

METALLIS RESOURCES INC.
Condensed Interim Financial Statements
September 30, 2018

(Expressed in Canadian Dollars)

METALLIS RESOURCES INC.
Index to Condensed Interim Financial Statements
For the nine-month period ended September 30, 2018
(Expressed in Canadian Dollars)
(Unaudited – prepared by management)

	Page
MANAGEMENT'S RESPONSIBILITY FOR UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS AND NOTICE OF NO AUDITOR REVIEW	1
FINANCIAL STATEMENTS	
Condensed Interim Statements of Financial Position	2
Condensed Interim Statements of Operations and Comprehensive Loss	3
Condensed Interim Statements of Changes in Equity (Deficiency)	4
Condensed Interim Statements of Cash Flows	5
Notes to Condensed Interim Financial Statements	6-20

MANAGEMENT'S RESPONSIBILITY FOR UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS AND NOTICE OF NO AUDITOR REVIEW

The accompanying condensed interim financial statements of Metallis Resources Inc. (the "Company") are the responsibility of management, and have not been reviewed by the Company's auditors.

These condensed interim financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the unaudited condensed interim financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the financial position date. In the opinion of management, the condensed interim financial statements have been prepared within acceptable limits of materiality and are in accordance with International Accounting Standard 34 - *Interim Financial Reporting*, using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

The Company has established processes, which are in place to provide it sufficient knowledge to support management representations that it has exercised reasonable diligence that (i) the condensed interim financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of, and for the periods presented by, the condensed interim financial statements and (ii) the condensed interim financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the condensed interim financial statements.

The Board of Directors is responsible for reviewing and approving the condensed interim financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the condensed interim financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the condensed interim financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

METALLIS RESOURCES INC.

Condensed Interim Statements of Financial Position

(Expressed in Canadian Dollars)

(Unaudited – prepared by management)

	<i>September 30,</i> 2018	<i>December 31,</i> 2017
	<i>(unaudited)</i>	<i>(audited)</i>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 3,284,936	\$ 3,324,071
Receivables (<i>Note 3</i>)	127,513	65,617
Deposits and prepaid expenses (<i>Note 4</i>)	106,078	9,943
Marketable securities (<i>Note 5</i>)	86,625	78,750
Total current assets	3,605,152	3,478,381
Equipment (<i>Note 6</i>)	7,867	563
Exploration and evaluation assets (<i>Notes 7 and 10</i>)	4,182,469	1,510,341
Total assets	\$ 7,795,488	\$ 4,989,285
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (<i>Note 8</i>)	\$ 478,424	\$ 58,764
Flow-through premium liability (<i>Note 9</i>)	-	17,605
Total current liabilities	478,424	76,369
EQUITY		
Share capital (<i>Note 9</i>)	13,456,287	10,615,462
Equity reserves	3,478,431	2,392,859
Deficit	(9,617,654)	(8,095,405)
Total equity	7,317,064	4,912,916
Total liabilities and equity	\$ 7,795,488	\$ 4,989,285

Nature and Continuance of Operations and Going Concern (*Note 1*)
 Events After the Reporting Period (*Note 14*)

Approved and authorized on behalf of the Board on November 29, 2018

Fiore Aliperti Director

Michael Sikich Director

The accompanying notes are an integral part of these condensed interim financial statements.

METALLIS RESOURCES INC.
Condensed Statements of Operations and Comprehensive Loss
For the three and nine-month periods ended September 30, 2018 and 2017
(Expressed in Canadian Dollars)
(Unaudited- prepared by management)

