

**METALLIS RESOURCES INC.**  
**Condensed Interim Financial Statements**  
**September 30, 2020**

**(Expressed in Canadian Dollars)**

**METALLIS RESOURCES INC.**  
**Index to Condensed Interim Financial Statements**  
**For the nine-month period ended September 30, 2020**  
**(Expressed in Canadian Dollars)**  
**(Unaudited – prepared by management)**

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## **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 represent 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)

	September 30, 2020 <i>(unaudited)</i>	December 31, 2019 <i>(audited)</i>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 760,824	\$ 1,593,629
Receivables <i>(Note 3)</i>	91,019	862,775
Deposits and prepaid expenses <i>(Note 4)</i>	44,911	15,217
Due from related party <i>(Note 10)</i>	5,497	-
Total current assets	902,251	2,471,621
Property and equipment <i>(Note 5)</i>	40,186	57,150
Exploration and evaluation assets <i>(Notes 6 and 10)</i>	7,858,770	6,294,644
Net investment in sublease <i>(Note 7)</i>	33,186	46,051
<b>Total assets</b>	<b>\$ 8,834,393</b>	<b>\$ 8,869,466</b>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable and accrued liabilities <i>(Note 7)</i>	\$ 520,455	\$ 71,131
Lease liability <i>(Note 7)</i>	36,790	34,654
Due to related party <i>(Note 10)</i>	-	943
Flow-through premium liability <i>(Note 8)</i>	-	227,786
Total current liabilities	557,245	334,514
Lease liability <i>(Note 7)</i>	29,583	57,448
<b>Total liabilities</b>	<b>586,828</b>	<b>391,962</b>
<b>EQUITY</b>		
Share capital <i>(Note 9)</i>	15,258,506	15,258,506
Share subscriptions <i>(Note 9)</i>	10,000	-
Equity reserves	3,478,431	3,478,431
Deficit	(10,499,372)	(10,259,433)
<b>Total equity</b>	<b>8,247,565</b>	<b>8,477,504</b>
<b>Total liabilities and equity</b>	<b>\$ 8,834,393</b>	<b>\$ 8,869,466</b>

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 25, 2020

Fiore Aliperti DirectorMichael Sikich Director*The accompanying notes are an integral part of these condensed interim financial statements.*

## METALLIS RESOURCES INC.

## Condensed Interim Statements of Operations and Comprehensive Income (Loss)

For the three and nine-month periods ended September 30, 2020 and 2019

(Expressed in Canadian Dollars)

(Unaudited – prepared by management)

	<i>Three months ended September 30, 2020</i>	<i>Three months ended September 30, 2019</i>	<i>Nine months ended September 30, 2020</i>	<i>Nine months ended September 30, 2019</i>
<b>Operating Expenses:</b>				
Advertising, marketing, promotion	\$ 53,483	\$ 19,555	\$ 74,296	\$ 44,510
Consulting fees ( <i>Note 10</i> )	95,000	85,950	254,720	256,950
Depreciation ( <i>Note 5</i> )	5,654	6,157	16,964	13,303
Investor relations	13,500	10,500	40,500	31,500
Office and general	23,313	26,588	52,198	60,733
Professional fees	1,232	113	5,007	5,006
Regulatory and transfer agent fees	4,010	8,024	32,281	41,164
Rent	4,712	3,952	12,270	9,249
Travel	572	2,393	9,463	11,140
Total operating expenses	(201,476)	(163,232)	(497,699)	(473,555)
Interest income	7,654	10,854	32,298	35,550
Finance income on sublease	688	1,024	2,322	1,024
Amortization of discount	(1,377)	(1,968)	(4,646)	(2,605)
Other income on settlement of flow-through premium liability ( <i>Note 8</i> )	204,895	54,331	227,786	54,331
Unrealized gain (loss) on marketable securities	-	10,125	-	(16,875)
<b>Income (Loss) and comprehensive income (loss) for the period</b>	<b>\$ 10,404</b>	<b>\$ (88,866)</b>	<b>\$ (239,939)</b>	<b>\$ (402,130)</b>
Basic and diluted loss per common share	\$ 0.00	\$ (0.00)	\$ (0.01)	\$ (0.01)
Weighted average number of common shares outstanding:				
Basic and diluted	36,155,767	33,836,409	36,155,767	33,315,670

