tahltan.org.

In early 2018, the Company completed an Archaeological Overview Assessment (AOA), which provided a framework, guidance and recommendations with respect to any evidence of historical First Nations use of the land that may be discovered.

Summary of key exploration work in 2018:

This past summer, the Company carried out a number of geological mapping campaigns, airborne geophysical VTEM surveys, geochemical investigations and drilled a total of 5,094 meters, focussing on the Cliff, Nina, Cole and Thunder North targets.

Additional analyses in 2018 included remote sensing utilizing state of the art Worldview (WV-3) high-resolution satellite images and spectral analysis, thin section petrography and geochronological studies.

Geological mapping extended the mineralized Hawilson Monzonite from ~6 km to a strike-length of greater than 7 km with an average width of ~350m, enhancing the volume potential of the porphyry copper-gold mineralization along this NS-trending corridor.

In March 2018 the Company completed a high-resolution VTEM survey over Thunder North, Thunder South and King target areas. A further VTEM survey in the summer covered the eastern part of the Property and identified several geophysical magnetic and electro-magnetic “EM” anomalies.

The first pass drilling at Nina in August 2018 discovered a new porphyry system 1 km to the north of Cliff target and confirmed the continuity of porphyry copper-gold mineralization all along the 4 km long Cliff-Nina porphyry corridor.

The first pass drilling at Cole in September 2018 discovered a new porphyry system that transitions outward into mesothermal massive sulphide veins and an epithermal sheeted quartz vein system to the west, near the Etta target.

Metallis continued to reclaim all work-sites including drilling and helicopter landing pads. By the end of the current season, Metallis had removed and reclaimed 5 drill pads, and presently has 7 drill pads and 3 heli-pads in place, as they are expected to be used again in the future.

QAQC and Analytical Procedures

Metallis has adopted a rigorous quality assurance and quality control ("QA/QC") program to ensure best practices in sampling both diamond drill core and surface rock chip samples of approximately 1 kg in weight. Samples and core were delivered to an ALS Limited preparation facility in Terrace, BC, where the materials were crushed to 70% pass 2mm fraction, and then a 250g split was pulverized to better than 85% passed a 75-micron screen. The geochemical analyses were performed by ALS in Vancouver using multi-element 4-Acid digest ICP-MS package (ME-MS61). Gold was analyzed by fire assay technique Au-ICP21. Higher gold grades (>10 g/t) were analyzed by fire assay and gravimetric finish. In addition to the internal QAQC program by ALS, Metallis inserted 10% lab certified standards, field blanks and duplicates into the overall sampling stream. ALS Limited is a global testing, inspection and certification business with facilities and laboratories in dozens of global locations, and is independent of the Company.

Geology

The Kirkham Property lies within the Stikine Terrane, near the boundary between the Intermontane and Coast Tectonic Belts of the Canadian Cordillera, along the western margin of Eskay rift in northwestern British Columbia. The subduction related Island Arc magmatism and trans-tensional tectonic environment of the Eskay rift formed a fertile corridor of porphyry, shear vein, volcanogenic massive sulphide and magmatic sulphide mineral deposits considered for precious and base-metals. The Property is underlain by volcanic and sedimentary rocks of the Upper Triassic Stuhini Formation, unconformably overlain by the Lower to Middle Jurassic Hazelton Formation. According to Kyba and Nelson (2016), the contact between these two rock formations is a key geological marker for copper-gold mineralization in the Golden Triangle. Also referred to as the “Red Line”, this marker horizon has been traced over a strike length of 10 km (north-south) within the Property.

Location and Access

The Kirkham Property is located 65 km northwest of Stewart in northwestern British Columbia and is centered at 56°29' N latitude and 130°40' W longitude, within the Skeena Mining Division. The Property is accessible by helicopter. The nearest helicopter base is at Stewart, although helicopters are commonly stationed at Bob Quinn Lake and at nearby exploration projects. The Company uses part of an existing camp approximately 12 km from the Property which is owned by Altagas Ltd. for operating its Forest Kerr hydroelectric project.

Situated within the Golden Triangle, the Property is proximate to several mines and advanced exploration projects, including Garibaldi Resources' recent nickel-copper discovery which is immediately to the north of the Property, Barrick Gold's past-producing Eskay Creek Mine which is 15 km to the northwest, the Snip mine (1991-1999) located 28 km to the northwest, and Pretium Resources' Brucejack gold mine which is 30 km to the southeast. As well, Seabridge's KSM and Iron Cap deposits lie 25 km to the southeast.

The nearest road access is through the Eskay Creek Mine road, connected by 60 km of controlled-access gravel road to Highway 37, nearly 5 km south of the Bob Quinn Lake airstrip. The road lies, at its closest, about 12 km from the Property. In recent years, several infrastructure improvements have been made in the region, including improvements to Highways 37 and 37A, the opening of ocean port facilities for export of concentrate at Stewart and the completion by BC Hydro's Northwest Transmission line, a 344 km, 287 kV transmission line between Skeena Substation (near Terrace), and a new substation near Bob Quinn Lake, which continues to Iskut Village and the Red-Chris Mine.

Key exploration targets

Cliff: Porphyry Copper-Gold:

Cliff is a large porphyry copper-gold system extending over an area of 3.0 km x 0.5 km, covering the southern portion of 7.5 km long Hawilson Monzonite porphyry complex within the Property. The porphyry complex is proximate to the Triassic-Jurassic unconformity, referred to as the “Red Line”, an important geological horizon for copper-gold mineralization in the Golden Triangle which has been traced over a 10 km strike length on the Property. The geological mapping, drill core logging and assays revealed that the Hawilson monzonite intruded as north-south trending stocks and dikes with porphyry copper-gold systems preserved at shallow levels, similar to some of the gold-rich porphyry deposits of the Maricunga belt in northern Chile.

The Cliff porphyry system was first successfully tested by the Company in 2017 with three drill holes totalling 1,040 meters that transacted broad intersections of copper-gold mineralization, the longest being 146 meters of 0.34 g/t Au and 0.22% Cu, including a significant interval of 68 meters at 0.52 g/t Au and 0.3% Cu. The intensity of potassic alteration, veins and copper-gold grades increases with depth. The 2017 assay results demonstrated that the Cliff porphyry intrusions are overprinted by silicified zones with gold-rich mineralization as evidenced by 2m intervals of **3.15 g/t Au** in hole KH17-07, and **2.66 g/t Au** and **3.36 g/t Au** in hole KH17-08.

