

METALLIC MINERALS CORP.

CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTH PERIOD ENDED OCTOBER 31, 2017

(Stated in Canadian Dollars)

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.
STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)

	October 31, 2017	July 31, 2017
ASSETS	\$	\$
Current		
Cash	479,015	1,533,023
Receivables	85,748	24,411
Prepaid expenses and deposits (Note 3)	100,471	390,554
	665,234	1,947,988
Non-Current		
Exploration and evaluation assets (Notes 4 and 5)	663,389	478,941
	1,328,623	2,426,929
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 11)	468,971	355,478
Loans payable	22,000	22,000
Flow-through share premium liability (Note 6)	75,943	141,992
	566,914	519,470
EQUITY		
Share capital (Note 7)	10,213,234	9,967,634
Share-based payment reserve (Note 7(d))	1,032,809	826,149
Accumulated deficit	(10,484,334)	(8,886,324)
	761,709	1,907,459
	1,328,623	2,426,929

Approved on behalf of the Board:

"Stephen Pearce", Director

"Greg Johnson", Director

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

(Unaudited)

(Expressed in Canadian dollars)

	<u>2017</u>	<u>2016</u>
	\$	\$
Expenses		
Consulting fees (Note 11)	125,142	125,978
Exploration expenditures (Notes 5 and 11)	1,170,095	17,888
Investor relations and corporate development	133,676	8,139
Office and administration	24,614	14,038
Professional fees	10,361	-
Property evaluation	11,858	9,507
Share-based payment expense (Notes 7(d) and 11)	184,120	119,888
Transfer agent, regulatory and filing fees	4,914	17,810
Travel and accomodation	4,663	5,078
	<u>1,669,443</u>	<u>318,326</u>
Other Items		
Other income (Note 6)	(66,049)	-
Interest income	(5,384)	-
	<u>(71,433)</u>	<u>-</u>
Total loss and comprehensive loss for the period	<u><u>(1,598,010)</u></u>	<u><u>(318,326)</u></u>
Basic and diluted loss per share	\$ (0.04)	\$ (0.01)
Basic and diluted weighted average number of shares outstanding	45,563,604	33,792,514

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

	Number of shares	Share capital \$	Share subscriptions \$	Share-based payment reserve \$	Accumulated deficit \$	Total \$
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	28,350,000	2,378,550	-	5,915	-	2,384,465
Flow-through share premium	-	(112,500)	-	-	-	(112,500)
Subscriptions to purchase shares	-	-	(1,022,400)	-	-	(1,022,400)
Share-based payment expense	-	-	-	119,888	-	119,888
Balance, October 31, 2016	36,301,752	8,243,789	-	125,803	(6,633,418)	1,736,174
Net loss for the period	-	-	-	-	(2,252,906)	(2,252,906)
Private placements, net of share issue costs	3,041,667	1,114,630	-	121,111	-	1,235,741
Shares issued pursuant to exploration and evaluation asset acquisitions	387,000	160,815	-	-	-	160,815
Warrants issued pursuant to exploration and evaluation asset acquisitions	-	-	-	7,418	-	7,418
Shares issued pursuant to exercise of warrants	5,584,000	558,400	-	-	-	558,400
Flow-through share premium	-	(110,000)	-	-	-	(110,000)
Share-based payment expense	-	-	-	571,817	-	571,817
Balance, July 31, 2017	45,314,419	9,967,634	-	826,149	(8,886,324)	1,907,459
Net loss for the period	-	-	-	-	(1,598,010)	(1,598,010)
Shares issued pursuant to exploration and evaluation asset acquisitions (Notes 4, 5 and 7)	255,000	85,600	-	-	-	85,600
Warrants issued pursuant to exploration and evaluation asset acquisitions (Notes 4(b) and 9(e))	-	-	-	22,540	-	22,540
Shares issued pursuant to exercise of warrants (Note 7(b))	1,600,000	160,000	-	-	-	160,000
Flow-through share premium (Note 6)	-	-	-	-	-	-
Share-based payment expense (Note 7(d))	-	-	-	184,120	-	184,120
Balance, October 31, 2017	47,169,419	10,213,234	-	1,032,809	(10,484,334)	761,709

