

METALLIS RESOURCES INC.
Management's Discussion and Analysis
Nine-month period ended September 30, 2019

Introduction

This Management Discussion and Analysis ("MD&A") is dated November 29, 2019 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, 2019 and the annual financial statements for the year ended December 31, 2018, 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, 2019, 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 Company's office located at Suite #604 - 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 or variable nouns 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 such 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 develop its mineral properties. Discussions regarding the future exploration of the Company's property presumes the assumption that necessary financings are successfully completed on reasonable and acceptable 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 a mineral exploration company with its primary focus on gold, copper, nickel, and silver in north-western 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. Twenty of the thirty 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. Over the past 3 years, the Company has spent approximately \$6.3 million on exploration of the Property, before BC tax credit offsets. The Property offers multiple targets and types of potential mineralization including high-grade gold, shear vein, porphyry gold-copper and magmatic nickel-copper. The various property targets and the exploration work done are discussed below under "Results of 2019 exploration program".

The Property is centered at 56°29' N latitude and 130°40' W longitude 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 Property is accessible by helicopter. The Company's exploration personnel use part of an existing camp approximately 12 km from the Property which is owned by Altagas Ltd. for operating its Forest Kerr hydroelectric project. The Property is proximate to several mines and advanced exploration projects, including Garibaldi Resources' 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 Company finished its 2019 drilling program on the Property on October 18, 2019, which saw 4,460 metres ("m") drilled this season. In 2018, drilling totalled 5,094m and an initial 1,648m was drilled in 2017, for a total to date of 11,202m. At the date of this report, the drilling assay results are pending.

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 in the exploration stage. As at September 30, 2019 the Company has incurred net cumulative acquisition and exploration costs of \$5,889,267 on the Property and has positive working capital of \$1,955,829.

Results of 2019 exploration program

The 2019 Phase I field exploration program (the “Program”) began on June 30, 2019 and focused on the high priority targets either previously identified by the Company or identified through off-season detailed data analysis. The Company’s largest and most experienced geological team to date carried out extensive geological mapping, prospecting, trenching as well as geochemical soil and rock sampling. Assays from most of the geochemical samples including rock chips and soils have been received and the results are discussed below. The Program resulted in the identification of three new targets including Eastern Cliff, the “Miles” porphyry cluster and a shear vein target in Thunder South. The Program also allowed the team to select the drill collar locations for the 2019 Phase II drilling program, which ran from September 6 to October 16. To date, the Company has only received 20% of the drilling assays and has started its internal review and interpretations of the results.

The Program was designed to:

- Outline the high-grade epithermal gold veins – found commonly along faults and near the periphery of the intrusive rocks;
- Evaluate the potential of nickel-rich massive sulphides like those found just to the north on Garibaldi Resources’ Nickel Mountain Property;
- Enable ground-based follow up of the large geophysical/geochemical anomalies that bear a distinct resemblance to signatures related to known porphyry copper/gold deposits; and
- Locate high-grade porphyry copper/gold mineralization within the Hawilson Monzonite (“HM”) and select drill collars for the 2019 drilling program.

The Program focused the geology, alteration distribution and structural setting of the high-priority targets at Kirkham property and resulted in the discovery of several un-mapped porphyry and alteration zones, leading to an east-west expansion of the HM complex with the following highlights:

- a) Confirmation of the continuity of porphyry style mineralization all along Adam Fault, which hosts the HM Complex;
- b) Discovery of a large 400m x 1000m porphyry stock at Miles, immediately to the north of Cliff target;
- c) Expanded the HM porphyry for another 300m to the east of Cliff target; and
- d) Discovery of a broad (400m x 400m) shear-vein zone along the retreating glacier at Thunder South.

The results of the Program as it relates to nickel-copper potential at the Thunder North target was announced on August 6, 2019. Following the earlier confirmation of the presence of olivine gabbros at Thunder North through petrographic work, the exploration team along with one of the Company's technical advisors, Dr. Peter Lightfoot, the founder/owner of Lightfoot Geoscience Inc., a consulting company providing services to companies exploring for magmatic nickel-cobalt-copper and precious metal ore deposits, spent five days on the Property to further evaluate Property-wide nickel potential, with the following highlights:

- a) Field investigations confirmed the presence of gabbros at the "K9" target within the Thunder North along the southwestern extension of the ~12km trend known as the Nickel Mountain Gabbro Complex;
- b) Ground-based follow-up on nickel sulphide targets was focused on mafic intrusions at both the "K9" target and the southern flank of the Lehto pluton which contains fragments of gabbro and may be the source of olivine gabbro boulders identified in the drainage;
- c) Mapping and prospecting identified outcropping Nickel Mountain-type leucocratic gabbros at "K9". Soil and selective rock-chip samples have been collected for geochemical and petrogenetic analysis. Depending on the results, the Company plans to carry out detailed studies aimed at the source of the mafic rocks and their potential to host magmatic nickel sulphide mineralization; and
- d) New gold target at Thunder South: Re-evaluation and mapping of the Hazelton stratigraphy has resulted in the discovery of a significant shear vein zone of at least 400m x 400m, part of a broader prospective area exposed by a receding glacier.

Key exploration targets

High Grade Gold Targets

Cole Target

The Cole target was first identified during the 2017 filed mapping and prospecting program. The target is represented by typical sub-alkalic porphyry intrusions emplaced as a swarm of north-east trending dikes leaving an alteration footprint extending for 1000m x 800m that had never been drilled. The mapping indicated a zonation pattern of shallow sericitic alteration (QSP), deeper Chlorite-Sericite alteration (SC) and peripheral propylitic (chlorite-epidote-carbonate) alteration. The contact zones of the HM as well as syn-mineral diorite and feldspar porphyry dikes reflect cm-scale massive sulphide veins and epithermal style sheeted quartz veins. The HM porphyry dikes transition outward into pyrite-pyrrhotite-gold veins.

In 2018, the Company drilled three holes totalling 1,301m. Highlights of that drilling program were as follows:

- KH18-18; the first ever drill hole at Cole, 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**. The lithology and alteration patterns in the drill core, surface geology and airborne 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 sulphide veins. The intercept occurred within mesothermal gold-pyrrhotite veins, which commonly transition outward into sheeted quartz-carbonate veins. (Metallis New Release - Nov 20, 2018)
- KH18-20 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 centimetre-scale gold-pyrrhotite veins as in KH18-19.

Building on last year's high-grade drill intercept of 137 g/t Au over 0.6m, in 2019 the exploration team outlined a 1 km long by 200m wide zone of NE oriented faults and epithermal veins along the Cole porphyry system. Over 200 continuous rock-chip samples were collected from 21 trenches excavated along the historic copper and gold geochemical anomalies. Several 2m intervals of continuous trench samples assayed anomalous gold ranging from **0.5 g/t to 1.25 g/t Au** in the Cole porphyry system. Based on those trench sampling results and other field exploration, Metallis drilled 4 holes at this target totaling 1,329m, for which assay results remain pending.

