

# **METALLIC MINERALS CORP.**

## **CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**FOR THE NINE MONTH PERIOD ENDED APRIL 30, 2018**

(Unaudited)

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## **NOTICE OF NO AUDITOR REVIEW**

The accompanying unaudited condensed consolidated 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 consolidated interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditors.

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

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	April 30, 2018	July 31, 2017
<b>ASSETS</b>	<b>\$</b>	<b>\$</b>
<b>Current</b>		
Cash	1,134,606	1,533,023
Receivables (Note 11)	101,724	24,411
Prepaid expenses and deposits (Note 3)	83,658	390,554
	<u>1,319,988</u>	1,947,988
<b>Non-Current</b>		
Equipment	3,900	-
Exploration and evaluation assets (Notes 4, 5 and 11)	887,622	478,941
	<u>2,211,510</u>	<u>2,426,929</u>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (Note 11)	262,885	355,478
Loans payable	22,000	22,000
Flow-through share premium liability (Note 6)	2,985	141,992
	<u>287,870</u>	519,470
<b>EQUITY</b>		
Share capital (Note 7)	12,118,549	9,967,634
Share-based payment reserve (Note 7(d))	1,328,827	826,149
Accumulated deficit	(11,523,736)	(8,886,324)
	<u>1,923,640</u>	1,907,459
	<u>2,211,510</u>	<u>2,426,929</u>

Approved on behalf of the Board:

"Stephen Pearce" , Director

"Greg Johnson" , Director

**METALLIC MINERALS CORP.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE**  
**LOSS**  
**FOR THE NINE MONTHS ENDED APRIL 30**  
(Unaudited)  
(Expressed in Canadian dollars)

	Three months ended		Nine months ended	
	April 30,		April 30,	
	2018	2017	2018	2017
	\$	\$	\$	\$
<b>Expenses</b>				
Consulting fees (Note 11)	127,222	169,171	406,962	510,788
Bonuses (Note 11)	-	-	-	147,500
Directors' fees (Note 11)	-	-	-	40,000
Exploration expenditures (Notes 5 and 11)	187,586	73,863	1,447,856	98,301
Investor relations and corporate development	91,778	80,187	316,610	136,645
Office and administration	30,768	16,604	79,314	40,044
Professional fees	5,000	19,870	22,049	67,962
Property evaluation	5,172	21,077	18,330	79,438
Share-based payment expense (Notes 7(d) and 11)	101,309	190,096	464,160	572,597
Transfer agent, regulatory and filing fees	9,644	14,546	20,149	40,634
Travel and accomodation	1,345	1,163	8,367	14,343
	<b>559,824</b>	<b>586,577</b>	<b>2,783,797</b>	<b>1,748,252</b>
<b>Other Items</b>				
Other income (Note 6)	(44,150)	(10,146)	(139,007)	(15,940)
Interest income	-	(646)	(7,378)	(646)
	<b>(44,150)</b>	<b>(10,792)</b>	<b>(146,385)</b>	<b>(16,586)</b>
<b>Total loss and comprehensive loss</b> <b>for the period</b>	<b>(515,674)</b>	<b>(575,785)</b>	<b>(2,637,412)</b>	<b>(1,731,666)</b>
<b>Basic and diluted loss per share</b>	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>	<b>\$ (0.05)</b>	<b>\$ (0.05)</b>
<b>Basic and diluted weighted average number</b> <b>of shares outstanding</b>	<b>56,425,149</b>	<b>39,258,309</b>	<b>50,842,038</b>	<b>36,493,725</b>

**METALLIC MINERALS CORP.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
(Unaudited)  
(Expressed in Canadian dollars)

