

METALLIS RESOURCES INC.
Management's Discussion and Analysis
Three and nine-month periods ended September 30, 2022

This Management Discussion and Analysis ("MD&A") is dated November 28, 2022 and should be read in conjunction with Metallis Resources Inc.'s ("Metallis", "the Company", "we", "our") condensed interim financial statements for the period ended September 30, 2022 and the annual financial statements for the year ended December 31, 2021 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. The financial data included in this MD&A had been prepared in accordance with International Financial Reporting Standards ("IFRS") and related interpretations. 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, 2022 are not necessarily indicative of the results that may be expected for any future period.

The Company's common shares are listed on Tier 2 of the TSX Venture Exchange ("TSX-V") under the trading symbol "MTS", on the OTCQB Marketplace under the symbol "MTLFF" and on the Frankfurt Stock Exchange under the symbol "0CVM". The Company is a reporting issuer in British Columbia, Alberta and Ontario, Canada. Further information about the Company and its operations can be obtained from the Company's website at www.metallisresources.com, 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", "expand", "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: impacts from coronavirus disease COVID-19, 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 any 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 and Recent Highlights

Metallis 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.

The Property is centered at 56°29' N latitude and 130°40' W longitude in the north-central part of B.C.'s "Golden Triangle" situated in the Skeena Mining Division, a significant North American exploration region that hosts numerous mineral deposits, operating mines, and former mines. The Property is near to several mines and advanced exploration projects, including Garibaldi Resources' nickel-copper discovery, which is to the north, Eskay Mining Corp.'s volcanogenic massive sulphide ("VMS") discovery to the east, Skeena Resources' past-producing Eskay Creek Mine, which is 15 km to the northeast, the Snip mine (1991-1999) located 28 km to the northwest, and Newcrest Mining's Brucejack gold mine which is 30 km to the southeast. As well, Seabridge's KSM and Iron Cap deposits lie 25 km to the east.

The Company has incurred total cumulative Property exploration costs of \$13.7 million before tax credits and other expense recoveries. A total of 21,768 meters ("m") have been drilled by the Company on the Property, including 1,961m in 2022 and 4,785m in 2021.

The 2022 drill program (or "Program") consisted of four long holes and was designed to test mineralization at depth and extend prior high-gold drill results in the South Cliff area of the Cliff-Miles porphyry corridor. Drilling in 2021 provided the company a fundamental breakthrough in the geological model representing Cliff-Miles. Significantly, this new model has provided an improved understanding and enabled the technical team to model a 600m deep, half graben structure that now expands Cliff-Miles even further to the east than previously thought.

On November 22, 2022, the Company released the assay results of the first drill hole from the summer drilling program. The results extend the porphyry copper/gold zone in the South Cliff area beneath the well mineralized intersections known from previous drilling. The drill hole shows that the mineralized system extends over 150 meters below the hole above it, more than 300 meters below surface, and that it remains open to depth and along strike. The results confirmed the technical team's expectations regarding the extent of mineralization.

Corporate Outlook

The Golden Triangle region in BC continues to be a significant draw for Canadian mining investment, highlighted by recent mergers and acquisitions including Newmont Corporation's acquisition of GT Gold, Newcrest Mining's acquisition of Pretium's Brucejack mine and Hochschild Mining's acquisition of the Snip mine. The Company collaborates proactively with its stakeholders and maintains a good working relationship and regular dialogues with the Tahltan Central Government, its First Nations stakeholder whose ancestral lands include the Property.

In mid-2022, the Company completed a \$1.7 million private placement financing of flow-through and non-flow-through units. This funded the Company's 2022 exploration programs and provided working capital for the ensuing year. Additional funding will be required to carry out drilling in 2023.

The Company's exploration work to date has identified multiple targets and mineral deposit types including shear vein gold, epithermal gold-silver, porphyry gold-copper and magmatic nickel-copper. Initial results from this summer's drilling at the South Cliff area confirmed the extension of mineralization at depth. We continue advancing our targets, including:

1. Cliff Porphyry System with upside in copper-gold grades and size potential;
2. Miles Porphyry System and its shallow high-grade gold and deeper copper-gold potential;
3. Cole Porphyry System and its shallow high-grade gold and deeper copper-gold potential;
4. Mount Dunn and Rhyolite Ridge stratigraphy and potential of VMS mineralization;
5. King East Target with Porphyry, Vein stockwork gold and/or VMS potential; and
6. Thunder North Target and its nickel-copper potential.

2022 Exploration Summary

In 2021, a well-defined zone of high-grade Porphyry copper/gold mineralization was outlined in the south Cliff area. As a result, the 2022 program included the following:

1. *Core Relogging:* Two drill holes were relogged and five holes reviewed from the South Cliff target area to bring further conformity to the project's drilling database, evaluate the current geologic model, and to reassess the use of applying a geochemical signature towards locating concentrations of mineralization vectors and improving the geologic model.
2. *Diamond Drilling:* The objective was to discover high grade mineralization below and along strike from the excellent intersections in the south Cliff area. The Program consisted of 4 holes—focusing on the South Cliff part of the Cliff-Miles porphyry corridor which forms a 4 km section of the longer 7 km Hawilson Monzonite Complex. A single cost-efficient drill pad was utilized to drill two holes per fan to avoid costly weather-related delays as had been experienced by Metallis and other projects in 2021, and by many surrounding projects in 2022. The targeted program was designed to test for high-grade extensions of copper and gold mineralization beneath well mineralized drill intersections (e.g., drill holes KH17-08 cut 145.8m grading 0.34 g/t Au and 0.22% Cu (0.71 g/t AuEq*) and KH18-16 cut 141.3m grading 0.40 g/t Au and 0.23% Cu (0.75 g/t AuEq)*. The Company undercut these previous holes as, typically, alkaline porphyry copper/gold systems in the Golden Triangle exhibit a small surface footprint but display increasing grade downward that can continue for more than 1,000m.