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

**METALLIS RESOURCES INC.**

**Condensed Interim Statements of Changes in Equity**

**(Expressed in Canadian Dollars)**

**(Unaudited – prepared by management)**

	<i>Share Capital</i>		<i>Equity Reserves</i>	<i>Share Subscriptions</i>	<i>Deficit</i>	<i>Total</i>
	<i>Number of Shares</i>	<i>Amount</i>				
<b>Balance at December 31, 2018</b>	<b>32,986,079</b>	<b>\$ 13,458,267</b>	<b>\$ 3,478,431</b>	<b>\$ -</b>	<b>\$ (9,899,032)</b>	<b>\$ 7,037,666</b>
Proceeds from private placement	1,140,000	1,003,200	-	-	-	1,003,200
Share issuance costs	-	(6,691)	-	-	-	(6,691)
Proceeds from exercise of warrants	1,061,050	419,770	-	-	-	419,770
Flow-through share premium liability	-	(159,600)	-	-	-	(159,600)
Loss for the period	-	-	-	-	(402,130)	(402,130)
<b>Balance at September 30, 2019</b>	<b>35,187,129</b>	<b>\$ 14,714,946</b>	<b>\$ 3,478,431</b>	<b>\$ -</b>	<b>\$ (10,301,162)</b>	<b>\$ 7,892,215</b>
Proceeds from private placement	968,638	852,401	-	-	-	852,401
Share issuance costs	-	(6,318)	-	-	-	(6,318)
Flow-through share premium liability	-	(302,523)	-	-	-	(302,523)
Income for the period	-	-	-	-	41,729	41,729
<b>Balance at December 31, 2019</b>	<b>36,155,767</b>	<b>\$ 15,258,506</b>	<b>\$ 3,478,431</b>	<b>\$ -</b>	<b>\$ (10,259,433)</b>	<b>\$ 8,477,504</b>
Share subscriptions	-	-	-	10,000	-	10,000
Loss for the period	-	-	-	-	(239,939)	(239,939)
<b>Balance at September 30, 2020</b>	<b>36,155,767</b>	<b>\$ 15,258,506</b>	<b>\$ 3,478,431</b>	<b>\$ 10,000</b>	<b>\$ (10,499,372)</b>	<b>\$ 8,247,565</b>

*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, 2020 and 2019

(Expressed in Canadian Dollars)

(Unaudited – prepared by management)

	2020	2019
<b>Cash flows provided by (used in) operating activities</b>		
Loss for the period	\$ (239,939)	\$ (402,130)
Items not affecting operating cash:		
Interest income	(32,298)	(32,945)
Finance income	(2,322)	(1,024)
Other income on settlement of flow-through share premium liability	(227,786)	(54,331)
Amortization of discount	4,646	(2,685)
Unrealized loss on marketable securities	-	16,875
Depreciation	16,964	13,303
Changes in non-cash working capital items:		
Receivables	(18,287)	(55,083)
Deposits and prepaid expenses	(29,694)	16,298
Accounts payable and accrued liabilities	(13,889)	(75,790)
Due from related party	(5,497)	(189,976)
Due to related party	(943)	-
Net cash used in operating activities	<u>(549,045)</u>	<u>(615,908)</u>
<b>Cash flows provided by (used in) investing activities</b>		
Investment in exploration and evaluation assets	(1,100,913)	(1,336,311)
Purchase of equipment	-	(11,581)
BC METC tax credits received	809,081	-
Interest received	13,260	4,693
Proceeds from investment in sublease	15,187	4,039
Net cash used in investing activities	<u>(263,385)</u>	<u>(1,339,160)</u>
<b>Cash flows provided by (used in) financing activities</b>		
Share subscriptions	10,000	-
Share capital issued	-	1,422,970
Share issuance costs	-	(6,691)
Lease payments	(30,375)	(13,441)
Net cash provided by (used in) financing activities	<u>(20,375)</u>	<u>1,402,838</u>
Decrease in cash and cash equivalents during the period	(832,805)	(552,230)
Cash and cash equivalents, beginning of period	<u>1,593,629</u>	<u>2,342,510</u>
<b>Cash and cash equivalents, end of period</b>	<u>\$ 760,824</u>	<u>\$ 1,790,280</u>

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, 2020  
(Expressed in Canadian Dollars)**

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**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”, on the OTCQB Venture Market under the symbol "MTLFF", and on the Frankfurt Boerse under the symbol “OCVM”. The Company’s registered and head office is located at Suite #604 - 850 West Hastings Street, Vancouver, British Columbia, Canada, V6C 1E1, and its website is at [www.metallisresources.com](http://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 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**

On March 11, 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak has continued to spread resulting in adverse public health developments. It has adversely affected global workforces, economies, and financial markets, triggering an economic downturn. It is not possible at this time for the Company to predict the duration or magnitude of the adverse results of the outbreak nor its future impacts on the Company’s business or operations. However, 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 operating 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.

