

METALLIC MINERALS CORP.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED JULY 31, 2017 AND 2016

(Stated in Canadian Dollars)



INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Metallic Minerals Corp.

We have audited the accompanying financial statements of Metallic Minerals Corp., which comprise the statements of financial position as at July 31, 2017 and 2016, and the statements of comprehensive loss, statements of cash flows and statement of changes in equity for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Metallic Minerals Corp. as at July 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to note 2 in the financial statements which indicates the material uncertainties that may cast significant doubt on the ability of Metallic Minerals Corp. to continue as a going concern.

WOLRIGE MAHON LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

November 24, 2017
Vancouver, B.C.

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

	July 31, 2017	July 31, 2016
ASSETS	\$	\$
Current		
Cash	1,533,023	710,009
Receivables	24,411	4,778
Prepaid expenses and deposits (Note 5)	390,554	12,000
	1,947,988	726,787
Non-Current		
Exploration and evaluation assets (Notes 6 and 7)	478,941	33,850
	2,426,929	760,637
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 14)	355,478	43,590
Loans payable	22,000	32,000
Flow-through share premium liability (Note 8)	141,992	-
	519,470	75,590
EQUITY		
Share capital (Note 9)	9,967,634	5,977,739
Share subscriptions (Note 9(b)(i))	-	1,022,400
Share-based payment reserve (Note 9(d))	826,149	-
Accumulated deficit	(8,886,324)	(6,315,092)
	1,907,459	685,047
	2,426,929	760,637

Approved on behalf of the Board:

"Stephen Pearce", Director

"Greg Johnson", Director

METALLIC MINERALS CORP.
STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE YEAR ENDED JULY 31
(Expressed in Canadian dollars)

	<u>2017</u>	<u>2016</u>
	\$	\$
Expenses		
Consulting fees (Note 14)	625,112	49,925
Bonuses (Note 14)	147,500	-
Directors' fees (Note 14)	40,000	-
Depreciation	-	1,436
Exploration and evaluation expenditures (Notes 7 and 14)	708,292	25,344
Investor relations and corporate development	200,438	750
Office and administration	62,548	3,735
Professional fees	84,871	34,275
Property evaluation	21,485	-
Share-based payment expense (Notes 9(d) and 14)	691,705	-
Transfer agent, regulatory and filing fees	52,880	22,109
Travel and accomodation	17,555	-
	<u>2,652,386</u>	<u>137,574</u>
Other Items		
Other income (Note 8)	(80,508)	-
Interest income	(646)	-
Gain on debt forgiveness	-	(19,018)
	<u>(81,154)</u>	<u>(19,018)</u>
Total loss and comprehensive loss for the year	<u>(2,571,232)</u>	<u>(118,556)</u>
Basic and diluted loss per share	\$ (0.07)	\$ (0.04)
Basic and diluted weighted average number of shares outstanding	38,439,626	3,207,819

METALLIC MINERALS CORP.
STATEMENT OF CHANGES IN EQUITY
(Expressed in Canadian dollars)

	Number of shares	Share capital \$	Share subscriptions \$	Share-based payments reserve \$	Accumulated deficit \$	Total \$
Balance, July 31, 2015	3,181,753	5,739,239	-	-	(6,196,536)	(457,297)
Net loss for the year	-	-	-	-	(118,556)	(118,556)
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	7,951,753	5,977,739	1,022,400	-	(6,315,092)	685,047
Net loss for the year	-	-	-	-	(2,571,232)	(2,571,232)
Private placements, net of share issue costs (Note 9)	31,391,666	3,493,180	(1,022,400)	127,026	-	2,597,806
Shares issued pursuant to exploration and evaluation asset acquisitions (Notes 6(a), 6(b), 9(b) and 10)	387,000	160,815	-	-	-	160,815
Warrants issued pursuant to exploration and evaluation asset acquisitions (Notes 6(b), 9(e) and 10)	-	-	-	7,418	-	7,418
Shares issued pursuant to exercise of warrants (Note 9(e))	5,584,000	558,400	-	-	-	558,400
Flow-through share premium (Note 8)	-	(222,500)	-	-	-	(222,500)
Share-based payment expense (Note 9(d))	-	-	-	691,705	-	691,705
Balance, July 31, 2017	45,314,419	9,967,634	-	826,149	(8,886,324)	1,907,459

See accompanying notes to the financial statements.

