

METALLIC MINERALS CORP.

CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTH PERIOD ENDED OCTOBER 31, 2016

(Unaudited)

NOTICE OF AUDITOR REVIEW

The accompanying unaudited condensed interim financial statements have been prepared by management and approved by the Audit Committee and Board of Directors.

The Company's independent auditors have not performed a review of these condensed interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditors.

METALLIC MINERALS CORP.
CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited)
(Expressed in Canadian dollars)

| | October 31, 2016 | July 31, 2016 |
|---|---------------------|------------------|
| ASSETS | \$ | \$ |
| Current | | |
| Cash | 1,631,991 | 710,009 |
| Subscriptions receivable (Note 5(b)(ii)) | 330,000 | - |
| Other receivables | 8,190 | 4,778 |
| Prepaid expenses | 13,000 | 12,000 |
| | <u>1,983,181</u> | <u>726,787</u> |
| Non-Current | | |
| Exploration and evaluation assets (Note 3) | 45,808 | 33,850 |
| | <u>2,028,989</u> | <u>760,637</u> |
| LIABILITIES | | |
| Current | | |
| Accounts payable and accrued liabilities | 158,315 | 43,590 |
| Loans payable | 22,000 | 32,000 |
| Flow-through share premium liability (Note 4) | 112,500 | - |
| | <u>292,815</u> | <u>75,590</u> |
| EQUITY | | |
| Share capital (Note 5) | 8,243,789 | 5,977,739 |
| Share subscriptions (Note 5(b)(i)) | - | 1,022,400 |
| Share-based payment reserve (Note 5(d)) | 125,803 | - |
| Accumulated deficit | (6,633,418) | (6,315,092) |
| | <u>1,736,174</u> | <u>685,047</u> |
| | <u>2,028,989</u> | <u>760,637</u> |

Approved on behalf of the Board:

"Stephen Pearce" , Director

"Greg Johnson" , Director

METALLIC MINERALS CORP.
CONDENSED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE THREE MONTHS ENDED OCTOBER 31

(Unaudited)

(Expressed in Canadian dollars)

| | 2016 | 2015 |
|--|-------------------|------------------|
| | \$ | \$ |
| Expenses | | |
| Depreciation | - | 419 |
| Consulting (Note 9) | 125,978 | - |
| Exploration expenditures (Notes 3 and 9) | 17,888 | 180 |
| Investor relations and corporate development | 8,139 | - |
| Office and administration | 14,038 | 1,073 |
| Professional fees | - | 1,000 |
| Property evaluation (Note 9) | 9,507 | - |
| Share-based payment expense (Note 5(d)) | 119,888 | - |
| Transfer agent, regulatory and filing fees | 17,810 | 698 |
| Travel and accomodation | 5,078 | - |
| | 318,326 | 3,370 |
| Other Items | | |
| Reversal of trade and other payables | - | (1,200) |
| Impairment of exploration and evaluation assets | - | 277 |
| | - | (923) |
| Total loss and comprehensive loss for the period | (318,326) | (2,447) |
| Basic and diluted loss per share | \$ (0.01) | \$ (0.00) |
| Basic and diluted weighted average number of shares outstanding | 33,792,514 | 3,181,752 |

METALLIC MINERALS CORP.
CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY
(Unaudited)
(Expressed in Canadian dollars)

| | Number of shares | Share capital \$ | Share subscriptions \$ | Share-based payments reserve \$ | Accumulated deficit \$ | Total \$ |
|--|---------------------|------------------------|------------------------------|--|------------------------------|------------------|
| Balance, July 31, 2015 | 3,181,752 | 5,739,239 | - | - | (6,196,536) | (457,297) |
| Net loss for the period | - | - | - | - | (2,447) | (2,447) |
| Balance, October 31, 2015 | 3,181,752 | 5,739,239 | - | - | (6,198,983) | (459,744) |
| Net loss for the period | - | - | - | - | (116,109) | (116,109) |
| Shares issued pursuant to private placement | 4,770,000 | 238,500 | - | - | - | 238,500 |
| Subscriptions to purchase shares | - | - | 1,022,400 | - | - | 1,022,400 |
| Balance, July 31, 2016 | 7,951,752 | 5,977,739 | 1,022,400 | - | (6,315,092) | 685,047 |
| Net loss for the period | - | - | - | - | (318,326) | (318,326) |
| Private placements, net of share issue costs (Note 5(b)) | 28,350,000 | 2,378,550 | - | 5,915 | - | 2,384,465 |
| Flow-through share premium (Note 4) | - | (112,500) | - | - | - | (112,500) |
| Subscriptions to purchase shares (Note 5(b)) | - | - | (1,022,400) | - | - | (1,022,400) |
| Share-based payment expense (Note 5(d)) | - | - | - | 119,888 | - | 119,888 |
| Balance, October 31, 2016 | 36,301,752 | 8,243,789 | - | 125,803 | (6,633,418) | 1,736,174 |