**Gold Equivalent Formula: $Au\text{ g/t} + (Cu\% * 1.27)$ Metal Prices Used: Gold – US\$ 1470/oz / Copper – US\$ 2.75/lb .*

Assay results from the Program's first drill hole were released on November 22, 2022, with these highlights:

- Drill Hole KH22-46 intersected 106.9 meters (or “m”) of 0.54 g/t gold equivalent (or “AuEq”) including a higher-grade section of 37.7m of 0.85 g/t AuEq; both within a broader intercept of 205 m of 0.43 g/t AuEq;
- The 106.9 m intersection indicates that the mineralized zone in the south Cliff area is continuous over at least 300 m from surface and that it remains open vertically; and
- KH22-46 shows continuity of the system along strike at the South Cliff area for a distance of approximately 500 m, and it forms a key part of the larger 4 km long Cliff-Miles porphyry corridor.

The Program was focused at the South Cliff area of the Cliff-Miles porphyry corridor, with an objective to test for higher-grade extensions of copper and gold mineralization beneath the well mineralized drill intersections of holes KH17-08, KH18-16 and KH19-30, which returned the best results from the Kirkham Property to date. Assay results from KH22-46 show that the mineralized porphyry gold/copper system has been extended approximately 150 m below hole KH18-16 which cut 118 m of 0.80 g/t AuEq from surface).

The tabular Feeder Zone within the South Cliff area now exceeds 500 m in length, is approximately 100 m thick and extends to a depth of over 300 m below surface. Assay results from the next hole, KH22-47, are pending. This hole was designed to test the mineralized zone 150 m below KH22-46.

3. *Soil geochemistry:* Undertook first-pass soil sampling and prospecting of several ZTEM features resembling the Cliff-Miles Half-Graben, as well as select additional targets on the property.
4. *Differential GPS Survey:* A Differential GPS survey of most of the drill collars was carried out. This very accurate geospatial system is required for any resource calculations and will likely resolve some of the correlation discrepancies.

2021 Exploration

Exploration in 2021 was focused on targeting the near-surface gold and deeper gold/copper mineralization associated with potassic stockwork zones clustered along the 4 km long Cliff-Miles porphyry corridor.

Geological work:

Metallis' geological team, during the 1st phase of exploration program completed detailed field investigations, re-logged over 6,000m of drill core, surveyed 8.6 line-km of high-resolution Induced Polarization (“IP”), and completed a ZTEM™ Survey. The data from the work supported the planning and optimization of the drill collar locations for the 2022 season.

Field mapping and cross-sectional work in 2021 established a distinct 030° trend of the mineralized porphyry intrusions at the Cliff-Miles porphyry targets, which opened a huge unexplored area to the north and northwest. Using the company's multi-disciplinary datasets, reconnaissance mapping

outlined several areas of sulphide mineralization within Hazelton Group rocks that are extensively exposed in the western part of the property.

Cliff/Miles is a large porphyry copper-gold system with an alteration footprint of 4 km x ½ km, covering the southern portion of the 7 km long Hawilson Porphyry Complex (HPC). The system is near the Triassic-Jurassic unconformity, referred to as the “Red Line”, which is a key geologic guide for copper-gold mineralization. The Company received Re/Os age dates from the Cliff-Miles porphyry (187.2 Ma) confirming that it belongs to the fertile episode of calc-alkalic porphyry intrusions of the Jurassic age Texas Creek Plutonic Suite. This plutonic suite also hosts the nearby Deep Kerr Deposit of Seabridge Gold’s KSM project, which has an inferred resource of 1.92 billion tonnes grading 0.41% copper and 0.31 g/t gold, containing 19.0 million ounces of gold and 17.3 billion pounds of copper (Seabridge New Release Feb 16, 2017).

The drilling and 3D modelling of the geophysical surveys has highlighted upside potential for the expansion of the Cliff porphyry system. The presence of remnant potassic alteration and improving grades with depth has confirmed the vertical and lateral continuity of copper-gold mineralization.

Over 250 drill core samples were collected for selective short wave-length Infrared (“SWIR”) analysis of the alteration mineralogy and temperature stabilities, leading to vectors toward the hot and well-mineralized core zones of the Cliff porphyry system. A total of 56 polished thin sections were also prepared for petrographic determination and control of mineralization by the Scanning Electron Microscope (“SEM”) at the University of British Columbia, Mineral Deposit Research Unit (“UBC/MDRU”).

Metallis geologists continued to utilize the surface mapping, sampling, ground IP and airborne ZTEM™ results to target the Cliff porphyry system, which have a potential vertical extent of over 1,000m. Leapfrog numeric modeling compiled by Dr. Michelle Campbell and Terraspec vectoring from Dr. Farhad Bouzari have highlighted substantial untested gaps at Cliff-Miles. The 3D geological and geophysical modeling of IP and ZTEM datasets has highlighted 4 major blocks, each of which show significant volume potential of high-grade copper-gold mineralization to be tested in future exploration programs.

IP Survey:

The IP survey and modeling outlined a series of resistivity and chargeability anomalies coincident with gold-bearing silicified zones along Cliff-Miles.

ZTEM™ Survey:

The airborne survey was completed over the entire Kirkham property (846 km²) plus 33 km² of adjoining lands held by Garibaldi Resources to the north and Eskay Mining to the east). The resistivity contrast highlighted the dimensions and depth potential of the Cliff, Miles, and Cole porphyry centers. The data was further processed and interpreted for deformed stratigraphy and VMS targets in the Hazelton Group rocks. The ZTEM™ Survey shows the western (higher altitude) parts of the Property exhibit elevated resistivity related to the unconformably overlying Hazelton Group. The Hazelton Group rocks are the principal host rocks for precious metals-rich VMS deposits on adjacent properties. The eastern region shows a lower resistivity signature related to the exposed and underlying Stuhini Group. The entire package of rocks is gently folded with the anticlinal axes outcropping in the valleys, exposing more Stuhini and accentuating the low resistivity “creep” up the creeks and rivers. Cliff-Miles shows a distinct 4-km long resistivity low

that cuts through the high-resistivity Hazelton, interrupting the broad trend. This anomaly is sub-parallel to the Adam Fault and the low-resistivity Stuhini footwall and the large-scale orientation of the mineralized HPC. ZTEM™ cross sections better show the break in the overlying Hazelton and how it relates to the Adam Fault and footwall. This break, a potentially eroded-down and faulted anticlinal axis, is tied to the emplacement of the HPC, its porphyry phases, and the later epithermal overprint. This ZTEM™ pattern can be used as a template for further regional exploration on the Property.