	Number of shares	Share capital \$	Share subscriptions \$	Share-based payment reserve \$	Accumulated deficit \$	Total \$
<b>Balance, July 31, 2016</b>	<b>7,951,753</b>	<b>5,977,739</b>	<b>1,022,400</b>	-	<b>(6,315,092)</b>	685,047
Net loss for the period	-	-	-	-	(1,731,666)	(1,731,666)
Private placements, net of share issue costs	30,016,666	2,996,376	(1,022,400)	111,830	-	2,085,806
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 w arrants	4,934,000	493,400	-	-	-	493,400
Flow -through share premium	-	(112,500)	-	-	-	(112,500)
Share-based payment expense	-	-	-	572,597	-	572,597
<b>Balance, April 30, 2017</b>	<b>43,289,419</b>	<b>9,515,830</b>	-	<b>691,845</b>	<b>(8,046,758)</b>	<b>2,160,917</b>
Net loss for the period	-	-	-	-	(839,566)	(839,566)
Private placements, net of share issue costs	1,375,000	496,804	-	15,196	-	512,000
Shares issued pursuant to exercise of w arrants	650,000	65,000	-	-	-	65,000
Flow -through share premium	-	(110,000)	-	-	-	(110,000)
Share-based payment expense	-	-	-	119,108	-	119,108
<b>Balance, July 31, 2017</b>	<b>45,314,419</b>	<b>9,967,634</b>	-	<b>826,149</b>	<b>(8,886,324)</b>	<b>1,907,459</b>
Net loss for the period	-	-	-	-	(2,637,412)	(2,637,412)
Private placements, net of share issue costs	3,450,000	1,273,315	-	15,978	-	1,289,293
Shares issued pursuant to exploration and evaluation asset acquisitions (Notes 4, 5 and 7)	505,000	155,600	-	-	-	155,600
Warrants issued pursuant to exploration and evaluation asset acquisitions (Notes 4(b) and 7(e))	-	-	-	22,540	-	22,540
Shares issued pursuant to exercise of w arrants (Notes 7(b)(e))	7,220,000	722,000	-	-	-	722,000
Share-based payment expense (Note 7(d))	-	-	-	464,160	-	464,160
<b>Balance, April 30, 2018</b>	<b>56,489,419</b>	<b>12,118,549</b>	-	<b>1,328,827</b>	<b>(11,523,736)</b>	<b>1,923,640</b>

See accompanying notes to the condensed consolidated interim financial statements.

**METALLIC MINERALS CORP.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**  
**FOR THE NINE MONTHS ENDED APRIL 30**

(Unaudited)

(Expressed in Canadian dollars)

	Three months ended April 30,		Nine months ended April 30,	
	2018	2017	2018	2017
	\$	\$		
<b>Operating Activities</b>				
Net loss for the period	(515,674)	(575,785)	(2,637,412)	(1,731,666)
Items not involving cash:				
Other income (Note 6)	(44,150)	(10,146)	(139,007)	(15,940)
Share-based payment expense (Note 7(d))	101,309	190,096	464,160	572,597
	(458,515)	(395,835)	(2,312,259)	(1,175,009)
Net change in non-cash working capital (Note 8)	(69,470)	(87,988)	136,990	(15,684)
<b>Cash used in operating activities</b>	<b>(527,985)</b>	<b>(483,823)</b>	<b>(2,175,269)</b>	<b>(1,190,693)</b>
<b>Investing Activities</b>				
Acquisition of exploration and evaluation assets (Notes 4, 5 and 11)	(24,324)	(4,612)	(150,541)	(83,308)
Purchase of equipment	(3,900)	-	(3,900)	-
<b>Cash used in investing activities</b>	<b>(28,224)</b>	<b>(4,612)</b>	<b>(154,441)</b>	<b>(83,308)</b>
<b>Financing Activities</b>				
Receipt of proceeds pursuant to private placements (Note 7(b))	15,000	750,000	1,300,000	2,157,600
Share issue costs (Note 7(b))	-	(26,259)	(90,707)	(71,794)
Proceeds pursuant to exercise of warrants (Note 7(b))	22,000	415,900	722,000	493,400
<b>Cash provided by financing activities</b>	<b>37,000</b>	<b>1,139,641</b>	<b>1,931,293</b>	<b>2,579,206</b>
<b>Net increase (decrease) in cash</b>	<b>(519,209)</b>	<b>651,206</b>	<b>(398,417)</b>	<b>1,305,205</b>
Cash, beginning of period	1,653,815	1,364,008	1,533,023	710,009
<b>Cash, end of period</b>	<b>1,134,606</b>	<b>2,015,214</b>	<b>1,134,606</b>	<b>2,015,214</b>

**METALLIC MINERALS CORP.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED APRIL 30, 2018**

(Unaudited)

(Expressed in Canadian dollars)

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**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 consolidated 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 \$2,637,412 for the nine month period ended April 30, 2018 (2017: \$1,731,666). As at April 30, 2018, the Company had an accumulated deficit of \$11,523,736 (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 consolidated 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 consolidated interim financial statements.