Etta Target

The Etta epithermal veins were first identified during the 2018 field mapping and prospecting. These veins occur at the northern end of the mineralized HM, immediately to the west of the Cole porphyry system. The exploration team outlined a narrow zone of NE-trending, sheeted quartz-carbonate-sulphide (Pyrite-Chalcopyrite) veins anomalous in gold, copper and silver. These veins are emplaced in silicified and sericitic to propylitic altered sedimentary rocks peripheral to the HM. A grab sample (Y060741) from one of the epithermal veins assayed **13.2 g/t Au, 795 g/t Ag, 0.5% Cu and 1.3% Zn** while a nearby wall-rock sample returned **1.14 g/t Au, 1.18% Cu and 67 g/t Ag**.

In 2019, Metallis exploration team initially excavated two trenches and collected continuous rock-chip samples for geochemical analyses. The assays highlight **18 g/t Au** over 0.2 meters in a drusy textured epithermal quartz veins, and **0.56 g/t Au** and **0.31% Cu** over 0.9m within massive pyrite-pyrrhotite veins. Metallis subsequently drilled 2 drill holes totaling 906m, for which the assay results are pending.

Thunder South Shear veins:

In 2019, the interpretation and ground follow up of VTEM resistivity and remote sensing alteration anomalies led to the discovery of a broad 400m² shear zone exposed by a receding glacier at Thunder South. The shear zone is characterized by intense folding, faulting and stringers of sulphides prospective for high-grade gold mineralization. The exploration carried out reconnaissance mapping focused on the structural fabric, shear patterns and orientation of the quartz-carbonate veins and collected 14 rock samples for geochemical analysis. Some of the quartz-carbonate and pyrite-arsenopyrite veins occurred at the interface of Rhyolite and mudstone units. The prospective area is approximately 1 km long by ½ km wide and remain open to the west and northwest for further exploration.

Porphyry Gold-Copper Targets

Cliff Porphyry System:

Cliff is a large porphyry copper-gold system with an alteration footprint of 3.0 km x ½ km, covering the southern portion of 7.5 km long HM complex within the Property. The Cliff porphyry system is proximate to the Triassic-Jurassic unconformity, referred to as the “Red Line” 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. (In 2014, Jeff Kyba, a former geologist with the B.C. government, theorized that geologic contact between Triassic age Stuhini rocks and Jurassic age Hazelton rocks is the key marker for copper-gold mineralization. That means most of the Golden Triangle’s deposits are found within 2 kilometers of this contact zone, which Kyba and his team dubbed “The Red Line”. His theory, published in a BC government paper, was significant because it was the first time anyone had tied the area’s discoveries together with a structural explanation).

In 2019, the Company drilled three holes at Cliff totalling 1,464m. This followed 6 drill holes in 2018 totalling 3,062m and 3 drill holes in 2017 totalling 1,040m. To date, the Company has drilled 5,566m at this target.

The assay results from the 2018 drilling program highlighted broad intervals of significant gold-rich mineralization associated with sericitic-potassic altered monzodiorite intrusions. These results confirmed the continuity of mineralization along this north-south oriented porphyry corridor which extend to a strike-length of 4 km between the Cliff and Nina porphyry centers. Specific 2018 drilling highlights were as follows:

- Extensive gold-copper intervals (**141m of 0.4 g/t Au** and **0.23% Cu** in hole KH18-16) are associated with HM dikes with intense potassic alteration, multi-generation veins and disseminated Cu-Fe-sulphides;
- Broad intercepts of gold-rich mineralization such as **37m 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 syn-mineral faults and contacts of the HM dikes; and
- Numerous 1-3m 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.

3D geological modeling and interpretation of Worldview 3 remote sensing data as well as surface mapping verified a ~60° eastward dip of the HM. This work doubled the width of the Cliff zone at the southern end of the Adam fault system with additional porphyry copper/gold potential to the east and southeast. The geology, structure and alteration distribution reflect that the potassic cores of the Cliff porphyry are at deeper levels than tested by most of the previous drill holes. In particular, the work has revealed that the porphyry system is apparently the source of high-grade gold (14 g/t Au in rocks) and the historic placer gold operation in the nearby Fewright Creek (Minfile 104B 223).

The 2019 drilling (assays pending) on the Cliff zone encountered typical sericitic, intermediate argillic and potassic alteration zones, multi-generation veins and Cu-sulphides associated with multi-phase porphyry intrusions and breccias. Structure played a key role in the spatial distribution

of porphyry intrusions, alteration intensities and concentration of sulphide mineralization. This demonstrates that previous operator's drilling was in the upper levels of porphyry copper-gold system and that the 2018-2019 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 faulted and brecciated contact zones and propylitic alteration rim around the system.

Miles Porphyry System:

In 2019, the eastward dip of the HM noted above led to the discovery of a major porphyry stock named the “Miles zone” immediately to the north of Cliff target. The Miles zone is represented by a large (600m x 300m) monzonite stock with systematic patterns of central potassic alteration surrounded by sericitic and distal propylitic alteration zones. The historical drilling by other operators at Miles consisted of 5 shallow holes which showed increasing copper-gold grades with depth, as well as alteration patterns typical of shallow level porphyry system. A series of sub-parallel sheeted quartz veins of epithermal origin in the northeast of the Miles zone correlates with high-grade gold mineralization. Chief Geologist, Dr. Raziqie stated “We have made a remarkable progress this field season, which allowed us to better understand the structural setting and design the drilling program. The 2019 drilling program at Miles consisted of total 761m in two drill holes, targeting fault bounded sericitic alteration and sulphide mineralization. Assay results remain pending.

Nina Porphyry System:

The Nina porphyry system, located about 1.5 km to the north of Cliff target, was first identified during the 2017 field mapping program, when most of the rock grab samples in this area returned values greater than 0.15% Cu and up to 0.67 g/t gold. 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.

In 2018, Metallis tested the continuity of the HM responsible for the gold-rich porphyry and epithermal mineralization. A 1 km step-out drill hole (KH18-17) at Nina totalling 344m discovered typical porphyry copper-gold mineralization over 180m of HM. This first pass drilling at Nina intersected the tip of an intense potassic alteration zone of 17m of 0.77 g/t gold-equivalent (“AuEq”) and 15m of hydrothermal breccia carrying 0.41 g/t AuEq mainly in a silicified and sulphide-rich matrix. (Gold equivalent values represent the combined assayed gold and copper values, converted to equivalent gold). Those assays confirmed the continuity of a 4 km long porphyry corridor allowing the Company to also expand on the known gold-rich mineralization at the Cliff porphyry system.

3D geological modeling and ground follow up work in 2019 established that the Nina porphyry system is associated with the eastward dipping (50°) HM dikes along Adam fault system. Field mapping and prospecting outlined the lateral extension of hydrothermal breccias, irregular gold-bearing quartz veins and sulphide lenses to the north. Further work and sampling are required to assess the porphyry and high-grade gold potential at the Nina target.

