

METALLIS RESOURCES INC.
Condensed Interim Financial Statements
September 30, 2021

(Expressed in Canadian Dollars)

METALLIS RESOURCES INC.
Index to Condensed Interim Financial Statements
For the three and nine-month periods ended September 30, 2021
(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 present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the condensed interim financial statements.

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

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

METALLIS RESOURCES INC.
Condensed Interim Statements of Financial Position
(Expressed in Canadian Dollars)
(Unaudited – prepared by management)

	<i>September 30,</i> <i>2021</i> <i>(unaudited)</i>	<i>December 31,</i> <i>2020</i> <i>(audited)</i>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 2,324,489	\$ 2,297,180
Receivables (<i>Note 3</i>)	242,268	180,235
Deposits and prepaid expenses (<i>Note 4</i>)	105,329	135,430
Loans due from related parties (<i>Note 10</i>)	48,299	-
Due from related party (<i>Note 10</i>)	15,380	-
Total current assets	2,735,765	2,612,845
Equipment (<i>Note 5</i>)	19,728	34,450
Exploration and evaluation assets (<i>Notes 6 and 10</i>)	11,670,921	8,843,478
Net investment in sublease (<i>Note 7</i>)	14,792	28,724
Total assets	\$ 14,441,206	\$ 11,519,497
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (<i>Note 7</i>)	\$ 537,667	\$ 228,397
Flow-through premium liability (<i>Note 8</i>)	67,988	40,361
Lease liability (<i>Note 7</i>)	29,583	37,530
Due to related party (<i>Note 10</i>)	-	210
Total current liabilities	635,238	306,498
Lease liability (<i>Note 7</i>)	-	19,918
Total liabilities	635,238	326,416
EQUITY		
Share capital (<i>Note 9</i>)	22,006,727	18,363,770
Equity reserves	4,157,097	3,650,552
Deficit	(12,357,856)	(10,821,241)
Total equity	13,805,968	11,193,081
Total liabilities and equity	\$ 14,441,206	\$ 11,519,497

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 26, 2021

"Fiore Aliperti" Director

"Michael Sikich" Director

METALLIS RESOURCES INC.

**Condensed Interim Statements of Operations and Comprehensive Loss
For the three and nine-month periods ended September 30, 2021 and 2020**

**(Expressed in Canadian Dollars)
(Unaudited – prepared by management)**

	<i>Three months ended September 30, 2021</i>	<i>Three months ended September 30, 2020</i>	<i>Nine months ended September 30, 2021</i>	<i>Nine months ended September 30, 2020</i>
Operating Expenses:				
Advertising, marketing, promotion	\$ 262,412	\$ 53,483	\$ 538,968	\$ 74,296
Consulting fees <i>(Note 10)</i>	114,264	95,000	457,487	254,720
Depreciation <i>(Note 5)</i>	5,631	5,654	16,887	16,964
Investor relations	21,000	13,500	66,500	40,500
Office and general	23,211	23,313	72,418	52,198
Professional fees	6,083	1,232	13,206	5,007
Regulatory and transfer agent fees	4,585	4,010	36,208	32,281
Rent	337	4,712	7,304	12,270
Share-based compensation	403,682	-	645,490	-
Travel	-	572	-	9,463
Total operating expenses	(841,205)	(201,476)	(1,854,468)	(497,699)
Interest income	3,641	7,674	11,236	32,298
Finance income on sublease	324	688	1,254	2,322
Amortization of discount	(651)	(1,377)	(2,510)	(4,646)
Gain on settlement of accounts payable and accrued liabilities	-	-	31,000	-
Other income on settlement of flow-through premium liability <i>(Note 8)</i>	233,523	204,895	276,873	227,786
Income (Loss) and comprehensive income (loss) for the period	\$ (604,368)	\$ 10,404	\$(1,536,615)	\$ (239,939)
Basic and diluted loss per common share	\$ (0.01)	\$ (0.00)	\$ (0.03)	\$ (0.01)
Weighted average number of common shares outstanding:				
Basic and diluted	52,839,878	36,155,767	49,004,726	36,155,767