METALLIC MINERALS CORP.
STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED OCTOBER 31
(Unaudited)
(Expressed in Canadian dollars)

	<u>2017</u>	<u>2016</u>
	\$	\$
Operating Activities		
Net loss for the year	(1,598,010)	(318,326)
Items not involving cash:		
Other income (Note 6)	(66,049)	-
Share-based payment expense (Note 7(d))	184,120	119,888
	(1,479,939)	(198,438)
Net change in non-cash working capital (Note 8)	342,239	100,313
Cash used in operating activities	(1,137,700)	(98,125)
Investing Activity		
Acquisition of exploration and evaluation assets (Notes 4 and 5)	(76,308)	(11,958)
Cash used in investing activity	(76,308)	(11,958)
Financing Activities		
Receipt of proceeds pursuant to private placements (Note 7(b))	-	1,077,600
Share issue costs (Note 7(b))	-	(45,535)
Proceeds pursuant to exercise of warrants (Note 9(b))	160,000	-
Cash provided by financing activities	160,000	1,032,065
Net increase (decrease) in cash	(1,054,008)	921,982
Cash, beginning of period	1,533,023	710,009
Cash, end of period	479,015	1,631,991

Supplemental cash flow information (Note 8)

METALLIC MINERALS CORP.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED OCTOBER 31, 2017

(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 \$1,598,010 for the three month period ended October 31, 2017. As at October 31, 2017, the Company had an accumulated deficit of \$10,484,334 (July 31, 2017: \$8,886,324). 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, 2017 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 27, 2017.

METALLIC MINERALS CORP.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED OCTOBER 31, 2017

(Unaudited)

(Expressed in Canadian dollars)

3. PREPAID EXPENSES AND DEPOSITS

	October 31, 2017	July 31, 2017
	\$	\$
Prepaid expenses	96,451	156,044
Deposits	4,020	234,510
	<u>100,471</u>	<u>390,554</u>

At July 31, 2017, prepaid expenses included an amount of \$68,310 related to the Company's summer 2017 exploration program. The amount was fully expensed during the three months ended October 31, 2017.

At July 31, 2017, 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 (Note 4(a)). During the three months ended October 31, 2017, the \$50,000 was capitalized to exploration and evaluation assets and the \$136,040 was expensed to exploration expenditures.

4. MINERAL PROPERTY ACQUISITIONS

a) Australia Creek Property

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 kilometres "**km**") 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);
- In December 2017, a total of \$25,000 is to be paid to the Sellers for carrying out consulting and supervision activities in 2017 (\$12,500 paid in December 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 (issued on November 28, 2017);
- In December 2018, a further \$50,000 is to be paid to the Sellers;

METALLIC MINERALS CORP.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED OCTOBER 31, 2017

(Unaudited)

(Expressed in Canadian dollars)

4. MINERAL PROPERTY ACQUISITIONS (continued)

a) Australia Creek Property (continued)

- 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.

b) Formo and Keno Summit Leases

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% Net Smelter Royalty (“**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.

c) McKay Hill and Keno Summit Claims

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).

In addition, in October 2017 the Company staked an additional 26 claims on its McKay Hill Property totalling approximately 5 square km (“**km²**”) expanding its McKay Hill Property claim holdings to 35 km².

d) Dominion Creek Property

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.