	<i>Three Months Ended September 30, 2018</i>	<i>Three Months Ended September 30, 2017</i>	<i>Nine Months Ended September 30, 2018</i>	<i>Nine Months Ended September 30, 2017</i>
Operating Expenses:				
Consulting fees (<i>Note 10</i>)	\$ 82,500	\$ 78,900	\$ 237,175	\$ 198,620
Depreciation (<i>Note 6</i>)	2,478	105	5,094	315
Advertising, marketing, promotion	27,344	16,477	53,701	31,128
Investor relations fees	7,000	-	7,000	4,500
Office and general	12,782	4,081	36,695	9,986
Professional fees	2,375	331	42,124	10,620
Regulatory and transfer agent fees	25,641	3,830	78,416	19,967
Rent	6,319	5,541	17,107	16,008
Share-based compensation (<i>Note 9</i>)	1,115,162	295,895	1,115,162	295,895
Travel	3,457	2,642	7,141	2,642
Total operating expenses	(1,285,058)	(407,802)	(1,599,615)	(589,681)
Net interest income	19,130	73	51,886	73
Gain on settlement of accounts payable	-	44,601	-	44,601
Other income on settlement of flow-through premium liability	-	14,700	17,605	14,700
Unrealized gain (loss) on marketable securities (<i>Note 5</i>)	(10,125)	9,000	7,875	12,375
Loss and comprehensive loss for the period	\$ (1,276,053)	\$ (339,428)	\$ (1,522,249)	\$ (517,932)
Basic and diluted loss per common share	\$ (0.04)	\$ (0.02)	\$ (0.05)	\$ (0.03)
Weighted average number of common shares outstanding:				
Basic and diluted	32,761,238	22,375,798	32,141,229	20,074,707

The accompanying notes are an integral part of these condensed interim financial statements.

METALLIS RESOURCES INC.

Condensed Interim Statements of Changes in Equity (Deficiency)

(Expressed in Canadian Dollars)

(Unaudited – prepared by management)

	<i>Share Capital</i>		<i>Share Subscriptions</i>	<i>Commitment to issue shares</i>	<i>Equity Reserves</i>	<i>Deficit</i>	<i>Total</i>
	<i>Number of Shares</i>	<i>Amount</i>					
Balance at December 31, 2016	18,026,058	\$ 5,443,528	\$ -	\$ -	\$ 2,160,009	\$ (7,622,115)	\$ (18,578)
Share capital issued for cash	8,294,916	2,731,620	-	-	-	-	2,731,620
Share issuance costs	-	(60,145)	-	-	-	-	(60,145)
Fair value of stock options exercised	-	15,442	-	-	(15,442)	-	-
Flow-through share premium liability	-	(130,545)	-	-	-	-	(130,545)
Share issuance commitment	-	-	-	177,815	-	-	177,815
Share subscriptions	-	-	4,861	-	-	-	4,861
Share-based compensation	-	-	-	-	295,895	-	295,895
Loss for the period	-	-	-	-	-	(517,932)	(517,932)
Balance at September 30, 2017	26,320,974	\$ 7,999,900	\$ 4,861	\$ 177,815	\$ 2,440,462	\$ (8,140,047)	\$ 2,482,991
Share capital issued for cash	2,973,168	2,535,584	(4,861)	-	-	-	2,530,723
Share issuance costs	-	(145,440)	-	-	-	-	(145,440)
Fair value of stock options exercised	-	47,603	-	-	(47,603)	-	-
Share capital issued for services	454,345	177,815	-	(177,815)	-	-	-
Income for the period	-	-	-	-	-	44,642	44,642
Balance at December 31, 2017	29,748,487	\$ 10,615,462	\$ -	\$ -	\$ 2,392,859	\$ (8,095,405)	\$ 4,912,916
Share capital issued for cash	3,232,642	2,837,413	-	-	-	-	2,837,413
Share issuance costs	-	(26,178)	-	-	-	-	(26,178)
Fair value of stock options exercised	-	29,590	-	-	(29,590)	-	-
Share-based compensation	-	-	-	-	1,115,162	-	1,115,162
Loss for the period	-	-	-	-	-	(1,522,249)	(1,522,249)
Balance at September 30, 2018	32,981,129	\$ 13,456,287	\$ -	\$ -	\$ 3,478,431	\$ (9,617,654)	\$ 7,317,064

The accompanying notes are an integral part of these condensed interim financial statements.

METALLIS RESOURCES INC.