In 2018, the Company conducted focused geological mapping and sampling around the Cliff target and drilled 6 deep holes totalling 3,062m, targeting the magnetic anomalies and zones of intense potassic alteration, veining and silicification in the core of the system. The drilling assays confirmed the continuity of copper-gold grades associated with multiple porphyry intrusions and hydrothermal events at the Cliff target, extending over a strike-length of 3 km. Assay results show that the Cliff target is a unique porphyry system with three distinct styles of copper-gold mineralization noted below, in chronological order:

1. Extensive gold-copper intervals i-e **141m @ 0.4 g/t Au** in hole KH18-16 is associated with a swarm of potassically altered Hawilson Monzonite dikes.
2. Broad intercepts of gold-rich mineralization such as **37m @ 1.61 g/t Au** in drill hole KH18-14 are linked to an interim hydrothermal event of intense quartz-carbonate veins and highly silicified hydrothermal breccias along the contacts with Hawilson Monzonite dikes.
3. Numerous 1-3 meters intercepts with gold grades up to **3.0 g/t Au** are associated with late-stage quartz-carbonate and massive sulphide veins of pyrite-pyrrhotite-chalcopyrite mineralization.

The geological characteristics, metallogeny and copper-gold grades of the Cliff porphyry system are similar to the Kerr Deposit of Seabridge Gold's KSM project, which has an inferred resource of 1.92 billion tonnes grading 0.41% copper and 0.31 g/t gold, containing 19.0 million ounces of gold and 17.3 billion pounds of copper (Seabridge New Release Feb 16, 2017).

Metallis' Chief Geologist – Abdul Razique, PhD., P.Geo. – a renowned porphyry expert, commented, "The structural architecture along the western margin of Eskay Rift is an ideal environment for copper-gold porphyry deposits, and the interplay between porphyry intrusions, breccias and episodic hydrothermal events are responsible for the gold-rich mineralization at the Cliff target which remains open in all directions".

Metallis' V.P. Exploration – Dave Dupre noted, "The structural setting and distribution of copper-gold grades provided systematic vectors to target stockwork potassic zones and silicified hydrothermal breccias carrying substantially higher gold-grades in a porphyry system. A comprehensive exploration program will be planned for 2019 to map and drill the extension of Cliff and other untested porphyry targets along the Hawilson monzonite complex.

Previous operators drilled to the north of the Company's 2017 and 2018 drill holes. The historical drilling consisted of 5 shallow holes which showed increasing copper-gold grades with depth, as well as alteration patterns typical of shallow level porphyry system. Metallis' 3 drill holes in 2017 and 6 drill holes in 2018 (for a total of 4,102m) successfully extended the Cliff Porphyry System for a north-south strike-length of 3 km. Drilling in the Cliff zone encountered typical phyllic, intermediate argillic and potassic alteration, multi-generation veins and Cu-sulphides associated

with multiple phases of porphyry intrusions as well as intrusive and hydrothermal breccias. This demonstrates that previous operator's drilling was in the upper levels of porphyry copper-gold system and that the 2018 drill holes have begun to test the core of the system. These features are interpreted to represent a classic gold-rich calc-alkaline porphyry system that has experienced oxidation of magnetite in the center, silicification along the brecciated contact zones and propylitic alteration rim around the system.

Nina: Porphyry Copper-Gold:

The Nina porphyry system, located ~1500m to the north of Cliff target, was first identified during the 2017 field mapping program. The main target for the current drilling program is to test the continuity of the Hawilson Monzonite responsible for the Cliff-Nina gold-rich porphyry corridor. Most of the rock grab samples in this area returned values greater than 1500 ppm Cu and up to 1.3 g/t Au. This target is represented by an extensive (400m x 300m) zone of exposed phyllic alteration coincident with a linear, very strong resistivity and magnetic anomaly which is outboard from the mineralized HM hosted by Stuhini andesitic volcanic and calcareous sedimentary rocks. The outcropping intrusions are characterized by preserved porphyritic textures and intense quartz-sericite-pyrite (QSP) alteration, gossan (Jarosite-hematite-limonite) along with Mn and Cu oxides. The altered rocks locally show a network of porphyry and late epithermal quartz veins.

In July 2018, a 1 km step-out drill hole totalling 344m of diamond core at Nina discovered typical porphyry copper-gold mineralization. This first pass drilling at Nina intersected the tip of an intense potassic alteration zone with 0.34% Cu and 0.25 g/t Au and 15m of hydrothermal breccia carrying 0.41 g/t AuEq mainly in silicified and sulphide-rich matrix. The drilling assays at Nina confirmed the continuity of a 4 km long Cliff-Nina porphyry corridor allowing Metallis to expand on the known gold-rich mineralization at the Cliff porphyry system.

Cole: Porphyry Copper-Gold:

The Cole porphyry target located to the north of King Creek defines the northern extent of the 7.5 km long Hawilson Monzonite. In 2017, exploration work outlined a 400m x 200m wide area of gossanous, quartz-sericite-pyrite ("QSP") altered diorite and monzodiorite porphyry intrusions. These intrusions are emplaced as NNE-trending (015°) linear dikes hosted by Stuhini andesitic volcanic rocks and unconformably overlaid by Hazelton rocks to the west. Alteration mapping indicates a zonation of quartz-sericite-pyrite ("QSP") surrounded by propylitic, chlorite-epidote-carbonate alteration. The gossan within the QSP alteration are characterized by pervasive and locally boxwork hematite-jarosite-limonite ± Mn-oxides. The historic surface rock chip samples returned values between 0.2-0.9% Cu while soil values returned 300 to >600 ppm Cu and 100-500 ppb Au.

The early 2018 geological mapping program identified the Cole target as a typical sub-alkalic porphyry copper-gold system with the alteration footprint extended for 1000m x 800m that has never been drilled. The first pass drilling at Cole comprising three holes totalling 1,301m demonstrated that the Hawilson Monzonite porphyry dikes transition outward into gold-bearing massive sulphide and epithermal sheeted veins to the West and additional porphyry potential to the East. A high-grade gold intercept of **137 g/t** gold discovered in hole KH18-19 is associated with a massive sulphide pyrrhotite-pyrite vein adjacent to the Hawilson Monzonite as part of a late stage hydrothermal event.

This gold-bearing massive sulphide vein in KH18-19 is open in all directions and is correlated both structurally and geochemically to a massive sulphide vein, 300m down dip in KH18-18. These gold-rich veins are correlated with the Intrusion-Related Au Pyrrhotite Veins found in Snip gold mine, which produced 1.1 million ounces of gold at an average grade of 27.5 g/t from 1991 to 1999. (MINFILE (2015): Snip, 104B 250; BC Ministry of Energy and Mines).

Etta: Epithermal Gold System:

The Etta epithermal gold system occurs at the northern end of the 7.5 km long mineralized Hawilson Monzonite, immediately to the west of Cole porphyry system near the Triassic-Jurassic unconformity marked by the Red Line (Nelson and Kyba, 2014). In early 2018, Metallis exploration team identified NS-trending zone of sheeted epithermal veins carrying anomalous gold. The key geological and geochemical features are given below.