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>Subscriptions</i>	<i>Deficit</i>	<i>Total</i>
	<i>Number of Shares</i>	<i>Amount</i>				
Balance at December 31, 2019	36,155,767	\$ 15,258,506	\$ 3,478,431	\$ -	\$ (10,259,433)	\$ 8,477,504
Share subscriptions	-	-	-	10,000	-	10,000
Loss for the period	-	-	-	-	(239,939)	(239,939)
Balance at September 30, 2020	36,155,767	\$ 15,258,506	\$ 3,478,431	\$ 10,000	\$ (10,499,372)	\$ 8,247,565
Proceeds from private placement	7,904,666	3,314,350	-	(10,000)	-	3,304,350
Share issuance costs	-	(56,603)	11,965	-	-	(44,638)
Flow-through share premium liability	-	(152,483)	-	-	-	(152,483)
Share-based compensation	-	-	160,156	-	-	160,156
Loss for the period	-	-	-	-	(321,869)	(321,869)
Balance at December 31, 2020	44,060,433	\$ 18,363,770	\$ 3,650,552	\$ -	\$ (10,821,241)	\$ 11,193,081
Proceeds from private placement	7,604,445	3,726,500	-	-	-	3,726,500
Share issuance costs	-	(41,695)	6,207	-	-	(35,488)
Flow-through share premium liability	-	(304,500)	-	-	-	(304,500)
Proceeds from exercise of stock options	1,175,000	117,500	-	-	-	117,500
Fair value of options exercised	-	145,152	(145,152)	-	-	-
Share-based compensation	-	-	645,490	-	-	645,490
Loss for the period	-	-	-	-	(1,536,615)	(1,536,615)
Balance at September 30, 2021	52,839,878	\$ 22,006,727	\$ 4,157,097	\$ -	\$ (12,357,856)	\$ 13,805,968

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, 2021 and 2020
(Expressed in Canadian Dollars)
(Unaudited – prepared by management)

	2021	2020
Cash flows provided by (used in) operating activities		
Loss for the period	\$ (1,536,615)	\$ (239,939)
Items not affecting operating cash:		
Amortization of discount	2,510	4,646
Depreciation	16,887	16,964
Interest income	(11,236)	(32,298)
Finance income	(1,254)	(2,322)
Gain on settlement of accounts payable and accrued liabilities	(31,000)	-
Other income on settlement of flow-through share premium liability	(276,873)	(227,786)
Share-based compensation	645,490	-
Changes in non-cash working capital items:		
Receivables	(60,818)	(18,287)
Deposits and prepaid expenses	30,101	(29,694)
Accounts payable and accrued liabilities	(35,108)	(13,889)
Due from related party	(15,380)	(5,497)
Due to related party	(210)	(943)
Net cash used in operating activities	<u>(1,273,506)</u>	<u>(549,045)</u>
Cash flows provided by (used in) investing activities		
Investment in exploration and evaluation assets	(2,452,066)	(1,100,913)
Loans to related parties	(48,299)	-
Purchase of equipment	(2,165)	-
Tax credit received	-	809,081
Interest received	10,021	13,260
Net proceeds from investment in sublease	15,187	15,187
Net cash used in investing activities	<u>(2,477,322)</u>	<u>(263,385)</u>
Cash flows provided by (used in) financing activities		
Proceeds from shares issued	3,844,000	-
Share subscriptions	-	10,000
Share issuance costs	(35,488)	-
Lease payments	(30,375)	(30,375)
Net cash provided by (used in) financing activities	<u>3,778,137</u>	<u>(20,375)</u>
Increase (decrease) in cash and cash equivalents during the period	27,309	(832,805)
Cash and cash equivalents, beginning of period	2,297,180	1,593,629
Cash and cash equivalents, end of period	<u>\$ 2,324,489</u>	<u>\$ 760,824</u>

Supplemental Disclosure with Respect to Cash Flows (Note 11)

METALLIS RESOURCES INC.

Notes to the Condensed Interim Financial Statements For the nine-month period ended September 30, 2021 (Expressed in Canadian Dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS AND GOING CONCERN

Metallis Resources Inc. (“the Company”) was incorporated under the Business Corporations Act (British Columbia) on June 19, 2007. The Company’s shares are listed on the TSX Venture Exchange (“TSX-V”) under the symbol “MTS” and on the OTCQB Venture Market under the symbol “MTLFF”. The Company’s registered and head office is located at Suite #604 - 850 West Hastings Street, Vancouver, British Columbia, Canada, V6C 1E1, and its website is at www.metallisresources.com.