**2. BASIS OF PREPARATION**

These condensed consolidated 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 and include the accounts of the Company and its wholly-owned subsidiary 536386 Yukon Inc., which was incorporated in the Yukon in November 2017. All intercompany transactions and balances have been eliminated upon consolidation.

These condensed consolidated 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 consolidated interim financial statements.

These condensed consolidated 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 June 27, 2018.

**METALLIC MINERALS CORP.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED APRIL 30, 2018**

(Unaudited)

(Expressed in Canadian dollars)

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**3. PREPAID EXPENSES AND DEPOSITS**

	April 30, 2018	July 31, 2017
	\$	\$
Prepaid expenses	79,638	156,044
Deposits	4,020	234,510
	<u>83,658</u>	<u>390,554</u>

At April 30, 2018, prepaid expenses included various prepaid amounts for advertising, marketing and upcoming conference events. 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 nine months ended April 30, 2018.

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 nine months ended April 30, 2018, 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, and amended on December 29, 2017, the Company completed an option agreement to acquire a 100% interest from underlying claim holders (the "**Vendors**") 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:

- An amount of \$12,500 is to be paid to one of the Vendors for carrying out consulting and supervision activities in 2017 (was paid on May 1, 2018);
- In December 2018, a further \$25,000 is to be paid to one of the Vendors;
- In December 2018, the Company is to issue 250,000 common shares to the Vendors, 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 \$25,000 is to be paid to one of the Vendors; and
- In December 2019, the Company is to issue a total of 275,000 common shares to the Vendors, 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.

**METALLIC MINERALS CORP.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED APRIL 30, 2018**

(Unaudited)

(Expressed in Canadian dollars)

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**4. MINERAL PROPERTY ACQUISITIONS (continued)**

**a) *Australia Creek Property*** (continued)

Under the Australia Creek option agreement, the Vendors 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 Vendors is a related party as a director of the Company.

See Note 7(b) for disclosure of the number of shares that were issued during the nine months ended April 30, 2018 in relation to the Australia Creek Property.

**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 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.

In addition, in October 2017 the Company staked an additional 26 claims on its McKay Hill Property totalling approximately 5 square km ("**km<sup>2</sup>**") expanding its McKay Hill Property claim holdings to 35 km<sup>2</sup>.

**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. To earn the 100% interest, the Company made cash payments totaling \$50,000 and issued 75,000 flow-through common shares valued at \$30,000 to the vendor as part of the private placement disclosed in Note 7(b)(i).

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 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED APRIL 30, 2018**

(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	-	62,500	20,000	92,500
Licensing costs	13,568	1,605	2,110	-	17,283
Shares issued	68,000	17,600	120,000	30,000	235,600
Warrants issued	22,540	-	-	-	22,540
Claim staking	(520)	-	41,278	-	40,758
	113,588	19,205	225,888	50,000	408,681
Balance, April 30, 2018	494,491	25,205	287,926	80,000	887,622

A summary of the exploration and evaluation expenditures incurred for the nine month period ended April 30, 2018 is presented below:

	Keno Silver Project	McKay Hill Project	Australia Creek	Dominion Creek	Total
	\$	\$	\$	\$	\$
Analysis	42,395	2,921	-	-	45,316
Camp costs	13,426	-	15,357	-	28,783
Consulting - geological	154,550	4,683	3,625	-	162,858
Consulting - other	22,750	-	24,000	3,600	50,350
Drilling	516,949	-	-	-	516,949
Equipment and communication	60,664	-	14,499	500	75,663
Fuel	1,360	-	2,165	200	3,725
Geophysics	18,209	-	66,830	-	85,039
Overhead and administration	2,475	560	1,150	11	4,196
Permitting	5,748	-	6,000	-	11,748
Prospecting and mapping	7,250	9,597	8,800	-	25,647
Road work	115,260	-	50,650	-	165,910
Salaries and benefits	151,013	23,825	-	-	174,838
Surveying	44,240	-	-	-	44,240
Transportation and travel	24,311	8,386	6,387	-	39,084
Trenching and test pitting	-	-	53,510	-	53,510
	1,180,600	49,972	252,973	4,311	1,487,856
Less: Government Grants	-	(40,000)	-	-	(40,000)
	1,180,600	9,972	252,973	4,311	1,447,856