METALLIC MINERALS CORP.
CONDENSED INTERIM STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED OCTOBER 31

(Unaudited)

(Expressed in Canadian dollars)

| | <u>2016</u> | <u>2015</u> |
|--|------------------|----------------|
| | \$ | \$ |
| Operating Activities | | |
| Net loss for the period | (318,326) | (2,447) |
| Items not involving cash: | | |
| Depreciation | - | 419 |
| Reversal of trade and other payables | - | (1,200) |
| Impairment of exploration and evaluation assets | - | 277 |
| Share-based payments expense | 119,888 | - |
| | <u>(198,438)</u> | <u>(2,951)</u> |
| Net change in non-cash working capital (Note 6) | 100,313 | 9,775 |
| Cash provided by (used in) operating activities | <u>(98,125)</u> | <u>6,824</u> |
| Investing Activity | | |
| Exploration and evaluation assets expenditures (Note 3) | (11,958) | - |
| Cash used in investing activity | <u>(11,958)</u> | <u>-</u> |
| Financing Activities | | |
| Receipt of proceeds pursuant to private placements (Note 5(b)) | 1,077,600 | - |
| Share issue costs (Note 5(b)) | (45,535) | - |
| Cash provided by investing activities | <u>1,032,065</u> | <u>-</u> |
| Net increase in cash | <u>921,982</u> | <u>6,824</u> |
| Cash, beginning of period | <u>710,009</u> | <u>2,766</u> |
| Cash, end of period | <u>1,631,991</u> | <u>9,590</u> |

Supplemental cash flow information (Note 6)

METALLIC MINERALS CORP.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED OCTOBER 31, 2016

(Unaudited)

(Expressed in Canadian dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Metallic Minerals Corp. (the "**Company**") is a publicly listed company on the TSX Venture Exchange, incorporated under the laws of British Columbia on May 3, 2007. The Company was registered as an extra-territorial corporation under the Business Corporations Act (Yukon) on July 10, 2009. The Company is involved in activities that include the acquisition and exploration of mineral properties.

The Company's head office is located at 904 - 409 Granville Street, Vancouver, British Columbia, V6C 1T2.

These condensed interim financial statements have been prepared on the going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. The Company realized a net loss of \$318,326 for the three month period ended October 31, 2016. As at October 31, 2016, the Company had an accumulated deficit of \$6,633,418, (July 31, 2016: \$6,315,092). In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period.

While the Company has been successful in obtaining the necessary financing through the issuance of common shares and loans from related parties in the past, there is no assurance it will be able to raise funds in this manner in the future. These material uncertainties may cast significant doubt on the Company's ability to continue as a going concern.

These condensed interim financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of operations, and at amounts different from those in these condensed interim financial statements.

2. BASIS OF PREPARATION

These condensed interim financial statements have been prepared in accordance with International Accounting Standard 34 – *Interim Financial Reporting* ("**IAS 34**") as issued by the International Accounting Standards Board ("**IASB**") using accounting principles consistent with International Financial Reporting Standards ("**IFRS**") as issued by the IASB.

These condensed interim financial statements should be read in conjunction with the Company's audited financial statements for the year ended July 31, 2016 which include the accounting policies used in the preparation of these condensed interim financial statements.

These condensed interim financial statements were prepared on a historical cost basis using the accrual basis of accounting, except for cash flow information.

The Board of Directors (the "**Board**") approved these financial statements on December 19, 2016.

