

METALLIS RESOURCES INC.
Condensed Interim Financial Statements
September 30, 2022

(Expressed in Canadian Dollars)

METALLIS RESOURCES INC.
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For the three and nine-month periods ended September 30, 2022
(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>2022</i>	<i>December 31,</i> <i>2021</i>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,087,119	\$ 800,793
Receivables (<i>Note 3</i>)	194,753	174,365
Deposits and prepaid expenses (<i>Note 4</i>)	37,267	21,206
Loans to related parties (<i>Note 10</i>)	-	48,420
Due from related party (<i>Note 10</i>)	1,289	496
Total current assets	1,320,428	1,045,280
Equipment (<i>Note 5</i>)	53,445	13,729
Exploration and evaluation assets (<i>Notes 6 and 10</i>)	14,002,513	12,696,192
Net investment in sublease (<i>Note 7</i>)	49,457	9,958
Total assets	\$ 15,425,843	\$ 13,765,159
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (<i>Note 7</i>)	\$ 422,423	\$ 48,314
Lease liability (<i>Note 7</i>)	32,405	19,918
Flow-through premium liability (<i>Note 8</i>)	18,772	-
Total current liabilities	473,600	68,232
Lease liability- long term (<i>Note 7</i>)	66,510	-
Total liabilities	540,110	68,232
EQUITY		
Share capital (<i>Note 9</i>)	23,533,854	22,006,727
Equity reserves	4,408,841	4,159,187
Deficit	(13,056,962)	(12,468,987)
Total equity	14,885,733	13,696,927
Total liabilities and equity	\$ 15,425,843	\$ 13,765,159

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 28, 2022

“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, 2022 and 2021**

(Expressed in Canadian Dollars)

(Unaudited – prepared by management)

	<i>Three months ended September 30, 2022</i>	<i>Three months ended September 30, 2021</i>	<i>Nine months ended September 30, 2022</i>	<i>Nine months ended September 30, 2021</i>
Operating Expenses:				
Advertising, marketing, promotion	\$ 755	\$ 262,412	\$ 11,505	\$ 538,968
Consulting fees (Note 10)	89,250	114,264	300,550	457,487
Depreciation (Note 5)	5,082	5,631	15,954	16,887
Investor relations	9,000	21,000	47,000	66,500
Office and general	22,780	23,211	55,939	72,418
Professional fees	4,171	6,083	16,267	13,206
Regulatory and transfer agent fees	5,659	4,585	37,304	36,208
Rent	4,347	337	11,995	7,304
Share-based compensation	249,654	403,682	249,654	645,490
Travel	378	-	1,279	-
Total operating expenses	(391,076)	(841,205)	(747,447)	(1,854,468)
Interest income	12,817	3,641	16,110	11,236
Finance income on sublease	1,257	324	1,424	1,254
Accretion of lease liability discount	(2,516)	(651)	(2,848)	(2,510)
Gain on settlement of accounts payable and accrued liabilities	-	-	-	31,000
Other income on settlement of flow-through premium liability	144,786	233,523	144,786	276,873
Loss and comprehensive loss for the period	\$ (234,732)	\$ (604,368)	\$ (587,975)	\$ (1,536,615)
Basic and diluted loss per common share	\$ (0.00)	\$ (0.01)	\$ (0.01)	\$ (0.03)
Weighted average number of common shares outstanding:				
Basic and diluted	60,544,312	52,839,878	55,948,508	49,004,726

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

METALLIS RESOURCES INC.

Condensed Interim Statements of Changes in Equity

(Expressed in Canadian Dollars)

(Unaudited – prepared by management)

	<i>Number of Shares</i>	<i>Amount</i>	<i>Equity Reserves</i>	<i>Deficit</i>	<i>Total</i>
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 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
Share-based compensation	-	-	2,090	-	2,090
Loss for the period	-	-	-	(111,131)	(111,131)
Balance at December 31, 2021	52,839,878	\$ 22,006,727	\$ 4,159,187	\$ (12,468,987)	\$ 13,696,927
Proceeds from private placement	7,704,434	1,704,445	-	-	1,704,445
Share issuance costs	-	(13,760)	-	-	(13,760)
Flow-through premium liability	-	(163,558)	-	-	(163,558)
Share-based compensation	-	-	249,654	-	249,654
Loss for the period	-	-	-	(587,975)	(587,975)
Balance at September 30, 2022	60,544,312	\$ 23,533,854	\$ 4,408,841	\$ (13,056,962)	\$ 14,885,733

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, 2022 and 2021

(Expressed in Canadian Dollars)

(Unaudited – prepared by management)