The Company is engaged in the exploration of mineral properties and has not yet determined whether any of its properties contain economically recoverable reserves. To date, the Company has not earned any operating revenues and is 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 financial statements of the Company are presented in Canadian dollars, which is the functional currency of the Company.

Going Concern of Operations

These 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.

In recent years, the Company has raised funds from equity investors to provide for its exploration and working capital needs. The most recent private placement was completed in the current fiscal year, raising \$3.7 million. In assessing whether the going concern assumption is appropriate, management takes in account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. Management has assessed that the Company currently has sufficient funds to execute its Phase I exploration programs and fund its corporate operations for the ensuing year.

On March 11, 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. The pandemic has continued to spread with new variants arising from time to time, resulting in adverse public health developments. It has impacted global workforces, economies, and financial markets. It is not possible at this time for the Company to predict the duration or magnitude of the adverse results of the pandemic nor its future impacts on the Company’s business or operations.

METALLIS RESOURCES INC.

**Notes to the Condensed Interim Financial Statements
For the nine-month period ended September 30, 2021
(Expressed in Canadian Dollars)**

1. NATURE AND CONTINUANCE OF OPERATIONS AND GOING CONCERN (continued)

Going Concern of Operations (continued)

Other 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 beyond 2021 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 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.

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, 2020. 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, 2020 annual financial statements.

3. RECEIVABLES

	September 30, 2021	December 31, 2020
BC Mineral Exploration Tax Credit*	\$ 119,009	\$ 119,009
Recoverable sales taxes - Canada	121,781	60,963
Accrued interest	1,478	263
Total receivables	\$ 242,268	\$ 180,235

* BC METC was received subsequent to September 30, 2021.

METALLIS RESOURCES INC.

**Notes to the Condensed Interim Financial Statements
For the nine-month period ended September 30, 2021
(Expressed in Canadian Dollars)**

4. DEPOSITS AND PREPAID EXPENSES

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

	September 30, 2021	December 31, 2020
Advances on exploration drilling, surveys and helicopters	\$ 95,000	\$ 15,000
Prepaid insurance	1,642	9,029
Prepaid internet communications and marketing campaigns	2,000	4,000
Prepaid storage	647	2,611
Rental deposit	6,040	6,040
Third party consulting fees paid in advance	-	98,750
	\$ 105,329	\$ 135,430

5. EQUIPMENT

	<i>Right-of-use assets</i>	<i>Furniture & fixtures</i>	<i>Computers and software</i>	<i>Total</i>
Cost:				
Balance, December 31, 2019 and 2020	\$ 60,828	\$ 3,692	\$ 19,296	\$ 83,816
Additions during the period	-	-	2,165	2,165
Balance, September 30, 2021	\$ 60,828	\$ 3,692	\$ 21,461	\$ 85,981
Accumulated depreciation:				
Balance, December 31, 2019	\$ 10,138	\$ 462	\$ 16,066	\$ 26,666
Depreciation for the year	20,276	646	1,778	22,700
Balance, December 31, 2020	30,414	1,108	17,844	49,366
Depreciation for the period	15,207	387	1,293	16,887
Balance, September 30, 2021	\$ 45,621	\$ 1,495	\$ 19,137	\$ 66,253
Net book values:				
September 30, 2021	\$ 15,207	\$ 2,197	\$ 2,324	\$ 19,728
December 31, 2020	\$ 30,414	\$ 2,584	\$ 1,452	\$ 34,450

METALLIS RESOURCES INC.