METALLIC MINERALS CORP.
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JULY 31
(Expressed in Canadian dollars)

	<u>2017</u>	<u>2016</u>
	\$	\$
Operating Activities		
Net loss for the year	(2,571,232)	(118,556)
Items not involving cash:		
Depreciation	-	1,436
Gain on debt forgiveness	-	(19,018)
Other income (Note 8)	(80,508)	-
Share-based payment expense (Note 9(d))	691,705	-
	<u>(1,960,035)</u>	<u>(136,138)</u>
Net change in non-cash working capital (Note 10)	(46,299)	(287,604)
Cash used in operating activities	<u>(2,006,334)</u>	<u>(423,742)</u>
Investing Activity		
Acquisition of exploration and evaluation assets (Notes 6(a), 6(b) and 7)	(326,858)	(33,850)
Cash used in investing activity	<u>(326,858)</u>	<u>(33,850)</u>
Financing Activities		
Receipt of proceeds pursuant to private placements (Note 9(b))	2,707,600	1,260,900
Share issue costs (Note 9(b))	(109,794)	-
Proceeds pursuant to exercise of warrants (Note 9(b)(viii))	558,400	-
Advances payable	-	(96,065)
Cash provided by financing activities	<u>3,156,206</u>	<u>1,164,835</u>
Net increase in cash	<u>823,014</u>	<u>707,243</u>
Cash, beginning of year	710,009	2,766
Cash, end of year	<u><u>1,533,023</u></u>	<u><u>710,009</u></u>

Supplemental cash flow information (Note 10)

METALLIC MINERALS CORP.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JULY 31, 2017 AND 2016
(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 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 \$2,571,232 for the year ended July 31, 2017. As at July 31, 2017, the Company had an accumulated deficit of \$8,886,324 (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 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 financial statements.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standard Board.

These 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 November 24, 2017.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently during the year ended July 31, 2017, unless otherwise indicated.

a) Cash

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value. There are no cash equivalents at July 31, 2017 and 2016.

b) Pre-Exploration Costs

Pre-exploration costs are expensed in the period in which they are incurred.

METALLIC MINERALS CORP.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JULY 31, 2017 AND 2016
(Expressed in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Exploration and Evaluation Expenditures

Once the legal right to explore a property has been acquired, costs related to acquisition, such as option payments, which enable the Company to explore certain properties, and claim staking costs, are recognized and capitalized on the statement of financial position.

Costs directly related to E&E are expensed and reported in the Company's loss until such time as an assessment of the technical feasibility and commercial viability has been completed. These direct expenditures include such costs as materials used, surveying and sampling costs, drilling costs, payments made to contractors, geologists, consultants, and depreciation on plant and equipment during the exploration phase.

The Company assesses E&E assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

When a project is deemed to no longer have commercially viable prospects to the Company, E&E assets in respect of that project are deemed to be impaired. As a result, those E&E assets, in excess of estimated recoveries, are written off to the Company's profit or loss. Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as "mines under construction". E&E assets are tested for impairment before the assets are transferred to development properties.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized acquisition costs.

Mineral exploration and evaluation assets are classified as intangible assets.

d) Option Payments Received

Where a third party has been granted the option to acquire an interest in a property owned by the Company, the fair value of any proceeds received in respect of that property is applied to the exploration and evaluation assets cost which is capitalized on the Company's statement of financial position. Once the amount capitalized in respect of that property has been reduced to \$Nil, any further payments received are reported in the Company's profit or loss.

A portion of the Company's development activities are conducted jointly with others. These financial statements reflect only the Company's proportionate interest in such activities. The Company does not record any exploration expenditures made by a joint venture partner on that partner's own account.

e) Equipment

Recognition and Measurement

On initial recognition, equipment is valued at cost, being the purchase price and directly attributable costs of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions.

METALLIC MINERALS CORP.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JULY 31, 2017 AND 2016
(Expressed in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Equipment

Equipment is subsequently measured at cost less accumulated depreciation, less any accumulated impairment losses, with the exception of land which is not depreciated.

When parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of equipment.

Subsequent Costs

The cost of replacing part of an item of equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its costs can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of equipment are recognized in the Company's profit or loss as incurred.

Gains and Losses

Gains and losses on disposal of an item of equipment are determined by comparing the proceeds from disposal with the carrying amount, and are recognized, net, within profit or loss.

Depreciation

Depreciation in profit or loss is provided on a straight-line basis over the estimated useful life of the assets.

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

f) Impairment of Non-Financial Assets

Impairment tests on intangible assets with indefinite useful economic lives are undertaken annually at the financial year end. Other non-financial assets, including E&E assets, are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit. A cash-generating unit is defined as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The Company has no cash generating unit for which impairment testing was performed.

An impairment loss is charged to the Company's profit or loss, except to the extent that it reverses gains previously recognized in other comprehensive loss/income.

METALLIC MINERALS CORP.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JULY 31, 2017 AND 2016
(Expressed in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Financial Instruments

Financial assets are classified in one of the following categories based upon the purpose for which the asset was acquired:

- Financial assets at fair value through profit or loss
- Available-for-sale financial assets
- Loans and receivables
- Held-to-maturity investments

All transactions related to financial instruments are recorded on a trade date basis. The Company's accounting policy for the financial assets it owns is as follows:

Loans and Receivables

Loans and receivables are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue, and subsequently carried at amortised cost using the effective interest rate method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

The Company's cash is accounted for as loans and receivables.