- Gold mineralization at Etta is hosted by several parallel, tabular north-south trending veins of bull-quartz-carbonate with native gold, electrum and chalcopyrite. These veins are emplaced in a phyllic alteration zone peripheral to the Hawilson Monzonite;
- A rock chip sample (Y060741) from a newly discovered vein assayed 13.2 g/t Au, 795 g/t Ag, 0.5% Cu and 1.3% Zn while a wall-rock chip sample half a meter away returned 1.14 g/t Au, 1.18% Cu and 67 g/t Ag;
- A historic copper-gold and silver- lead-zinc soil geochemical anomaly extends over an area of 700m x 300m and is open for expansion; and
- The rocks at Etta are characterized by sheeted drusy quartz veins exhibiting typical gold pathfinder mineralogy associated with epithermal systems.

A steeply dipping epithermal vein with ~10m strike length and ~0.5m width, was discovered on a north facing cliff at the Etta target. The quartz-calcite vein demonstrates drusy textures and remains open along strike. The discovery has led the geological team to re-interpret the historic geochemical anomaly at Etta as part of an epithermal system proximal to the Hawilson Monzonite porphyry.

Dr. Abdul Razique, Metallis' Chief Geologist, commented: "Etta represents an exciting new prospect that fits the classic epithermal model that hosts many significant deposits throughout the Cordillera of North and South America. Such a zone typically forms as the uppermost shell above or distal to a sub-alkaline porphyry deposit. Metallis Resources plan to carry out detail geological mapping and Induced Polarization "IP" survey to delineate conductive zones associated with gold-bearing disseminated and massive sulphide veins in the area.

Rhyolite Ridge: VMS Target:

The Rhyolite Ridge was discovered in October 2018, near the end of 2018 field season, where a 200m x 300m zone of intense gossans and sericitic alteration was mapped in the western part of Kirkham Property. The Rhyolite Ridge prospect represents massive felsic volcanics (Rhyolite) interlayered with a sequence of Hazelton sedimentary rocks. The felsic volcanic and interbedded argillite-siltstone units show intense hematitic gossan and local massive pyrite. A total of 12 selective rock samples were collected and analyzed by 4-acid digestion ICP-MS method. One of

the samples (Y060657) collected from a limestone unit with quartz-carbonate veins returned 0.5 g/t Au. The lithostratigraphic units and anomalous gold values in rock samples are being interpreted as a vent proximal facies with a siliceous, shallow marine exhalative unit, comparable to the Eskay Creek host stratigraphy.

King East:

King East target represent a large (1 km x 2 km) coincident magnetic and resistivity anomaly within the late Triassic Stuhini Group. Previous work highlighted numerous narrow gold-bearing veins, small intrusive stocks and anomalous Au, Cu and Mo values from sub-crop exposed by trenches in the southern target area. The current interpretation of the combined geology, geophysical and geochemical signature patterns identify this area as a porphyry copper-gold target, similar to one of the KSM deposits.

Metallis in 2018 conducted a high-resolution (83.3m line-spacing) VTEM survey to detect magnetic and conductive anomalies in King East. Results from the 2018 VTEM survey indicated a number of discrete magnetic and resistivity anomalies related to the intrusive rocks and scattered gossans. During the 2018 field exploration program, Metallis geologists expanded the understanding of King East target and collected 5 rock chip samples from porphyritic units as well as sulphide rich sediments. Minimal Cu and Au mineralization was returned from these samples. Mapping in the area highlighted numerous NNE-trending dikes dominated by diorite and are interpreted to be the source of anomalous Cu and Mo in soils. The geology and structural framework, diorite dikes and its geochemical signature in King East is similar to what is seen in the Hawilson Monzonite and remains a prime target to be investigated in the 2019 field season.

Thunder North: Magmatic Nickel-Copper:

The Thunder North prospect is located immediately south of Garibaldi Resources Corp.'s E&L (Nickel Mountain) Project on the western flank of the Eskay Rift. Thunder North target is strategically located along the "Red line" of Kyba 2014 in the western margin of Eskay rift, where the trans-tensional tectonic environment of the Eskay rift formed a fertile corridor of sub-parallel, strike-slip faults favorable for magmatic nickel-copper deposits.

Following the discovery of massive Ni-Cu sulphide mineralization at E&L towards the end of the 2017 field season, Metallis carried out initial exploration and identified a 200m x 200m wide diorite intrusive body cut by narrow, 1-5m thick mafic rocks (basalts/gabbros) interpreted to be slightly differentiated with up to 7.5wt% MgO. The initial drill hole (KH17-09) collared adjacent to mafic intrusions tested a pyritic gossan within andesitic volcanic and diorite rocks. The drill hole intersected a composite intrusive pluton and a fault-related gossan that vector to explore differentiated mafic intrusion phases within the Texas Creek intrusive complex extended to the Northeast.

The textural and mineralogical characteristics of the outcropping intrusive rocks at Thunder North indicate the presence of mafic intrusions along the western margin of the Eskay Rift. This segment of the Eskay Rift has seen no historic exploration for nickel sulfide mineralization, therefore exploration for mafic intrusions (gabbros) is the key to discover the emplacement of small open system intrusions like the one at Garibaldi's Nickel Mountain. The differentiated mafic intrusions with taxitic to chaotic textures and breccias are recognized as an important feature of nickel sulphide ore deposits. A thorough search for these types of rocks or their

manifestations on geochemical and/or geophysical surveys is a critical next step in the exploration of magmatic Ni-Cu systems.

The 2018 exploration program at Thunder North consisted of:

- High-resolution Airborne VTEM survey with 83.3m line-spacing designed to test the conductive targets on the scale of E&L. This survey was followed by a 2nd Airborne VTEM survey with flight lines perpendicular to previous survey leading to achieve the “Z” component of the VTEM response. Both surveys generated over 20 distinct geophysical targets.
- In September 2018, Metallis' technical team led by Dr. Peter Lightfoot carried out a 5 day program of geological mapping and prospecting on the most intriguing geophysical anomalies at Thunder North and collected 17 rock samples, for which assay results are pending.
- Metallis drilled 2 holes for a total of 386m to test certain geophysical targets to interpret and build a cohesive model for exploring Ni-Cu magmatic sulphides at Thunder North, for which assay results are also pending.

Thunder South: Magmatic Nickel-Copper:

Thunder South prospect is located immediately to the south of Company's Thunder North prospect, on the western flank of the Eskay Rift. The project area is underlain by extensive sedimentary rocks of the Hazelton Formation which host intrusions associated with nickel sulphide mineralization at E&L. Following the discovery of massive Ni-Cu sulphides at E&L, the Company carried out a rapid exploration program and identified a linear, 300m long, 2-10m wide north-east trending mafic dike suggesting the potential for magmatic Ni-Cu sulphide mineralization.