	2022	2021
Cash flows provided by (used in) operating activities		
Loss for the period	\$ (587,975)	\$ (1,536,615)
Items not affecting operating cash:		
Accretion of lease liability discount	2,848	2,510
Depreciation	15,954	16,887
Interest income	(16,110)	(11,236)
Finance income	(1,424)	(1,254)
Gain on settlement of accounts payable and accrued liabilities	-	(31,000)
Other income on settlement of flow-through premium liability	(144,786)	(276,873)
Share-based compensation	249,654	645,490
Changes in non-cash working capital items:		
Receivables	(20,388)	(60,818)
Deposits and prepaid expenses	(16,061)	30,101
Accounts payable and accrued liabilities	82,352	(35,108)
Due from related party	(793)	(15,380)
Due to related party	-	(210)
Net cash used in operating activities	(436,729)	(1,273,506)
Cash flows provided by (used in) investing activities		
Additions to investment in exploration and evaluation assets	(1,014,565)	(2,452,066)
Interest received from investments	15,958	10,021
Loans to related parties	-	(48,299)
Loans and interest received from related parties	48,572	-
Proceeds from investment in sublease	15,188	15,187
Purchase of equipment	(2,408)	(2,165)
Net cash used in investing activities	(937,255)	(2,477,322)
Cash flows provided by (used in) financing activities		
Proceeds from shares issued	1,704,445	3,844,000
Share issuance costs	(13,760)	(35,488)
Lease payments	(30,375)	(30,375)
Net cash provided by financing activities	1,660,310	3,778,137
Increase in cash and cash equivalents during the period	286,326	27,309
Cash and cash equivalents, beginning of period	800,793	2,297,180
Cash and cash equivalents, end of period	\$ 1,087,119	\$ 2,324,489

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, 2022 (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 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 condensed interim financial statements of the Company are presented in Canadian dollars, which is the functional currency of the Company.

Going Concern of Operations

These condensed interim financial statements have been prepared on the basis that the Company will continue as a going concern which assumes that the Company will be able to continue 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. 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.

The Company has maintained operations and continued its exploration throughout the COVID-19 pandemic. As it evolves into an endemic, the Company will continue to follow public health guidelines and prioritize the health and safety of its workers, recognizing that the disease keeps mutating into new variants. It is not possible at this time for the Company to predict the duration or magnitude of the adverse results of this disease, nor its future impacts on the Company’s business or operations.

The Company has incurred a net operating loss of \$587,975 during the nine-month period ended September 30, 2022 and as of that date the Company’s total deficit was \$13,056,962. The ability of the Company to continue as a going concern depends upon i) its ability to raise adequate financing on reasonable terms from lenders, shareholders and other investors and ii) its ability to develop a mine and/or commence commercially profitable operations. The aforementioned factors indicate the existence of a material uncertainty which may cast significant doubt about the Company’s ability to continue as a going concern. These condensed interim financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

METALLIS RESOURCES INC.

**Notes to the Condensed Interim Financial Statements
For the nine-month period ended September 30, 2022
(Expressed in Canadian Dollars)**

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

Going Concern of Operations (continued)

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. In recent years, the Company has successfully raised funds from equity investors to provide for its exploration and working capital needs. The most recent private placement was completed in June 2022, raising \$1.7 million. To the extent future financing and other financing structures are not available, future working capital commitments beyond 2022 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.

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, 2021. 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, 2021 annual financial statements.

No new accounting standards

There were no new or amended IFRS policies or pronouncements adopted by the Company during the period ended September 30, 2022, nor are any new IFRS policies or pronouncements expected to be adopted during the remainder of 2022.

METALLIS RESOURCES INC.

**Notes to the Condensed Interim Financial Statements
For the nine-month period ended September 30, 2022
(Expressed in Canadian Dollars)**

3. RECEIVABLES

	September 30, 2022	December 31, 2021
BC Mineral Exploration Tax Credit	\$ 110,285	\$ 99,273
Recoverable sales taxes - Canada	62,034	75,092
Payroll credit receivable - Canada Revenue Agency	22,434	-
	\$ 194,753	\$ 174,365

4. DEPOSITS AND PREPAID EXPENSES

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

	September 30, 2022	December 31, 2021
Helicopter deposit	\$ 25,000	\$ -
Prepaid insurance	2,069	11,376
Prepaid storage	4,158	3,790
Lease deposit	6,040	6,040
	\$ 37,267	\$ 21,206

METALLIS RESOURCES INC.