Impairment on Financial Assets

At each reporting date, the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred subsequent to the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

Financial Liabilities

Financial liabilities are classified at fair value through profit or loss or as other financial liabilities, based on the purpose for which the liability was incurred. Accounts payable and accrued liabilities and loans payable are classified as other financial liabilities. These liabilities are initially recognized at fair value, net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method. This ensures that, any interest expense over the period of repayment is recognized at a constant rate on the balance of the liability carried in the statement of financial position. Interest expense in this context includes initial transaction costs and premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Accounts payable and accrued liabilities represent goods and services provided to the Company prior to the end of the period which are unpaid. Accounts payable amounts are unsecured and are usually payable within 30 days of recognition. Loans payable represent amounts advanced to the Company with no fixed repayment terms.

METALLIC MINERALS CORP.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JULY 31, 2017 AND 2016
(Expressed in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Rehabilitation Provision

The Company is subject to various government laws and regulations relating to environmental disturbances caused by E&E activities. The Company records the present value of the estimated costs of legal and constructive obligations required to restore the exploration sites in the period in which the obligations are incurred. The nature of the rehabilitation activities include: restoration, reclamation and revegetation of the affected exploration sites.

The rehabilitation provision generally arises when the environmental disturbance is subject to government laws and regulations. When the liability is recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related mining assets. Over time, the discounted liability is increased for the changes in present value based on the passage of time, current market discount rates and liability specific risks. Adjustments to the liability as a result of the passage of time are recognized as borrowing costs, all other changes are recognized as a corresponding change to evaluation and exploration assets in the period in which they occur.

i) Share Capital

Financial instruments issued by the Company are classified as equity to the extent that they do not meet the definition of a financial liability or asset. The Company's common shares, share warrants and share options are classified as equity instruments.

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The fair value of the common shares issued in the private placements was determined to be the more easily measurable component and were valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, was allocated to the attached warrants. Any fair value attributed to the warrants is recorded as warrants. If the warrants expire unexercised, the value attributed to the warrants is transferred to deficit.

Incremental costs, directly attributable to the issue of new shares, warrants or options, are recorded in equity as a deduction, net of tax, from proceeds.

j) Flow-Through Shares

Resource expenditure deductions for income tax purposes related to exploratory activities funded by flow-through share arrangements are renounced to investors in accordance with income tax legislation. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share 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.

METALLIC MINERALS CORP.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JULY 31, 2017 AND 2016
(Expressed in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Flow-Through Shares (continued)

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period. The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until qualifying expenditures are incurred.

k) Profit or Loss Per Share

Basic profit or loss per share is computed by dividing the Company's profit or loss applicable to common shares by the weighted average number of common shares outstanding for the relevant period.

Diluted profit or loss per share is computed by dividing the Company's profit or loss applicable to common shares, by the sum of the weighted average number of common shares outstanding and all additional common shares that would have been outstanding if potentially dilutive instruments were converted at the beginning of the period.

l) Share-Based Payments

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the Company's profit or loss over the vesting period. The number of equity instruments expected to vest at each reporting date is taken into account so that the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the Company's profit or loss, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for effects of non-transferability, exercise restrictions and behavioural considerations.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modifications, is charged to the Company's profit or loss over the remaining vesting period.

All equity-settled share-based payments are reflected in equity reserve until exercised. Upon exercise, shares are issued from treasury and the amount reflected in equity reserve is credited to share capital, adjusted for any consideration paid. If the options expire unexercised, the value attributed to the options is transferred to deficit.

METALLIC MINERALS CORP.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JULY 31, 2017 AND 2016
(Expressed in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Share-Based Payments (continued)

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and immediately recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent that the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

m) Income Taxes

Income tax expense comprises of current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that they relate to a business combination or items recognized directly in equity or in other comprehensive loss/income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and, at the time of the transaction, affects neither accounting nor taxable profit or loss. Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized.

At the end of each reporting period the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

o) New and Revised Accounting Standards

The following accounting standards have been issued or amended but are not yet effective. The Company has not early adopted these new and amended standards. The Company continues to evaluate the new standards, but currently no material impact is expected as a result of the adoptions of these new and amended standards.

- IFRS 9 "Financial Instruments"
- IFRS 15 "Revenue from contracts with customers"
- Amendments to IAS 16 "Property Plant and Equipment" and IAS 38 "Intangible Assets"

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual results may differ from these estimates and assumptions.

METALLIC MINERALS CORP.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JULY 31, 2017 AND 2016
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4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

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

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are discussed below:

i) Critical accounting estimates

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amounts of assets and liabilities within the next financial year and include, but are not limited to, the following:

Premium on Flow-Through Shares

At the time of issue, the Company estimates the proportion of proceeds attributed to the flow-through share, the common share and the warrant, if applicable, with reference to closing market prices and such techniques as the Black-Scholes option-pricing model.

Share-based Payments

The fair value of share-based payments is subject to the limitations of the Black-Scholes option pricing model that incorporates market data and involves uncertainty in estimates used by management in the assumptions. Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

ii) Critical accounting judgments

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements include, but are not limited to, the following:

Exploration and Evaluation Expenditures

The application of the Company accounting policy for E&E expenditures requires judgment in determining whether it is likely that future economic benefits will follow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditures are capitalized, information becomes available suggesting that the recovery of the expenditures is unlikely, the amounts capitalized are written off in the Company's profit or loss in the period the new information becomes available.