Exploration of the mafic rocks along with distinct geochemical and geophysical characteristics is a critical next step in evaluating the Kirkham Property for magmatic Nickel-Copper sulphide systems.

The 2018 summer exploration program at Thunder South consisted of:

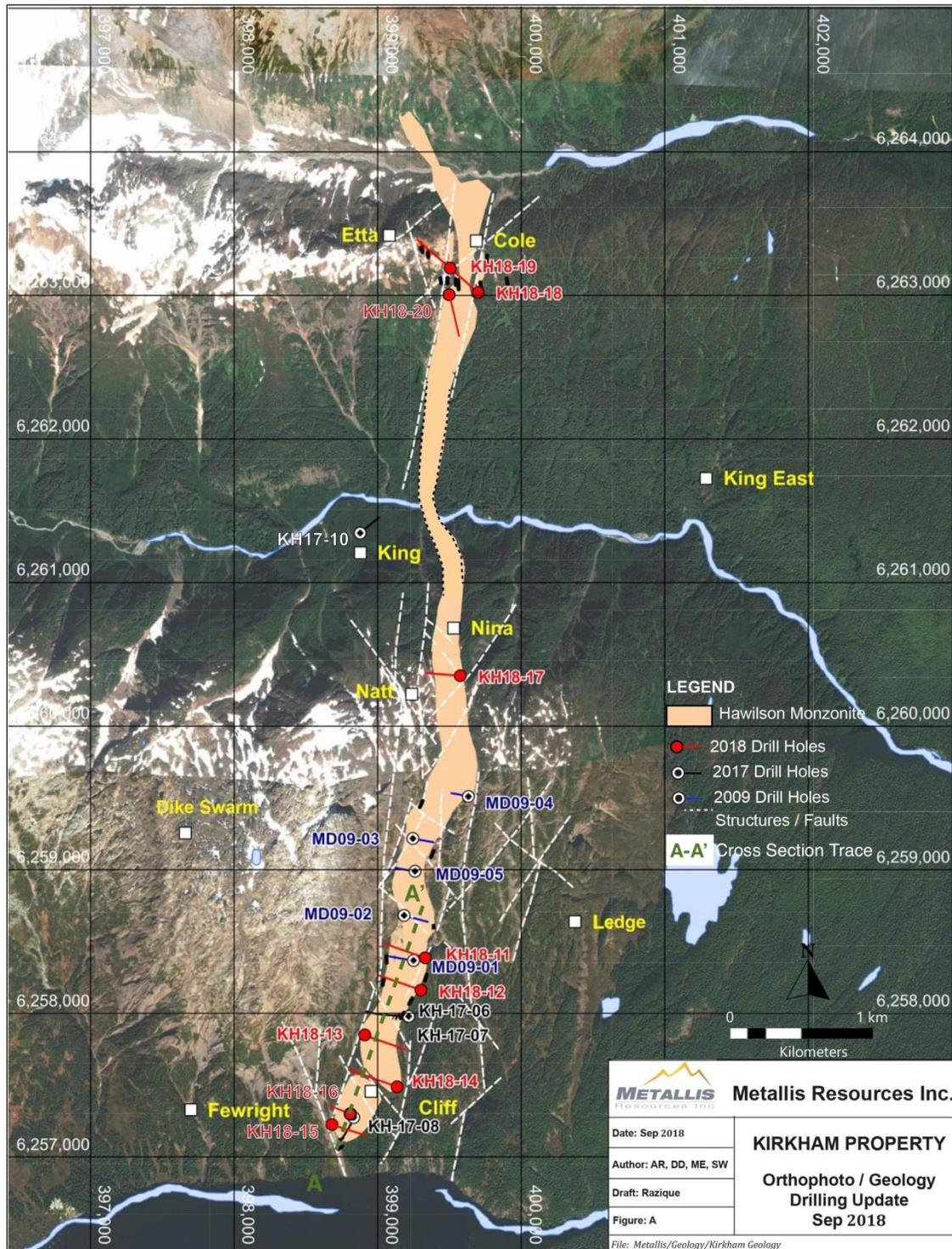
- High-Resolution VTEM survey with 83.3m line-spacing designed to test the property for conductive targets on the scale of E&L.
- Focussed field observations to identify the chaotic textured / brecciated olivine gabbros coincident with conductive VTEM anomalies helping to generate drill targets.

Natt: Shear Vein Gold:

The Natt target located ~500m south of the King Target is interpreted as a rift-fill segment of the Eskay rift that hosts limestone and exhalative rocks. The local stratigraphy shows a succession of volcanic flows, coarse pyroclastic rocks, mudstones, minor limestone and chert beds favorable for VMS style mineralization. The host lithology and anomalous gold values in soil and rock samples are being interpreted and tested for epithermal gold indicators and/or vent proximal facies with siliceous, shallow marine exhalites as in the Eskay Creek host stratigraphy. The 2019 field work

is expected to include detailed geological mapping and rock-chip sampling, designed to integrate the VTEM conductors with local stratigraphy leading to refining the prospect model and to help generate drill targets.

2018 Drilling Map on the Hawilson Monzonite



Selected Annual Financial Information

The following table provides a brief summary of the Company's financial operations. For more detailed information, refer to the Annual Financial Statements.

	Year Ended December 31, 2017	Year Ended December 31, 2016	Year Ended December 31, 2015
Total assets	\$ 4,989,285	\$ 420,824	\$ 294,762
Total liabilities	76,369	439,402	431,475
Shareholders' equity (deficiency)	4,912,916	(18,578)	(136,713)
Major operating expense items			
Consulting fees	254,350	165,350	162,000
Investor relations	4,500	16,500	20,250
Marketing	45,397	10,411	2,782
Professional fees	42,976	29,625	24,676
Regulatory and transfer agent fees	25,484	18,768	15,550
Share-based compensation	295,895	172,946	2,255
Net loss	\$ (473,290)	\$ (406,201)	\$ (608,898)
Basic and diluted loss per share	\$ (0.02)	\$ (0.02)	\$ (0.04)

Analysis of annual cash flows:

In 2017, the Company raised a total gross amount of \$5,267,204 from issuing equity, of which \$4,634,181 was from private placements, \$72,100 was from the exercise of stock options and \$560,923 from the exercise of warrants. Issuance expenses were \$205,585, all paid in cash.

The Company spent \$1,064,977 (2016 - \$134,861) on property exploration during the year, and \$714,901 (2016 - \$263,912) on operating activities. During 2017, the Company reduced its total liabilities by \$363,033, or 83%. Accounts payable and accrued liabilities and amounts due to related parties declined \$311,888 in 2017. Cash operating expenditures in 2017 (operating expenses less share-based compensation) were \$422,578, or about \$35,000 per month. Overall, the Company's monthly operating costs have risen reasonably to about \$35,000/month from \$25,000/month in 2016, due to increases in exploration, personnel, communications, financings and general corporate activities.