METALLIC MINERALS CORP.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED OCTOBER 31, 2017

(Unaudited)

(Expressed in Canadian dollars)

5. EXPLORATION AND EVALUATION ASSETS

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

	Keno Silver Project	McKay Hill Project	Australia Creek	Dominion Creek	Total
	\$	\$	\$	\$	\$
Balance, July 31, 2017	380,903	6,000	62,038	30,000	478,941
Cash payments	10,000	-	50,000	-	60,000
Licensing costs	243	-	-	-	243
Shares issued	68,000	17,600	-	-	85,600
Warrants issued	22,540	-	-	-	22,540
Claim staking	(520)	-	16,585	-	16,065
Balance, October 31, 2017	481,166	23,600	128,623	30,000	663,389

A summary of the exploration and evaluation expenditures incurred for the three month period ended October 31, 2017 is presented below:

	Keno Silver Project	McKay Hill Project	Australia Creek	Dominion Creek	Total
	\$	\$	\$	\$	\$
Analysis	41,388	-	-	-	41,388
Camp costs	12,961	-	14,242	-	27,203
Consulting - geological	59,827	2,212	788	-	62,827
Consulting - other	7,750	-	9,000	1,500	18,250
Drilling	516,949	-	-	-	516,949
Equipment and communication	60,479	-	8,300	-	68,779
Fuel	1,976	-	1,178	-	3,154
Geophysics	18,209	-	66,830	-	85,039
Overhead and administration	4,738	291	1,022	-	6,051
Prospecting and mapping	7,250	9,597	-	-	16,847
Road work	115,260	-	50,650	-	165,910
Salaries and benefits	98,308	6,557	-	-	104,865
Transportation and travel	13,282	8,386	6,195	-	27,863
Trenching and test pitting	-	-	53,510	-	53,510
	958,377	27,043	211,715	1,500	1,198,635
Less: Government Grants	-	(28,540)	-	-	(28,540)
	958,377	(1,497)	211,715	1,500	1,170,095

METALLIC MINERALS CORP.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED OCTOBER 31, 2017

(Unaudited)

(Expressed in Canadian dollars)

5. EXPLORATION AND EVALUATION ASSETS (continued)

YUKON SILVER PROJECTS

KENO SILVER PROJECT

At October 31, 2017, the Company's Keno silver project ("**Keno**") covered 165.5 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 October 31, 2017, Keno was made up of eight main properties comprised of Keno-Lighting (which includes Homestake), Silver Queen, Keno Summit, Gram, Duncan Creek, Cobalt Hill, Formo and Keno-East.

a) Keno Lightning Property

The 100% owned Keno-Lighting Property, which includes Homestake, 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.

During the three months ended October 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.

METALLIC MINERALS CORP.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED OCTOBER 31, 2017
(Unaudited)
(Expressed in Canadian dollars)

5. EXPLORATION AND EVALUATION ASSETS (continued)

YUKON SILVER PROJECTS

KENO SILVER PROJECT (continued)

g) Formo Property

The Company owns a 100% interest in 16 mining leases in the Keno Hill Silver District. The Formo Property is subject to a 2% NSR for precious metals and a 1% NSR for base metals. The Company has an option to buy back the full NSR.

h) Keno-East Property

The Company staked additional ground in the Keno East target area, which covers the eastern and southern extension of the main Keno Hill Quartzite unit, as well as several areas with prospective greenstone targets.

MCKAY HILL PROJECT

The Company owns a 100% interest in the McKay Hill property ("**McKay Hill**"), which covers approximately 35 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.

KLONDIKE GOLD DISTRICT – ROYALTY PORTFOLIO

The Company's Alluvial properties consist of Australia Creek and Dominion Creek, which are tributaries of the Indian River, in the Klondike Gold District near Dawson City, Yukon.

a) Australia Creek Property

The Company has an option to acquire a 100% interest in approximately 26 miles (42 kms) of mining rights and 18 miles (29 kms) of bench claims along the Australia Creek drainage, a tributary to the Indian River. The Company has a production royalty agreement on Lower Australia Creek. Under the production royalty agreement, the Company has given 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:

- In December 2017, a total of \$25,000 is to be paid to the Sellers for carrying out consulting and supervision activities in 2017 (\$12,500 paid in December 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 (issued on November 28, 2017);
- In December 2018, a further \$50,000 is to be paid to the Sellers;

METALLIC MINERALS CORP.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED OCTOBER 31, 2017
(Unaudited)
(Expressed in Canadian dollars)

5. EXPLORATION AND EVALUATION ASSETS (continued)

KLONDIKE GOLD DISTRICT – ROYALTY PORTFOLIO (continued)

a) Australia Creek Property (continue)

- 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.

b) Dominion Creek Property

The Company has an option 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 order to obtain a 100% interest, the Company must make a payment of \$45,000 on or before December 31, 2017. The Company has 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.