**Notes to the Condensed Interim Financial Statements
For the nine-month period ended September 30, 2022
(Expressed in Canadian Dollars)**

5. EQUIPMENT

	<i>Right-of-use assets</i>	<i>Furniture & fixtures</i>	<i>Computers and software</i>	<i>Total</i>
Cost:				
Balance, December 31, 2021	\$ 60,828	\$ 3,692	\$ 21,461	\$ 85,981
Additions during the period	106,524	-	2,408	108,932
Maturity of lease	(60,828)	-	-	(60,828)
Derecognition due to sublease	(53,262)	-	-	(53,262)
Balance, September 30, 2022	\$ 53,262	\$ 3,692	\$ 23,869	\$ 80,823
Accumulated depreciation:				
Balance, December 31, 2021	50,690	1,624	19,938	72,252
Depreciation for the period	14,577	309	1,068	15,954
Maturity of lease	(60,828)	-	-	(60,828)
Balance, September 30, 2022	\$ 4,439	\$ 1,933	\$ 21,006	\$ 27,378
Net book values:				
September 30, 2022	\$ 48,823	\$ 1,759	\$ 2,863	\$ 53,445
December 31, 2021	\$ 10,138	\$ 2,068	\$ 1,523	\$ 13,729

METALLIS RESOURCES INC.

**Notes to the Condensed Interim Financial Statements
For the nine-month period ended September 30, 2022
(Expressed in Canadian Dollars)**

6. EXPLORATION AND EVALUATION ASSETS – Kirkham Property

	Balance, December 31, 2020	Additions	Balance, December 31, 2021	Additions	Balance, September 30, 2022
Acquisition costs	\$ 495,801	\$ -	\$ 495,801	\$ -	\$ 495,801
Assays and lab analysis	301,512	157,127	458,639	21,711	480,350
Community relations	121,872	40,000	161,872	40,000	201,872
Accommodations and camp	1,309,440	673,268	1,982,708	150,157	2,132,865
Drilling	3,207,734	1,279,820	4,487,554	439,206	4,926,760
Field expenses and core shack	79,968	19,293	99,261	7,970	107,231
Geological and geophysical	1,898,428	626,373	2,524,801	211,910	2,736,711
Helicopters and aircraft support	2,557,962	1,148,736	3,706,698	422,252	4,128,950
Licenses, claim fees and permits	158,862	27,014	185,876	24,127	210,003
Recovery of expenses	(1,204,234)	(118,917)	(1,323,151)	(11,012)	(1,334,163)
Write-downs	(83,867)	-	(83,867)	-	(83,867)
	<u>\$ 8,843,478</u>	<u>\$ 3,852,714</u>	<u>\$ 12,696,192</u>	<u>\$ 1,306,321</u>	<u>\$ 14,002,513</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.

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 substantially comprised of BC Mineral Exploration Tax Credits but also includes provincial tax recoveries, vendor credits and shared exploration expenses.

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, 2022
(Expressed in Canadian Dollars)**

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES AND LEASES

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

	September 30, 2022	December 31, 2021
Accounts payable	\$ 325,423	\$ 18,314
Accrued liabilities	97,000	30,000
	\$ 422,423	\$ 48,314

Lease liability:

The Company entered into a three-year premises lease on July 1, 2022 following the maturity on June 30, 2022 of its prior 3-year lease agreement. The office location is the same. The monthly fixed lease costs remain the same as the prior lease for the first 2 years at \$3,375 per month, rising to \$3,488 per month for year three. The following schedule shows recent changes in lease liabilities:

Lease liability:	Lease: 7/1/19 – 6/30/22	Lease: 7/1/22 – 6/30/25	Total
Balance, December 31, 2020	\$ 57,448	\$ -	\$ 57,448
Lease payments	(40,500)	-	(40,500)
Accretion of lease liability discount	2,970	-	2,970
Balance, December 31, 2021	19,918	-	19,918
Additions	-	106,524	106,524
Lease payments	(20,250)	(10,125)	(30,375)
Accretion of lease liability discount	332	2,516	2,848
Balance, September 30, 2022	\$ -	\$ 98,915	\$ 98,915

Lease liability allocation:

Short-term portion of lease liability	\$ 32,405
Long-term portion of lease liability	66,510
Balance, September 30, 2022	\$ 98,915

METALLIS RESOURCES INC.

**Notes to the Condensed Interim Financial Statements
For the nine-month period ended September 30, 2022
(Expressed in Canadian Dollars)**

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

Fixed lease payment obligations remaining over the next five years:

Year ended December 31, 2022	\$ 10,125
Year ended December 31, 2023	40,500
Year ended December 31, 2024	41,176
Year ended December 31, 2025	20,925
Year ended December 31, 2026	-
Total	\$ 112,726

Net investment in sublease:

The company entered into a three-year sublease agreement with a related company, for ½ of the leased premises at a lease cost equal to the Company's fixed lease cost of \$1,688 per month for two years and \$1,744 per month for year three. Refer to Note 10.