The Company ended 2017 with \$3,324,071 in cash and cash equivalents.

In 2016, the Company raised \$356,750 from issuing equity, of which \$311,000 was from private placements and \$45,750 was from the exercise of options and warrants. It also received \$31,651 from the sale and option of certain mineral property interests pertaining to its MMICP property (since sold).

In 2015, the Company raised \$137,500 from private placements, and paid issuance costs of \$6,732. No stock options or warrants were exercised in 2015. The Company also sold 50% of its marketable securities for proceeds of \$43,975. It spent \$8,138 net of recoveries on its mineral properties and \$169,885 on operating activities for a net increase in cash during 2015 of \$1,720.

Cash operating costs were approximately \$14,000 per month, less than the \$20,000 - \$25,000 monthly costs incurred in prior years primarily due to management's informal deferral of a substantial portion of its consulting and professional fees charged in the year.

Analysis of annual operations for 2017 compared to 2016:

The Company's net loss in 2018 of \$473,290 was \$67,089, or 17% higher than 2016's net loss of \$406,201. The net loss is composed of operating expenses of \$718,473 (2016 - \$446,899), an increase of \$271,574, and other gains (losses) and income credits of \$245,183 (2016 - \$40,698), an increase of \$204,485. The other gains (losses) and income credits are composed of other income on settlement of flow-through premium liability of \$112,940, gain on reversal of indemnification provision of \$68,750 and gain on settlement of accounts payable and accrued liabilities of \$44,634, and remaining other gains and credits of \$18,859 (2016 - \$40,698) which include unrealized gain on marketable securities, interest income, gain on sale of exploration and evaluation assets, and other income from the sale of a property option, all of which are detailed in the annual Statements of Operations and Comprehensive Loss.

The other income on settlement of flow-through premium liability recognizes the proportion of the flow through premium liability satisfied by the Company's incurrence of specified qualifying property expenditures during the period.

The gain on reversal of the indemnification provision of \$68,750 recognizes management's reversal of the provision based on the passage of time, completion of an audit by the Canada Revenue Agency with no follow-up reassessments, lack of receipt of any notice of indemnification for additional taxes payable with respect to the unspent flow-through funds raised, and other factors. The provision was initially recorded pursuant to the completion of the CRA audit in early 2016 of the Company's 2011 flow-through private placement, the results of which deemed certain previously renounced qualifying flow-through expenditures as non-qualifying expenditures. The provision reflected the expected income tax adjustment to the subscribers of the 2011 flow-through private placement financing in the event the CRA reassesses the subscribers, for which the Company is obligated to "make whole" the subscribers' tax positions.

The gain on settlement of accounts payable and accrued liabilities was primarily due to the settlement of an outstanding legal bill at a substantial discount to the booked value.

As noted above, total operating expenses were \$718,473 (2016 - \$446,899), primarily composed of share-based compensation of \$295,895 (2016 - \$172,946), consulting fees of \$254,350 (2016 - \$165,350), marketing of \$45,397 (2016 - \$10,411) and professional fees of \$42,976 (2016 - \$29,625). These expense categories comprise \$638,618 (2016 - \$378,332) or 89% (2016 - 85%) of total operating expenses.

Share-based compensation arises from the fair value computations over the vesting periods of stock option grants. With the exception of investor relations options grants, the Company's Stock Option Plan provides for full vesting of options at the time of grant. Share-based compensation is calculated using the Black-Scholes option pricing model, and was higher in 2017 mainly because the value of the stock option grant (1,000,000 options at \$0.39) exceeded the prior year's grant (1,400,000 options at \$0.10), but also due to the Company's share price and volatility which rose compared to the prior year. Third party consulting fees increased \$89,000 to \$92,350 in 2017 from \$3,350 in 2016, while related party consulting fees remained the same at \$162,000 for both years. In 2017, the Company engaged consultants mainly for IT services (rebuilding the

Company website, uploading exploration data and documents and converting software platforms) and other general corporate matters.

The Company incurred higher marketing costs in 2017, increasing \$34,986 to \$45,397. It paid \$10,000 to have a research report prepared, attended two exploration trade shows, advertised in a few publications and held more meetings. These costs helped generate market interest in the Company, facilitate communication with investors and shareholders and contributed to the Company's successful completion of four private placement financings in the year, raising \$4,634,180 before issuance costs of \$205,585. The Company terminated an investor relations consulting contract of \$1,500 per month on March 31, 2017, incurring \$4,500 in IR fees for the year (2016 - \$16,500). Thereafter, the CEO managed investor relations engagement and communications. Total marketing and investor relation costs were 6.9% (2016 – 6.0%) of total operating expenses.

Certain overhead expenses relate to the Company's obligations as a public company consisting of audit fees, legal fees related to public company matters and regulatory and transfer agent fees. These fees totalled \$68,500 in 2017 and \$48,400 in 2016, an increase of 42% which management considers reasonable given the completion of four private placements in 2017 and the exercise of 1,597,280 warrants.

Quarterly Information

	Three Months Ended September 30, 2018	Three Months Ended June 30, 2018	Three Months Ended March 31, 2018	Three Months Ended December 31, 2017
Total assets	\$ 7,795,488	\$ 7,287,841	\$ 7,176,046	\$ 4,989,285
Total liabilities	478,424	67,386	29,988	76,369
Shareholders' equity (deficiency)	7,317,064	7,220,455	7,146,058	4,912,916
Consulting fees	82,500	76,500	78,175	55,730
Professional fees	2,375	17,735	22,014	32,356
Regulatory and transfer agent	25,641	35,948	16,827	5,517
Share-based compensation	1,115,162	-	-	-
Net income (loss)	(1,276,053)	(155,853)	(90,343)	44,642
Earnings (loss) per share- basic	(0.04)	(0.00)	(0.00)	0.00

	Three Months Ended September 30, 2017	Three Months Ended June 30, 2017	Three Months Ended March 31, 2017	Three Months Ended December 31, 2016
Total assets	\$ 3,014,385	\$ 719,002	\$ 417,207	\$ 420,824
Total liabilities	531,394	424,465	488,565	439,402
Shareholders' equity (deficiency)	2,482,991	294,537	(71,358)	(18,578)
Consulting fees	78,900	69,500	50,220	41,500
Professional fees	331	9,344	945	20,000
Regulatory and transfer agent	3,830	8,033	8,104	798
Share based compensation	295,895	-	-	-
Net income (loss)	(339,428)	(105,224)	(73,280)	(62,480)
Earnings (loss) per share- basic	(0.02)	(0.01)	(0.00)	(0.00)

Results of Operations

Three months ended September 30, 2018 compared to three months ended June 30, 2018

The Company had a net loss for the current Q3 2018 period of \$1,276,053 (Q2 - \$155,853) composed of operating costs of \$1,285,058 (Q2 - \$163,456), net interest income of \$19,130 (Q2 - \$23,353) and unrealized loss on marketable securities of \$10,125 (Q2 - \$15,750). Operating costs in the current period include share-based compensation of \$1,115,162, being the fair value of stock options granted during the period pursuant to the Black-Scholes option pricing model. The remaining operating costs in the current period were \$169,896, an increase of 4% compared to the previous period. Such operating costs include consulting fees of \$82,500 (Q2 - \$76,500), investor relations fees of \$7,000 (Q2 - \$nil), advertising and marketing of \$27,344 (Q2 - \$14,284),

professional fees of \$2,375 (Q2 - 17,735) and trustee and filing fees of \$25,641 (Q2 - \$35,948), which together total 93% (Q2 - 95%) of total operating costs.