King East target:

The King East target is an extensive (2 km x 2 km) zone of north-south trending normal faults, magnetic and resistivity anomalies coincident with a strong copper-gold-moly geochemical signature in rocks and soil. The current Program included field traverses to establish the correlation of the available datasets. Late in the 2019 Program, the team conducted additional surface mapping

and selective rock sampling in areas under vegetation cover to better understand the geology and refine drill targets. The Company is evaluating the assay results from the 32 samples taken during the Program, of which 6 samples contained anomalous gold ranging from 0.3 -0.8 g/t Au.

3D geological modeling has indicated multiple, NE-trending, magnetic lineaments along normal faults coincident with a strong geochemical signature of anomalous gold, copper and molybdenite has identified an apparently deeper porphyry copper-gold system at King East which the company intends to test in the future.

Nickel Targets

Thunder North:

Following the discovery by Garibaldi Resources Corp. of massive Ni-Cu sulphide mineralization at its E&L (“Nickel Mountain”) Project towards the end of the 2017 field season, Metallis carried out initial 2017 exploration and identified a 200m x 200m wide diorite intrusive body cut by narrow, 1-5m thick mafic rocks (diorites/gabbros) interpreted to be slightly differentiated with up to 7.5 wt.% MgO. The prospect covers an area of approximately 10 sq. km, located immediately south of on the western flank of the Eskay Rift. The northern Property boundary shares over 10 km with Garibaldi, and the Nickel Mountain project is about 1.5 km north of the Property border. Thunder North is strategically located along the “Red line” in the western margin of the Eskay rift.

In 2017, the Company also drilled its initial hole (KH17-09) at Thunder North, collared adjacent to mafic intrusions to test a pyritic gossan within andesitic volcanic and diorite rocks. The drill hole intersected structurally controlled intense gossan along a composite intrusive pluton referred to as the “Lehto Pluton” hosted by Stuhini group rocks. The textural and mineralogical characteristics the intrusive rocks indicate the presence of mafic intrusions within the Lehto Pluton that 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 those at Nickel Mountain.

In 2018, to better understand the geology and geophysical signatures, the Company carried out several lithologic and remote sensing surveys to correlate with the downhole geology and selective core assays. The first batch of 25 thin section petrography was carried out at the University of British Columbia, Mineral Deposit Research Unit (“UBC/MDRU”), whereas the second batch of 55 thin sections study, including petrographic determination of 15 samples were conducted by Vancouver Petrographics.

Results of the petrographic analysis confirmed the presence of olivine gabbros in the Lehto Pluton; a source of the olivine gabbro floats with 25-26 wt.% MgO in the Harrymel Creek, adjacent to the Iliad prospect. The 2018 nickel exploration program at Thunder North also consisted of:

- A 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 the previous survey leading to achieve the vertical “Z” component of the VTEM response which indicates the depth of a conductor;
- Results of the above VTEM Survey generated 25 coincident conductive and magnetic anomalies, outside of the footprint of the Neogene volcanic center. This highlights the potential to identify conductive sulfide mineralization in association with magnetic gabbroic rocks; and

- A 5-day field mapping and prospecting program on the most intriguing geophysical anomalies in the Thunder North area. This program outlined extensive outcrops of the Hazelton Betty Creek unit of black shale to south near Terwilligan Creek. This is the stratigraphic position of Garibaldi's Nickel Mountain Gabbro Complex. Seventeen rock samples were also collected for thin section microscopy analysis; and
- Two drill holes of 195m and 191m depth tested coincident magnetic and electromagnetic anomalies at the edge of the Eocene volcanic center and encountered magnetite-rich volcanic rocks that explained the geophysical response.

For the 2019 Program, the exploration team led by Dr. Lightfoot generated a series of targets for follow-up based on the cluster of VTEM anomalies and the presence of olivine gabbro with 8.55% MgO, confirmed earlier in 2019. The field Program at Thunder North's "K9" zone identified a distinct zone of outcropping Nickel Mountain gabbros which were sampled for geochemical and petrogenetic analysis. This work indicated that olivine gabbros are more widely distributed along the western margin of Eskay Rift than previously thought. Dr. Lightfoot identified the "Lehto Pluton" and "K9 Creek" as the two highest-priority nickel targets in Thunder North. While the initial field program was focused on the lower flanks of the Lehto Pluton, targeting the ultramafic intrusions and potential magmatic sulfide mineralization, the 2nd phase exploration program in October discovered a series of gabbroic outcrops at the K9 zone located ~1.5 km southwest of the E&L deposit. A drill location was set up to test a subtle geophysical anomaly and potential differentiated olivine gabbros at K9 Creek. The proposed hole wasn't drilled due to poor weather and freezing temperatures at higher altitudes late in the season.

Metallis' Chief Geologist, Dr. Raziq commented "The differentiated mafic intrusions with taxitic to chaotic textures and breccias are recognized as an important feature of nickel sulphide ore deposits. Therefore, the "K9" zone warrants further evaluation of nickel-sulfide potential at Kirkham Property."

Community relations

In February 2019, the Company renewed its one-year Communications Agreement with the Tahltan Central Government ("TCG"), the administrative body of the Tahltan Nation, located in northwest British Columbia, whose traditional territory encompasses the Property. The initial Agreement was signed in February 2018. 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 in 2018 and received an update of the Company's exploration and drilling activities, its environmental and reclamation policies and standards, and its socio-economic measures related to local communities. In 2019, the timing did not allow for an elders' field visit, but the Company will be providing the TCG with a summary of exploration work done in 2019. The Company continues to participate in the regional job fairs and has hired Tahltans in each of its 2017-2019 field seasons. For more information about the TCG, visit www.tahltan.org.

Metallis reclaims its work sites including the drilling and helicopter landing pads once the exploration results have been thoroughly reviewed. During 2019, the Company removed and reclaimed 5 drill pads, and presently has 5 drill pads and 3 helicopter landing pads in place, which are expected to be used again during the next field season.

QAQC and Analytical Procedures

Metallis has adopted a rigorous quality assurance and quality control ("QA/QC") program to ensure best practices in sampling diamond drill core and surface rock chip and soil samples. Typical samples are approximately 1 kg of rock chips and/or soil samples, as well as 2m lengths of NQ size diamond drill core, which are delivered to ALS Global's preparation facility in Terrace, BC. The materials were initially 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. In addition to the internal QAQC program by ALS, Metallis inserted 10% lab certified standards, blanks and field duplicates into the overall sampling stream. ALS is a global testing, inspection and certification business with facilities and laboratories in dozens of global locations; and is an ISO/IEC 17025:2005 accredited laboratory independent of the Company.