**METALLIC MINERALS CORP.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED APRIL 30, 2018**

(Unaudited)

(Expressed in Canadian dollars)

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**5. EXPLORATION AND EVALUATION ASSETS (continued)**

**YUKON SILVER PROJECTS**

**KENO SILVER PROJECT**

At April 30, 2018, the Company's Keno silver project ("**Keno**") covered approximately 165.5 km<sup>2</sup> 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 April 30, 2018, 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 km<sup>2</sup>. 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 approximately 4.2 km<sup>2</sup> of claims that are contiguous with the eastern end of the Keno-Lighting property in the Keno Hill Silver District.

During the nine months ended April 30, 2018, 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 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED APRIL 30, 2018**

(Unaudited)

(Expressed in Canadian dollars)

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**5. EXPLORATION AND EVALUATION ASSETS (continued)**

**YUKON SILVER PROJECTS (continued)**

**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 project ("**McKay Hill**"), which covers approximately 35 km<sup>2</sup> 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:

- An amount of \$12,500 is to be paid to one of the Vendors for carrying out consulting and supervision activities in 2017 (was paid on May 1, 2018);
- In December 2018, a further \$25,000 is to be paid to one of the Vendors;
- In December 2018, the Company is to issue 250,000 common shares to the Vendors, 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 \$25,000 is to be paid to one of the Vendors; and

**METALLIC MINERALS CORP.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED APRIL 30, 2018**

(Unaudited)

(Expressed in Canadian dollars)

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**5. EXPLORATION AND EVALUATION ASSETS** (continued)

**KLONDIKE GOLD DISTRICT – ROYALTY PORTFOLIO** (continued)

**a) Australia Creek Property** (continued)

- In December 2019, the Company is to issue a total of 275,000 common shares to the Vendors, 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 Vendors 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 Vendors is a related party as a director of the Company.

**b) *Dominion Creek Property***

The Company owns a 100% interest in mining rights consisting of 10 claims along a bench of Dominion Creek, a tributary to the Indian River. 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>(139,007)</u>
Balance, April 30, 2018	<u>2,985</u>

**7. SHARE CAPITAL**

**a) Authorized**

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

**METALLIC MINERALS CORP.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED APRIL 30, 2018**

(Unaudited)

(Expressed in Canadian dollars)

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**7. SHARE CAPITAL** (continued)

**b) Share issuance details**

**Nine months ended April 30, 2018**

- (i) On December 28, 2017, the Company completed a private placement of 3,450,000 common shares on a flow-through basis (“**FT Shares**”) at a price of \$0.40 per FT Share totaling \$1,380,000. As noted in 4(a) and 4(d), the Company issued 125,000 and 75,000 of the FT Shares as payment towards its Australia Creek and Dominion Creek Properties, respectively, and as a result, the Company did not receive cash for these FT Shares.

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. The fair value of the finders’ warrants was \$15,978 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 did not allocate any gross proceeds to flow-through share premium liability.

- (ii) On November 28, 2017, the Company issued 250,000 common shares valued at \$70,000 pursuant to the purchase of the Australia Creek Property (Note 4(a)).
- (iii) 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)).
- (iv) 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)).
- (v) During the nine months ended April 30, 2018, the Company issued 7,220,000 common shares pursuant to the exercise of 7,220,000 share purchase warrants with a weighted average exercise price of \$0.10 per share.

**Nine months ended April 30, 2017**

- (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 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 \$100,000 of the gross proceeds to the warrants as share-based payment reserve.

**METALLIC MINERALS CORP.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED APRIL 30, 2018**

(Unaudited)

(Expressed in Canadian dollars)

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**7. SHARE CAPITAL** (continued)

**b) Share issuance details** (continued)

- (viii) On January 11, 2017, the Company issued 100,000 common shares valued at \$45,000 pursuant to the Silver Queen option agreement.
- (ix) On January 11, 2017 and February 15, 2017, the Company issued 50,000 common shares and 187,500 common shares as part of a unit, valued at \$22,500 and \$75,000, respectively, pursuant to the acquisition of the Keno Summit and Gram Properties.
- (x) On October 31, 2016, the Company completed a brokered private placement of 2,250,000 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 consolidated 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 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.