**Notes to the Condensed Interim Financial Statements
For the nine-month period ended September 30, 2021
(Expressed in Canadian Dollars)**

6. EXPLORATION AND EVALUATION ASSETS – Kirkham Property

	Balance, December 31, 2019	Additions	Balance, December 31, 2020	Additions	Balance, September 30, 2021
Acquisition costs	\$ 495,801	\$ -	\$ 495,801	\$ -	\$ 495,801
Assays and lab analysis	263,768	37,744	301,512	58,981	360,493
Community relations	78,211	43,661	121,872	40,000	161,872
Accommodations and camp	825,187	484,253	1,309,440	485,360	1,794,800
Drilling	2,390,783	816,951	3,207,734	907,291	4,115,025
Field expenses and core shack	76,248	3,720	79,968	18,918	98,886
Geological and geophysical	1,358,879	539,549	1,898,428	472,857	2,371,285
Helicopters and aircraft support	1,859,912	698,050	2,557,962	844,122	3,402,084
Licenses, claim fees and permits	101,014	57,848	158,862	24,263	183,125
Recovery of expenses	(1,071,292)	(132,942)	(1,204,234)	(24,349)	(1,228,583)
Write-downs	(83,867)	-	(83,867)	-	(83,867)
	<u>\$ 6,294,644</u>	<u>\$ 2,548,834</u>	<u>\$ 8,843,478</u>	<u>\$ 2,827,443</u>	<u>\$ 11,670,921</u>

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

The Kirkham Property (the “Property”) is comprised of 30 mineral claims situated in the “Golden Triangle” region of north-western British Columbia, Canada. The Property was assembled by the Company 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%. The Company is entitled to purchase each 1% increment of the NSR royalty for \$500,000.

Recovery of expenses is primarily composed of BC Mineral Exploration tax credits receivable but may also include provincial tax recoveries or vendor credits.

No impairments on the Property were observed during the period ended September 30, 2021 or the year ended December 31, 2020.

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

METALLIS RESOURCES INC.

**Notes to the Condensed Interim Financial Statements
For the nine-month period ended September 30, 2021
(Expressed in Canadian Dollars)**

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES AND LEASE LIABILITY

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

	September 30, 2021	December 31, 2020
Accounts payable	\$ 537,667	\$ 198,397
Accrued liabilities	-	30,000
	\$ 537,667	\$ 228,397

Lease liability at September 30, 2021 is calculated as follows:

Balance, December 31, 2019		\$ 92,102
Lease payments		(40,500)
Amortization of discount		5,846
Balance, December 31, 2020		\$ 57,448
Lease payments		(30,375)
Amortization of discount		2,510
Balance, September 30, 2021		\$ 29,583
Short-term portion of lease liability		\$ 29,583
Long-term portion of lease liability		-
Balance, September 30, 2021		\$ 29,583

Lease payments required over the next five years, including variable costs not subject to IFRS 16, are as follows:

Year ended December 31, 2021	\$ 17,992
Year ended December 31, 2022	35,984
Year ended December 31, 2023	-
Year ended December 31, 2024	-
Year ended December 31, 2025	-
Total	\$ 53,976

METALLIS RESOURCES INC.

**Notes to the Condensed Interim Financial Statements
For the nine-month period ended September 30, 2021
(Expressed in Canadian Dollars)**

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

The reconciliation of the Company's net investment in sublease is as follows:

	Nine months ended September 30,	Year ended December 31, 2020
Balance, beginning of period	\$ 28,724	\$ 46,051
Finance income	1,254	2,923
Lease payments received	(15,186)	(20,250)
Balance, end of period	<u>\$14,792</u>	<u>\$28,724</u>

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

	2021	2022	Total
Undiscounted lease payments receivable	\$ 8,996	\$ 17,992	\$ 26,988
Variable cost portion	(3,933)	(7,867)	(11,800)
Undiscounted finance lease payments	5,063	10,125	15,188
Finance income	(230)	(166)	(396)
Net investment in sublease	<u>\$ 4,833</u>	<u>\$ 9,959</u>	<u>\$ 14,792</u>

8. FLOW-THROUGH PREMIUM LIABILITY

During the nine-month period ended September 30, 2021, the Company issued 6,090,000 flow-through shares at a price of \$0.50 per share for gross proceeds of \$3,045,000 (the "Financing") and recognized a flow-through premium liability of \$304,500 as the difference between the flow-through share price and the non-flow-through share price in the concurrent offering of flow-through and non-flow-through units. The Company incurred qualifying exploration expenses of \$2,728,370 during the period. The first \$363,254 of those expenditures was applied against the remaining obligation in respect of a flow-through private placement completed in October 2020. The balance of \$2,365,116 was applied against the obligation to spend \$3,045,000 arising from the current period private placement, leaving a balance to spend of \$679,884 by the end of 2022.