New accounting standard: IFRS 16 – Leases

Introduction

This new standard on leases supersedes IAS 17, *Leases*, and related interpretations and sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard is effective for fiscal years beginning on or after January 1, 2019 and has therefore been adopted by the Company for the current fiscal year effective January 1, 2019. Its purpose is to report information that faithfully represents lease transactions and provides financial statement users with a base to assess the amount, timing, and uncertainties of cash flows arising from leases. The main effect of IFRS 16 is the introduction of a single lessee accounting model requiring a lessee to recognize assets and liabilities for almost all leases, effectively eliminating the off-balance sheet treatment of many leases that were historically classified as operating leases.

Rules and methodology

At inception, the Company assesses whether a contract is or contains a lease. The assessment involves the exercise of judgment about whether the lease depends on a specified asset, whether the Company obtains substantially all the economic benefits for the use of that asset during the lease term, and whether the Company has the right to direct the use of the asset. If the lease contains an extension option that the Company considers reasonably certain to be exercised, the term of lease for the purpose of adopting IFRS 16 becomes the base lease plus the renewal option, including any associated costs. If the lease includes a purchase option, the cost of the purchase is included in the calculation of lease payments. Lease payments may include fixed and variable components, and only non index-linked variable payments are excluded from IFRS 16, and such variable payments would be accounted for on an expense-as-incurred basis.

Once the leases and their terms are identified, the Company recognizes a right-of-use ("ROU") asset and a lease liability at the commencement of the lease. The lease liability is recognized as the present value of the net remaining lease payments, discounted at an interest rate otherwise required

if the asset was acquired through a financing arrangement, using the effective interest method. The ROU assets are initially measured based on the present value of the lease payments not yet made at the date of adoption, plus initial direct costs and obligations to refurbish the asset, less any incentives received. ROU assets are included in Property and equipment, and the lease liability is included in current and non-current lease liability.

Lease expenses which used to be recorded as operating expenses are now be accounted for as interest expense, depreciation, and operating expenses. Lease liabilities are subsequently reduced by the lease payments made and increased by the interest cost on the liability. Depreciation is typically recorded on the ROU asset on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset. The ROU assets are also subject to testing for impairment if there is an indicator for impairment.

When a company subleases a ROU asset, it shall classify the sublease as an operating lease only if the head lease is a short-term lease, and generally otherwise, as a finance lease. When the sublease is classified as a finance lease, the lessor derecognizes the ROU asset pertaining to the head lease that it transfers to the sublessee, at the sublease commencement date, but continues to account for the original lease liability. The sublessor recognizes a net investment in sublease and evaluates it for impairment and may use the discount rate in the head lease to measure the net investment in sublease. The Company recognizes finance income on the net investment in the lease, and income relating to variable lease payments not included in the measurement of the net investment in the lease.

Impacts from the adoption of IFRS 16

In applying IFRS 16 for the first time, the Company first considered the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with similar characteristics;
- accounting for operating leases than have remaining terms of less than 12 months as at January 1, 2019;
- the exclusion of low-value leases;
- the use of hindsight to determine lease terms where there exist options to extend or terminate;
- and
- the exclusion of initial direct costs in the measurement of ROU assets at the date of adoption

Accordingly, the Company elected not to recognize ROU assets and liabilities for leases where the total lease term is less than or equal to 12 months. The Company also elected, for certain low-value assets, to treat them as operating leases and to expense-as-incurred. The payments for such short-term and low-value leases are recognized in the statement of operations and comprehensive loss on a straight-line basis over the lease term. Furthermore, there were no adjustments required upon adoption of IFRS 16 for finance leases, as the Company did not have any leases previously classified as such on December 31, 2018.

The only finance leases identified are the Company's premises leases, which fall under the scope of IFRS 16. The Company was a party to an office lease on the date of adoption, and during the current period it entered into a new office lease contract and also entered into a sublease agreement for ½ of the office space. Upon adoption, the Company used the modified retrospective method, also known as the cumulative catch-up method, resulting in the recognition of a ROU asset and a lease liability on the date of adoption. This method did not require restatement of comparative figures.

The impact of IFRS 16 on the condensed interim financial statements of the Company are summarized in the following tables, and include the following lease transactions:

- a) In June 2018, the Company entered into a lease agreement for the use of office space until September 2020. The lease payments include a fixed portion of \$1,000 per month, increasing to \$1,042 in October 2019, and a variable cost portion, but only the fixed portion is within the scope of IFRS 16. Accordingly, a lease liability of \$18,139 was recognized on January 1, 2019, following the adoption of IFRS 16. The Company valued the ROU asset as being equal to the lease liability of \$18,139 on the date of adoption. The lease liability was measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate of 8%, as at January 1, 2019. The lease liability was included within current and long-term liabilities in the statements of financial position and was amortized over the lease term following the effective interest method, until its surrender on July 1, 2019 when the lease was terminated;
- b) On July 1, 2019, the Company entered into a new three-year lease in new premises at a fixed monthly cost of \$3,375. A lease liability of \$108,420 was recognized on July 1, 2019, with a corresponding ROU asset. The lease liability was measured at the present value of the remaining lease payments, also discounted at the Company's incremental borrowing rate of 8%. The lease liability is included within current and long-term liabilities in the statements of financial position and is amortized over the lease term following the effective interest method; and
- c) On July 1, 2019 the Company subleased ½ of its new office space to Etruscus Resources Corp. ("ETR"), a public company related by two common directors and a common officer, following the same terms as the head lease. The Company classified the sublease as a finance lease. One-half of the ROU value of \$108,420 that was recognized under the new lease was derecognized in respect of the sublease, for which a Net investment in sublease of \$54,210 was recorded and for which finance income is recognized over the term of the sublease.

A lease liability of \$18,139 was recognized on the date of adoption January 1, 2019, and is reconciled to the operating lease obligations as of December 31, 2018 as follows:

Operating lease obligations as of December 31, 2018	\$ 19,458
Discounting using the January 1, 2019 incremental borrowing rate	<u>(1,319)</u>
Lease liability recognized as of January 1, 2019	<u>\$ 18,139</u>
Current portion	\$ 10,050
Long-term portion	<u>8,089</u>
Total lease liability, January 1, 2019	<u>\$ 18,139</u>

The lease liability and its short and long-term portions as at September 30, 2019 are shown in the following table:

	Office lease 1/1/19 to 6/30/19	Office lease 7/1/19 to 9/30/19	Total
Balance at inception	\$ 18,139	\$ 108,420	\$ 126,559
Lease payments	(6,000)	(10,125)	(16,125)
Amortization of discount	637	2,047	2,684
Termination of lease July 1, 2019	(12,776)	-	(12,776)
Balance, end of period	\$ -	\$ 100,342	\$ 100,342
Short-term portion of lease liability	\$ -	\$ 33,970	\$ 33,970
Long-term portion of lease liability	-	66,372	66,372
Total lease liability	\$ -	\$ 100,342	\$ 100,342

Effects of IFRS 16 on the Company's condensed interim financial statements:

	Date of adoption January 1, 2019	As at September 30, 2019	Nine-months ended September 30, 2019
<i>Statements of financial position:</i>			
Property and equipment- Right of use asset	\$ 18,139	\$ 49,693	\$ 31,554
Net investment in sublease		50,171	50,171
Current liabilities	(10,050)	(33,970)	(23,920)
Long term liabilities	(8,089)	(66,372)	(58,283)
Deficit	-	478	478
	\$ -	\$ -	\$ -
<i>Statements of operations:</i>			
Operating expenses:			
Increase in depreciation			\$ 9,959
Decrease in rent expense			(16,125)
Net decrease in operating expenses:			(6,166)
Other:			
Increase in finance income			(1,103)
Increase in finance costs			2,684
Decrease in rental income			5,063
Net increase in loss for the period			\$ 478

Maturity analysis of long-term lease liability:

	2021	2022	Total
Long term lease liability	\$ 39,990	\$ 26,382	\$ 66,372

Maturity analysis of lease payments receivable and reconciliation to net investment in sublease:

	2019	2020	2021	2022	Total
Undiscounted lease payments receivable	\$ 8,723	\$ 34,891	\$ 34,891	\$ 17,445	\$ 95,950
Variable cost portion	(3,660)	(14,641)	(14,641)	(7,320)	(40,262)
Undiscounted finance lease payments	5,063	20,250	20,250	10,125	55,688
Finance income	(942)	(2,923)	(1,485)	(167)	(5,517)
Net investment in sublease	\$ 4,121	\$ 17,327	\$ 18,765	\$ 9,958	\$ 50,171

Rent and non-finance lease transactions for the period ended September 30, 2019:

	Lease Dated June 21, 2018	Lease Dated July 1, 2019	Sublease Dated July 1, 2019	Total
Sublease income: variable lease costs, recorded as a credit to rent expense	\$ -	\$ -	\$ (3,660)	\$ (3,660)
Variable lease costs not included in finance leases, recorded under rent expense	5,423	7,320	-	12,743
Other- rents expensed as incurred	-	-	-	166
Total net rent expense				\$ 9,249

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, 2018	Year Ended December 31, 2017	Year Ended December 31, 2016
Total assets	\$ 7,115,920	\$ 4,989,285	\$ 420,824
Total liabilities	(78,254)	(76,369)	(439,402)
Shareholders' equity (deficiency)	7,037,666	4,912,916	(18,578)
Major operating expense items			
Consulting fees	322,675	254,350	165,350
Investor relations	17,500	4,500	16,500
Advertising, marketing, promotion	159,066	45,397	10,411
Professional fees	80,981	42,976	29,625
Regulatory and transfer agent fees	80,439	25,484	18,768
Share-based compensation	1,115,162	295,895	172,946
Net loss	\$ (1,803,627)	\$ (473,290)	\$ (406,201)
Basic and diluted loss per share	\$ (0.06)	\$ (0.02)	\$ (0.02)

Analysis of annual cash flows:

In 2018, the Company raised a total gross amount of \$2,839,393 (2017 - \$5,267,204; 2016 - \$356,750) from issuing equity, of which \$2,181,713 (2017 - \$4,634,181; 2016 - \$311,000) was from private placements, \$39,000 (2017 - \$72,100; 2016 - \$7,500) was from the exercise of stock options and \$618,680 (2017 - \$560,923; 2016 - \$38,250) was from the exercise of warrants. Issuance expenses were \$26,178 (2017 - \$205,585; 2016 - \$5,360), all paid in cash. The Company completed two private placements in 2016, four private placements in 2017, and one private placement in 2018.

The Company spent \$3,240,800 (2017 - \$1,064,977; 2016 - \$134,861) on property exploration during the year, and \$671,986 (2017 - \$714,901; 2016 - \$263,912) on operating activities. Operating costs (not including share-based compensation which is a non-cash item), were \$774,734 (2017 - \$422,578; 2016 - \$273,953), or about \$64,000 (2017 - \$35,000; 2016 - \$23,000) per month. Overall, the Company's monthly operating costs have risen due to increases and expansion of exploration programs, personnel fees, communications and marketing activities, financings, the listing of the Company's shares on the OTCQB, and general corporate activities.

The Company ended 2018 with \$2,342,510 in cash and cash equivalents. During 2018, total accounts payable and accrued liabilities increased from \$58,764 to \$78,254, an increase of 33%, but total liabilities at December 31, 2018 equate to only 3.3% of cash and cash equivalents. In 2017, the Company reduced its total liabilities by \$363,033, or 83%

Analysis of annual operations for 2018 compared to 2017:

The Company's net loss in 2018 of \$1,803,627 is \$1,330,337 higher than 2017's net loss of \$473,290. The net loss is composed of share-based compensation of \$1,115,162 (2017 - \$295,895), other operating costs of \$774,734 (2017 - \$422,578), and other gains and income credits of \$86,269 (2017 - \$245,183). 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 (of which there are currently none), 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 the calculated amount was much larger in 2018 due to the much higher option grant prices of \$1.35 and \$1.05, compared to \$0.39 options granted in 2017. Higher other operating costs in 2018 are reflected primarily by consulting fees of \$322,675 (2017 - \$254,350), advertising marketing and promotion of \$159,066 (2017 - \$45,397), professional fees of \$80,981 (2017 - \$42,976) and regulatory and transfer agent fees of \$80,439 (2017 - \$25,484), which together account for 83% (2017 - 87%) of other operating costs. The other gains and income credits are composed of interest income from short-term money market investments, other income on settlement of flow-through share premium liability which reflects the Company's incurrence of sufficient qualifying flow-through exploration expenses, unrealized gains on marketable securities and gains from the reversals of other liabilities, as detailed in the statements of operations and comprehensive loss.

Regarding the increase in operating costs, advertising, marketing and promotion costs rose \$113,669 in 2018 compared to 2017 largely due to the costs of introducing Metallis to the US marketplace, which included participation in two US resource trade shows and the listing of the Company's shares on the OTCQB marketplace, as well as some magazine/periodical advertising; professional fees and regulatory and transfer agent fees together rose \$92,960 in 2018 of which \$78,109 related to the OTCQB listing costs; and consulting fees rose \$68,325 as corporate overhead increased to support the expanded exploration activity which more than doubled from 2017. Office and general expenses rose \$36,603 during the year due to increases in IT, printing, news dissemination costs, insurance and general supplies.

On August 1, 2018 the Company entered into an agreement with investor relations consultant Nicosia Capital Corp. ("Nicosia"), 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. On February 1, 2019, the agreement was extended for an additional 6-month term to July 31, 2019, with the same terms and conditions. Such fees were \$10,500 in each of Q2 and Q3 2019. The contract was renewed August 1, 2019 with a fee increase to \$4,500 per month effective October 1, 2019.