Title to Mineral Property Interests

Although the Company takes steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

Going Concern

The preparation of these financial statements requires management to make judgments regarding the ability of the Company to continue as a going concern, as discussed in Note 1.

METALLIC MINERALS CORP.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JULY 31, 2017 AND 2016
(Expressed in Canadian dollars)

5. PREPAID EXPENSES AND DEPOSITS

	July 31, 2017	July 31, 2016
	\$	\$
Prepaid expenses	156,044	12,000
Deposits	234,510	-
	<u>390,554</u>	<u>12,000</u>

Prepaid expenses included an amount of \$68,310 related to the Company's summer 2017 exploration program and \$15,000 remaining on a one year agreement the Company executed in November 2016 with a third party that provides annual strategic and corporate advisory services.

Deposits included amounts totaling \$136,040 relating to the Company's August and September drill programs and an amount of \$50,000 in connection with the purchase of the Australia Creek Property (see Note 16(b)).

6. MINERAL PROPERTY ACQUISITIONS

In January 2017, the Company acquired three new properties in the Keno Hill District in Canada's Yukon Territory, which are included as part of its Keno silver project.

- a) **Silver Queen Property** – The Company entered into an option to acquire 27 claims and two mining leases, of which seven claims and the two mining leases are in the Keno Summit area, from an arm's-length private party (the "**Option Agreement**"). In consideration, the Company acquired a 100% interest in the Silver Queen Property by making cash payments totalling \$75,000 and issuing 100,000 common shares of the Company to the seller (see Note 9(b)(iii)).

The property is subject to a 2% Net Smelter Royalty ("**NSR**") and the Company has the option to buy back the full NSR.

- b) **Keno Summit and Gram Properties** – The Company acquired 9 claims in the Keno Summit area and an 8.7 square kilometre ("**km²**") area (42 claims) contiguous with the east side of the Keno-Lighting Property from Strategic Metals Ltd. ("**Strategic**"). In consideration, the Company agreed to issue units to Strategic in two tranches.

In January 2017 the first tranche was completed with the Company issuing 50,000 units which were comprised of one common share and one non-transferable common share purchase warrant, with each warrant entitling Strategic to acquire one common share of the Company at a price of \$0.65 for a period of two years. The value of the common shares was \$22,500 and the fair value of the warrants was \$7,418 using the Black-Scholes option pricing model.

In February 2017 the Company completed the acquisition by issuing 187,500 units comprised of one common share and one non-transferable common share purchase warrant, with each warrant entitling Strategic to acquire one common share of the Company at a price of \$0.52 for a period of two years. The total value of the units was determined to be \$75,000, with the entire amount allocated to the common shares based on the residual value method.

The Keno Summit and Gram Properties are subject to a 2% NSR for precious metals and a 1% NSR for base metals and the Company has the option to buy back the full NSR.

- c) **Duncan Creek Property** - In January 2017, the Company staked 30.2 km² of new claims in the Keno Hill District, including an area called Duncan Creek. Total staking costs were \$36,254, which were capitalized as exploration and evaluation assets.

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7. EXPLORATION AND EVALUATION ASSETS

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

	Keno Silver Project ¹	McKay Hill Project	Australia Creek (Note 16(b))	Dominion Creek (Note 16(e))	Total
	\$	\$	\$	\$	\$
Balance, July 31, 2015	-	-	-	-	-
Option payment	23,500	6,000	-	-	29,500
Claim staking	4,350	-	-	-	4,350
Balance, July 31, 2016	27,850	6,000	-	-	33,850
Cash payments	96,500	-	-	30,000	126,500
Licensing costs	7,781	-	-	-	7,781
Legal and other	-	-	39,950	-	39,950
Shares issued	160,815	-	-	-	160,815
Staking costs	80,539	-	22,088	-	102,627
Warrants issued	7,418	-	-	-	7,418
Balance, July 31, 2017	380,903	6,000	62,038	30,000	478,941

¹ In previous periods, the Company separately disclosed the Cobalt Hill Property expenditures. The Company is now including Cobalt Hill Property expenditures with those of the Keno Project.