Condensed Interim Statements of Cash Flows

For the nine month periods ended September 30, 2018 and 2017

(Expressed in Canadian Dollars)

(Unaudited – prepared by management)

	2018	2017
Cash flows provided by (used in) operating activities		
Loss for the period	\$ (1,522,249)	\$ (517,932)
Items not affecting cash:		
Other income on settlement of flow-through share premium liability	(17,605)	(14,700)
Unrealized gain on marketable securities	(7,875)	(12,375)
Gain on settlement of accounts payable	-	(44,601)
Share-based compensation	1,115,162	295,895
Depreciation	5,094	315
Changes in non-cash working capital items:		
Receivables	(61,896)	(47,067)
Deposits and prepaid expenses	(96,135)	-
Accounts payable and accrued liabilities	(89,461)	117,229
Due to related parties	-	(86,760)
Net cash used in operating activities	(674,965)	(309,996)
Cash flows used in investing activities		
Investment in exploration and evaluation assets	(2,163,007)	(674,440)
Reimbursement of exploration and evaluation expenses	-	25,028
Purchase of equipment	(12,398)	-
Net cash used in investing activities	(2,175,405)	(649,412)
Cash flows provided by (used in) financing activities		
Share capital issued	2,837,413	2,731,620
Share issuance costs	(26,178)	(60,145)
Share subscriptions	-	4,861
Net cash provided by financing activities	2,811,235	2,676,336
Increase (decrease) in cash and cash equivalents during the period	(39,135)	1,716,928
Cash and cash equivalents, beginning of period	3,324,071	17,302
Cash and cash equivalents, end of period	\$ 3,284,936	\$ 1,734,230

Supplemental Disclosure with Respect to Cash Flows (*Note 11*)

The accompanying notes are an integral part of these condensed interim financial statements.

METALLIS RESOURCES INC.**Notes to the Condensed Interim Financial Statements
For the nine-month period ended September 30, 2018
(Expressed in Canadian Dollars)**

1. NATURE AND CONTINUANCE OF OPERATIONS AND GOING CONCERN

Metallis Resources Inc. (“the Company”) was incorporated under the Business Corporations Act (British Columbia) on June 19, 2007. The Company’s shares are listed on the TSX Venture Exchange (“TSX-V”) under the symbol “MTS” and on the OTCQB Venture Market under the symbol “MTLFF”. The Company’s registered and head office is located at Suite #515 – 850 West Hastings Street, Vancouver, British Columbia, Canada, V6C 1E1, and its website is at www.metallisresources.com.

The Company is engaged in the exploration of mineral properties and has not yet determined whether any of its properties contain economically recoverable reserves. To date, the Company has not earned any operating revenues and is considered to be in the exploration stage. The mining exploration business involves a high degree of risk. The recoverability of the amounts expended on mineral interests by the Company is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the exploration and development of its mineral properties and upon future profitable production or proceeds from disposition of its mineral interests.

The Company operates in a single jurisdiction with the single business activity of exploration, and accordingly, segmented information is not required.

These condensed interim financial statements of the Company are presented in Canadian dollars, which is the functional currency of the Company.

Going Concern of Operations

These condensed interim financial statements have been prepared on the basis that the Company will continue as a going concern which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of operations. As an exploration stage company, the Company has incurred net operating losses since its inception and the ability of the Company to continue as a going concern depends upon its ability to raise adequate financing when required and to ultimately develop profitable operations.

In 2017 and 2018, the Company raised significant funds from investors and shareholders and expects these funds to provide for its exploration and working capital needs through the ensuing year. Additional fundraising may involve further private placements, convertible debentures, third party earn-ins or joint ventures using debt or equity financing structures, to ensure the continuation of the Company’s operations. To the extent future financing is not available, future working capital commitments may not be satisfied and future exploration programs may face curtailment and could result in a loss of property ownership or earning opportunities for the Company. In addition, should the Company be unable to realize its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded on the statements of financial position. These condensed interim financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

METALLIS RESOURCES INC.**Notes to the Condensed Interim Financial Statements
For the nine-month period ended September 30, 2018
(Expressed in Canadian Dollars)**

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these condensed interim financial statements.