METALLIC MINERALS CORP.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED OCTOBER 31, 2016

(Unaudited)

(Expressed in Canadian dollars)

3. EXPLORATION AND EVALUATION ASSETS

A summary of the changes in exploration and evaluation assets is presented below:

| | Keno Lightning | McKay Hill | Cobalt Hill | Total |
|---------------------------|-------------------|---------------|----------------|--------|
| | \$ | \$ | \$ | \$ |
| Balance, July 31, 2016 | 10,350 | 6,000 | 17,500 | 33,850 |
| Acquisition costs | | | | |
| Option payment | - | - | 10,000 | 10,000 |
| Licensing costs | 1,958 | - | - | 1,958 |
| | 1,958 | - | 10,000 | 11,958 |
| Balance, October 31, 2016 | 12,308 | 6,000 | 27,500 | 45,808 |

A summary of the exploration and evaluation expenditures incurred for the three months ended October 31, 2016 is presented below:

| | Keno Lightning | McKay Hill | Cobalt Hill | Total |
|-----------------------------|-------------------|---------------|----------------|--------|
| | \$ | \$ | \$ | \$ |
| Overhead and administration | 14,267 | 750 | - | 15,017 |
| Camp costs | 1,040 | 1,320 | - | 2,360 |
| Prospecting and mapping | 511 | - | - | 511 |
| | 15,818 | 2,070 | - | 17,888 |

a) Keno-Lightning Project

The Company owns a 100% interest in the Keno-Lightning Property ("**Keno-Lightning**"), which covers 66.5 square kilometres ("**km²**") within the Keno Hill Silver District located in Canada's Yukon Territory. Keno-Lightning is near the communities of Mayo and Keno City, with highway and road access to existing deep sea ports and grid power. The Keno Hill Silver District has produced over 200 million ounces of high-grade silver over the past 100 years.

Keno-Lightning is subject to a 3% Net Smelter Royalty ("**NSR**") and the Company has the option to buy back up to 2% of this NSR.

The Company has also accrued \$20,000 (July 31, 2016: \$20,000) relating to the site restoration costs which is included in accounts payable and accrued liabilities in the condensed interim statement of financial position.

METALLIC MINERALS CORP.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED OCTOBER 31, 2016

(Unaudited)

(Expressed in Canadian dollars)

3. EXPLORATION AND EVALUATION ASSETS (continued)

b) Cobalt Hill Property

The Company has an option to acquire a 100% interest in the Cobalt Hill property ("**Cobalt Hill**") covering 4.2 km² that are contiguous with the eastern end of the Keno-Lightning property in the Keno Hill Silver District.

Metallic will earn a 100% undivided interest in Cobalt Hill under an agreement dated March 28, 2012 and amended July 26, 2016 by making a final payment of \$10,000 on or before August 31, 2017 and issuing 49,500 common shares of the Company by April 19, 2017. Cobalt Hill is subject to a 3% NSR and the Company has the option to buy back up to 1.5% of this NSR.

c) McKay Hill Project

The Company owns a 100% interest in the McKay Hill property ("**McKay Hill**"), which covers 30 km² of claims located approximately 50 kms north of the Keno Hill Silver District in the Yukon Territory. McKay Hill is an historic high-grade silver and gold producer. The property is subject to a 3% NSR and the Company has the option to buy back up to 2% of this NSR.

4. FLOW-THROUGH SHARE PREMIUM LIABILITY

On issuance, the Company allocates flow-through shares into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Upon expenses being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax provision.

For the three months ended October 31, 2016, the Company's flow-through share premium liability was as follows:

| | |
|---|-----------------------|
| | \$ |
| Balance, July 31, 2016 | - |
| Flow-through share premium liability on the issuance of flow-through common shares | <u>112,500</u> |
| Balance, October 31, 2016 | <u><u>112,500</u></u> |

METALLIC MINERALS CORP.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED OCTOBER 31, 2016

(Unaudited)

(Expressed in Canadian dollars)

5. SHARE CAPITAL

a) Authorized

An unlimited number of no par value common shares, issuable in series

b) Share issuance details

- (i) In August 2016, the Company completed the second tranche of a private placement for gross proceeds of \$1,305,000 million pursuant to the issuance of 26,100,000 units (the “**Units**”). Each Unit consisted of one common share of the Company and one common share purchase warrant, with each warrant entitling the holder to acquire one additional common share at \$0.10 per share expiring July 30, 2019. The first tranche closed in July 2016 for gross proceeds of \$238,500 on the issuance of 4,770,000 Units.