6. 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, 2017	141,992
Settlement of flow-through share premium liability pursuant to incurring qualified expenditures	<u>(66,049)</u>
Balance, October 31, 2017	<u><u>75,943</u></u>

METALLIC MINERALS CORP.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED OCTOBER 31, 2017
(Unaudited)
(Expressed in Canadian dollars)

7. SHARE CAPITAL

a) Authorized

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

b) Share issuance details

Three months ended October 31, 2017

- (i) On September 18, 2017, the Company issued 200,000 common shares to Independence valued at \$68,000 pursuant to the purchase of the Formo and Keno Summit Properties (Note 4(b)).
- (ii) On September 27, 2017, the Company issued 55,000 common shares valued at \$17,600 pursuant to the purchase of the McKay Hill and Keno Summit Properties (Note 4(c)).
- (iii) During the three months ended October 31, 2017, the Company issued 1,600,000 common shares pursuant to the exercise of 1,600,000 share purchase warrants with a weighted average exercise price of \$0.10 per share.

Three months ended October 31, 2016

- (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.

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. 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 finder's 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'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 \$5,915 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.

METALLIC MINERALS CORP.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED OCTOBER 31, 2017
(Unaudited)
(Expressed in Canadian dollars)

7. SHARE CAPITAL (continued)

c) Stock options

The Company has a fixed Long-Term Performance Incentive 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, 2017	3,300,000	0.44
Granted	2,200,000	0.30
Balance, October 31, 2017	5,500,000	0.38

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

Outstanding	Exercisable	Weighted average Exercise Price \$	Expiry Date	Weighted average remaining life (in years)
3,300,000	2,200,000	0.44	September 19, 2021	3.89
2,200,000	-	0.30	August 24, 2022	4.82
5,500,000	2,200,000	0.38		4.26

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

d) Share-based payment expense and reserve

The fair value at grant date of options granted during the three months ended October 31, 2017 was \$427,292, or \$0.19 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, 2017 was \$184,120 and was recorded in profit or loss. The fair value of the stock options that were granted during the three months ended October 31, 2017 was calculated using the Black-Scholes option pricing model. The Company has estimated the volatility for options granted in the current period 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	1.39%
Expected stock price volatility	81%
Expected dividend yield	0.0%
Expected option life in years	5.0
Spot price on date of grant	\$0.30

METALLIC MINERALS CORP.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED OCTOBER 31, 2017
(Unaudited)
(Expressed in Canadian dollars)

7. SHARE CAPITAL (continued)

e) Share purchase warrants

A summary of the changes in warrants is presented below:

	Number of warrants	Weighted average exercise price \$
Balance, July 31, 2017	27,347,666	0.14
Issued pursuant to mineral property acquisitions (Note 4(b))	200,000	0.45
Exercised	(1,600,000)	0.10
Balance, October 31, 2017	<u>25,947,666</u>	<u>0.14</u>

The fair value of the 200,000 warrants issued to Independence pursuant to the Formo and Keno Summit Properties acquisition (Note 4(b)) was calculated using the following weighted average assumptions:

Risk-free interest rate	1.57%
Expected stock price volatility	82%
Expected dividend yield	0.0%
Expected warrant life in years	2.0
Spot price	\$0.32

The following warrants were outstanding as at October 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
23,686,000	23,686,000	0.10	July 30, 2019
200,000	200,000	0.45	September 27, 2019
<u>1,666,666</u>	<u>1,666,666</u>	<u>0.60</u>	March 23, 2020
<u>25,947,666</u>	<u>25,947,666</u>	<u>0.14</u>	