Fundraising may be undertaken from time to time, and may include private placements, convertible debentures, third party earn-ins or joint ventures using debt or equity financing structures. 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, 2020  
(Expressed in Canadian Dollars)**

2. SIGNIFICANT ACCOUNTING POLICIES

The Company's accounting policies 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 condensed interim financial statements have been prepared on a historical cost basis, except for certain financial instruments which are recorded at fair value. In addition, these condensed interim 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, 2019. 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, 2019 annual financial statements.

3. RECEIVABLES

	<b>September 30, 2020</b>	December 31, 2019
Recoverable sales taxes - Canada	\$ 71,470	\$ 41,540
Accrued interest	19,549	511
BC Mineral Exploration Tax Credits	-	820,148
Other receivables	-	576
<b>Total receivables</b>	<b>\$ 91,019</b>	<b>\$ 862,775</b>

4. DEPOSITS AND PREPAID EXPENSES

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

	<b>September 30, 2020</b>	December 31, 2019
Prepaid internet marketing fees	\$ 20,368	\$ -
Exploration subcontractor prepayment	15,000	-
Rental deposit	6,040	6,040
Prepaid insurance	1,483	8,158
Prepaid storage	2,020	1,019
<b>Total deposits and prepaid expenses</b>	<b>\$ 44,911</b>	<b>\$ 15,217</b>

## METALLIS RESOURCES INC.

**Notes to the Condensed Interim Financial Statements**  
**For the nine-month period ended September 30, 2020**  
**(Expressed in Canadian Dollars)**

## 5. PROPERTY AND EQUIPMENT

	<i>Right-of-use assets</i>	<i>Furniture &amp; fixtures</i>	<i>Computers and software</i>	<i>Total</i>
<b>Cost:</b>				
Balance, December 31, 2018	\$ -	\$ -	\$ 18,024	\$ 18,024
Initial recognition of ROU asset upon adoption of IFRS 16	18,139	-	-	18,139
Additions	115,038	3,692	1,272	120,002
Derecognition due to sublease	(54,210)	-	-	(54,210)
Lease termination	(18,139)	-	-	(18,139)
Balance, December 31, 2019 and September 30, 2020	<u>\$ 60,828</u>	<u>\$ 3,692</u>	<u>\$ 19,296</u>	<u>\$ 83,816</u>
<b>Accumulated depreciation:</b>				
Balance, December 31, 2018	\$ -	\$ -	\$ 12,635	\$ 12,635
Depreciation for the year	15,580	462	3,431	19,473
Lease termination	(5,442)	-	-	(5,442)
Balance, December 31, 2019	10,138	462	16,066	26,666
Depreciation for the period	15,207	424	1,333	16,964
Balance, September 30, 2020	<u>\$ 25,345</u>	<u>\$ 886</u>	<u>\$ 17,399</u>	<u>\$ 43,630</u>
<b>Net book values:</b>				
December 31, 2019	\$ 50,690	\$ 3,230	\$ 3,230	\$ 57,150
<b>September 30, 2020</b>	<u><b>\$ 35,483</b></u>	<u><b>\$ 2,806</b></u>	<u><b>\$ 1,897</b></u>	<u><b>\$ 40,186</b></u>

## METALLIS RESOURCES INC.

**Notes to the Condensed Interim Financial Statements  
For the nine-month period ended September 30, 2020  
(Expressed in Canadian Dollars)**