Prospecting and geochemistry:

Selective rock-chip and soil sampling grids over several target areas highlighted the potential of vein-stockwork and VMS mineralization at the King East, Mount Dunn, and Rhyolite Ridge prospective targets.

2021 Drilling Program Highlights:

Drilling was focused on two distinct types of mineralization at the 4 km-long Cliff-Miles porphyry corridor; the main porphyry copper-gold mineralization which extends down to an approximate 800m depth and the overlapping central 2 km-long epithermal gold-rich zone. The Program targeted the cluster of IP anomalies and the depth potential of the mineralization. Intercepts of high-grade gold mineralization constrained within stockwork mineralized porphyry intrusions and host rocks were encountered. The initial two drill holes, KH21-39 and KH21-40 evaluated the southern block of the Cliff zone where previous holes KH18-13 intersected 245.5 m @ 0.40 CuEq.* and KH20-36 intersected 490.8m @ 0.33 g/t AuEq* including 56.2m @ 0.50 g/t AuEq*.

Drill holes KH21-41, and KH21-42 cut across the central Cliff-Miles zone and highlighted an interplay of Feldspar Porphyry (“FP”), highly silicified and well-mineralized Medium Porphyry (“MP”) and host siliciclastic rocks. These altered rocks are known to carry significant amounts of gold as intersected last year in drill hole KH20-37, which returned 83.0m @ 0.68 g/t AuEq including 32.0m @ 1.24 g/t AuEq*. (See NR March 23, 2021).

Further to the north, drill holes KH21-43, KH21-44 and KH21-45 all intersected multiple cross cutting porphyry dikes and highly silicified siliciclastic rocks cut by late-stage gold-bearing quartz-carbonate ± sulphide veins. KH21-45 returned 1.05 g/t AuEq over 43 m from surface).

Community relations

The Company has had a Communications Agreement (the “Agreement”) in place with the Tahltan Central Government (“TCG”) since 2018 and which is renewed annually. The TCG is the administrative body of the Tahltan Nation, located in northwest British Columbia, whose traditional territory encompasses the Property. 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 cooperation with regards to the company’s exploration activities on the Property. The Agreement also encourages support for Tahltan cultural, economic, and educational initiatives. We have continued to hire Tahltans as part of our exploration crews each season.

In May 2022, the Company renewed an Opportunity Sharing Agreement (“OSA”) with the TCG, to provide further commercial opportunities for Tahltans and their businesses, deepening the

Company's supply lines for exploration services, materials, and transportation. The first OSA was signed in early 2020. The Company also supports certain Tahltan community events, youth causes, exploration symposiums and job fairs in local communities situated near the Company's mineral properties. However, most community events in Tahltan territory have been suspended or delayed due to the pandemic. Business activity throughout their traditional territories is being carefully managed by the TCG with rigorous travel and access policies. The TCG's protective measures are regularly updated and communicated to their constituents and exploration partners. To date, these polices have largely kept their communities free of COVID-19, critically important due to a high proportion of elders, senior citizens and limited local medical resources.

Information sharing is enhanced by annual exploration reports that are sent to the TCG. As part of the terms of the OSA, representatives of the TCG visited the Property on August 18, 2022. For more information about the TCG, visit www.tahltan.org.

Reclamation

The Company upholds high environmental standards with respect to all its environmental interactions. It remediates and reclaims its work sites including the drilling and helicopter landing pads once the exploration results have been thoroughly reviewed. The Company has historically used 33 different sites on the Property of which 30 have been reclaimed, with 3 being retained for use in 2023.

The Company's 5-year exploration permit was renewed on August 5, 2022. The terms and conditions of the permit are very similar to those of the previous permit.

QAQC and Analytical Procedures

Metallis has implemented a rigorous quality assurance / quality control (QA/QC) program to ensure best practices in sampling and analysis of diamond drill core and surface rocks and soils. The drilling samples comprising 1-3m intervals of HQ and NQ drill core were delivered to ALS Global prep facilities in Terrace and North Vancouver, BC, where the samples were crushed to 70% pass 2mm fraction, and then a 250g split was pulverized to better than 85% passed a 75-micron screen. The geochemical analyses were performed by ALS Global in Vancouver using multi-element 4-Acid digest ICP-MS package (ME-MS61). Gold was analyzed by fire assay technique Au-ICP21. Gold grades ≥ 10 g/t were analyzed by fire assay and gravimetric finish. In addition to the internal QAQC program by ALS, Metallis inserted 10% lab certified standards, field blanks and duplicates into the overall sampling stream. ALS is a global testing, inspection and certification business and is an ISO/IEC 17025:2005 accredited laboratory independent of the Company.