Changes in net investment in sublease:

	Period ended September 30, 2022	Year ended December 31, 2021
Balance, beginning of period	\$ 9,958	\$ 28,724
Additions	53,262	-
Finance income	1,425	1,484
Lease payments received	(15,188)	(20,250)
Balance, end of period	\$ 49,457	\$ 9,958

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

	<i>2022</i>	<i>2023</i>	<i>2024</i>	<i>2025</i>	<i>Total</i>
Undiscounted lease payments receivable	\$ 9,333	\$ 37,334	\$ 37,672	\$ 19,005	\$ 103,344
Variable cost portion	(4,271)	(17,084)	(17,084)	(8,543)	(46,982)
Undiscounted finance lease payments	5,062	20,250	20,588	10,462	56,362
Finance income	(1,162)	(3,639)	(1,890)	(214)	(6,905)
Net investment in sublease	\$ 3,900	\$ 16,611	\$ 18,698	\$ 10,248	\$ 49,457

METALLIS RESOURCES INC.

**Notes to the Condensed Interim Financial Statements
For the nine-month period ended September 30, 2022
(Expressed in Canadian Dollars)**

8. FLOW-THROUGH PREMIUM LIABILITY

<i>Flow-through premium liability:</i>	Nine months ended September 30, 2022	Year ended December 31, 2021
Balance, beginning of period	\$ -	\$ 40,361
Liability incurred on flow-through shares issued	163,558	304,500
Settlement of flow-through premium liability upon incurring eligible expenditures	(144,786)	(344,861)
Balance, end of period	\$ 18,772	\$ -

During the period ended June 30, 2022, the Company issued 5,451,934 flow-through shares at a price of \$0.23 per share for gross proceeds of \$1,253,945 (the “Financing”) and recognized a flow-through premium liability of \$163,558 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 \$1,110,025 of qualifying exploration expenses as at September 30, 2022, reducing the flow-through premium liability by \$144,786 which is recognized as other income on settlement of flow-through premium liability.

9. SHARE CAPITAL

Authorized: Unlimited common shares, without par value

Issued: 60,544,312 common shares (December 31, 2021 – 52,839,878 common shares)

Transactions in 2022:

- a) On June 23, 2022, the Company closed a two-tranche private placement for total proceeds of \$1,704,445, consisting of 2,252,500 non-flow-through units at a price of \$0.20 per unit for proceeds of \$450,500 and 5,451,934 flow-through units at a price of \$0.23 per flow-through unit for proceeds of \$1,253,945.

Each non-flow-through unit consisted of one common share and one-half of a 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.

Each flow-through unit consisted of one flow-through common share and one-half of a 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 Company paid filing fees and transfer agent fees totalling \$13,760 in connection with the financing.

METALLIS RESOURCES INC.

**Notes to the Condensed Interim Financial Statements
For the nine-month period ended September 30, 2022
(Expressed in Canadian Dollars)**

9. SHARE CAPITAL (continued)

Transactions in 2021:

- b) In the period ended June 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 was \$145,152, recorded as an increase to share capital and a deduction from equity reserves.
- c) 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 consisted of one common share and one-half of a non-flow-through, non-transferable share purchase warrant. Each whole warrant allows the holder to purchase one additional common share at a price of \$0.65 per share for a 2-year period.

Each flow-through unit consisted of one flow-through common share and one-half of a non-flow-through, non-transferable share purchase warrant. Each whole warrant allows the holder to purchase one additional common share at a price of \$0.70 per share for a 2-year period.

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. Other filing and transfer agent fees totalling \$21,688 were incurred in connection with the financing.

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 Annual and Special Meeting held on October 29, 2021, 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.

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.

METALLIS RESOURCES INC.

**Notes to the Condensed Interim Financial Statements
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9. SHARE CAPITAL (continued)

Stock options: (continued)

During 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 2021;
- 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.

The following weighted average parameters were used in the Black-Scholes option model to determine the fair value of the vested portion of option grants described above:

	2022	2021
Risk-free interest rate	3.29%	0.64%
Expected life	5 years	4 years
Annualized volatility	97.1%	102.8%
Forfeiture rate	0%	0%
Dividends	0%	0%
Weighted average fair value of options	\$ 0.15	\$ 0.26

Changes in outstanding stock options are summarized as follows:

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

METALLIS RESOURCES INC.