## 6. EXPLORATION AND EVALUATION ASSETS – Kirkham Property

Balance, December 31, 2018	\$ 4,063,688
<i>Additions:</i>	
Accommodations and camp	315,091
Assays and lab analysis	132,168
Community relations	42,664
Drilling	908,328
Field expenses and core shack	24,270
Geological and geophysical	357,171
Helicopters and aircraft support	733,201
Licenses, claim fees and permits	34,265
Recovery of expenses	(316,202)
Balance, December 31, 2019	\$ 6,294,644
<i>Additions:</i>	
Accommodations and camp	266,923
Assays and lab analysis	11,727
Community relations	43,661
Drilling	406,982
Field expenses and core shack	2,094
Geological and geophysical	393,786
Helicopters and aircraft support	396,967
Licenses, claim fees and permits	55,919
Recovery of expenses- net	(13,933)
Subtotal	1,564,126
<b>Balance, September 30, 2020</b>	<b>\$ 7,858,770</b>

**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, re-staking and acquisitions from third parties. Twenty (20) of the mineral claims are subject to third-party Net Smelter Return (“NSR”) royalties of 2%.

Recovery of expenses is primarily composed of BC Mineral Exploration Tax Credits receivable or received but may also include provincial tax overpayments, vendor reimbursements, and recoveries of shared expenses, as applicable.

No impairments on the Property were observed during the period ended September 30, 2020 or the year ended December 31, 2019.

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 its mineral claims and properties are in good standing.

## METALLIS RESOURCES INC.

**Notes to the Condensed Interim Financial Statements  
For the nine-month period ended September 30, 2020  
(Expressed in Canadian Dollars)**

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## 7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES AND LEASE LIABILITY

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

	<b>September 30, 2020</b>	December 31, 2019
Accounts payable	<b>\$ 520,455</b>	\$ 41,131
Accrued liabilities	-	30,000
	<b>\$ 520,455</b>	\$ 71,131

Lease liability is calculated as follows:

Balance at lease inception July 1, 2019	\$ 108,420
Lease payments	(20,250)
Amortization of discount	<u>3,932</u>
Balance, December 31, 2019	92,102
Lease payments	(30,375)
Amortization of discount	<u>4,646</u>
Balance, September 30, 2020	<u>\$ 66,373</u>

Allocation of lease liability:

	<b>September 30, 2020</b>	December 31, 2019
Short-term portion of lease liability	<b>\$ 36,790</b>	\$ 34,654
Long-term portion of lease liability	<b>29,583</b>	\$ 57,448
	<b>\$ 66,373</b>	\$ 92,102

Maturity analysis of remaining lease payments payable as at September 30, 2020:

	<i>2020</i>	<i>2021</i>	<i>2022</i>	<i>Total</i>
Lease liability repayments by year	<u>\$ 8,925</u>	<u>\$ 37,530</u>	<u>\$ 19,918</u>	<u>\$ 66,373</u>

**METALLIS RESOURCES INC.**

**Notes to the Condensed Interim Financial Statements  
For the nine-month period ended September 30, 2020  
(Expressed in Canadian Dollars)**

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES AND LEASE LIABILITY (continued)

Maturity analysis of lease payments receivable, reconciled to net investment in sublease as at September 30, 2020:

	<i>2020</i>	<i>2021</i>	<i>2022</i>	<i>Total</i>
Undiscounted lease payments receivable	\$ 8,723	\$ 34,891	\$ 17,445	\$ 61,059
Variable cost portion	(3,660)	(14,641)	(7,320)	(25,621)
Undiscounted finance lease payments	5,063	20,250	10,125	35,438
Finance income	(601)	(1,485)	(166)	(2,252)
Net investment in sublease	<u>\$ 4,462</u>	<u>\$ 18,765</u>	<u>\$ 9,959</u>	<u>\$ 33,186</u>

8. FLOW-THROUGH PREMIUM LIABILITY

During the year ended December 31, 2019, the Company completed a private placement financing by issuing 2,108,638 flow-through shares at a price of \$0.88 per share for gross proceeds of \$1,855,601, and recognized a flow-through premium liability of \$462,123 as the difference between the amounts recognized in common shares and the amounts the investors paid for the shares. Qualifying exploration expenditures incurred subsequent the private placement reduced the flow-through premium liability to \$227,786 as at December 31, 2019.

During the current period ended September 30, 2020, the flow-through premium liability was fully extinguished as a result of the Company having incurred sufficient qualifying exploration expenditures. Accordingly, the Company has recognized other income on settlement of flow-through share premium liability of \$227,786 (Nine months ended September 30, 2019 - \$54,331).