Quarterly Information

| | Three Months Ended September 30, 2022 | Three Months Ended June 30, 2022 | Three Months Ended March 31, 2022 | Three Months Ended December 31, 2021 |
|-----------------------------------|---|--|---|--|
| Total assets | \$15,425,843 | \$15,114,151 | \$13,604,373 | \$13,765,159 |
| Total liabilities | (540,110) | (240,252) | (51,306) | (68,232) |
| Shareholders' equity | 14,885,733 | 14,873,899 | 13,553,067 | 13,696,927 |
| <i>Select operating expenses:</i> | | | | |
| Advertising, marketing, promotion | 755 | 8,750 | 2,000 | 8,796 |
| Consulting fees | 89,250 | 129,000 | 82,300 | 76,107 |
| Professional fees | 4,171 | 9,596 | 2,500 | 36,304 |
| Regulatory and transfer agent | 5,659 | 23,429 | 8,216 | 11,457 |
| Share-based compensation | 249,654 | - | - | 2,090 |
| Net income (loss) | (234,732) | (209,383) | (143,860) | (111,131) |
| Earnings (loss) per share- basic | (0.00) | (0.00) | (0.00) | (0.00) |

| | Three Months Ended September 30, 2021 | Three Months Ended June 30, 2021 | Three Months Ended March 31, 2021 | Three Months Ended December 31, 2020 |
|-----------------------------------|---|--|---|--|
| Total assets | \$14,441,206 | \$14,348,637 | \$10,980,505 | \$11,519,497 |
| Total liabilities | (635,238) | (341,983) | (114,547) | (326,416) |
| Shareholders' equity | 13,805,968 | 14,006,654 | 10,865,958 | 11,193,081 |
| <i>Select operating expenses:</i> | | | | |
| Advertising, marketing, promotion | 262,412 | 92,507 | 184,049 | 33,541 |
| Consulting fees | 114,264 | 225,392 | 117,831 | 163,405 |
| Professional fees | 6,083 | 4,226 | 2,897 | 31,684 |
| Regulatory and transfer agent | 4,585 | 20,058 | 11,565 | 8,921 |
| Share-based compensation | 403,682 | 231,054 | 10,754 | 160,156 |
| Net income (loss) | (604,368) | (594,370) | (337,877) | (321,869) |
| Earnings (loss) per share- basic | (0.01) | (0.01) | (0.01) | (0.01) |

Results of Operations

Three months ended September 30, 2022, compared to three months ended June 30, 2022:

The Company had a net loss for the current Q3 2022 period of \$234,732 (Q2 2022 - \$209,383), composed of operating costs of \$391,076 (Q2 2022 - \$212,083) and other income totalling \$156,344 (Q2 2022 - \$2,700). The other income is comprised substantially of other income on settlement of flow-through premium liability, with smaller amounts of interest income, finance income and accretion of lease liability discount.

The Company incurred total net exploration costs in the current quarter of \$1,102,958 (Q2 2022 - \$73,829), comprised mostly of geological consulting fees, drilling and helicopter costs which together are 86% of all net exploration in the quarter. Exploration costs are capitalized under Exploration and evaluation assets.

The key operating expenses were consulting fees of \$89,250 (Q2 2022 - \$129,000), investor relations fees of \$9,000 (Q2 2022 - \$17,000), office and administration of \$22,780 (Q2 2022 - \$14,540), regulatory and transfer agent fees of \$5,659 (Q2 2022 - \$23,429) and share-based compensation of \$249,654 (Q2 2022 - \$Nil), together accounting for 96% (Q2 2022 - 87%) of all operating costs. With the exception of share-based compensation, all other operating costs declined by \$70,661 in the quarter. Consulting fees declined \$39,750, investor relations fees declined \$8,000, regulatory and transfer agent fees declined \$17,770 and office and general expenses increased \$8,240, for a net total decrease of \$57,280 or 81% of the total decrease.

Consulting fees include amounts to related parties of \$57,000, unchanged from the prior quarter, and third-party consulting fees of \$32,250 (Q2 2022 - \$72,000). A consulting fee of \$31,250 incurred in Q2 2022 was to a German company providing capital market exposures and investor introductions in Germany and Switzerland. Other consulting fees totalled \$25,750 compared to \$32,250 in the current quarter.

Investor relations costs declined in the period as Nicosia Capital Corp. (“Nicosia”), the Company’s IR provider since 2018, receives \$3,000 per month effective, June 2022, a reduction from \$7,000 per month last year. Office and general expenses rose \$8,240 in the current period and includes corporate and liability insurance premiums, communications, supplies, website hosting and IT fees, printing costs and dues, fees, and subscriptions. Such changes are typical from period to period, and about ½ of the increase was due to costs related to the annual meeting of the Company. Regulatory and transfer agent fees declined \$17,770 mainly as a result of the annual OTC listing fee of US\$14,220 which was recognized and paid in the prior quarter.

During the current quarter, cash and cash equivalents declined \$956,547. The Company spent \$821,871 on exploration and \$139,343 on operations during the quarter. Other cash flows totalled \$4,667. The operating cost disbursements were less than our expected quarterly operating costs of \$175,000 and can be mainly attributed to the Company spending only \$755 during the quarter on advertising, marketing, and promotion. Otherwise, management continues to expect its operating costs in 2022 to average \$175,000 per quarter, a reduction of \$75,000 from the 2021 quarters. The Company had curtailed its pandemic-induced advertising marketing and promotion expenses in the latter half of 2021 while general operating costs such as management fees, regulatory fees, rent, professional fees and office and general expenses are expected to remain similar to recent periods. This estimate does not include share-based compensation which is a book entry estimate and not a cash disbursement.

Three months ended September 30, 2022, compared to three months ended September 30, 2021:

The Company had a net loss of \$234,732 (Q3 2021 – \$604,368) during the period. Operating costs were \$391,076 (Q3 2021 - \$841,205) and other income totalled \$159,364 (Q3 2021 - \$236,837).

Operating costs comprised of consulting fees of \$89,250 (Q3 2021 - \$114,264), investor relations fees of \$9,000 (Q3 2021 - \$21,000), advertising marketing and promotion of \$755 (Q3 2021 - \$262,412), and share-based compensation of \$249,654 (Q3 2021 - \$403,682) together total 89% (Q3 2021 - 95%) of all operating expenses.