On August 1, 2018 the Company entered into an agreement with investor relations consultant Nicosia Capital Corp., for a six-month period at a rate of \$3,500 per month. Nicosia provides shareholder communication services, market awareness and promotional activities but does not provide market-making services. The Company also engaged in certain advertising and marketing efforts; as previously noted we use web-based marketing and advertising, attendance at some trade shows and have sponsored media articles and participated in certain Golden Triangle related marketing materials. These advertising and marketing costs were higher in the current period primarily due to trade show fees.

Professional fees and regulatory and transfer agent fees together were \$28,016 in Q3, a decline from \$53,683 in Q2. It was in Q2 when the bulk of the costs of listing the Company's shares for trading on the OTCQB were incurred, requiring legal work and listing application fees. The shares were listed on the OTCQB on July 13, 2018.

The value of the 225,000 common shares of Seahawk Ventures Inc. held by the Company declined \$10,125 in the current period, compared to a decline of \$15,750 in Q2, with such fluctuations typical of a very early stage exploration company. It is not the intention of Metallis to hold these shares indefinitely and it will find opportunities to dispose of them in due course.

In the current Q3 period, the Company received \$257,500 from the exercise of 565,000 share purchase warrants. In Q2, the Company received total of \$191,250 from the exercise of 317,500 warrants and \$39,000 from a consultant's exercise of 100,000 stock options.

The Company spent \$1,285,127 on property exploration during the current period, an increase from \$774,973 spent on exploration during Q2. However, the total exploration costs incurred in Q3 was \$1,830,741, of which \$478,357 remained in accounts payable at September 30, 2018. In Q2, \$707,716 of exploration costs were incurred of which \$53,757 remained in accounts payable at June 30, 2018. The cash expended on exploration rose 66% in Q3 compared to Q2 while total exploration costs incurred rose 159% in Q3 compared to Q2. These increases substantially reflect the costs of diamond core drilling, which began on July 21, 2018 and ended on October 6, 2018. Drilling costs also required multiple crews, their accommodations and transportation to and from the Property by helicopter throughout the drilling campaign.

Three months ended September 30, 2018 compared to three months ended September 30, 2017:

The Company had a net loss during the period of \$1,276,053 (2017 - \$339,428). Operating costs comprise the largest component of net loss, being \$1,285,058 (2017 - \$407,802). Other items included in net loss are net interest income, gain on settlement of accounts payable, other income on settlement of flow through premium liability and unrealized gain (loss) on marketable securities, as detailed on the condensed interim statements of operations and comprehensive loss.

Consulting fees were \$82,500 (2017 - \$78,900), advertising marketing and promotion was \$27,344 (2017 - \$16,477), share-based compensation was \$1,115,162 (2017 - \$295,895) and regulatory and transfer agent fees were \$25,641 (2017 - \$3,830), which together comprise 97% (2017 - also 97%) of the net loss. Total operating costs for the period, not including share-based compensation, were \$169,896 (2017 - \$111,907), an increase of 52%. The costs of listing the Company's shares on the OTCQB required certain US fees, applications and registrations which

account for 14% of the increase while higher advertising and marketing costs account for 10% of the increase. Other general overhead costs increased commensurate with the expanded level of operations, with modest increases in office, investor relations fees, consulting fees and travel.

The Company has six individuals on contract of which five work in the office on a regular basis. In Q3 2017 there were four individuals on contract with three individuals working in the office on a regular basis.

Nine months ended September 30, 2018 compared to nine months ended September 30, 2017:

The Company had a net loss of \$1,522,249 for the current nine-month period, compared to a net loss of \$517,932 for the comparative period. Operating costs, not including share-based compensation, were \$484,453 (2017 - \$293,786), an increase of \$190,667 or 65%. The other items included in the net loss for the current and comparative periods are unrealized gains from the Company's holdings of marketable securities, net interest income from its short term money market instruments, and other income on settlement of flow-through share premium liability which reflects the Company's incurrence of sufficient qualifying flow-through expenses, and a gain on settlement of accounts payable, all as shown on the Condensed Interim Statements of Operations and Comprehensive Loss.

The \$190,667 increase in operating costs reflects the costs of this year's listing on the OTCQB marketplace, additional shareholder communications activities, and higher general corporate overhead costs to support the exploration team. Specifically, regulatory and transfer agent fees increased \$58,449 (of which \$43,210 directly relates to the costs of listing on the OTCQB, most of which is non-recurring); consulting fees rose \$38,555, advertising marketing and promotion rose \$22,573 (mainly due to the adoption of a one-year web-based marketing service), professional fees rose \$31,504 (\$26,674 of which related to the OTCQB initial listing), and office and general expenses rose \$26,709 (due to increases in IT, printing, news dissemination costs, insurance and general supplies). These five specific cost factors account for 93% of the increase in operating costs.

Looking ahead, management expects its operating costs, not including share-based compensation, to continue to be \$125,000 - \$150,000 per quarter. Over the past three quarters it has averaged \$161,000 per quarter, but this includes several non-recurring costs as identified in the paragraph above.

During the nine-month period ended September 30, 2018, the Company issued 3,232,642 (2017 - 8,294,916) common shares for total proceeds of \$2,837,413 (2017 - \$2,731,620), at an average price of \$0.88 per share (2017 - \$0.33). Private placements comprise 77% (2017 - 89%) of the proceeds, the exercise of share-purchase warrants comprises 22% (2017 - 10%) and stock options proceeds were 1% (2017 - <1%) of proceeds.