Basis of presentation

These condensed interim financial statements have been prepared in accordance with 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 financial statements have been prepared on a historical cost basis, except for certain financial instruments which are classified as fair value through profit or loss. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

These condensed interim financial statements should be read in conjunction with the Company's annual financial statements and notes thereto for the year ended December 31, 2017. These condensed interim financial statements do not include all disclosures required in annual financial statements but rather they follow recommendations for condensed interim financial statements in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB"). These condensed interim financial statements follow the same accounting policies and methods of their application as those followed in the December 31, 2017 annual financial statements, except for the two following policies that were adopted by the Company on January 1, 2018:

IFRS 9, Financial Instruments

IFRS 9 is a new standard effective for fiscal years beginning on or after January 1, 2018, 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 loss, 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 implementation of this standard does not have any material impact on the Company's reporting.

IFRS 15, Revenue from Contracts with Customers

IFRS 15, which is also effective for fiscal periods beginning on or after January 1, 2018, 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.

METALLIS RESOURCES INC.

**Notes to the Condensed Interim Financial Statements
For the nine-month period ended September 30, 2018
(Expressed in Canadian Dollars)**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Future changes in accounting policies

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 because the Company has no long term leases, it does not expect the potential impact to be material.

3. RECEIVABLES

	September 30, 2018	December 31, 2017
Recoverable sales taxes - Canada	\$ 100,654	\$ 59,206
Accrued interest	26,538	6,411
Other receivables	321	-
Total receivables	\$ 127,513	\$ 65,617

4. DEPOSITS AND PREPAID EXPENSES

The deposits and prepaid expenses of the Company consist of the following:

	September 30, 2018	December 31, 2017
Rental deposit	\$ 1,510	\$ 1,510
Prepaid insurance	1,530	8,433
Prepaid storage	4,076	-
Prepaid internet communications and marketing campaigns	23,962	-
Prepaid sponsorship for October 2018 resource conference	75,000	-
	\$ 106,078	\$ 9,943

5. MARKETABLE SECURITIES

The Company holds marketable securities which were acquired as partial compensation in respect of the sales of certain exploration properties in 2012 and 2016. The marketable securities consist of 225,000 common shares of "Seahawk Ventures Inc." ("Seahawk"), a Canadian public company which trades on the CSE Exchange under the symbol "SHV".

The fair value of the 225,000 shares of SHV held at September 30, 2018 is \$86,625 (December 31, 2017 - \$78,750). During the nine-month period ended September 30, 2018, the Company recorded an unrealized gain on marketable securities of \$7,875 (2017 - \$12,375).

METALLIS RESOURCES INC.

**Notes to the Condensed Interim Financial Statements
For the nine-month period ended September 30, 2018
(Expressed in Canadian Dollars)**

6. EQUIPMENT

Cost:	<i>Computers and software</i>
Balance, December 31, 2016 and 2017	\$ 5,626
Additions	12,398
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Balance, September 30, 2018	\$ 18,024
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Accumulated depreciation:	
Balance, December 31, 2016	\$ 4,643
Depreciation for the year	420
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Balance, December 31, 2017	5,063
Depreciation for the period	5,094
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Balance, September 30, 2018	\$ 10,157
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Net book values:	
As at December 31, 2017	\$ 563
As at September 30, 2018	\$ 7,867

7. EXPLORATION AND EVALUATION ASSETS – Kirkham Property

	Balance, December 31, 2017	Additions	Balance, September 30, 2018
Acquisition costs	\$ 94,731	\$ 401,069	\$ 495,800
Assays	25,514	25,984	51,498
Community relations	-	35,547	35,547
Crew accommodations and camp costs	150,279	336,510	486,789
Drilling	399,389	923,697	1,323,086
Field expenses, pad construction	21,215	44,139	65,354
Geological surveying and consulting	460,369	391,341	851,710
Helicopters	445,632	638,066	1,083,698
Licenses, claim fees and permits	57,297	501	57,798
Professional fees - archeological	2,679	5,683	8,362
Recovery of expenses	(62,897)	(130,408)	(193,305)
Write-downs	(83,867)	-	(83,867)
	<hr/>	<hr/>	<hr/>
	\$ 1,510,341	\$ 2,672,129	\$ 4,182,470

METALLIS RESOURCES INC.

**Notes to the Condensed Interim Financial Statements
For the nine-month period ended September 30, 2018
(Expressed in Canadian Dollars)**

7. EXPLORATION AND EVALUATION ASSETS – Kirkham Property (continued)

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims, as well as the potential for problems arising from the frequently ambiguous conveyance history characteristic of many mineral properties. To the best of its knowledge, the Company's title to all of its mineral claims and properties are in good standing.