9. SHARE CAPITAL

Authorized: Unlimited common shares, without par value

Issued: 36,155,767 common shares (December 31, 2019 – 36,155,767 common shares)

*Transactions in 2020:*

- a) On September 28, 2020, the Company announced a proposed private placement (the “Financing”) of up to \$3 million, consisting of up to 2.22 million flow-through units at a price of \$0.45 per unit for proceeds of up to \$1,000,000 and up to 5 million non-flow-through units at a price of \$0.40 per unit for proceeds of up to \$2,000,000. Each flow-through unit consists of one flow-through common share and one non-flow-through, non-transferable share purchase warrant entitling the holder to purchase one additional common share at a price of \$0.68 per share for a 3-year period. Each non-flow-through unit consists of one common share and non-flow-through, non-transferable share purchase warrant entitling the holder to purchase one additional common share at a price of \$0.60 per share for a 3-year-period.

The flow-through shares will qualify as “flow-through shares” for the purpose of the Income Tax Act (Canada) (the “Act”). The proceeds of the flow-through private placement will be incurred on “Canadian exploration expenses” (within the meaning of the Act). The Company will renounce these expenses to the purchasers with the effective date no later than December 31, 2020, and as required under the Act.

**METALLIS RESOURCES INC.****Notes to the Condensed Interim Financial Statements  
For the nine-month period ended September 30, 2020  
(Expressed in Canadian Dollars)**

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## 9. SHARE CAPITAL (continued)

*Transactions in 2020: (continued)*

- b) During the period ended September 30, 2020, the Company received subscriptions of \$10,000 in respect of the Financing.
- c) During the period ended September 30, 2020, \$227,786 of flow-through premium liability relating to the Company's 2019 private placement was amortized to other income on settlement of flow-through premium liability as a result of qualifying exploration expenditures that were incurred during the period.

*Transactions in 2019:*

- a) During the year ended December 31, 2019, a total of 1,061,050 warrants were exercised for total proceeds of \$419,770.
- b) On October 15, 2019, the Company closed a private placement of 2,108,638 flow-through common shares at a price of \$0.88 per flow-through share, raising gross proceeds of \$1,855,601. The Company recorded a flow-through premium liability of \$462,123 as a deduction from share capital and incurred total issuance costs of \$13,009. No finders' fees were paid in connection with this private placement, which closed in three tranches as follows:
  - i) On September 24, 2019, the Company closed the first tranche in the amount of \$1,003,200 by issuing 1,140,000 flow-through common shares;
  - ii) On October 8, 2019, the Company closed the second tranche in the amount of \$752,400 by issuing 855,000 flow-through common shares; and
  - iii) On October 15, 2019, the Company closed the third and final tranche in the amount of \$100,001 by issuing 113,638 flow-through common shares.
- c) For the year ended December 31, 2019, \$234,337 of the flow-through premium liability was amortized to other income on settlement of flow-through premium liability as a result of the Company's flow-through qualifying exploration expenditures incurred subsequent to the private placement and up to December 31, 2019.

*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 and Special Meeting held on September 15, 2020, the shareholders re-approved the adoption of a 10% Rolling Stock Option Plan. 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.

No stock options were granted during the nine-month period ended September 30, 2020.

## METALLIS RESOURCES INC.

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## 9. SHARE CAPITAL (continued)

*Stock options: (continued)*

Stock option transactions are summarized as follows:

	Number of stock options outstanding	Weighted average exercise price
Balance, December 31, 2018	3,085,000	\$ 0.63
Options terminated	(50,000)	1.35
Balance, December 31, 2019 and September 30, 2020	3,035,000	\$ 0.62

As at September 30, 2020 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	0.56
August 18, 2022	760,000	760,000	0.39	1.88
July 13, 2023	1,000,000	1,000,000	1.35	2.78
August 9, 2023	100,000	100,000	1.05	2.86
Total outstanding options	3,035,000	3,035,000		1.70

*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 outstanding	Weighted average exercise price
Balance, December 31, 2018	3,713,743	\$ 1.08
Warrants expired	(1,704,122)	1.21
Warrants exercised	(1,061,050)	0.40
Balance, December 31, 2019 and September 30, 2020	948,571	\$ 1.60

## METALLIS RESOURCES INC.

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## 9. SHARE CAPITAL (continued)

*Warrants: (continued)*

As at September 30, 2020, the following warrants are outstanding:

Expiry Date	Number of Warrants	Exercise Price	Weighted average remaining contractual life (years)
January 26, 2021	948,571	\$ 1.60	0.32

## 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., a company controlled by the current Chief Executive Officer and director of the Company, 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 until July 2019 when she resigned as an officer;
- 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; and
- e) DRW Geological Consultants Ltd. is a company controlled by a director of the company and which provides occasional geological consulting services to the Company, the amounts of which are capitalized 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:

	<b>Transactions for the period ended September 30, 2020</b>	Transactions for the year ended December 31, 2019	<b>Balance payable as at September 30, 2020</b>	Balance payable as at December 31, 2019
Avanti Consulting Inc.	(a) \$ 99,000	\$ 132,000	\$ -	\$ -
Lever Capital Corp.	(b) 63,000	84,000	-	-
S. Oates	(c) -	43,800	-	-
D.G. Dupre and Associates Inc.	(d) 45,000	57,500	-	-
DRW Geological Consultants Ltd.	(e) 2,300	6,000	-	-
<b>Total</b>	<b>\$ 209,300</b>	<b>\$ 323,300</b>	<b>\$ -</b>	<b>\$ -</b>

**METALLIS RESOURCES INC.****Notes to the Condensed Interim Financial Statements  
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## 10. RELATED PARTY TRANSACTIONS (continued)

Other related party transactions

During the period ended September 30, 2020, the Company recorded receivables of \$5,497 (December 31, 2019 - \$943 payable) from Etruscus Resources Corp. ("ETR"), a public Company related by two common directors and a common officer. ETR subleases office space from the Company and general day-to-day operations occasionally have receivables or payables due from or to ETR, respectively.

## 11. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

The significant non-cash investing and financing transactions during the nine-month period ended September 30, 2020 are as follows:

- a) As at September 30, 2020, exploration and evaluation asset costs of \$498,781 were included in accounts payable and accrued liabilities; and
- b) Sufficient qualifying exploration expenditures were incurred to offset the flow-through premium liability in the amount of \$227,786, recorded as other income on settlement of flow-through premium liability for the period.

The significant non-cash investing and financing transactions during the nine-month period ended September 30, 2019 were as follows:

- c) An unrealized loss on marketable securities was recorded in the amount of \$16,875;
- d) A total flow-through share premium liability of \$159,600 was recorded as a deduction from share capital, in respect of flow-through shares issued by the Company;
- e) Sufficient qualifying exploration expenditures were incurred to partially offset the flow-through premium liability in the amount of \$54,331, recorded as other income on settlement of flow-through premium liability for the period;
- f) As at September 30, 2019, exploration and evaluation asset costs of \$514,802 were included in accounts payable and accrued liabilities;
- g) As at September 30, 2019, exploration and evaluation asset cost recoveries of \$544,816 were included in receivables; and
- h) Property and equipment additions of \$108,420 were recorded concurrently with equivalent lease obligations recorded on the statements of financial position as at July 1, 2019 following the application of IFRS 16 in relation to a new three-year office lease. Also on July 1, 2019, ½ of the new office was subleased to ETR, resulting in derecognition of property and equipment of \$54,210, and the recognition of an equivalent net investment in sublease. As at September 30, 2019, those lease-related net property and equipment additions had a net book value of \$49,693 and total lease obligations were \$100,342.

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## 12. FINANCIAL RISK MANAGEMENT

Financial instruments

The Company's financial instruments consist of cash and cash equivalents, receivables, deposits and accounts payable. 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 attributable to changes in credit risk for liabilities designated at fair value through profit and loss are recorded in other comprehensive income and any fair value change in excess of the amount attributable to changes in credit risk is recognized in profit and loss.

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

Except for cash and cash equivalents, 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. The fair values of cash and cash equivalents are measured at fair value through profit or loss and any changes to fair value subsequent to initial recognition are recorded in profit or loss for the period in which they occur.

Fair values of financial instruments are classified in a fair value hierarchy of three levels, based on the inputs used to determine fair values, as follows:

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 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:

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, Canadian mineral exploration tax credits and accrued interest, for which management believes the collectability of these amounts to be assured.