Cash spent on exploration of the Property during the nine-month period increased from \$674,440 in 2017 to \$2,163,008 in 2018, mostly due to an expanded drilling program, and also due to a US\$300,000 (\$401,069) payment to acquire a 2% NSR royalty as described under "Kirkham Property - Overview" earlier in this MD&A, which is recorded as a capitalized acquisition cost. Total net exploration costs incurred during the period were \$2,271,060 (2017 - \$817,506). Drilling, along with associated helicopter costs and crew accommodations, totalled \$1,898,273 (2017 - \$734,681) during the period, representing 84% (2017 - 90%) of net exploration costs

incurred. The Company also received a provincial exploration tax credit during the period of \$130,408 (2017 - \$25,028), recorded as an expense recovery against capitalized exploration costs.

Liquidity and capital management

The Company has no commercial operations or source of revenue, no long term debt, and no externally imposed capital requirements other than those specified under continuous listing requirements. Its capital is defined as its net current assets. Capital was previously considered to be shareholders' equity, but the capitalized property costs have become significant and required a change to that assessment effective January 1, 2018. The capital for operations and property exploration has historically and primarily come from the issuance of common shares, and at times the Company has sold non-core assets as another means of raising capital.

The Company's objectives when managing its capital are to fund critical exploration work, meet its on-going liabilities, continue as a going concern, maintain creditworthiness by keeping sufficient capital balances over the periods to alleviate unexpected cash flow shortfalls, and to ultimately maximize returns for shareholders over the long term. Meeting capital management objectives as a non-revenue early stage exploration company demands that the Company constantly be aware of its internal, exploration and financing risks at any particular time, as it weighs different courses of action. There were no changes in the Company's approach to its capital management objectives during the period ended September 30, 2018.

The Company remains well funded, raising sufficient funds in 2017 and early 2018 to cover its 2018 exploration and drilling programs, its working capital requirements for the ensuing year, and further exploration in 2019. The Company's working capital at the date of this report is \$2.6 million as follows:

<u>Working capital, November 29, 2018</u>		(\$ 000's)
Cash and cash equivalents	\$	2,407
Receivables		142
Marketable securities		77
Accounts payable and accrued liabilities		<u>(35)</u>
Total net working capital	\$	<u>2,591</u>

Outstanding share information

The total number of common shares outstanding as of the date of this report is 32,986,079 shares.

Share activity subsequent to September 30, 2018:

4,950 warrants were exercised for total proceeds of \$1,980.

Stock options

At the date of this report, there are 3,085,000 stock options outstanding, unchanged from September 30, 2018. During the period ended September 30, 2018, the Company granted the following stock options:

1,050,000 stock options were granted to directors, officers and consultants, exercisable at \$1.35 per share for a five year period until July 13, 2023.

100,000 stock options were granted to consultants, exercisable at \$1.05 per share for a five year period until August 9, 2023.

Warrants

As at the date of this report, there are 3,713,743 share purchase warrants outstanding, as follows:

No. of warrants Outstanding September 30, 2018	Number of Warrants issued	Number of Warrants Exercised	No. of warrants Outstanding Nov 29, 2018	Exercise Price	Expiry Date
200,000	-	-	250,000	0.35	May 9, 2019
173,000	-	-	173,000	0.35	June 28, 2019
658,000	-	4,950	653,050	0.40	August 16, 2019
739,122	-	-	739,122	0.80	September 22, 2019
1,000,000	-	-	1,000,000	1.50	October 6, 2019
948,571	-	-	948,571	1.60	January 26, 2021
3,718,693	-	4,950	3,713,743		

Directors, Officers and Management

During the period ended September 30, 2018 there were no changes to the Company's Board of Directors or management team.

The directors are Fiore Aliperti, Jon Lever, Michael Sikich and Dr. David Webb. The officers are Mr. Aliperti (CEO), Mr. Lever (CFO), Mr. Dupre (Vice-President of Exploration) and Mrs. Sameen Oates is Corporate Secretary.

The Board of Directors have established a Health, Safety, Environment and Social Responsibility Committee to assist the Board in supporting, overseeing and monitoring the Company's health, safety, environment and social responsibility policies, programs, activities and initiatives. The Company has also implemented industry standards and best practices on health-safety-environmental management at its work sites. Drill sites and heli-pads that will not be reused in 2019 were disassembled and removed at the end of the current season.

All directors were re-appointed by the shareholders at the Company's Annual General Meeting on May 31, 2018, and all other resolutions passed, with approval rates of 94.74% to 99.94%.

The following related parties include directors and key management personnel, including those entities in which such individuals may hold positions that result in them having control or significant influence over the financial or operation policies of these entities:

- a) Avanti Consulting Inc. a company controlled by the current Chief Executive Officer and director, provides consulting services to the Company.

- b) Lever Capital Corp., a company owned by the current Chief Financial Officer and director, provides consulting services to the Company.
- c) The Company's Corporate Secretary provides general administrative services, bookkeeping and corporate secretarial services to the Company.
- d) D. G. Dupre and Associates Inc., a company that is controlled by the Vice President of Exploration, provides geological consulting services to the Company, the amounts of which are capitalized as geological costs under exploration and evaluation assets.

The aggregate value of fee-based transactions (exclusive of share-based compensation) and outstanding balances relating to the above noted related parties are as follows:

		Transactions for the period ended September 30, 2018	Transactions for the year ended December 31, 2017	Balance payable as at September 30, 2018	Balance payable as at December 31, 2017
Avanti Consulting Inc.	(a)	\$ 92,000	\$ 84,000	\$ -	\$ -
Lever Capital Corp.	(b)	56,000	30,000	-	-
Corporate Secretary	(c)	61,000	48,000	-	-
D.G. Dupre and Associates Inc.	(d)	45,000	30,000	-	-
Total		\$ 254,000	\$ 192,000	\$ -	\$ -

Other related party transactions

The 1,050,000 stock options granted on July 13, 2018 included 675,000 stock options to directors and officers, with a fair value of \$669,787 as determined by the Black-Scholes option pricing model. There were no other related party transactions during the period ended September 30, 2018.

Off Balance Sheet Arrangements

As of the date of this report, the Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company.

Risk Factors

Investing in the common shares of the Company has risks. Prospective investors should carefully consider the risks described below, together with all of the other information included in this MD&A before making an investment decision. If any of the following risks actually occurs, the business, financial condition or results of operations of the Company could be harmed. In such an event, the trading price of the common shares could decline and prospective investors may lose part or all of their investment.

Financing

The Company may not be successful at raising future financing or disposing of its marketable securities and if it expends all of its cash on hand, it could therefore become insolvent or face bankruptcy proceedings. Without sufficient funds, it may not be able to carry on operations, and it

may not be able to continue to develop or even maintain its exploration and evaluation assets. If the only alternative is to sell the Company's assets, any funds received may not be sufficient to allow the Company to continue as a going concern.