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9. SHARE CAPITAL (continued)

Stock options: (continued)

As at September 30, 2022, the following incentive stock options are outstanding and exercisable:

Expiry Date	Number of Options	Vested and exercisable	Exercise Price (\$)	Weighted remaining contractual life (years)
April 23, 2023	120,000	120,000	0.45	0.56
July 13, 2023	900,000	900,000	1.35	0.78
August 9, 2023	25,000	25,000	1.05	0.86
October 6, 2025	450,000	450,000	0.40	3.02
April 12, 2026	450,000	450,000	0.50	3.53
September 27, 2026	1,800,000	1,800,000	0.39	3.99
August 31, 2027	1,800,000	1,650,000	0.20	4.92
Total outstanding options	5,545,000	5,395,000		3.57

Warrants:

Changes in outstanding share-purchase warrants are summarized 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	<u>15,640,371</u>	<u>\$ 0.57</u>

METALLIS RESOURCES INC.

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9. SHARE CAPITAL (continued)

Warrants: (continued)

As at September 30, 2022, 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	0.58
April 30, 2023	2,985,000	0.70	0.58
April 30, 2023	24,000	0.50	0.58
May 7, 2023	376,667	0.65	0.60
May 7, 2023	60,000	0.70	0.60
May 7, 2023	3,600	0.50	0.60
October 7, 2023	4,805,000	0.60	1.02
October 7, 2023	2,383,000	0.68	1.02
October 7, 2023	7,000	0.40	1.02
October 16, 2023	50,000	0.60	1.04
October 16, 2023	666,666	0.68	1.04
October 16, 2023	46,666	0.40	1.04
June 10, 2025	663,750	0.30	2.70
June 10, 2025	2,640,750	0.33	2.70
June 23, 2025	462,500	0.30	2.73
June 23, 2025	85,217	0.33	2.73
Total	<u>15,640,371</u>		<u>1.33</u>

10. RELATED PARTY TRANSACTIONS

The following related parties, for the years 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;

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10. RELATED PARTY TRANSACTIONS (continued)

- e) Magma Geosciences Inc. is a company controlled by the former Vice-President of Geoscience Services and which provided geological consulting services to the Company up to his date of resignation on March 1, 2022, the amounts of which were capitalized as geological costs under exploration and evaluation assets; and
- f) Etruscus Resources Corp., a public company related through two common directors and two common officers, subleases office space from the Company, shares certain administrative expenses and also shares an exploration camp with the Company, resulting in occasional related party receivables or payables at the end of each period.

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"), and recorded the amounts as loans receivable, totalling \$48,119. The loans were payable on demand and had a one-year term at CRA prescribed interest rates, and were repaid in May 2022.

11. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

The significant non-cash investing and financing transactions during the period ended September 30, 2022 are as follows:

- a) As at September 30, 2022, exploration and evaluation asset cost recoveries of \$110,285 were included in receivables;
- b) A flow-through premium liability of \$163,558 was recorded as a deduction from share capital, in respect of flow-through shares issued by the Company during the period;
- c) Qualifying exploration expenditures incurred during the period resulted in a \$144,786 reduction of the flow-through premium liability, recorded as other income on settlement of flow through premium liability; and

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Notes to the Condensed Interim Financial Statements For the nine-month period ended September 30, 2022 (Expressed in Canadian Dollars)

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

The significant non-cash investing and financing transactions during the period ended September 30, 2022 are as follows: (continued)

- d) As at September 30, 2022, exploration and evaluation asset costs of \$310,075 were included in accounts payable and accrued liabilities.

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

- a) A 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.
- 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.

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 from/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.

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

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

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

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

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12. FINANCIAL AND CAPITAL RISK MANAGEMENT (continued)

Credit Risk

Credit risk arises from the potential that one or more counterparties fail to meet their obligations. The Company is normally exposed to credit risk through its cash and cash equivalents and receivables. The Company manages credit risk associated with its cash and cash equivalents by using reputable financial institutions, from which management believes the risk to be remote. Receivables primarily consist of recoverable Canadian sales taxes, Canadian mineral exploration tax credits and accrued interest, which management believes the collectability of these amounts 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 the Company's operations into mid-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 material 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 the Company's cash reserves are yielding higher interest income than prior periods. For these reasons, the Company believes it is not subject to material risks should interest rates increase further.

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12. FINANCIAL AND CAPITAL RISK MANAGEMENT (continued)

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.

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, 2022.

The Company is not subject to externally imposed capital requirements.

14. EVENTS AFTER THE REPORTING PERIOD

The Company held its Annual and Special Meeting on October 24, 2022, at which all resolutions passed.