In connection with this private placement, the Company paid \$2,500 in finder’s fees. The Company had received \$1,022,400 of the private placement proceeds in July 2016, and consequently recorded them as share subscriptions in the statement of financial position at July 31, 2016. The securities in this private placement were subject to a four month hold period, which was lifted November 30, 2016.

- (ii) On October 31, 2016, the Company completed a brokered private placement of 2,250,000 flow-through common shares (“**FT Shares**”) of the Company at a price of \$0.50 per FT Share for gross proceeds of \$1,125,000. At October 31, 2016, an amount of \$330,000 relating to 660,000 FT Shares had not yet been received and was included in the condensed interim statement of financial position as subscriptions receivable.

In connection with this private placement, the Company paid finders’ fees totaling \$37,500, paid \$5,000 to cover the finder’s due diligence fees related to this private placement and issued 37,500 finder warrants, with each finder warrant entitling the holder to purchase one common share of the Company at a price of \$0.60, with an expiry of October 31, 2018. The fair value of the finder warrants was \$5,915 which was recorded as share issue costs. The shares issued in this private placement are subject to a four month hold period.

There were no share issuances during the three months ended October 31, 2015.

c) Stock options

The Company has a rolling stock option plan (the “**Plan**”) whereby the Company may grant options to directors, officers, employees and consultants of up to 10% of the common shares outstanding at the time of grant. The exercise price, term and vesting period of each option are determined by the Board within regulatory guidelines.

A summary of the changes in stock options is presented below:

| | Number of options | Weighted average exercise price |
|---------------------------|----------------------|------------------------------------|
| | | \$ |
| Balance, July 31, 2016 | - | - |
| Granted | 3,400,000 | 0.44 |
| Balance, October 31, 2016 | 3,400,000 | 0.44 |

METALLIC MINERALS CORP.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED OCTOBER 31, 2016

(Unaudited)

(Expressed in Canadian dollars)

5. SHARE CAPITAL (continued)

c) Stock options (continued)

The following stock options were outstanding as at October 31, 2016:

| Outstanding | Exercisable | Weighted average Exercise Price | Expiry Date | Weighted average remaining life (in years) |
|-------------|-------------|------------------------------------|--------------------|--|
| 3,400,000 | - | \$ 0.44 | September 19, 2021 | 4.89 |

The stock option vesting schedule is 33.3% at each of six, twelve and eighteen months from the date of grant.

d) Share-based payments

The fair value at grant date of options granted during the three months ended October 31, 2016 was \$851,670, or \$0.25 per option. Pursuant to vesting schedules, a portion of the fair value will be expensed in future periods. The share-based payment expense for the three months ended October 31, 2016 was \$119,888 and was recorded in the condensed interim statement of loss and comprehensive loss. The fair value of the stock options that vested during the three months ended October 31, 2016 was calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

| | |
|---------------------------------|-------|
| Risk-free interest rate | 0.54% |
| Expected stock price volatility | 78% |
| Expected dividend yield | 0.0% |
| Expected option life in years | 4.0 |

e) Share purchase warrants

A summary of the changes in warrants is presented below:

| | Number of warrants | Weighted average exercise price \$ |
|--|-----------------------|--|
| Balance, July 31, 2016 | 4,770,000 | 0.10 |
| Issued pursuant to private placement | 26,100,000 | 0.10 |
| Issued as a finder's fee (Note 5(b)(ii)) | 37,500 | 0.60 |
| Balance, October 31, 2016 | <u>30,907,500</u> | <u>0.10</u> |

The fair value of the 37,500 warrants issued to the finder was calculated using the following weighted average assumptions:

| | |
|---------------------------------|-------|
| Risk-free interest rate | 0.56% |
| Expected stock price volatility | 80% |
| Expected dividend yield | 0.0% |
| Expected option life in years | 2.0 |

METALLIC MINERALS CORP.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED OCTOBER 31, 2016

(Unaudited)

(Expressed in Canadian dollars)

5. SHARE CAPITAL (continued)

e) Share purchase warrants (continued)

The following warrants were outstanding as at October 31, 2016:

| Outstanding | Exercisable | Exercise Price | Expiry Date |
|--------------------------|--------------------------|--------------------|------------------|
| | | \$ | |
| 37,500 | 37,500 | 0.60 | October 31, 2018 |
| <u>30,870,000</u> | <u>30,870,000</u> | <u>0.10</u> | July 30, 2019 |
| <u><u>30,907,500</u></u> | <u><u>30,907,500</u></u> | <u><u>0.10</u></u> | |