- (xi) 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.

- (xii) During the nine months ended April 30, 2017, the Company issued 4,934,000 common shares pursuant to the exercise of 4,934,000 share purchase warrants with a weighted average exercise price of \$0.10 per share.

**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.

**METALLIC MINERALS CORP.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED APRIL 30, 2018**

(Unaudited)

(Expressed in Canadian dollars)

**7. SHARE CAPITAL** (continued)

**c) Stock options** (continued)

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, April 30, 2018	<u>5,500,000</u>	<u>0.38</u>

The following stock options were outstanding as at April 30, 2018:

Outstanding	Exercisable	Weighted average Exercise Price \$	Expiry Date	Weighted average remaining life (in years)
3,300,000	3,300,000	0.44	September 19, 2021	3.39
<u>2,200,000</u>	<u>733,333</u>	<u>0.30</u>	<u>August 24, 2022</u>	<u>4.32</u>
<u>5,500,000</u>	<u>4,033,333</u>	<u>0.38</u>		<u>3.76</u>

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 nine months ended April 30, 2018 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 nine months ended April 30, 2018 was \$464,160 and was recorded in profit or loss. The fair value of the stock options that were granted during the nine months ended April 30, 2018 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 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED APRIL 30, 2018**

(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
Issued as finders' fees on private placement	80,250	0.45
Exercised	<u>(7,220,000)</u>	<u>0.10</u>
Balance, April 30, 2018	<u>20,407,916</u>	<u>0.15</u>

The fair value of the 200,000 warrants, valued at \$22,540, that were 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 fair value of the 80,250 warrants issued as a finder's fee pursuant to the private placement disclosed in Note 7(b)(i) was calculated using the following weighted average assumptions:

Risk-free interest rate	1.64%
Expected stock price volatility	81%
Expected dividend yield	0.0%
Expected warrant life in years	2.0
Spot price	\$0.45

**METALLIC MINERALS CORP.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED APRIL 30, 2018**

(Unaudited)

(Expressed in Canadian dollars)

**7. SHARE CAPITAL (continued)**

**e) Share purchase warrants (continued)**

The following warrants were outstanding as at April 30, 2018:

Outstanding	Exercisable	Exercise Price	Expiry Date
		\$	
75,000	75,000	0.60 <sup>1</sup>	October 31, 2018
50,000	50,000	0.65 <sup>1</sup>	January 17, 2019
187,500	187,500	0.52 <sup>1</sup>	February 15, 2019
82,500	82,500	0.50 <sup>1</sup>	June 22, 2019
18,066,000	18,066,000	0.10 <sup>2</sup>	July 30, 2019
200,000	200,000	0.45 <sup>1</sup>	September 27, 2019
80,250	80,250	0.45 <sup>1</sup>	December 29, 2019
1,666,666	1,666,666	0.60 <sup>1</sup>	March 23, 2020
<u>20,407,916</u>	<u>20,407,916</u>	<u>0.15</u>	

<sup>1</sup> These warrants are subject to an accelerator clause whereby if the Company's closing price on the TSX-V trades above a certain price, the Company may provide written notice of acceleration of the expiry date of the warrants, to take effect a minimum of 30 days after the delivery of such notice.

<sup>2</sup> These warrants are subject to an accelerator clause, the conditions of which have already been met.

**8. SUPPLEMENTAL CASH FLOW INFORMATION**

The net change in non-cash operating working capital balances for the three and nine months ended April 30 consisted of the following:

	Three months ended		Nine months ended	
	April 30,		April 30,	
	2018	2017	2018	2017
	\$	\$	\$	\$
Accounts receivable	(5,915)	(34,512)	(77,313)	(60,804)
Prepaid expenses	(27,504)	(92,638)	306,896	(206,658)
Accounts payable and accrued liabilities	(36,051)	39,162	(92,593)	251,778
	<u>(69,470)</u>	<u>(87,988)</u>	<u>136,990</u>	<u>(15,684)</u>