A summary of the exploration and evaluation expenditures incurred for the year ended July 31, 2017 is presented below:

	Keno Silver Project	McKay Hill Project	Australia Creek (Note 16(b))	Dominion Creek (Note 16(e))	Total
	\$	\$	\$	\$	\$
Analysis	6,030	-	-	-	6,030
Camp costs	22,535	2,030	91,231	-	115,796
Community consultation and permitting	930	3,300	-	-	4,230
Consulting - geological	125,919	3,131	10,737	-	139,787
Consulting - other	89,190	16,705	32,800	-	138,695
Equipment and communication	38,468	-	150	-	38,618
Fuel	3,994	-	44	-	4,038
Geophysics	42,081	-	38,565	-	80,646
Overhead and administration	2,629	-	-	-	2,629
Prospecting and mapping	22,451	250	9,870	-	32,571
Road work	14,502	-	-	-	14,502
Salaries and benefits	61,771	9,253	-	-	71,024
Transportation and travel	27,663	27,897	4,166	-	59,726
	458,163	62,566	187,563	-	708,292

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7. EXPLORATION AND EVALUATION ASSETS (continued)

A summary of the exploration and evaluation expenditures incurred for the year ended July 31, 2016 is presented below:

	Keno Project	McKay Hill	Cobalt Hill	Total
	\$	\$	\$	\$
Consulting - geological	25,344	-	-	25,344
	25,344	-	-	25,344

KENO SILVER PROJECT

At July 31, 2017, the Company's Keno silver project ("**Keno**") covered 112.5 km² within the Keno Hill Silver District located in Canada's Yukon Territory. Keno is a brownfields exploration project located near the communities of Mayo and Keno City.

At July 31, 2017, Keno was made up of six main properties comprised of Keno-Lighting (which includes Homestake), Silver Queen, Keno Summit, Gram, Duncan Creek and Cobalt Hill.

a) Keno Lightning Property

The 100% owned Keno-Lighting Property is the largest property and is subject to a 3% NSR with the Company having an option to buy back up to 2% of this NSR.

b) Silver Queen Property

The 100% owned Silver Queen Property is subject to a 2% NSR and the Company has the option to buy back the full NSR.

c) Keno Summit Property

Some claims on the 100% owned Keno Summit Property are subject to the same NSR as the Silver Queen Property and some are subject to the same NSR as the Gram Property. One claim is not subject to an NSR.

d) Gram Property

The 100% owned Gram Property is subject to a 2% NSR for precious metals and a 1% NSR for based metals and the Company has the option to buy back the full NSR.

e) Duncan Creek Property

The 100% owned Duncan Creek Property was staked by the Company in January 2017 along with other claims totalling approximately 30.2 km². The Duncan Creek claims are not subject to any underlying royalties.

f) Cobalt Hill Property

Under an agreement dated March 28, 2012 and amended July 26, 2016, the Company has an option to acquire a 100% interest in the Cobalt Hill property ("**Cobalt Hill**") covering 4.2 km² of claims that are contiguous with the eastern end of the Keno-Lighting property in the Keno Hill Silver District.

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7. EXPLORATION AND EVALUATION ASSETS (continued)

KENO SILVER PROJECT (continued)

f) Cobalt Hill Property (continued)

Subsequent to July 31, 2017, the Company earned a 100% undivided interest in Cobalt Hill by making a final payment of \$10,000 to the vendor. Cobalt Hill is subject to a 3% NSR and the Company has the option to buy back up to 1.5% of this NSR.

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. The property is subject to a 3% NSR and the Company has the option to buy back up to 2% of this NSR.

8. 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, that 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 flow-through share premium 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.

A summary of the changes in the Company's flow-through share premium liability was as follows:

	\$
Balance, July 31, 2015 and July 31, 2016	-
Flow-through share premium liability on the issuance of flow-through common shares (Notes 9(b)(ii) and 9(b)(vii))	222,500
Settlement of flow-through share premium liability pursuant to incurring qualified expenditures	<u>(80,508)</u>
Balance, July 31, 2017	<u>141,992</u>

9. SHARE CAPITAL

a) Authorized

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

b) Share issuance details

Year ended July 31, 2017

- (i) In August 2016, the Company completed the second tranche of a private placement for gross proceeds of \$1,305,000 pursuant to the issuance of 26,100,000 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. No value was allocated to the warrants.

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9. SHARE CAPITAL (continued)

b) Share issuance details (continued)

In connection with this tranche of the 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.

- (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.

In connection with this private placement, the Company paid finder's fees totaling \$37,500, paid \$5,000 to cover the finder's due diligence fees related to this private placement and issued 75,000 finder's warrants, with each finder's 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's warrants was \$11,830 which was recorded as share issue costs.

The Company's share price was \$0.45 per share on the date of completion and as a result, the Company allocated \$1,012,500 of the gross proceeds to share capital and the remaining \$112,500 of the gross proceeds to flow-through share premium liability.

- (iii) On January 11, 2017, the Company issued 100,000 common shares valued at \$45,000 pursuant to the Silver Queen Option Agreement.
- (iv) On January 11, 2017 and February 15, 2017, the Company issued 50,000 common shares and 187,500 common shares as part of units (see Note 6(b)), valued at \$22,500 and \$75,000, respectively, to Strategic pursuant to the acquisition of the Keno Summit and Gram Properties disclosed in Note 6(b).
- (v) On March 23, 2017, the Company completed a private placement of 1,666,666 units of the Company at a price of \$0.45 per unit for gross proceeds of \$750,000. Each unit consisted of one flow-through common share of the Company and one common share purchase warrant, with each warrant entitling the holder to acquire one additional common share at \$0.60 per share expiring March 23, 2020. In connection with this private placement, the Company incurred share issue costs totaling \$26,259.