6. SUPPLEMENTAL CASH FLOW INFORMATION

The net change in non-cash operating working capital balances for the three months ended October 31 consisted of the following:

| | 2016 | 2015 |
|--|-----------------------|---------------------|
| | \$ | \$ |
| Accounts receivable | (3,412) | 1,848 |
| Prepaid expenses | (1,000) | 11,500 |
| Accounts payable and accrued liabilities | <u>104,725</u> | <u>(3,573)</u> |
| | <u><u>100,313</u></u> | <u><u>9,775</u></u> |

The non-cash transaction for the three months ended October 31, 2016 consisted of the Company issuing 37,500 share purchase warrants as a finder's fee valued at \$5,915 pursuant to a private placement.

7. FINANCIAL INSTRUMENTS

The Company is exposed in varying degrees to a variety of financial instrument related risks. The fair value of the Company's financial assets and liabilities approximates the carrying amount.

a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company is exposed to short-term interest rates through the interest earned on cash and cash equivalents. A 1% change in short-term rates would not have a material impact on net loss or comprehensive loss.

b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to credit risk with respect to its cash balance, the balance of which at October 31, 2016 was \$1,631,991. Cash is held at a chartered Canadian financial institution.

METALLIC MINERALS CORP.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED OCTOBER 31, 2016

(Unaudited)

(Expressed in Canadian dollars)

7. FINANCIAL INSTRUMENTS (continued)

c) Liquidity risk

Liquidity risk arises from the excess of financial obligations due over available financial assets at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements. As at October 31, 2016, the Company had \$1,631,991 in cash, working capital of \$1,690,366 and no long-term debt. The Company's working capital is expected to meet its obligations for at least twelve months from the end of the reporting period. While the Company has been successful in obtaining the necessary financing through the issuance of common shares and loans from related parties in the past, there is no assurance it will be able to raise funds in this manner in the future and there remain material uncertainties that may cast significant doubt as to the Company's ability to continue as a going concern. The Company's trade and other payables are due in the short term.

8. CAPITAL MANAGEMENT

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders. The Company's strategy remains unchanged from the year ended July 31, 2016.

The Company considers the items included in shareholders' equity as capital. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares through private placements, sell assets to reduce debt or return capital to shareholders. The Company is not subject to externally imposed capital requirements.

9. RELATED PARTY TRANSACTIONS

The following is a summary of charges incurred by the Company with related parties and compensation paid to key management personnel. Key management personnel at the Company are the Directors and Officers of the Company.

The remuneration of key management personnel for the three months ended October 31 was as follows:

| | 2016 | 2015 |
|------------------------------|----------------|----------|
| | \$ | \$ |
| Consulting fees | 1 99,800 | - |
| Share-based payments expense | 2 109,310 | - |
| | <u>209,110</u> | <u>-</u> |

¹ Consulting fees consisted of CEO, CFO, Executive VP, VP Exploration, and Corporate Secretarial fees for key management personnel, which are included in consulting, exploration expenditures and property evaluation expenses.

² Share-based payment expense is a non-cash item that consisted of the fair value of stock options that were granted to key management personnel.

At October 31, 2016, accounts payable and accrued liabilities included an amount of \$100,896 (July 31, 2016: \$Nil) for CEO, CFO, Executive VP, VP Exploration, Corporate Secretarial fees and reimbursable expenses.

METALLIC MINERALS CORP.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED OCTOBER 31, 2016

(Unaudited)

(Expressed in Canadian dollars)

9. RELATED PARTY TRANSACTIONS (continued)

Included in accounts payable and accrued liabilities at October 31, 2016 was \$Nil (July 31, 2016: \$5,250) due to directors and former directors and companies controlled by former directors for various expenses, exploration and evaluation assets and geological exploration expenditures.

10. COMMITMENT

As a result of the issuance of FT Shares on October 31, 2016, the Company has a commitment to incur \$1,125,000 in qualifying Canadian exploration expenditures on or before December 31, 2017. As of October 31, 2016, the entire commitment was remaining.

11. EVENT AFTER THE REPORTING DATE

Subsequent to October 31, 2016, 100,000 share purchase warrants with an exercise price of \$0.10 per share were exercised for proceeds of \$10,000.