Kirkham Property – Golden Triangle, Skeena Mining Division, British Columbia, Canada

The Kirkham Property (the “Property”) is comprised of 30 mineral claims forming a contiguous block of 10,610 hectares situated in the “Golden Triangle” region of north-western British Columbia, Canada. The Property was assembled through a series of transactions between 2013 and 2015 including staking, restaking and acquisitions from third parties.

Twenty (20) of the 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.

During June 2018, the Company paid US \$300,000 (\$401,069) to buy back a pre-existing 2% NSR royalty which had applied to two other claims within the Property. The amount paid was recorded as an increase to acquisition costs.

In the period ended September 30, 2018, the Company received a BC exploration tax credit in respect of 2017 work done on the Property, in the amount of \$130,408, which is recorded as a deduction against capitalized exploration costs.

No impairments on the Property were observed during the period ended September 30, 2018 or the year ended December 31, 2017.

Mackenzie Mountains Iron-Copper Project – Northwest Territories, Canada

The Company previously held a 2% NSR royalty on a group of claims it sold in 2016, referred to as the Mackenzie Mountains Iron-Copper Project (“MMICP”). During the period ended March 31, 2018, the remaining claims were allowed to lapse.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities for the Company are comprised as follows:

	September 30, 2018	December 31, 2017
Accounts payable	\$ 478,424	\$ 30,764
Accrued liabilities	-	28,000
	\$ 478,424	\$ 58,764

METALLIS RESOURCES INC.

**Notes to the Condensed Interim Financial Statements
For the nine-month period ended September 30, 2018
(Expressed in Canadian Dollars)**

9. SHARE CAPITAL

Authorized: Unlimited common shares, without par value

Issued: 32,981,129 common shares (2017 – 29,748,487 common shares)

Transactions in 2018:

- a) On January 26, 2018, the Company closed a private placement raising gross proceeds of \$2,181,713. The Company issued 1,897,142 units at a price of \$1.15 per unit. Each unit consists of one common share and ½ of one warrant. Each full warrant is exercisable into one common share at \$1.60 per share for a three year period. No residual value was assigned to the warrant component of the private placement. Total issuance costs of \$26,178 were incurred in connection with the private placement, including a finder's fee of \$10,488.
- b) During the nine-month period ended September 30, 2018, 1,235,500 warrants were exercised for total proceeds of \$616,700.
- c) During the nine-month period ended September 30, 2018, 100,000 stock options were exercised for proceeds of \$39,000. The options had a fair value of \$29,590, recorded as an increase to share capital and a decrease to equity reserves.
- d) During 2018, sufficient qualifying exploration expenditures have been incurred to offset a flow-through premium liability of \$17,605 carried forward from December 31, 2017, and accordingly the amount was recorded as other income on settlement of flow-through premium liability for the current period. The liability arose in connection with a flow-through private placement completed in 2017. Refer to Note 9, *Transactions in 2017*, item (d), below.

Transactions in 2017:

- a) On May 8, 2017, the Company closed the first tranche of a private placement in the amount of \$338,981. The Company issued 1,591,559 units at \$0.18 per unit for proceeds of \$286,481 and 210,000 flow-through units at \$0.25 per flow-through unit, for proceeds of \$52,500. Each unit consists of one common share and ½ of one non-transferable share purchase warrant ("Warrant"). A total of 900,780 warrants were issued. Each flow-through unit consists of one flow-through common share and ½ Warrant. Each whole Warrant is exercisable into one common share at \$0.35 for a two year period. The Warrants are subject to an acceleration clause under which the expiry date becomes 30 days after the last of 10 consecutive days if and whereby the closing price of the Company's shares are greater than or equal to \$0.50 per share, contingent upon the Company issuing a new release announcing the triggering of the acceleration provision. No residual value was assigned to the warrant component of the units. As at September 30, 2018, 700,780 warrants had been exercised for proceeds of \$245,273.
- b) On June 26, 2017, the Company closed the second and final tranche of the above noted private placement, issuing an additional 874,000 units for proceeds of \$157,320. No residual value was assigned to the warrant component of the units. Issuance costs of \$2,482 were recorded on the private placement. As at September 30, 2018, 264,000 warrants had been exercised for proceeds of \$92,400.