The Company's share price was \$0.39 per share on the date of completion and as a result, the Company allocated \$650,000 of the gross proceeds to share capital and the remaining \$100,000 of the gross proceeds to the warrants as share-based payment reserve.

- (vi) On April 11, 2017, the Company issued 49,500 common shares valued at \$18,315 pursuant to the Cobalt Hill Property option agreement.
- (vii) On June 26, 2017, the Company completed a private placement of 1,375,000 FT Shares of the Company at a price of \$0.40 per FT Share for gross proceeds of \$550,000.

In connection with this private placement, the Company paid finder's fees totaling \$33,000, paid \$5,000 to cover the finder's due diligence fees related to this private placement and issued 82,500 finder's warrants, with each finder's warrant entitling the holder to purchase one common share of the Company at a price of \$0.50, with an expiry of June 22, 2019. The fair value of the finder's warrants was \$15,196 which was recorded as share issue costs.

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9. SHARE CAPITAL (continued)

b) Share issuance details (continued)

The Company's share price was \$0.32 per share on the date of completion and as a result, the Company allocated \$440,000 of the gross proceeds to share capital and the remaining \$110,000 of the gross proceeds to flow-through share premium liability.

(viii) During the year ended July 31, 2017, the Company issued 5,584,000 common shares pursuant to the exercise of 5,584,000 share purchase warrants with a weighted average exercise price of \$0.10 per share.

Year ended July 31, 2016

In July 2016, the Company completed the first tranche of a private placement for gross proceeds of \$238,500 pursuant to the issuance of 4,770,000 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.

c) Stock options

The Company has a fixed Long-Term Performance Incentive Plan (the "Plan") whereby the Company may grant certain awards to directors, officers, employees and consultants, including stock options, to a maximum of 7,000,000 common shares. The exercise price, term and vesting period of each award 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, 2015 and July 31, 2016	-	-
Granted	3,400,000	0.44
Cancelled	(100,000)	0.44
Balance, July 31, 2017	<u>3,300,000</u>	<u>0.44</u>

The following stock options were outstanding as at July 31, 2017:

Outstanding	Exercisable	Weighted average Exercise Price \$	Expiry Date	Weighted average remaining life (in years)
3,300,000	1,100,000	0.44	September 19, 2021	4.14

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

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9. SHARE CAPITAL (continued)

d) Share-based payment expense and reserve

The fair value at grant date of options granted during the year ended July 31, 2017 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 year ended July 31, 2017 was \$691,705 and was recorded in profit or loss. The fair value of the stock options that were granted during the year ended July 31, 2017 was calculated using the Black-Scholes option pricing model. The Company has estimated the volatility for options granted in the current year by using the historical volatility of public companies that the Company considers have comparable business activities. The weighted average assumptions are as follows:

Risk-free interest rate	0.54%
Expected stock price volatility	78%
Expected dividend yield	0.0%
Expected option life in years	4.0
Spot price	\$0.44

e) Share purchase warrants

A summary of the changes in warrants is presented below:

	Number of warrants	Weighted average exercise price \$
Balance, July 31, 2015	-	-
Issued pursuant to private placements	4,770,000	0.10
Balance, July 31, 2016	4,770,000	0.10
Issued pursuant to private placements (Notes 9(b)(i) and 9(b)(v))	27,766,666	0.13
Issued as a finder's fee (Note 9(b)(ii))	75,000	0.60
Issued as a finder's fee (Note 9(b)(vii))	82,500	0.50
Issued pursuant to mineral property acquisitions (Note 6(b))	237,500	0.55
Exercised	(5,584,000)	0.10
Balance, July 31, 2017	27,347,666	0.14

The fair value of the 75,000 warrants issued to the finder (Note 9(b)(ii)) 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 warrant life in years	2.0
Spot price	\$0.45

The fair value of the 50,000 warrants issued to Strategic (Note 6(b)) in January 2017 was calculated using the following weighted average assumptions:

Risk-free interest rate	0.75%
Expected stock price volatility	80%
Expected dividend yield	0.0%
Expected warrant life in years	2.0
Spot price	\$0.45

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9. SHARE CAPITAL (continued)

e) Share purchase warrants (continued)

The fair value of the 82,500 warrants issued to the finder (Note 9(b)(vii)) was calculated using the following weighted average assumptions:

Risk-free interest rate	1.05%
Expected stock price volatility	81%
Expected dividend yield	0.0%
Expected warrant life in years	2.0
Spot price	\$0.45

The following warrants were outstanding as at July 31, 2017:

Outstanding	Exercisable	Exercise Price	Expiry Date
		\$	
75,000	75,000	0.60	October 31, 2018
50,000	50,000	0.65	January 17, 2019
187,500	187,500	0.52	February 15, 2019
82,500	82,500	0.50	June 22, 2019
25,286,000	25,286,000	0.10	July 30, 2019
1,666,666	1,666,666	0.60	March 23, 2020
<u>27,347,666</u>	<u>27,347,666</u>	<u>0.14</u>	