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## 12. FINANCIAL RISK MANAGEMENT (continued)

Credit Risk (continued)

The Company shares an office with ETR and is expected to have immaterial amounts due from or to ETR at each period end. These amounts are also considered at low risk of default, due to management having some influence over the operations of ETR and the early stage of ETR's business and exploration cycle. Accordingly, collection of amounts 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, 2020, the Company has cash and cash equivalents of \$760,824 (December 31, 2019 - \$1,593,629) to settle total current liabilities of \$557,245 (December 31, 2019 - \$334,514). Long term liabilities consist of lease liability of \$29,583 (December 31, 2019 - \$57,448). Total lease liability of \$66,373 as at September 30, 2020 matures as shown in the table in Note 7.

Subsequent to September 30, 2020, the Company completed a private placement raising \$3.3 million which, along with its working capital as at September 30, 2020, provides sufficient liquidity for the Company's exploration and working capital needs over the ensuing year.

The Company has historically relied on equity financings and non-core asset sales to satisfy its capital requirements and expects to continue to depend upon equity capital for future sources of funding. Additionally, the Company could also enter into joint-venture 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 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 material risk in the event of interest rate fluctuations. The Company has no long-term debt other than a lease liability, 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. For these reasons, the Company believes it is not subject to material risks should interest rates change.

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.

## 13. CAPITAL MANAGEMENT

Capital is defined as the Company's share capital. The Company endeavors to maintain sufficient capital balances over the periods to alleviate unexpected cash flow shortfalls. Its 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 exploration company primarily requires continuous assessment and management of the Company's internal, exploration and financing risks, so that the Company can proactively execute equity financings for future cash needs.

**METALLIS RESOURCES INC.****Notes to the Condensed Interim Financial Statements  
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**13. CAPITAL MANAGEMENT (continued)**

The capital for operations and property exploration has primarily come from the issuance of common shares or units through private placements. In 2017 and 2018, higher equity prices and trading liquidity provided opportunities for the Company to complete several private placements at successively higher prices which served to mitigate excessive shareholder dilution. However, market sentiment and volatility are factors the Company cannot control, and at times financings must be undertaken in the context of the prevailing market. In 2019 a flow-through private placement was completed for \$1.85 million at \$0.88 per flow-through share. And subsequent to September 30, 2020 another private placement was completed for \$3.3 million consisting of flow-through and non-flow-through units at \$0.50 and \$0.45 per unit, respectively.

There were no changes in the Company's capital management objectives during the period ended September 30, 2020.

The Company is not subject to externally imposed capital requirements.

**14. EVENTS AFTER THE REPORTING PERIOD**

On October 7, 2020, the Company closed the first tranche ("First Tranche") of the Financing, raising \$2,999,350. The Company also increased the size of the proposed Financing from \$3 million to \$3.5 million by adding an additional 300,000 non-flow through units at \$0.40 per unit and 850,000 flow-through units at \$0.45 per unit. Each flow-through unit consists of one flow-through common share and one non-flow-through, non-transferable share purchase warrant entitling the holder to purchase one additional common share at a price of \$0.68 per share for a 3-year period. Each non-flow-through unit consists of one common share and one non-flow-through, non-transferable share purchase warrant entitling the holder to purchase one additional common share at a price of \$0.60 per share for a 3-year-period.

On October 16, 2020, the Company closed the second and final tranche of the Financing, raising an additional \$320,000.

Total proceeds of the two-tranche financing were \$3,314,350, consisting of 4,855,000 non-flow-through units at \$0.40 per unit for proceeds of \$1,942,000 and 3,049,666 flow-through units at a price of \$0.45 per flow-through unit for proceeds of \$1,372,350.

The flow-through shares will qualify as "flow-through shares" for the purpose of the Income Tax Act (Canada) (the "Act"). The proceeds of the flow-through private placement will be incurred on "Canadian exploration expenses" (within the meaning of the Act). The Company will renounce these expenses to the purchasers with the effective date no later than December 31, 2020, and as required under the Act.

Total finders' fees paid in the two-tranche financing were \$24,150 plus 53,666 finders' warrants exercisable into common shares at a price of \$0.40 per share for a three-year period.

On October 6, 2020, the Company granted 100,000 stock options to its investor relations consultant, Mr. Frank Lagaglia of Nicosia Capital Corp. The stock options are exercisable at a price of \$0.40 per share for a five-year period, and vest over a one-year period. Nicosia has been a provider of investor relations services to the Company since August 2018 and neither Nicosia nor Mr. Lagaglia have previously been granted any stock options.