Quarterly Information

	Three Months Ended September 30, 2019	Three Months Ended June 30, 2019	Three Months Ended March 31, 2019	Three Months Ended December 31, 2018
Total assets	\$ 8,724,169	\$ 6,902,973	\$ 6,930,597	\$ 7,115,920
Total liabilities	(831,954)	(44,021)	(53,224)	(78,254)
Shareholders' equity	7,892,215	6,858,952	6,877,373	7,037,666
<i>Key operating expenses:</i>				
Advertising, marketing, promotion	19,555	10,215	14,740	105,365
Consulting fees	85,950	85,500	85,500	85,500
Professional fees	113	4,831	62	38,857
Regulatory and transfer agent	8,024	25,269	7,871	2,023
Share-based compensation	-	-	-	-
Net income (loss)	(88,866)	(152,971)	(160,293)	(281,378)
Earnings (loss) per share- basic	(0.00)	(0.00)	(0.00)	(0.01)

	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	7,317,064	7,220,455	7,146,058	4,912,916
<i>Key operating expenses:</i>				
Advertising, marketing, promotion	27,344	14,284	12,073	14,269
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

Results of Operations

Three months ended September 30, 2019 compared to three months ended June 30, 2019

The Company had a net loss for the current period of \$88,866 (Q2 2019 - \$152,971), composed of operating costs of \$163,232 (Q2 2019- \$160,591), net finance income of \$9,910 (Q2 2019 - \$11,370) and unrealized gain (loss) on marketable securities of \$10,125 (Q2 2019 - (\$3,750)), and other income on settlement of flow-through premium liability of \$54,331 (Q2 2019 - \$nil). Operating costs are comprised primarily of consulting fees of \$85,950 (Q2 2019 - \$85,500), regulatory and transfer agent fees of \$8,024 (Q2 2019 - \$25,269), office and general of \$25,588 (Q2 2019 - \$17,128), investor relations of \$10,500 (Q2 2019 - \$10,500) and advertising marketing and promotion of \$19,555 (Q2 2019 - \$10,215) which together represent 92% (Q2 2019 - 93%) of all operating expenses. Remaining operating costs include rent, depreciation, investor relations fees, professional fees and travel.

Consulting fees and investor relations fees did not significantly change as there were no changes to contracted individuals or fees. The Company has 3 full time and 4 part time contractors, unchanged since 2018.

Of note, regulatory and transfer agent fees were much higher in Q2 2019 as that period also included US\$12,000 for the annual OTCQB listing fee and the 2018 annual report filings on SEDAR.

Office and general expenses rose \$9,460 in the current quarter compared to Q2 2019, due to additional costs in respect of the move of the Company's office to new premises at the beginning of Q3 2019. Recurring costs include corporate and liability insurance premiums, communications, supplies, website and IT management, printing costs and dues, fees and subscriptions.

Management expects its operating costs, not including share-based compensation, to continue to be approximately \$160,000 per quarter, about 7% less than the 2018 average of \$172,000 per quarter, before share-based compensation. In 2018, the Company faced additional professional fees and filing fees related to its initial listing on the OTCQB, and most of these costs are non-recurring. However, maintaining the OTCQB listing and communicating with an expanding base of shareholders has increased other costs such as communications, advertising, marketing and promotion.

To date, no investor relations stock options have been granted to Nicosia, or any other individual or entity.

Net finance income is the total of interest income less finance expenses; the former is mainly from the Company's short-term GIC investments while the latter is the primarily interest on lease liabilities, amortized using the effective interest method.

The unrealized gains and losses on marketable securities relates to the Company's holdings of 225,000 Seahawk Ventures Corp. shares, listed on the CSE Exchange under the symbol "SHV", reflecting period-to-period fluctuations of the market price of SHV shares which the Company recognizes at each period end. The Company waited patiently for the liquidity required to dispose of shares, which are infrequent, and was able to sell all the SHV shares subsequent to September 30, 2019, for total proceeds of \$70,907, recording a capital gain on sale of \$23,657.

During Q3 2019, the Company completed the first tranche of a flow-through private placement consisting of 1,140,000 flow-through common shares issued at \$0.88 per flow-through common

share, recording proceeds of \$1,003,200 and issuance costs of \$6,691. A total of \$285,220 (Q2 2019 - \$134,550) was also received from the exercise of share-purchase warrants during the period. All of the warrants exercised in the current quarter Q3 were at \$0.40 per share except for 35,000 warrants exercised at \$0.80 per share, resulting in a total issuance of 295,050 common shares. All of the warrants exercised in Q2 were at \$0.35 per share except for 10,000 warrants exercised at \$0.40 per share, with a total of 383,000 shares issued. In Q2 2019, management, directors and officers exercised 302,444 warrants at \$0.35 per share for total proceeds of \$105,855.

Cash spent during the current period on the Property was \$1,102,704 (Q2 2019 - \$78,695). The filed exploration program began on June 30, 2019. Approximately 76% of the disbursements relate to drilling, helicopter support and camp accommodations with the largest component being drilling.

Three months ended September 30, 2019 compared to three months ended September 30, 2018:

The Company had a net loss during the period of \$88,866 (2018 - \$1,276,053). Operating costs comprise the largest component of net loss, being \$163,232 (2018 - \$1,285,058). The other items included in net income or loss include net finance income of \$9,910 (2018 - \$19,130), unrealized gain (loss) on marketable securities of \$10,125 (2018 - (\$10,125)) and other income on settlement of flow-through premium liability of \$54,331 (2018 - \$nil).

Total operating costs for the comparative period before share-based compensation were \$169,896, just 4% higher than the current period's operating costs. However, as shown on the condensed interim statements of operations, the line items comprising operating costs fluctuated to a greater degree according to the nature of operations. In particular, advertising, marketing and promotion declined 28% (due to a web-based email campaign in 2018 that was not renewed), office and general expenses rose 108%, (due largely to the move of the Company's office to new premises) and regulatory and transfer agent fees declined 69% (due to the higher costs in 2018 associated with the Company US OTCQB listing). Other lower value operating costs differed to a lesser extent between the two periods, such as investor relations fees which began in August 2018 and therefore the comparative period included only 2 months of fees compared to 3 months for the current quarter.

The Company's unrealized gain/loss on marketable securities reflects changes to the fair value at each period end for the 225,000 Seahawk Ventures ("SHV") shares held by the Company. The SHV share price has remained volatile due to the general lack of market liquidity and because of strategic corporate changes within SHV.

Nine months ended September 30, 2019 compared to nine months ended September 30, 2018:

The Company had a net loss of \$402,130 (2018 - \$1,522,249) for the nine-month period ended September 30, 2019. Operating costs were very similar over the current and comparative periods, being \$473,555 in 2019 and \$484,453 in 2018, before share-based compensation. The other income/expense items differed between the periods, consisting of net finance income, unrealized gain/loss on marketable securities and other income on settlement of flow-through share premium liability, as follows: Net finance income declined in 2019 to \$33,969 from \$51,886 in 2018 due to lower cash and cash equivalent balances, which yielded less interest income. The unrealized loss on marketable securities was \$16,875 in 2019 and in 2018 an unrealized gain of \$7,875 was recorded, a comparative difference of \$24,750, due to fluctuating market values of the Company's holdings of SHV, expected from an early stage exploration company in a low-liquidity trading environment. Finally, other income on settlement of flow-through premium liability was \$54,331 in 2019 and \$17,605 in 2018. These amounts reflect the Company's incurrence of sufficient qualifying exploration expenses during the respective periods, which "flow" to the investors in

flow-through private placements, reducing the liability which was accrued at the time of the issuance of flow-through common shares.