The incurrence of qualifying exploration expenses reduces the flow-through share premium liability, which the Company recognizes as other income on settlement of flow-through share premium liability. The following table summarizes the changes in flow-through premium liability:

METALLIS RESOURCES INC.

**Notes to the Condensed Interim Financial Statements
For the nine-month period ended September 30, 2021
(Expressed in Canadian Dollars)**

8. FLOW-THROUGH PREMIUM LIABILITY (continued)

<i>Changes in Flow-through premium liability:</i>	Nine months ended September 30, 2021	Year ended December 31, 2020
Balance, beginning of period	\$ 40,361	\$ 227,786
Liability incurred on flow-through shares issued	304,500	152,483
Settlement of flow-through share premium liability upon incurring eligible expenditures	(276,873)	(339,908)
Balance, end of period	<u>\$67,988</u>	<u>\$40,361</u>

9. SHARE CAPITAL

Authorized: Unlimited common shares, without par value

Issued: 52,839,878 common shares (December 31, 2020 – 44,060,433 common shares)

Transactions in 2021:

- a) On May 10, 2021, the company closed a two-tranche private placement for total proceeds of \$3,726,500, consisting of 1,514,445 non-flow-through units at a price of \$0.45 per unit for proceeds of \$681,500 and 6,090,000 flow-through units at a price of \$0.50 per flow-through unit for proceeds of \$3,045,000.

Each non-flow-through unit consists of one common share and one-half of a non-flow-through, non-transferable share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share at a price of \$0.65 per share for a 2-year period.

Each flow-through unit consists of one flow-through common share and one-half of a non-flow-through, non-transferable share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share at a price of \$0.70 per share for a 2-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, 2021, and as required under the Act.

The Company paid a total of \$13,800 in cash finders’ fees and issued 27,600 finder’s warrants exercisable at \$0.50 per share for two years from the date of issuance. The finders warrants were valued at \$6,207 under the Black Scholes pricing model. Other filing and transfer agent fees totalling \$21,688 were incurred in connection with the financing. Shares and warrants issued on closing are subject to a trading hold period expiring four months plus one day from the date of issuance.

METALLIS RESOURCES INC.

Notes to the Condensed Interim Financial Statements For the nine-month period ended September 30, 2021 (Expressed in Canadian Dollars)

9. SHARE CAPITAL (continued)

Transactions in 2021: (continued)

- b) During the period ended September 30, 2021, 1,175,000 stock options were exercised for total proceeds of \$117,500. Directors and officers exercised 850,000 of these options for proceeds of \$85,000. The fair value of the exercised options, using the Black-Scholes model, was \$145,152, recorded as an increase to share capital and a deduction from contributed surplus.

Transactions in 2020:

On October 16, 2020, the Company closed a private placement \$3,314,350 consisting of 3,049,666 flow-through units issued at a price of \$0.45 per flow-through unit for proceeds of \$1,372,350 and 4,855,000 non-flow-through units issued at a price of \$0.40 per unit for proceeds of \$1,942,000. Each flow-through unit consisted of one flow-through common share and one non-flow-through, non-transferable share purchase warrant entitling the holder to purchase one additional non-flow-through common share at a price of \$0.68 per share for a 3-year period. Each non-flow-through unit consisted 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. The Company recorded a flow-through premium liability of \$152,483 in respect of the flow-through share issuance as a deduction from share capital.

The Company recorded total share issuance costs in the private placement of \$56,603 comprised of cash commissions of \$24,150, filing and certificate fees of \$20,488 and 53,666 finders' warrants fair valued at \$11,965 using the Black-Scholes options pricing model. The finders' warrants are exercisable at \$0.40 per share for a three-year period.

Stock options:

The Company has a stock option plan in place under which it is authorized to grant options to its directors, executive officers, employees and consultants. At the Company's previous Annual General Meeting held on September 15, 2020, the shareholders re-approved the adoption of a 10% Rolling Stock Option Plan. The exercise price of each stock option equals the market price of the Company's stock as calculated on the date of grant. The options can be granted for a maximum term of 5 years and vest at the discretion of the Board of Directors at the time of grant.