10. SUPPLEMENTAL CASH FLOW INFORMATION

The net change in non-cash operating working capital balances for the years ended July 31 consisted of the following:

	2017	2016
	\$	\$
Accounts receivable	(19,633)	(2,341)
Prepaid expenses	(328,554)	3,000
Accounts payable and accrued liabilities	301,888	(288,263)
	<u>(46,299)</u>	<u>(287,604)</u>

The non-cash financing and investing transactions for the year ended July 31, 2017 consisted of the Company:

- issuing 75,000 share purchase warrants as a finder's fee valued at \$11,830 pursuant to the private placement disclosed in Note 9(b)(ii);
- issuing 100,000 common shares of the Company valued at \$45,000 pursuant to the Silver Queen Option Agreement (Note 9(b)(iii));
- issuing 237,500 common shares of the Company valued at \$97,500 and 50,000 share purchase warrants valued at \$7,418 to Strategic pursuant to the Keno Summit and Gram Properties option agreement (Note 6(b));
- issuing 49,500 common shares of the Company valued at \$18,315 pursuant to the Cobalt Hill Property option agreement (Note 9(b)(vi)); and
- issuing 82,500 share purchase warrants as a finder's fee valued at \$15,196 pursuant to the private placement disclosed in Note 9(b)(vii).

There were no non-cash financing or investing transactions during the year ended July 31, 2016.

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11. FINANCIAL INSTRUMENTS

The Company is exposed in varying degrees to a number of financial instrument related risks. The fair values of the Company's financial assets and liabilities approximate the carrying amounts.

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 profit or 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 July 31, 2017 was \$1,533,023. Cash is held at a chartered Canadian financial institution.

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 July 31, 2017, the Company had \$1,533,023 in cash, working capital of \$1,428,518 and no long-term debt. While the Company has been successful in obtaining 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.

12. 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 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.

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13. INCOME TAXES

Income tax expense differs from the amount that would result from applying the Canadian federal and provincial income tax rates to loss before income taxes. These differences result from the following items for the years ended July 31:

	2017	2016
	\$	\$
Loss before income taxes	(2,571,232)	(118,556)
Canadian federal and provincial income tax rates	26.00%	26.00%
Income tax recovery based on the above rates	(668,520)	(30,825)
Increase (decrease) due to:		
Non-deductible expenses and other permanent differences	180,217	-
Non-taxable income	(20,932)	-
Losses for which no tax benefit has been recorded	509,235	30,825
Net income tax recovery	-	-

The components of unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset has been recognized are as follows:

	July 31, 2017	July 31, 2016
	\$	\$
Share issue costs	90,108	-
Exploration and evaluation assets	3,859,967	3,465,385
Plant and equipment	11,090	61,538
Other	13,998	15,385
Non-capital losses	3,416,440	2,180,769
Unrecognized deferred tax assets	7,391,603	5,723,077

In assessing the ability to realize deferred tax assets, management considers whether it is probable that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those deferred tax assets are deductible.

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13. INCOME TAXES (continued)

The Company has a December 31 year end for tax purposes. As at July 31, 2017, the Company had exploration and evaluation expenditures of approximately \$4,365,000, which are available to carry-forward indefinitely, and non-capital losses of approximately \$3,417,000 that expire annually on December 31, as follows:

	\$
2027	5,000
2028	20,000
2029	78,000
2030	114,000
2031	782,000
2032	609,000
2033	271,000
2034	221,000
2035	48,000
2036	823,000
2037	446,000
	<u>3,417,000</u>

14. 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 years ended July 31 was as follows:

		2017	2016
		\$	\$
Consulting fees	1	448,863	32,500
Directors' fees		40,000	-
Exploration and evaluation assets	2	-	10,500
Exploration expenditures	3	36,750	27,500
Share-based payment expense	4	585,387	-
Bonuses	5	120,000	-
		<u>1,231,000</u>	<u>70,500</u>

¹ Consulting fees for the year ended July 31, 2017 consisted of fees earned by key management personnel including the CEO, CFO, VP Government & Community Relations, VP Exploration and Corporate Secretary, and fees earned by Midnight Mining Services Ltd., a private company controlled by Bill Harris, a director of the Company. Consulting fees for the year ended July 31, 2016 consisted of \$20,000 for management activities provided by a director and \$12,500 for accounting fees.

² This amount was incurred with a director of the Company with respect to the Keno Lightning and McKay Hill property option agreements.

³ Exploration expenditures consisted of equipment rentals from Midnight Mining Services Ltd.

⁴ 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.

⁵ Bonuses consisted exclusively of signing bonuses paid to the CEO, CFO, VP Government & Community Relations, VP Exploration and Corporate Secretary.

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14. RELATED PARTY TRANSACTIONS (continued)

Included in deposits at July 31, 2017 was an amount of \$25,000 (July 31, 2016: \$Nil) paid to Bill Harris, a director of the Company, in connection with the purchase of an exploration and evaluation asset, as disclosed in Notes 5 and 16(b).