METALLIS RESOURCES INC.**Notes to the Condensed Interim Financial Statements
For the nine-month period ended September 30, 2018
(Expressed in Canadian Dollars)**

9. SHARE CAPITAL (continued)

Transactions in 2017: (continued)

- c) On August 14, 2017, the Company closed a private placement in the amount of \$626,750, by the issuance of 2,507,000 units at \$0.25 per unit. Each unit consists of one common share and ½ of one warrant. Each warrant is exercisable into one common share at a price of \$0.40 per share for a two year period. The warrants are subject to an acceleration clause under which the expiry date becomes 30 days after the last of 10 consecutive days if and whereby the closing price of the Company's shares are greater than or equal to \$0.50 per share, contingent upon the Company issuing a new release announcing the triggering of the acceleration provision. No residual value was assigned to the warrant component of the units. Issuance costs of \$14,556 were incurred on the private placement, including finders' fees of \$9,500. As at September 30, 2018, a total of 595,500 warrants had been exercised for proceeds of \$238,200.
- d) On September 22, 2017, the Company closed a private placement in the amount of \$1,311,130. The Company issued 1,400,945 units at \$0.55 per unit for proceeds of \$770,520 and 772,300 flow-through units at \$0.70 per flow-through unit, for proceeds of \$540,610. Each unit consists of one common share and ½ of one Warrant. Each flow-through unit consists of one flow-through common share and ½ Warrant. Each whole Warrant is exercisable into one common share at a price of \$0.80 per share for a two year period. The Warrants are subject to an acceleration clause under which the expiry date becomes 30 days after the last of 10 consecutive days if and whereby the closing price of the Company's shares are greater than or equal to \$1.20 per share, contingent upon the Company issuing a new release announcing the triggering of the acceleration provision. A flow-through premium liability of \$115,845 was recorded in respect of the flow-through units issued, as a deduction to share capital, of which \$98,240 was reversed in 2017, and the remaining \$17,605 was reversed in the current period, due to the incurrence of sufficient qualifying expenditures, and recorded as other income on settlement of flow-through premium liability. Issuance costs of \$43,107 were incurred on the private placement, including finders' fees of \$35,801. As at September, 2018, a total of 347,500 warrants had been exercised for proceeds of \$278,000, all during 2018.
- e) On October 6, 2017, the Company closed a private placement, raising gross proceeds of \$2,200,000. The Company issued 2,000,000 units at a price of \$1.10 per unit. Each unit consists of one common share and ½ of one Warrant. Each full Warrant is exercisable into one common share at \$1.50 per share for a two year period. No residual value was assigned to the warrant component of the private placement. Total issuance costs of \$145,440 were incurred in connection with the private placement, including a finder's fee of \$132,000. As at September 30, 2018, none of the warrants had been exercised.
- f) During the year ended December 31, 2017, 660,000 warrants were exercised at \$0.35 per share in relation to private placements completed prior to 2017, raising proceeds of \$231,000.
- g) During the year ended December 31, 2017, 315,000 stock options were exercised for proceeds of \$72,100. The fair value of the options exercised was \$63,045, recorded as an increase to share capital and a decrease to equity reserves.
- h) On October 25, 2017, the Company issued 454,345 shares to settle \$177,815 for services pursuant to a drilling services agreement dated June 23, 2017.

METALLIS RESOURCES INC.

**Notes to the Condensed Interim Financial Statements
For the nine-month period ended September 30, 2018
(Expressed in Canadian Dollars)**

9. SHARE CAPITAL (continued)

Stock options:

The Company has a stock option plan in place under which it is authorized to grant options to executive officers and directors, employees and consultants. At the Company's Annual General Meeting held on May 15, 2018, the shareholders approved the adoption of a 10% Rolling Stock Option Plan. The exercise price of each stock option equals the market price of the Company's stock as calculated on the date of grant. The options can be granted for a maximum term of 5 years and vest at the discretion of the Board of Directors at the time of grant.