The operating costs decreased \$450,129 compared to Q3 2021, with share-based compensation declining \$154,028 and advertising marketing and promotion declining \$261,657, which together comprise 92% of the total reduction of operating costs. Share-based compensation in Q3 2021 was \$403,682, being the fair value of the vested portion of a grant of 1,900,000 stock options at \$0.39 per share, while in Q3 2022 it is \$249,654, being the fair value of the vested portion of a grant of 1,800,000 stock options at \$0.20 per share. Advertising, marketing, and promotion was \$262,412 in Q3 2021 and this was the last period in which the Company was using broad internet marketing campaigns involving social media, email, news release re-circulation to engage with investors and shareholders. Those programs ended in that quarter and were not renewed, as the markets began moving back to in-person engagements. While no web-based marketing is being done at the present time, we may re-engage in those programs if and when management considers it appropriate.

Consulting fees declined \$25,014 compared to Q3 2021. The amount of related party fees was \$57,000 in each quarter but the Q3 2021 third-party consulting fees were \$57,264 compared to \$32,250 in the current period. The fees were higher in 2021 due to the engagement of two German-based capital markets advisers to help the Company in the German market, as a cost of \$32,310. Recurring consulting fees are paid for corporate administration, communications, and officers fees, the latter of which is detailed under related party transactions later in this MD&A.

Investor relations fees were reduced due to changes in market sentiment in 2022. The fee reductions are discussed above in the section “*Three months ended September 30, 2022, compared to three months ended June 30, 2022:*”.

Other income is detailed on the statements of loss and comprehensive loss, comprising interest income, finance income (from premises sublease), accretion of lease liability discount, gain on settlement of accounts payable and accrued liabilities and other income on settlement of flow-through premium liability (“FTPL”). The FTPL represents the premium paid in respect of flow-through shares issued by the Company and is reduced by the incurrence of qualifying exploration expenses. In both periods, the other income is substantially composed of other income on settlement of flow-through premium liability, making up 93% (Q3 2021 - 99%) of all other income. These amounts are recorded as a result of the Company incurring such qualifying exploration costs which reduced the Company’s flow-through premium liability at the time on a pro-rata basis.

During the current quarter, cash and cash equivalents declined \$956,547 (Q3 2021 - \$2,183,264). Of note, the Company spent \$821,871 (Q3 2021 - \$1,821,909) on exploration and \$139,343 (Q3 2021 - \$358,938) on operations. Cash outflows for the period are therefore 86% (Q3 2021 – 84%) on exploration and 14% (Q3 2021 - 16%) for administration and overheads. The higher exploration cash outflows in 2021 are attributable to the Company drilling in 2021 more than twice the meters than were drilled in 2022, resulting in comparatively higher helicopter, camp accommodations and drilling costs.

Nine months ended September 30, 2022, compared to nine months ended September 30, 2021:

The Company had a net loss of \$587,975 (2021 - \$1,536,615) for the nine-month period, comprised of operating costs of \$747,447 (2021 - \$1,854,468) and other income of \$159,472 (2021 - \$317,853). Other income on settlement of flow-through premium liability is the largest single component of other income, comprising 91% (2021 - 87%) of other income.

Key operating costs include consulting fees of \$300,550 (2021 - \$457,487), investor relations fees of \$47,000 (2021 - \$66,500), advertising marketing and promotion of \$11,505 (2021 - \$538,968) and share-based compensation of \$249,654 (2021 - \$645,490). Together, these expenses account for 81% (2021 - 92%) of all operating expenses.

The decrease in consulting fees compared to 2021 is largely due to a reduction of fees to third parties, from \$276,487 in 2021 to \$129,550 in 2022. Related party consulting fees declined from \$181,000 to \$171,000. As previously discussed, short-term agreements were signed in 2020 and in 2021 with Germany-based firms to provide advice and introductions to the capital markets in Germany, through a 1½ year period beginning with the start of the pandemic, when investor and shareholder engagement pivoted to on-line platforms. The contracts covered a period of approximately six months and were not renewed when they matured, as post-pandemic business had begun returning to more in-person engagements. Other consultants provide communications and administration services, and the cost was \$77,300 (2021 - \$77,977) for the period.

Investor relations fees declined due to a reduction of monthly fees paid to Nicosia as described above.

The large decrease in advertising, marketing, and promotion from \$538,968 to \$11,505 reflects the curtailment of the Company's 2021 web and digital marketing programs. We have previously discussed that the Company had spent funds on web and digital marketing beginning Q3 2020 to enhance the awareness of the Company as it adjusted to conducting more business and investor engagements online. These email and web-based campaigns served to increase public awareness through the 2021 exploration season, introduced the Company to new market participants and maintained liquidity. Their curtailment after mid-2021 followed the general trends of more in-person engagements and a lower reliance on web-based marketing programs, as the pandemic began to evolve into an endemic. The Company's continuing advertising, marketing and promotion expenses are limited in nature and may include occasional magazine or web advertisements and meetings with new or existing investor groups. Larger scale market awareness programs utilizing social media and web-based platforms may be utilized again in the future, but in light of current market sentiment such programs are not anticipated in the short term.

Share-based compensation, a book entry for the estimated fair value of stock options granted, follows the Black-Scholes Pricing Model. The 2022 amount of \$249,654 reflects the vested portion of 1.8 million stock options granted at \$0.20 per share in Q2 2022. The 2021 amount of \$645,490 reflected the fair values of the grant to non-related party consultants of 550,000 stock options exercisable at \$0.50 per share and 120,000 options at \$0.45 per share, both of which vested upon grant, and the vesting of 100,000 investor relations options granted to Nicosia in 2020 and which vested over a one-year period. The current period share-based compensation reflects the vested portion of 1,800,000 stock options exercisable at \$0.20 per share which were granted during the period.

With respect to cash flows, during the period the Company raised \$1.7 million (2021 - \$3.8 million) from private placements and spent \$1.0 million (2021 - \$2.4 million) on exploration, \$0.4 million

(2021 - \$1.2 million) on operations and \$Nil (2021 - \$0.1 million) on exploration deposits and retainers. Lower exploration outflows in the current period reflect the later start of the exploration program, the smaller scale of field work and drilling, and the execution of ZTEM and IP surveys in 2021. This season, field work ran 55 days, from August 10 to October 4, while in 2021 it ran 113 days, from July 5 to October 26.