Stock options granted to employees or consultants in respect of investor relations activities 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.

For the period ended September 30, 2021, the Company recorded share-based compensation of \$645,490 as follows:

- i) \$19,528 in respect of the portion of 100,000 investor relations options granted in 2020 which vested during the current period;
- ii) \$194,735 in respect of 550,000 stock options granted to consultants, exercisable at \$0.50 per share for a five-year period;
- iii) \$27,545 in respect of 120,000 stock options granted to a consultant, exercisable at \$0.45 per share for a two-year period; and
- iv) \$403,682 in respect of 1,900,000 stock options granted to directors, officers and consultants, exercisable at \$0.39 per share for a five-year period.

METALLIS RESOURCES INC.

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9. SHARE CAPITAL (continued)

Stock options: (continued)

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

Risk-free interest rate	0.64%
Expected life	4 years
Annualized volatility	102.8%
Forfeiture rate	0%
Dividends	0%
Weighted average fair value of options	\$0.26

Stock option transactions are summarized as follows:

	Number of stock options outstanding	Weighted average exercise price
Balance, December 31, 2019	3,035,000	\$ 0.62
Options granted	450,000	0.40
Balance, December 31, 2020	3,485,000	\$ 0.59
Options exercised	(1,175,000)	0.10
Options granted	2,570,000	0.42
Balance, September 30, 2021	4,880,000	\$ 0.62

As at September 30, 2021, the following incentive stock options are outstanding and exercisable:

Expiry Date	Number of Options	Vested and exercisable	Exercise Price (\$)	Weighted remaining contractual life (years)
August 18, 2022	760,000	760,000	0.39	0.88
April 23, 2023	120,000	120,000	0.45	1.56
July 13, 2023	1,000,000	1,000,000	1.35	1.78
August 9, 2023	100,000	100,000	1.05	1.86
October 6, 2025	450,000	425,000	0.40	4.02
April 12, 2026	550,000	550,000	0.50	4.53
September 27, 2026	1,900,000	1,900,000	0.39	5.98
Total outstanding options	4,880,000	4,855,000		3.79

METALLIS RESOURCES INC.

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9. SHARE CAPITAL (continued)

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 at December 31, 2019	948,571	\$ 1.60
Warrants issued	7,958,332	0.63
Balance at December 31, 2020	8,906,903	\$ 0.73
Warrants issued	3,829,822	0.69
Warrants expired	(948,571)	1.60
Balance at September 30, 2021	11,788,154	\$ 0.65

As at September 30, 2021, the following warrants are outstanding:

Expiry Date	Number of Warrants	Exercise Price (\$)	Weighted average remaining contractual life (years)
April 30, 2023	380,555	0.65	1.58
April 30, 2023	2,985,000	0.70	1.58
April 30, 2023	24,000	0.50	1.58
May 7, 2023	376,667	0.65	1.60
May 7, 2023	60,000	0.70	1.60
May 7, 2023	3,600	0.50	1.60
October 7, 2023	4,805,000	0.60	2.02
October 7, 2023	2,383,000	0.68	2.02
October 7, 2023	7,000	0.40	2.02
October 16, 2023	50,000	0.60	2.04
October 16, 2023	666,666	0.68	2.04
October 16, 2023	46,666	0.40	2.04
Total	11,788,154		1.88

METALLIS RESOURCES INC.

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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) 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;
- d) 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;
- e) Magma Geosciences Inc. is a company controlled by the Vice-President of Geoscience Services (the position was established June 1, 2021), and which provides geological consulting services to the Company, the amounts of which are capitalized as geological costs under exploration and evaluation assets; and
- f) Etruscus Resources Corp., a public company related through two common directors and a common officer, subleases office space from the Company, shares certain administrative expenses and also shared an exploration camp this past season, all of which results in occasional reimbursable amounts.