Stock options granted to employees or consultants in respect of investor relations activities must follow the vesting provisions of the TSX-V, which allow for vesting of options as to no more than 25% of the grant vesting each three months, measured from the date of grant.

Stock option transactions are summarized as follows:

	Number of options outstanding	Weighted average exercise price
Balance, December 31, 2016	1,400,000	\$ 0.10
Options exercised	(315,000)	0.23
Options terminated	(50,000)	0.10
Options granted	1,000,000	0.39
Balance, December 31, 2017	2,035,000	\$ 0.22
Options exercised	(100,000)	0.39
Options granted	1,150,000	1.32
Balance, September 30, 2018	3,085,000	\$ 0.63

As at September 30, 2018 the following incentive stock options were outstanding and exercisable:

Expiry Date	Number of Options	Vested and exercisable	Exercise Price (\$)	Weighted remaining contractual life (years)
April 23, 2021	1,175,000	1,175,000	0.10	2.56
August 18, 2022	760,000	760,000	0.39	3.88
July 13, 2023	1,050,000	1,050,000	1.35	4.79
August 9, 2023	100,000	100,000	1.05	4.86
Total outstanding options	3,085,000	3,085,000		3.72

METALLIS RESOURCES INC.

**Notes to the Condensed Interim Financial Statements
For the nine-month period ended September 30, 2018
(Expressed in Canadian Dollars)**

9. SHARE CAPITAL (continued)

Share-based compensation:

On July 13, 2018, the Company granted 1,050,000 stock options to its directors, management and consultants, exercisable at a price of \$1.35 share for five years. The fair value of the 1,050,000 options pursuant to the Black-Scholes option pricing model was \$1,041,891, recorded as share-based compensation.

On August 9, 2018, the Company granted 100,000 stock options to consultants, exercisable at a price of \$1.05 per share for five years. The fair value of the 100,000 options pursuant to the Black-Scholes option pricing model was \$73,271, recorded as share-based compensation.

On August 18, 2017, the Company granted 1,000,000 stock options to its directors, management and consultants, exercisable at a price of \$0.39 per share for five years. The fair value of the 1,000,000 options pursuant to the Black-Scholes option pricing model was \$295,895, recorded as share-based compensation.

The following parameters were used for determination of fair value of the option grants described above:

	2018	2017
Risk-free interest rate	1.91-2.09%	1.39%
Expected life	2.5 years	2.5 years
Annualized volatility	128-139%	147%
Forfeiture rate	0%	0%
Dividends	0%	0%

Warrants:

Through certain unit offerings that completed, the Company has issued warrants in addition to shares. Warrant transactions are summarized as follows:

	Number of warrants	Weighted average exercise price
Balance at December 31, 2016	1,455,000	\$ 0.30
Warrants expired	(530,000)	0.20
Warrants issued	4,677,902	0.71
Warrants exercised	(1,597,280)	0.35
Balance at December 31, 2017	4,005,622	\$ 0.77
Warrants issued	948,571	1.60
Warrants exercised	(1,235,500)	0.50
Balance at September 30, 2018	3,718,693	\$ 1.08

METALLIS RESOURCES INC.

**Notes to the Condensed Interim Financial Statements
For the nine-month period ended September 30, 2018
(Expressed in Canadian Dollars)**

9. SHARE CAPITAL (continued)

Warrants: (continued)

As at September 30, 2018, the following warrants are outstanding:

Expiry Date	Number of Warrants	Exercise Price (\$)	Weighted average remaining contractual life (years)
May 9, 2019	200,000	0.35	0.61
June 28, 2019	173,000	0.35	0.74
August 16, 2019	658,000	0.40	0.88
September 22, 2019	739,122	0.80	0.98
October 6, 2019	1,000,000	1.50	1.02
January 26, 2021	948,571	1.60	2.33
Total outstanding warrants	3,718,693		1.28

10. RELATED PARTY TRANSACTIONS

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

METALLIS RESOURCES INC.