The non-cash financing and investing transactions for the nine months ended April 30, 2018 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 200,000 warrants to Independence valued at \$22,540 pursuant to the Formo and Keno Summit Properties acquisition (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));
- Issuing 250,000 common shares valued at \$70,000 pursuant to the purchase of the Australia Creek Property;

**METALLIC MINERALS CORP.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED APRIL 30, 2018**

(Unaudited)

(Expressed in Canadian dollars)

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**8. SUPPLEMENTAL CASH FLOW INFORMATION** (continued)

- Issuing 200,000 FT Shares valued at \$80,000 as payment towards its Australia Creek and Dominion Creek Properties; and
- Issuing 80,250 warrants as finders' warrants valued at \$15,978 pursuant to the private placement noted in 7(b)(i).

The non-cash financing and investing transactions for the nine months ended April 30, 2017 consisted of the Company issuing:

- 75,000 share purchase warrants as a finder's fee valued at \$11,830 pursuant to a private placement (Note 7(b)(x));
- 100,000 common shares of the Company valued at \$45,000 pursuant to the Silver Queen Option Agreement;
- A total of 237,500 common shares of the Company valued at \$97,500 and a total of 237,500 share purchase warrants valued at \$7,418 to Strategic pursuant to the Keno Summit and Gram Properties option agreement; and
- 49,500 common shares of the Company valued at \$18,315 pursuant to the Cobalt Hill Property option agreement.

**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 April 30, 2018 was \$1,134,606. 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 April 30, 2018, the Company had \$1,134,606 of cash, a total of \$185,382 in receivables, prepaid expenses and deposits, working capital of \$1,032,118 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.

**METALLIC MINERALS CORP.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED APRIL 30, 2018**

(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**

Key management personnel at the Company are the Directors and Officers of the Company.

The following is a summary of charges incurred by the Company with related parties and compensation paid to key management personnel for the three and nine months ended April 30:

		Three months ended April 30,		Nine months ended April 30,	
		2018	2017	2018	2017
		\$	\$	\$	\$
Consulting fees	1	106,150	105,175	340,688	212,475
Directors' fees		-	40,000	-	40,000
Exploration and evaluation assets	2	-	-	60,000	-
Exploration expenditures	3	2,950	4,050	64,750	4,050
Share-based payment expense	4	73,000	200,066	348,116	309,376
Signing bonuses	5	-	120,000	-	120,000
		<u>182,100</u>	<u>469,291</u>	<u>813,554</u>	<u>685,901</u>

<sup>1</sup> Consulting fees for the three and nine months ended April 30, 2018 and April 30, 2017 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.

<sup>2</sup> This amount consisted of a cash payment of \$25,000 and 125,000 common shares valued at \$35,000 issued to a director of the Company in relation to the Australia Creek option agreement (Note 4(b)).

<sup>3</sup> Exploration expenditures consisted of equipment rentals from Midnight Mining Services Ltd.

<sup>4</sup> 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.

<sup>5</sup> Signing bonuses consisted of amounts paid to the CEO, CFO, Executive VP, VP Exploration and Corporate Secretary.

Included in receivables at April 30, 2018 was an amount of \$46,964 (July 31, 2017: \$Nil) owed from Group Ten Metals Inc., a company that has three directors and one officer in common, for certain shared investor relations and corporate development expenses that the Company paid on behalf of both companies.

Included in deposits at April 30, 2018 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(a)).

**METALLIC MINERALS CORP.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED APRIL 30, 2018**

(Unaudited)

(Expressed in Canadian dollars)

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**11. RELATED PARTY TRANSACTIONS** (continued)

Included in accounts payable and accrued liabilities at April 30, 2018 was an amount of \$62,045 (July 31, 2017: \$88,918) for consulting fees owed to key management personnel and \$12,500 (July 31, 2017: \$Nil) owed to a director pursuant to the purchase of the Australia Creek Property (Note 4(a)).

Included in accounts payable and accrued liabilities at April 30, 2018 were amounts of \$12,500 (July 31, 2017: \$12,000) and \$Nil (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.

**12. COMMITMENT**

As a result of the issuance of flow-through shares on June 26, 2017 and December 28, 2017, the Company has a commitment to incur \$1,930,000 in qualifying Canadian exploration expenditures on or before December 31, 2018.

As at April 30, 2018, the Company had approximately \$1,380,000 remaining to be incurred.