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

	Transactions for the period ended September 30, 2021	Transactions for the year ended December 31, 2020	Balance receivable as at September 30, 2021	Balance payable as at December 31, 2020
Avanti Consulting Inc.	(a) \$ 113,000	\$ 132,000	\$ -	\$ -
Lever Capital Corp.	(b) 68,000	84,000	-	-
D.G. Dupre and Associates Inc.	(c) 48,500	60,000	-	-
DRW Geological Consultants Ltd.	(d) -	2,500	-	(210)
Magma Geosciences Inc.	(e) 44,000	-	-	-
Etruscus Resources Corp.	(f) -	-	15,380	-
Total	\$ 273,500	\$ 278,500	\$ 15,380	\$ (210)

Loans to related parties:

During the nine-month period ended September 30, 2021, directors and officers exercised 850,000 stock options for cash proceeds of \$85,000. Income tax and CPP was recorded in respect of the option benefits calculated at the time of exercise. The Company remitted the amounts to the CRA, and recorded the amounts as loans receivable, totalling \$48,119. The loans have a one-year term, are payable on demand and mature on May 15, 2022, with interest at CRA prescribed rates, currently 1%. As at September 30, 2021, accrued interest receivable was \$180 for total loans and interest receivable of \$48,299.

METALLIS RESOURCES INC.

Notes to the Condensed Interim Financial Statements For the nine-month period ended September 30, 2021 (Expressed in Canadian Dollars)

11. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

The significant non-cash investing and financing transactions during the period ended September 30, 2021 are as follows:

- a) A total flow-through premium liability of \$304,500 was recorded as a deduction from share capital, in respect of flow-through shares issued by the Company;
- b) Qualifying exploration expenditures incurred during the period resulted in a \$276,873 reduction of the flow-through premium liability, recorded as other income on settlement of flow through premium liability;
- c) The Company issued 27,600 finders' warrants valued at \$6,207 shown on the statements of changes in equity as an issuance cost;
- d) As at September 30, 2021, exploration and evaluation asset cost recoveries of \$119,009 were included in receivables; and
- e) As at September 30, 2021, exploration and evaluation asset costs of \$532,036 were included in accounts payable and accrued liabilities.

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

- f) As at September 30, 2020, exploration and evaluation asset costs of \$498,781 were included in accounts payable and accrued liabilities; and
- g) 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.

12. FINANCIAL AND CAPITAL RISK MANAGEMENT

Financial instruments

The Company's financial instruments consist of cash and cash equivalents, receivables, deposits, accounts payable, lease liability and due to related parties. Except for cash and cash equivalents, all financial instruments held by the Company are measured at amortized cost. Nevertheless, 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.

METALLIS RESOURCES INC.

Notes to the Condensed Interim Financial Statements For the nine-month period ended September 30, 2021 (Expressed in Canadian Dollars)

12. FINANCIAL AND CAPITAL RISK MANAGEMENT (continued)

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

The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The fair values of cash and cash equivalents 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, which management believes the collectability of these amounts to be assured.

Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2021, the Company has cash and cash equivalents of \$2.3 million (December 31, 2020 - \$2.3 million) to settle total current liabilities of \$0.6 million (December 31, 2020 - \$0.3 million). The Company has sufficient liquidity for its working capital requirements over the ensuing year and its 2022 Phase I field exploration programs.

The Company has historically relied on equity financings and non-core asset sales for its capital requirements. It will continue to depend upon equity capital as required and may also enter into convertible debentures, earn-in arrangements, joint ventures 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.

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12. FINANCIAL AND CAPITAL RISK MANAGEMENT (continued)

Foreign currency risk

The Company's functional currency is the Canadian dollar and immaterial amounts 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

The Company endeavors to maintain appropriate levels of capital and liquidity. Sufficient liquidity is required to meet liabilities and financial obligations as they become due. The Company has no commercial operations or source of revenue, no long-term debt other than a lease liability, and no externally imposed capital requirements other than those specified under continuous listing requirements. The Company's capital is, therefore, its issued share capital. The capital required for operations and property exploration is expected to continue to come from the issuance of common shares or units for the foreseeable future. The Company's objectives of capital and liquidity management are to fund critical exploration work, meet on-going liabilities, maintain creditworthiness, minimize shareholder dilution and to ultimately maximize returns for shareholders over the long term.

There were no changes in the Company's capital management objectives during the period ended September 30, 2021.

The Company is not subject to externally imposed capital requirements.

14. EVENTS AFTER THE REPORTING PERIOD

The Company's Annual General and Special Meeting was held on October 29, 2021 and all resolutions passed.