Included in accounts payable and accrued liabilities at July 31, 2017 was an amount of \$88,918 (July 31, 2016: \$Nil) for CEO, CFO, VP Government & Community Relations, VP Exploration and Corporate Secretary fees.

Included in accounts payable and accrued liabilities at July 31, 2017 were amounts of \$12,000 and \$28,350 owed to Midnight Mining Services Ltd. for consulting fees and equipment rentals, respectively.

Included in accounts payable and accrued liabilities at July 31, 2017 was \$Nil (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.

These transactions were measured at the exchange amount, which is the amount agreed upon by the transacting parties.

15. COMMITMENT

As a result of the issuance of flow-through shares on October 31, 2016, March 23, 2017 and June 26, 2017, the Company has a commitment to incur \$1,125,000 in qualifying Canadian exploration expenditures on or before December 31, 2017 and \$1,300,000 on or before December 31, 2018.

As at July 31, 2017, the Company had approximately \$1,620,000 remaining to be incurred.

16. EVENTS AFTER THE REPORTING DATE

In addition to subsequent events disclosed elsewhere in these financial statements, the following events occurred after July 31, 2017.

- a) On August 24, 2017, the Company granted 2,200,000 incentive stock options to Directors, Officers, employees and consultants of the Company, subject to certain vesting requirements. The stock options are exercisable for up to five years, expiring on August 24, 2022, and each stock option allows the holder to purchase one common share of the Company at a price of \$0.30 per share.
- b) On September 7, 2017, the Company completed an option agreement to acquire a 100% interest from underlying claim holders (the "**Sellers**") in approximately 26 miles (42 kms) of mining rights and 18 miles (29 kms) of bench claims along the Australia Creek drainage (the "**Australia Creek Property**"), a tributary to the Indian River, in the Klondike gold district near Dawson City, Yukon. In connection with this acquisition, the Company entered into a production royalty agreement with respect to an approximate 2 mile portion of the Australia Creek Property ("**Lower Australia Creek**"). Under the production royalty agreement, the Company has given an arms-length alluvial mining operator (the "**Operator**") an exclusive right to mine Lower Australia Creek, in exchange for a 12% royalty on all gold production payable to the Company.

In order to earn a 100% interest in the underlying Australia Creek Property, the Company has the following commitments:

- Upon regulatory approval, a total of \$50,000 is to be paid to the Sellers for partial reimbursement of accrued expenditures (paid in advance);

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16. EVENTS AFTER THE REPORTING DATE (continued)

- In December 2017, a total of \$25,000 is to be paid to the Sellers for carrying out consulting and supervision activities in 2017;
- In December 2017, the Company is to issue 250,000 common shares to the Sellers, based on a program of drilling, geophysics and test pitting, provided that at least \$75,000 has been spent on the ground by the Company or the Operator;
- In December 2018, a further \$50,000 is to be paid to the Sellers;
- In December 2018, the Company is to issue 250,000 common shares to the Sellers, based on follow-up exploration and test mining programs producing gold and a minimum of \$100,000 having been spent on the ground by the Company or the Operator;
- In December 2019, a final payment of \$50,000 is to be paid to the Sellers; and
- In December 2019, the Company is to issue 400,000 common shares to the Sellers, based on continued mining on the Australia Creek Property with gold royalty production or a new mining lease agreement with another operator on additional claims.

Under the Australia Creek option agreement, the Sellers will receive a 4% royalty on all alluvial gold production from the Company and the Company has the ability to buy back the royalty.

One of the Sellers is a related party as a director of the Company.

- c) On September 18, 2017, the Company acquired a 100% interest in 16 mining leases in the Keno Hill Silver District (Formo Property) and three leases on the Keno Summit Property, from Independence Gold Corp. ("**Independence**") in exchange for 200,000 units. Each unit consisted of one common share of the Company (issued on September 27, 2017) and one non-transferable share purchase warrant, with each warrant entitling Independence to acquire one common share at a price of \$0.45 with an expiry of September 18, 2019. The claims are subject to a 2% NSR for precious metals and a 1% NSR for base metals to Independence. The Company has an option to buy back the NSR from Independence.
- d) On September 18, 2017, the Company acquired a 100% interest in five mining claims on the McKay Hill and Keno Summit Properties from an arms-length private party in exchange for 55,000 common shares of the Company (issued on September 27, 2017).
- e) On September 25, 2017, the Company completed an option agreement to acquire a 100% interest in mining rights from an arms-length party consisting of 10 claims along a bench of Dominion Creek, a tributary to the Indian River, in the Klondike Gold District near Dawson City, Yukon. In consideration, the Company must make an initial cash payment of \$30,000 (paid) and a final payment of \$45,000 on or before December 31, 2017. The Company also entered into a production royalty agreement with respect to these claims under which the Company has granted exclusive mining rights to the Operator in exchange for a 15% royalty on all gold production.
- f) Subsequent to July 31, 2017, 1,600,000 share purchase warrants were exercised for proceeds of \$160,000.