Although the nine-month operating expenses, net of share-based compensation, only declined in 2019 by 2%, the individual sub-components experienced more volatile changes, and an analysis of these components provides better insight and understanding of how the expenses differed between the quarters. The largest changes occurred with investor relations fees (increased \$24,500), office and general (increased \$24,038), professional fees (decreased \$37,118) and regulatory and transfer agent fees (decreased \$37,252). Smaller decreases occurred with advertising, marketing and promotion and rent, while smaller increases occurred with consulting fees, depreciation and travel.

Investor relations fees rose because the IR contract with Nicosia was signed only in the last two months of the comparative period and has continued at the same rate through the end of the current period. Office and general expenses rose mainly because of the move of the Company's office in the current period including moving costs and some new equipment, but also because of IT systems upgrades, higher insurance premiums and higher dues and subscriptions. Professional fees and regulatory and transfer agent fees were both much higher in 2018 due to initial costs of listing on the OTCQB marketplace; specifically, in the 2018 comparative period, \$42,310 was spent on US listing fees and \$26,674 on associated legal and US advisory fees, which together comprise 93% of the combined decrease of these two expense items in 2019.

Net cash inflows from equity transactions were \$2.8 million in 2018 and \$1.4 million in 2019. Most (77%) of 2018 inflows were from private placements and 22% was from the exercise of share purchase warrants, with 1% from stock options exercised. In 2019 however, 71% of the inflows were from the first tranche of the flow-through private placement with the balance of 29% from the exercise of share purchase warrants.

Cash outflows expended on the Property were \$1,336,311 in 2019 and \$2,163,007 in 2018. Higher property disbursements in 2018 are the result of several factors: in 2018 the Company purchased a 2% NSR royalty which cost US \$300,000 (\$401,069), completed VTEM surveys totalling \$106,263 and began its drilling program at the end of July while in 2019, the drilling program began mid-August. The ½ month difference in drilling start dates resulted approximately \$100,000 of additional camp costs and \$130,000 of additional helicopter support for the period ended September 30, 2018.

The purchase of the NSR royalty in June 2018, which applied to two mineral claims, secured 100% unencumbered ownership over several critical target areas of the Property, including the entire 7.5 km length of the HM which contains the Cliff, Nina, Cole, King East, Natt, Etta and Rhyolite Ridge targets.

Cash used in operating activities was \$615,908 in 2019 and \$708,155 in 2018. If not for net amounts of \$189,976 paid on behalf of related party ETR, the current year cash used in operating activities would be \$425,932. (Refer to "Directors, Officers and Management" section in the following pages for details on payments made on behalf of ETR). The higher level of disbursements in 2018 included a \$75,000 prepaid tradeshow sponsorship and \$165,251 difference in the net change in accounts payable and accrued liabilities, together comprising \$240,251 of the \$282,223 difference.

Liquidity and capital management

The Company has no commercial operations or source of revenue, no material 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. 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, 2019.

The Company remains well funded, raising sufficient funds in 2017 and early 2018 to finance its exploration and drilling programs and its overhead needs through 2019. The Company's working capital at the date of this report is \$1.8 million as follows:

<u>Working capital, November 29, 2019</u>	
	(\$000's)
Cash and cash equivalents	\$ 1,449
Receivables	69
Due from related party	201
BC tax credit receivable	545
Current liabilities *	(451)
	<hr/>
Total net working capital	<u>\$ 1,813</u>

* Note – current liabilities includes \$408,000 of flow-through premium liability which is reduced by the incurrence of qualifying exploration expenditures and not through repayment of any specific debt or instrument.

The Company, to the date of this report, has incurred approximately \$920,000 of flow-through eligible expenses and pursuant to the \$1.855 million flow-through private placement completed subsequent to September 30, 2019, will be spending the remaining unexpended flow-through funds of approximately \$935,000 on eligible property expenditures over the ensuing year. This leaves approximately \$878,000 of current net working capital available for further property work and general working capital needs over the ensuing year.

Outstanding share information

The total number of common shares outstanding as of the date of this report is 36,155,767 shares, an increase of 968,638 from September 30, 2019, due to the subsequent completion of a flow-through private placement at \$0.88 per flow-through share, by the issuance of 968,638 shares for proceeds of \$852,401.

Stock options

At the date of this report, there are 3,035,000 stock options outstanding, unchanged from September 30, 2019 as follows:

<u>Expiry Date</u>	<u>Number of Options</u>	<u>Vested and exercisable</u>	<u>Exercise Price (\$)</u>
April 23, 2021	1,175,000	1,175,000	0.10
August 18, 2022	760,000	760,000	0.39
July 13, 2023	1,000,000	1,000,000	1.35
August 9, 2023	100,000	100,000	1.05
Total outstanding options	3,035,000	3,035,000	

Warrants

As at the date of this report, there are 948,571 share purchase warrants outstanding as follows:

<u>Warrants outstanding at September 30, 2019</u>	<u>Number of Warrants expired</u>	<u>Number of Warrants Exercised</u>	<u>No. of warrants Outstanding November 29, 2019</u>	<u>Exercise Price per share</u>	<u>Expiry Date</u>
1,000,000	(1,000,000)	-	-	1.50	October 6, 2019
948,571	-	-	948,571	1.60	January 26, 2021
1,948,571	(1,000,000)	-	948,571		

Directors, Officers and Management

The directors of the Company 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).

During the period ended September 30, 2019, there were no changes to the Company's Board of Directors. Within the management team however, corporate secretary Mrs. Sameen Oates resigned on June 30, 2019 from her position and was appointed office manager through September 30, 2019. Her corporate secretarial duties are being managed by the CFO.

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 provided general administrative services, bookkeeping and corporate secretarial services to the Company up to June 30, 2019.
- 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 nine-month period ended September 30, 2019	Transactions for the year ended December 31, 2018	Balance payable as at September 30, 2019	Balance payable as at December 31, 2018
Avanti Consulting Inc.	(a)	\$ 99,000	\$ 125,000	\$ -	\$ -
Lever Capital Corp.	(b)	63,000	77,000	-	-
Corporate Secretary	(c)	43,800	82,000	-	-
D.G. Dupre and Associates Inc.	(d)	45,000	60,000	-	-
Total		\$ 250,800	\$ 344,000	\$ -	\$ -

Other related party transactions

During the nine-month period ended September 30, 2019, directors, officers and management exercised 302,444 warrants at \$0.35 per share for total proceeds of \$105,855, all during Q2 2019.