**Notes to the Condensed Interim Financial Statements
For the nine-month period ended September 30, 2018
(Expressed in Canadian Dollars)**

10. RELATED PARTY TRANSACTIONS (continued)

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 nine-month 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	-	-
S. Oates	(c)	61,000	48,000	-	-
D.G. Dupre and Associates Inc.	(d)	45,000	30,000	-	-
Total		\$ 254,000	\$ 192,000	\$ -	\$ -

Other transactions with related parties

Executive officers and directors participate in the Company's stock option plan. During the period ended September 30, 2018, 675,000 stock options were granted to directors and officers exercisable at \$1.35 per share, having a fair value on issue of \$669,787. To date, none have been exercised.

11. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

The significant non-cash investing and financing transactions during the nine-month period ended September 30, 2018 are as follows:

- a) An unrealized gain on marketable securities was recorded in the amount of \$7,875;
- b) The fair value of 100,000 options exercised during the period was \$29,590, recorded as an increase to share capital and a reduction from equity reserves; and
- c) As at September 30, 2018, exploration and evaluation asset costs of \$478,357 were included in accounts payable and accrued liabilities.

METALLIS RESOURCES INC.**Notes to the Condensed Interim Financial Statements
For the nine-month period ended September 30, 2018
(Expressed in Canadian Dollars)**

11. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS (continued)

The significant non-cash investing and financing transactions during the year ended December 31, 2017 are as follows:

- a) As at December 31, 2017, exploration and evaluation asset costs of \$30,764 were included in accounts payable and accrued liabilities;
- b) The fair value of 315,000 options exercised during the year was \$63,045, recorded as an increase to share capital and a reduction from equity reserves;
- c) A total flow-through share premium liability of \$130,545 was recorded as a deduction from share capital, in respect of flow-through shares issued by the Company; and
- d) The fair value of 454,345 common shares issued for exploration services of \$177,815, which is capitalized under exploration and evaluation assets, was recorded as an increase to share capital.

12. FINANCIAL AND CAPITAL RISK MANAGEMENT**Financial instruments**

The Company's financial instruments consist of cash and cash equivalents, 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.

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

METALLIS RESOURCES INC.**Notes to the Condensed Interim Financial Statements
For the nine-month period ended September 30, 2018
(Expressed in Canadian Dollars)**

12. FINANCIAL AND CAPITAL RISK MANAGEMENT (continued)

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 primarily consist of recoverable Canadian sales taxes, accrued interest and Canadian mineral exploration tax credits, and management believes the collectability 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 current liabilities of \$478,424 (December 31, 2017 - \$76,369), 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 exploration programs and working capital requirements over the ensuing year.

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 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 marketable securities. Based on the September 30, 2018 portfolio values, 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 \$8,663 (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.

METALLIS RESOURCES INC.**Notes to the Condensed Interim Financial Statements
For the nine-month period ended September 30, 2018
(Expressed in Canadian Dollars)**

13. CAPITAL MANAGEMENT

Capital is defined as the Company's net current assets. The Company's objectives when managing capital are to fund critical exploration work, meet its on-going liabilities, continue as a going concern, maintain creditworthiness and to ultimately maximize returns for shareholders over the long term. Meeting current and future liabilities and obligations as a non-revenue early stage explorer requires mid-term planning with respect to financing, by considering current and future cash needs and consideration of the Company's internal, exploration and financing risks at any particular time. The Company endeavors to maintain sufficient capital balances over the periods to alleviate unexpected cash flow shortfalls.

The capital for operations and property exploration has historically come primarily from proceeds from the issuance of common shares. Funds raised from equity financings and the sale of assets prior to 2017 was sufficient to continue early stage exploration of the Property and cover corporate overhead, without excess dilution to the shareholders due to the limited amounts of financing raised. In 2017 and 2018, higher equity prices and liquidity provided opportunities for the Company to complete several private placements at successively higher prices which served to mitigate excessive dilution, while funding its 2017/2018 exploration programs and working capital needs. Further financing may be required for the 2019 exploration season depending upon its scope.

There were no changes in the Company's capital management objectives during the period ended September 30, 2018.

The Company is not subject to externally imposed capital requirements.

14. EVENTS AFTER THE REPORTING PERIOD

Subsequent to September 30, 2018, 4,950 warrants were exercised for total proceeds of \$1,980.

15. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current presentation.