Overall, cash increased \$0.3 million (2021 - \$Nil) during the nine-month period.

Liquidity and capital management

The Company endeavors to maintain appropriate levels of capital and liquidity. Sufficient liquidity is required to meet liabilities and obligations as they become due. The Company has no commercial operations or source of revenue, 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. The Company continually assesses its internal, exploration and financing risks and their potential impacts on operations. This approach has allowed the Company to maintain sufficient capital balances over recent years to mitigate unexpected cash flow shortfalls.

At the date of this report, the Company has total working capital of \$0.75 million as follows:

| <u>Working capital at the date of this report:</u> | | |
|---|--|---------------|
| | | (\$000's) |
| Cash and cash equivalents | | \$ 660 |
| Receivables | | 86 |
| Tax credit receivable | | 110 |
| Prepaid expenses and retainers | | 45 |
| Due from related party | | 7 |
| Accounts payable and accrued liabilities | | (110) |
| Short term lease liability | | (32) |
| Flow through premium liability | | (19) |
| | | <hr/> |
| Total net working capital | | <u>\$ 747</u> |

Outstanding share information

There are 60,544,312 common shares outstanding as of the date of this report, unchanged from September 30, 2022. During the nine-months ended September 30, 2022, the Company completed a private placement (the "Financing") of 7,704,434 units, raising \$1,704,445. The units consisted of 5,451,934 flow-through units at a price of \$0.23 per unit and 2,252,500 non-flow-through units at a price of \$0.20 per unit.

Each flow-through unit consists of one flow-through common share and one-half of one non-flow-through, non-transferable share purchase warrant. Each whole warrant allows the holder to purchase one additional common share at a price of \$0.33 per share for a 3-year period. The full proceeds of the flow-through private placement are to be incurred on "Canadian exploration expenses" (within the meaning of the Act) subsequent to the Financing and before December 31,

2023. The Company expects to renounce these expenses to the purchasers with the effective date of December 31, 2022.

A flow-through premium is calculated at the time of issuance as the price differential between the two types of units or shares concurrently issued, calculated to be \$163,558 and which was offset against share capital and recognized as a flow-through premium liability. The liability is reduced in proportion to the incurrence qualifying exploration costs relative to the total flow-through funds raised.

Each non-flow-through unit of the Financing consisted of one common share and one-half of one non-flow-through, non-transferable share purchase warrant. Each whole warrant allows the holder to purchase one additional common share at a price of \$0.30 per share for a 3-year period.

Total issuance costs of \$13,760 were incurred for filing fees and transfer agent fees.

Stock options

During the period ended September 30, 2022, the Company recorded share-based compensation of \$249,654 in respect of the grant of 1,800,000 stock options to its directors, officers, and consultants, exercisable at \$0.20 per share for a five-year period. The Company's investor relations consultant received 150,000 of the stock options which will vest over a one-year period. The other stock options vested upon grant.

At September 30, 2022 and the date of this report, there are 5,545,000 stock options outstanding.

Changes in stock options:

| | Number of stock options outstanding | Weighted average exercise price |
|---|--|------------------------------------|
| Balance, December 31, 2021 | 4,880,000 | \$ 0.59 |
| Options expired | (760,000) | 0.39 |
| Options granted | 1,800,000 | 0.20 |
| Options terminated | (375,000) | 0.81 |
| Balance- September 30, 2022, and the date of this report | 5,545,000 | \$ 0.50 |

The outstanding stock options at the date of this report are as follows:

| Expiry Date | Number of Options | Vested and exercisable | Exercise Price |
|----------------------------------|-------------------|------------------------|----------------|
| April 23, 2023 | 120,000 | 120,000 | \$ 0.45 |
| July 13, 2023 | 900,000 | 900,000 | 1.35 |
| August 9, 2023 | 25,000 | 25,000 | 1.05 |
| October 6, 2025 | 450,000 | 450,000 | 0.40 |
| April 12, 2026 | 450,000 | 450,000 | 0.50 |
| September 27, 2026 | 1,800,000 | 1,800,000 | 0.39 |
| August 31, 2027 | 1,800,000 | 1,650,000 | 0.20 |
| Total outstanding options | 5,545,000 | 5,395,000 | \$ 0.50 |

Warrants

As at the date of this report, there are 15,640,371 share purchase warrants outstanding as follows:

| | Number of Warrants outstanding | Weighted average exercise price |
|--|--------------------------------|---------------------------------|
| Balance at December 31, 2021 | 11,788,154 | \$ 0.65 |
| Warrants issued | 3,852,217 | 0.32 |
| Balance at September 30, 2022, and the date of this report | 15,640,371 | \$ 0.57 |

Outstanding warrants at the date of this report:

| No. of warrants Outstanding | Exercise Price | Date |
|-----------------------------|----------------|------------------|
| 380,555 | \$ 0.65 | April 30, 2023 |
| 2,985,000 | 0.70 | April 30, 2023 |
| 24,000 | 0.50 | April 30, 2023 |
| 376,667 | 0.65 | May 7, 2023 |
| 60,000 | 0.70 | May 7, 2023 |
| 3,600 | 0.50 | May 7, 2023 |
| 4,805,000 | 0.60 | October 7, 2023 |
| 2,383,000 | 0.68 | October 7, 2023 |
| 7,000 | 0.40 | October 7, 2023 |
| 50,000 | 0.60 | October 16, 2023 |
| 666,666 | 0.68 | October 16, 2023 |
| 46,666 | 0.40 | October 16, 2023 |
| 663,750 | 0.30 | June 10, 2025 |
| 2,640,750 | 0.33 | June 10, 2025 |
| 462,500 | 0.30 | June 23, 2025 |
| 85,217 | 0.33 | June 23, 2025 |
| 15,640,371 | | |

Personnel changes

The Company's Chief Geologist, Nickolas Dudek, was appointed on March 30, 2022, following the resignation of Dr. Abdul Razique, who was the Company's Vice-President - Geoscience Services and formerly the Chief Geologist. There were no other changes in management during the nine-month period ended September 30, 2022.