Possible Trading Suspension or Delisting

The Exchange may suspend from trading or delist the securities of the Company where the Company has failed to submit documents to the Exchange in the time periods required or has otherwise failed to meet minimum standards. Suspension from trading of the common shares may, and delisting of the common shares will, result in the regulatory securities authorities issuing a consolidated interim cease trade order against the Company. In addition, delisting of the common shares will result in the cancellation of all of the currently issued and outstanding common shares of the Company held by Insiders. Trading in the common shares of the Company may be halted at other times for other reasons also.

Dilution

If the Company issues treasury shares to finance acquisition or participation opportunities, or to raise exploration funds and working capital, shareholders may suffer dilution of their investment and/or control of the Company could change.

Directors and Officers

All of the directors and officers of the Company may not be devoting 100% of their time to the affairs of the Company but do and will devote such time as required to effectively manage the Company. Directors and officers of the Company may be engaged in the search for assets or businesses on their own behalf or on behalf of others such that conflicts may arise from time to time. As a consequence of such conflicts, the Company may be exposed to liability and its ability to achieve its business objectives may be impaired.

Reliance on Management

The Company is relying solely on the past business success of its directors and officers to identify, acquire and develop strategic assets of merit. The success of the Company is dependent upon the efforts and abilities of its directors and officers and from the results of exploration. The loss of any of its directors or officers could have a material adverse effect upon the business and prospects of the Company.

Title to mineral resource properties

Title to mineral exploration permits and mineral claims cannot be guaranteed and may be subject to regulatory changes and possible expropriation or cancellation. To the extent financing is not available, resource property fees and lease payments, work commitments, rental payments and option payments, if any, may not be completed and could result in a loss of property ownership or earning opportunities for the Company.

Results from exploration

The results of the Company's exploration programs may not be successful, and its Property may need to be written off or abandoned, in which case the Company would not have any principal business asset.

Community relations

Public scrutiny of mining projects has brought corporate social responsibilities into strategic planning. Garnering community and public support for continued exploration, future mine development and construction includes public engagement and involvement of key community stakeholders throughout the exploration and development process. Key areas of concern include the sharing or transfer of economic benefits and environmental stewardship. The lack of a social license to operate could impair the value of the Company's resource properties or delay or prevent exploration, development or construction activities.

New accounting standards and future changes in accounting policies:

Certain new accounting standards and interpretations have been published that are mandatory for fiscal periods beginning on or after January 1, 2018. The following standards were adopted by the Company on January 1, 2018, and have been assessed as having no significant impact on the Company's financial statements:

IFRS 9, Financial Instruments

IFRS 9 is a new standard which is principles-based and less complex than IAS 39, *Financial Instruments: Recognition and Measurement*, which IFRS 9 has replaced. IFRS 9 includes new guidance on the classification and measurement of financial instruments, new guidance for measuring impairment on financial assets, and new hedge accounting guidance. IFRS 9 requires that all financial assets be classified and subsequently measured at amortized cost, at fair value through profit or at fair value through other comprehensive income (loss). The classification and measurement is based on the Company's business model for managing financial assets and on the contractual cash flow characteristics of the financial assets. Financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities classified as at fair value through profit or loss, financial guarantees and certain other exceptions. The standard does not have any material impact on the Company's reporting.

IFRS 15, Revenue from Contracts with Customers

IFRS 15 contains new standards on revenue recognition that supersede IAS 18, *Revenue*, IAS 11, *Construction Contracts* and related interpretations. The standard does not have any material impact on the Company's reporting.

The following accounting standard is not yet in effect:

IFRS 16, Leases

This new standard on leases supersedes IAS 17, *Leases*, and related interpretations. The standard is effective for years beginning on or after January 1, 2019. The Company is reviewing the potential impact on its financial statements of the application of this standard and at this time does not expect a material impact on the financial statements.

Financial instruments

The Company's financial instruments consist of cash and cash equivalents, certain receivables, marketable securities and accounts payable and accrued liabilities. With the exception of cash and cash equivalents and marketable securities, all financial instruments held by the Company are measured at amortized cost. The fair values of these financial instruments approximate their carrying value due to their short-term maturities. Fair values of financial instruments are classified in a fair value hierarchy based on the inputs used to determine fair values, as follows:

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 fair values of cash and cash equivalents and marketable securities are measured based on level 1 inputs of the fair value hierarchy.

Financial Risks

The Company's financial risk exposures and their impact on the Company's financial instruments are summarized below:

Credit Risk

Credit risk arises from the potential that one or more counterparties fail to meet their obligations. The Company is normally exposed to credit risk through its cash and cash equivalents and receivables. The Company manages credit risk associated with its cash and cash equivalents by using reputable financial institutions, from which management believes the risk to be remote. Receivables generally consist of recoverable Canadian sales taxes, accrued interest and/or Canadian mineral exploration tax credits, and management believes the collectability of all of these amounts to be assured.

Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2018, the Company has cash and cash equivalents of \$3,284,936 (December 31, 2017 - \$3,324,071) to settle total liabilities of \$478,424 (December 31, 2017 - \$76,369). The liabilities are all current in nature and accordingly, a sensitivity analysis of the contractual maturities of the Company's financial assets and liabilities is not presented. The Company has sufficient liquidity for its working capital requirements and next summer's exploration programs.

The Company has historically relied on equity and debt financings and asset sales to satisfy its capital requirements and will continue to depend upon equity capital and debt as required, beyond 2018, and may also enter into earn-in arrangements or the sale of certain property interests. There can be no assurance the Company will be able to obtain its future financings on acceptable terms.

The ability of the Company to continue on this course will depend, in part, on the prevailing market conditions and the market interest in financing the Company's mineral property exploration programs.

Interest rate risk

The Company is not exposed to risk in the event of interest rate fluctuations. The Company has no long term debt, has not entered into any interest rate swaps or other financial arrangements that mitigate the exposure to interest rate fluctuations, and current interest rates, while rising slowly, remain historically low.

Market risk

The Company is exposed to market risk because of the fluctuating values of its publicly traded marketable securities. The Company has no control over these fluctuations and does not hedge its investments. Based on the September 30, 2018 portfolio value, every 10% increase or decrease in the share price of marketable securities held would have impacted profit (loss) for the year, up or down, by approximately \$8,660 (December 31, 2017 - \$7,875) before income taxes.

Foreign currency risk

The Company's functional currency is the Canadian dollar and an immaterial amount of transactions are in other currencies. Management believes the foreign exchange risk derived from currency conversions is not significant and therefore does not hedge its foreign exchange risk.

Management's Responsibility for the Condensed Interim Financial Statements

Information provided in this report, and the accompanying condensed interim financial statements for the three and nine month periods ended September 30, 2018, are the responsibility of management. In the preparation of these reports, estimates are sometimes necessary to make a determination of future value for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the condensed interim financial statements. Management maintains a system of internal controls to provide reasonable assurances that the Corporation's assets are safeguarded and to facilitate the preparation of relevant and timely information.