The Company has also recorded receivables from ETR arising primarily from exploration expenses paid on ETR's behalf. At no time did the Company advance any cash to ETR. ETR utilized some of the Company's exploration subcontractor relationships, mainly involving its work camp arrangements. ETR was listed on the CSE Exchange in January 2019 with a qualifying property located in BC's Golden Triangle. It began working on its property in April 2019 and completed its field season early in October 2019. For the upcoming 2020 exploration season, ETR expects to have all critical vendor relationships in place and directly pay for all of its exploration expenses going forward.

ETR and the Company also share an office and the Company expects general day-to-day operations to occasionally have receivable or payables due from or to ETR. The following schedule shows the nature of costs incurred on behalf of ETR during the period and the amounts received:

Amounts due from ETR:	Paid on behalf of ETR during the nine-months ended September 30, 2019	Amounts received	Balance receivable as at September 30, 2019	Balance receivable as at December 31, 2018
Exploration costs:				
Camp and accommodations	\$ 183,032	\$ 31,386	\$ 151,646	\$ -
Helicopter	66,677	41,801	24,876	-
Other exploration	21,765	11,867	9,898	-
Office rent and administration	19,249	15,693	3,556	-
Total	\$ 290,723	\$ 100,747	\$ 189,976	\$ -

The Company has received an undertaking from ETR to repay the amounts owing, firstly out of its next financing transaction, and should it be insufficient then the balance will be repaid out of each consecutive subsequent financing transaction until such amounts are repaid.

Off Balance Sheet Arrangements

As of the date of this report, the Company does not have any long-term commitments or 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. Leases, formerly treated as off-balance sheet arrangements, are now subject to accounting standard IFRS 16 as of January 1, 2019, with lease liabilities and right-of-use asset amounts recognized on the balance sheet.

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 materialize or occur, 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 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 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.

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

Although the Company conducts title reviews of its properties in accordance with industry practice, 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 claim 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.

Industry and mineral exploration risks

Mineral exploration is highly speculative in nature, involves many risks and is frequently non-productive. There is no assurance that the Company's exploration efforts will be successful. At present, the Company's Property does not contain any proven or probable reserves. Success in establishing reserves is a result of several factors, including the quality of the project itself. Substantial expenditures are required to establish reserves or resources through drilling, to develop metallurgical processes, to develop the mining and processing facilities and infrastructure at any site chosen for mining. Because of these uncertainties, no assurance can be given that planned exploration programs will result in the establishment of mineral resources or reserves. Furthermore, the Company may be subject to industry risks which could not be reasonably predicted in advance, such as labour disputes, natural disasters, or estimation errors.

Community relations

Public scrutiny of mining projects has brought corporate social responsibilities, community relations and ethics into strategic planning. Community and public support for continued exploration and future mine development requires public engagement and involvement of key 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.

Financial instruments

Financial instruments consist of financial assets and financial liabilities which are initially recognized at fair value along with, in the case of a financial asset or liability not recognized at fair value through profit and loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit and loss. Finance income and finance costs arising from financial assets and financial liabilities respectively, are also recorded in profit and loss.

The Company classifies its financial assets and financial liabilities in the following measurement categories:

- i) those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss); and
- ii) those to be measured at amortized cost.

The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding, are generally measured at amortized cost at the end of subsequent accounting periods. All other financial assets are measured at their fair values at the end of subsequent accounting periods, with any changes taken through profit and loss or other comprehensive income (loss).

Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at fair value through profit or loss (irrevocable election at the time of recognition). Any fair value changes due to credit risk for liabilities designated at fair value through profit and loss are recorded in other comprehensive income (loss).

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

The Company has implemented the following classifications for financial instruments:

The Company's financial assets are cash and cash equivalents, receivables, due from related party, deposits, marketable securities and net investment in sublease. Cash and cash equivalents and marketable securities are classified as assets at fair value through profit and loss, and any changes to fair value subsequent to initial recognition are recorded in profit or loss for the period in which they occur. All other financial assets are measured and classified as amortized cost. The fair values of these financial instruments approximate their carrying value due to their short-term maturities.

Financial liabilities comprise accounts payable, due to related party and lease liability which are all measured at amortized cost using the effective interest rate method.

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, with fair value measurement derived from valuation techniques.

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

Critical judgements and estimates

In preparing these condensed interim financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those described in the annual financial statements for the year ended December 31, 2018, except for the new significant judgements related to lessee and lessor accounting under IFRS 16. These new judgements primarily included evaluating the appropriate discount rate to use to discount the lease liabilities and net investment in sublease, the determination of the lease term, and assessing if the Company was reasonably certain that it would exercise any lease renewal option. Significant judgements, estimates and assumptions regarding these factors affect the present value of the lease liabilities, the value of the right-of-use assets, the value of the net investment in sublease and the amounts recognized in income and expense, including depreciation, rent expense, finance expense and finance income.

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 consists of recoverable Canadian sales taxes, accrued interest and Canadian mineral exploration tax credits receivable, and management believes the collectability of all of these amounts to be assured. Amount due from related party is also considered at low risk of default, due to management having some influence over the operations of the counterparty, the receipt of an undertaking from ETR to repay the amounts owing out of its next financing transaction(s) and the early stage of ETR's exploration cycle. Accordingly, collection of amount due from related party is also believed 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, 2019, the Company has cash and cash equivalents of \$1,790,280 (December 31, 2018 - \$2,342,510) to settle total liabilities of \$831,954 (December 31, 2018 - \$78,254). The only long-term liability is a lease liability of \$66,372 that matures in 2022 and is only 2.4% of current assets at September 30, 2019 and less than 10% of short-term liabilities. Accordingly, a sensitivity analysis of long-term maturities is not presented. However, a maturity table of this liability is included under the section "New accounting standard: IFRS 16 -Leases" earlier in this MD&A. Management believes that the Company has sufficient liquidity for its 2020 exploration programs and its working capital needs over the ensuing year, but may need more financing depending upon the scope of 2020 exploration to be undertaken.

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 necessary 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, and the scope of such programs.

Interest rate risk

The Company is not exposed to risk in the event of interest rate fluctuations. The Company has no material 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, 2019 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 \$6,638 (December 31, 2018 - \$8,325) 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 Company's condensed interim financial statements for the three and nine-month periods ended September 30, 2019, are the responsibility of management. In the preparation of these reports, judgements and estimates are sometimes necessary to make a determination of future value for certain assets or liabilities. Management believes such judgements and estimates have been carefully exercised and are 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.

Corporate Governance

The Company's Board of Directors and its committees substantially follow the recommended corporate governance guidelines for public companies to ensure transparency and accountability to the shareholders. The current Board of four individuals is comprised of two independent members and two executive officers. The audit committee consists of three members comprised of two independent directors and the chief executive officer. The compensation committee consists of three members, of which two are independent, and the health, safety, environment and social responsibility committee consists of two members.