8. 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:

	2017 \$	2016 \$
Accounts receivable	(61,337)	(3,412)
Prepaid expenses	290,083	(1,000)
Accounts payable and accrued liabilities	<u>113,493</u>	<u>104,725</u>
	<u>342,239</u>	<u>100,313</u>

METALLIC MINERALS CORP.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED OCTOBER 31, 2017
(Unaudited)
(Expressed in Canadian dollars)

8. SUPPLEMENTAL CASH FLOW INFORMATION (continued)

The non-cash financing and investing transactions for the three months ended October 31, 2017 consisted of the Company:

- issuing 200,000 common shares to Independence valued at \$68,000 pursuant to the purchase of the Formo and Keno Summit Properties (Note 4(b));
- issuing 55,000 common shares valued at \$17,600 pursuant to the purchase of the McKay Hill and Keno Summit Properties (Note 4(c)); and
- issuing 200,000 warrants issued to Independence valued at \$22,540 pursuant to the Formo and Keno Summit Properties acquisition (Note 4(b)).

The non-cash financing and investing 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 (Note 7(b)(ii)).

9. 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 October 31, 2017 was \$479,015. 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 October 31, 2017, the Company had \$479,015 in cash, working capital of \$98,320 and no long-term debt. As disclosed in Note 13(b), the Company completed a private placement subsequent to October 31, 2017 for gross proceeds of \$1,380,000.

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.

METALLIC MINERALS CORP.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED OCTOBER 31, 2017

(Unaudited)

(Expressed in Canadian dollars)

10. 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, 2017.

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.

11. 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:

		2017	2016
		\$	\$
Consulting fees	1	107,900	99,800
Exploration and evaluation assets	2	25,000	-
Exploration expenditures	3	61,800	-
Share-based payment expense	4	145,379	109,310
		<u>340,079</u>	<u>209,110</u>

¹ Consulting fees for the three months ended October 31, 2017 and October 31, 2016 consisted of fees earned by key management personnel including the CEO, CFO, VP Government & Community Relations, VP Exploration, Corporate Secretary and fees earned by Midnight Mining Services Ltd., a private company controlled by Bill Harris, a director of the Company.

² This amount was incurred with a director of the Company with respect to the Australia Creek option agreement (Note 4(b)).

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.

Included in deposits at October 31, 2017 was an amount of \$Nil (July 31, 2017: \$25,000) paid to Bill Harris, a director of the Company, in connection with the purchase of the Australia Creek Property (Note 4(b)).

Included in accounts payable and accrued liabilities at October 31, 2017 was an amount of \$127,441 (July 31, 2017: \$88,918) for CEO, CFO, VP Government & Community Relations, VP Exploration and Corporate Secretary fees.

Included in accounts payable and accrued liabilities at October 31, 2017 were amounts of \$4,500 (July 31, 2017: \$12,000) and \$57,326 (July 31, 2017: \$28,350) owed to Midnight Mining Services Ltd. for consulting fees and equipment rentals, respectively.

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

METALLIC MINERALS CORP.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED OCTOBER 31, 2017
(Unaudited)
(Expressed in Canadian dollars)

12. 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 October 31, 2017, the Company had approximately \$380,000 (July 31, 2017: \$1,620,000) remaining to be incurred.

13. EVENTS AFTER THE REPORTING DATE

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

- a) Subsequent to October 31, 2017, 3,700,000 share purchase warrants were exercised for proceeds of \$370,000.
- b) On December 29, 2017, the Company completed a private placement of 3,450,000 FT Shares of the Company at a price of \$0.40 per FT Share for gross proceeds of \$1,380,000. In connection with this private placement, the Company paid finders' fees of 6% on a portion of the gross proceeds, paid \$5,000 to cover a finder's due diligence fees related to this private placement and issued 80,250 finders' warrants, with each warrant entitling the holder to purchase one common share of the Company at a price of \$0.45, with an expiry of December 28, 2019.