Mr. Dudek was responsible for leading Metallis' field exploration team including the management of daily operations during the Company's 2022 field programs. Nickolas graduated with an Honors BSc. in Earth Science from McGill University in 2014 and completed his MSc. from the University of Ottawa in 2017. During his career, Mr. Dudek has worked across a diverse set of commodities and has worked on projects both abroad and throughout Canada. Companies he has worked with include Evergold Corp., Bitterroot Resources, Kodiak Copper Corp., and Amarc Resources Ltd. In 2017 he joined C.J. Greig & Associates Ltd. and was a critical part of GT Gold's discovery team in the following years, where he logged core, interpreted oriented core and hyperspectral data, managed the logging database and was a primary 3D modeler.

Directors, Officers, and Related Parties

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) and Mr. Dave Dupre (Vice-President of Exploration).

During the period ended September 30, 2022, there were no changes to the Company's Board of Directors. 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) 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;
- 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 former Vice-President of Geoscience Services, who served that position from June 1, 2021, to the date of resignation on March 1, 2022. Magma provided geological consulting services to the Company, the amounts of which were capitalized as geological costs under exploration and evaluation assets; and
- f) Etruscus Resources Corp. ("ETR") is a public company related through two common directors and a common officer. ETR subleased ½ of the office space from the Company under a three-year sublease that expired on June 30, 2022, and which was renewed for

another 3 years on July 1, 2022, at the same fixed lease rate for the first 2 years and a \$1/sq. ft. increase for year 3. Consequently, ETR shares certain administrative expenses and also shared the 2022 exploration camp with the Company. Accordingly, day-to-day operations occasionally have non-significant receivables or payables due from or to ETR, respectively.

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 months ended September 30, 2022 | Transactions for the year ended December 31, 2021 | Balance receivable (payable) as at September 30, 2022 | Balance receivable (payable) as at December 31, 2021 |
|---------------------------------|------------|--|--|--|--|
| Avanti Consulting Inc. | (a) | \$ 108,000 | \$ 149,000 | \$ - | \$ - |
| Lever Capital Corp. | (b) | 63,000 | 89,000 | - | - |
| D.G. Dupre and Associates Inc. | (c) | 45,000 | 63,500 | - | - |
| DRW Geological Consultants Ltd. | (d) | - | - | - | - |
| Magma Geosciences Inc. | (e) | 22,000 | 77,000 | - | - |
| Etruscus Resources Corp. | (f) | - | - | 1,289 | 496 |
| Total | | \$ 238,000 | \$ 378,500 | \$ 1,289 | \$ 496 |

Loans to related parties:

On May 15, 2022, related party loans of \$48,119 and interest of \$453 were repaid to the Company. During the year ended December 31, 2021, directors and officers exercised 850,000 stock options for cash proceeds of \$85,000. The Company made a payroll remittance to the Canada Revenue Agency (“CRA”), recording the amounts as loans receivable, totalling \$48,119. The loans were payable on demand, had a one-year term at CRA prescribed interest rates and were fully repaid in May 2022.

Advisory Board

The Company’s Technical Advisory Board Dr. Michelle Campbell (appointed April 2021), Mr. Charlie Greig (April 2021), Lawrence Roulston (April 2014), Stephen Wetherup (April 2017), Dr. Farhad Bouzari and Mr. Andrew McIntosh (both appointed April 2020).

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.

Risk Factors

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.

Investing in 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.

COVID-19

Future economic and business impacts caused by the pandemic cannot be estimated. As the pandemic transitions to an endemic, the nature of the virus is changing as new variants emerge and governments and businesses continue to adjust their protocols. There is currently no certainty regarding the long-term effectiveness of vaccines developed or under development. Future operating disruptions and volatile supply chain disruptions may continue to occur as a result of the disease. Government regulations may change at any time, impacting operating procedures, including possible economic closures. Financial markets continue to be impacted by inflation, supply and demand imbalances, and geopolitical tensions.

The Company's top priority remains the health and safety of its workers. In April 2020, the Company's Health, Safety, Environment and Social Responsibility Committee adopted the initial COVID-19 BC Health Authority protocols and guidelines for all of our operations. We developed a Worksafe BC COVID-19 Safety Plan which we coordinated with similar plans developed by our exploration subcontractors. We reopened our head office in May 2020. We have regularly updated the Safety Plan in accordance with updates from the BC Health Authority. In addition, we utilized health measures such as work-from-home policies, enhanced on-line communication capabilities and set limits to the number of people working at the head office and at other work locations. These actions have ensured the continuation of the Company's operations and will continue to be utilized, if and when required.

Climate Change

Global reporting standards for climate change risks are not yet firmly established, with several international reporting frameworks currently being used, mostly by mid to large-cap entities. The Company has not yet adopted any of these reporting frameworks.

The extent of climate change and its impact on the Company's future operations cannot be determined. However, it is important to note that climate change may create environmental conditions that affect the Company's ability to execute its exploration programs or access its properties. Climate change may also indirectly affect the regulatory environment. Planning future mine development would need to recognize carbon impacts throughout the development process and be accompanied with decarbonization strategies.

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 continue 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 could suffer dilution of their investment and unusually large financings could result in a change of control of the Company.

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 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

In recent years, the mining industry had begun to make much progress globally in ESG (environmental, social, governance) reporting, bringing more stakeholders and their concerns into the exploration, development, and operating phases of mining. Eventually, communities will be able to gauge an entity's actions within a reliable framework of standardized reporting. Global ESG reporting standards are continuing to evolve- there are issues around the extent of disclosure, who discloses what, and what set of standards to use. At this time, the Company has not elected to use these non-mandatory disclosure templates, based on the scale of the Company operations. However, this MD&A includes discussions on the Company's adherence to standards, compliance, health and safety, exploration related reclamation efforts and its First Nations relationships.

Increased public scrutiny of mining projects and a general global increase in environmental concerns has been addressed by the mining industry by including both the local and broader communities and all key stakeholders in the planning and development processes, being transparent through communications, dialogue, and education, and providing additional social governance and environmental sustainability reporting. Garnering community and public support for continued exploration, future mine development and construction includes public engagement and involvement of all key community stakeholders throughout the exploration and development processes.

The Company's resource properties lie within the traditional territory of the Tahltan Nation, a key stakeholder with which the Company has maintained Communication and Opportunity Sharing Agreements since 2018. Joint areas of fundamental concern are environmental stewardship and the sharing or transfer of economic benefits. The Company regularly updates the Tahltans to keep them aware of corporate changes and the progress of exploration, while the Tahltans keep their industry partners apprised of their community activities and health and safety measures. 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.

The Tahltans had established very rigorous health and safety measures to keep COVID-19 out of their communities while allowing members to remain employed in the mining and other industrial and business sectors. The Tahltans' COVID-19 protocols are regularly updated for their communities and are also shared with their exploration and other business partners.

Financial instruments

The Company's financial instruments consist of cash and cash equivalents, receivables, net investment in sublease, accounts payable, lease liability and amounts due to or due from related parties.

As at September 30, 2022, the Company had cash and cash equivalents of \$1.1 million (December 31, 2021 - \$0.8 million) comprised of cash in bank of \$0.7 million (December 31, 2021 - \$0.1 million) and Guaranteed Investment Certificates and money market instruments totalling \$0.4 million (December 31, 2021 - \$0.7 million).

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 (loss) and any fair value change in excess of the amount attributable to changes in credit risk is recognized 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 (loss) or through profit or loss); and
- ii) those to be measured at amortized cost using the effective interest method.

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, although 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. Finance income and finance costs arising from financial assets and financial liabilities respectively, are recorded in profit and loss.

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 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 expenses. 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 for the period ended September 30, 2022 are the same as those described in the annual financial statements for the year ended December 31, 2021.

The effect of a change in an accounting estimate is recognized prospectively by including it in profit or loss in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Significant assumptions about the future and other sources of estimation uncertainty that management has made that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- a) The recoverability of the carrying value of exploration and evaluation costs;
- b) Significant judgment is required in determining the provision for income taxes. During the ordinary course of business, there are transactions and calculations for which the ultimate tax determination is uncertain. As a result, the Company recognizes tax liabilities based on estimates of whether additional taxes and interest will be due. These tax liabilities are recognized when, despite the Company's belief that its tax return positions are supportable, the Company believes that certain positions are likely to be challenged and may not be fully sustained upon review by tax authorities. This assessment relies on estimates and assumptions and may involve a series of complex judgments about future events. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will impact income tax expense in the period in which such determination is made;
- c) The inputs used in accounting for share-based compensation expense in profit or loss, including share price volatility and risk-free interest rates, and similar inputs used in accounting for the valuation of finders' warrants, if and when issued;
- d) The valuation of flow-through premium liability is an estimate;
- e) The significant judgements, estimates and assumptions made by management as they relate to IFRS 16 - Leases, primarily include evaluating the appropriate discount rate to use to discount the lease liability, the determination of the lease term when the lease contains an extension option, and assessing if the Company is reasonably certain that it would exercise an extension option; and such judgements, estimates and assumptions 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; and
- f) The assumption that the Company is a going concern and will continue operating for the foreseeable future is a judgment.

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 consists of recoverable Canadian sales taxes, accrued interest and Canadian mineral exploration tax credits receivable, which management believes the collectability of these amounts to be assured.

The Company shares an office with ETR and is expected to have amounts due from or to ETR at each period end. These amounts are considered at low risk of default, due to their relatively small scale, influence of management, and the early stage of ETR's exploration cycle. Accordingly, collection of amounts due from related party is also believed to be assured.

Liquidity Risk

Liquidity risk is the risk that the Company will not meet its obligations associated with its financial liabilities as they become due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Company's operations do not currently generate positive cash flows, and historically the Company has relied on equity financings, and to a lesser extent non-core asset sales, for its capital requirements. As at September 30, 2022, the Company has working capital of \$0.8 million (December 31, 2021 - \$1.0 million). The existing liquidity is expected to finance working capital requirements into 2023. Additional financing would be required for the 2023 exploration season and working capital through 2023.

The Company 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. However, there can be no assurance the Company will be able to complete 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.

The following are the contractual maturities of financial liabilities as at September 30, 2022:

| | Carrying Amount | Contractual Cash Flows | Within 1 year | Within 2 years | Within 3 years |
|--|--------------------|---------------------------|------------------|-------------------|-------------------|
| Accounts payable and accrued liabilities | \$ 422,423 | \$ 422,423 | \$ 422,423 | \$ - | \$ - |
| Lease liabilities | 98,915 | 112,725 | 40,500 | 40,838 | 31,387 |
| Total | \$ 521,338 | \$ 535,148 | \$ 462,923 | \$ 40,838 | \$ 31,387 |

Interest rate risk

The Company is not exposed to risk in the event of interest rate fluctuations. The Company has no long-term debt other than a lease liability and accordingly has not entered into any interest rate swaps or other financial arrangements that would mitigate the exposure to interest rate fluctuations. Current interest rates, while rising, still remain below historical norms and excess cash is currently yielding higher interest income. For these reasons, the Company believes it is not subject to material risks should interest rates rise further.

Foreign currency risk

The Company's functional currency is the Canadian dollar and nominal 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.

Management's Responsibility for the Condensed Interim Financial Statements

Information provided in this report, and the Company's condensed interim financial statements for the period ended September 30, 2022, are the responsibility of management. In the preparation of these reports, judgements, and estimates, previously discussed in this MD&A, 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 accurately 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 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.

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.