



Consolidated Financial Statements
Nine Months Ended February 28, 2017 and 2016
(In Canadian dollars)

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING and NOTICE TO READER

The accompanying Condensed Consolidated Interim Financial Statements (unaudited) of Metalla Royalty & Streaming Ltd. (the "Company") for the nine months ended February 28, 2017 (the "Interim Financial Statements") are the responsibility of the Company's Management and have been prepared by Management and include the selection of appropriate accounting principles, judgments and estimates necessary to prepare these Interim Financial Statements in accordance with International Financial Reporting Standards for Interim Financial Statements.

In accordance with National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the Interim Financial Statements, they must be accompanied by a notice indicating that the Interim Financial Statements have not been reviewed by an auditor. The Company's independent auditor has not performed a review of these 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 auditor.

Metalla Royalty & Streaming Ltd.

Condensed Consolidated Interim Statements of Financial Position (Unaudited)

(In Canadian dollars)

| As at | February 28, 2017 | May 31, 2016 |
|--|----------------------|-----------------|
| | \$ | \$ |
| Assets | | |
| Current | | |
| Cash | 1,566,791 | 4,101 |
| Prepaid expenses and sundry receivables | 81,812 | 19,194 |
| HST receivable | 24,769 | 11,774 |
| | 1,673,372 | 35,069 |
| Royalty interests (notes 5(a)(b)) | 3,000,000 | - |
| | 4,673,372 | 35,069 |
| Liabilities | | |
| Current | | |
| Trade and other payables | 98,122 | 63,425 |
| Subscription receipts (note 6(a)) | 1,380,718 | 100,000 |
| Other loans (note 6(b)) | 529,845 | 133,412 |
| | 2,008,685 | 296,837 |
| Shareholders' Equity | | |
| Capital stock (note 7) | 20,658,083 | 16,919,348 |
| Warrants (note 8) | 774,076 | - |
| Contributed surplus | 4,241,203 | 3,672,176 |
| Deficit | (23,008,675) | (20,853,292) |
| | 2,664,687 | (261,768) |
| | 4,673,372 | 35,069 |

Nature of Operations and Going Concern (Note 1)

APPROVED BY THE BOARD:

Signed “Brett Heath” , Director

Signed “Tim Gallagher” , Director

See accompanying notes to the condensed consolidated interim financial statements

Metalla Royalty & Streaming Ltd.

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss (Unaudited)

(In Canadian dollars)

| | Three Months Ended February 28, | | Nine Months Ended February 28, | |
|--|------------------------------------|-------------------|-----------------------------------|-------------------|
| | 2017 | 2016 | 2017 | 2016 |
| Corporate administrative expenses | | | | |
| Warrants expense (note 8) | - | - | 774,077 | - |
| Share-based compensation (note 9) | - | - | 569,027 | - |
| Consulting fees (note 11) | 300,000 | - | 300,000 | - |
| Management and administrative fees | 90,619 | 32,000 | 214,706 | 96,000 |
| Investor relations | 83,301 | 597 | 120,062 | 5,262 |
| Professional fees | 14,437 | 5,000 | 69,299 | 12,748 |
| Regulatory and transfer agent | 20,452 | 4,657 | 53,345 | 13,662 |
| Project evaluation expenses | 17,195 | - | 31,579 | 32,342 |
| Office and general expenses | 5,274 | 3,488 | 10,435 | 7,304 |
| Amortization | - | - | - | 453 |
| Total expenses | (631,278) | (45,591) | (2,142,530) | (167,771) |
| Other (expenses) income | | | | |
| Mining ore profit | - | - | - | 15,040 |
| Other income | - | - | - | 5,000 |
| Interest expense | 18,925 | (1,427) | (11,474) | (9,194) |
| Gain (loss) on foreign exchange | (1,297) | 1,212 | (1,379) | (13,096) |
| Net loss and comprehensive loss | (613,650) | (45,806) | (2,155,383) | (168,521) |
| Loss per share – basic and diluted | \$0.00 | \$0.00 | \$0.02 | \$0.00 |
| Weighted average number of common shares outstanding – basic and diluted (Pre-consolidation) | 129,642,732 | 82,924,831 | 102,745,776 | 82,924,831 |
| Loss per share – basic and diluted | \$0.01 | \$0.00 | \$0.06 | \$0.00 |
| Weighted average number of common shares outstanding – basic and diluted (Post-consolidation) | 43,214,244 | 27,641,610 | 34,248,592 | 27,641,610 |

See accompanying notes to the condensed consolidated interim financial statements

Metalla Royalty & Streaming Ltd.

Condensed Consolidated Interim Statements of Cash Flows (Unaudited)

(In Canadian dollars)

| Nine Months Ended February 28, | 2017 | 2016 |
|--|--------------------|------------------|
| | \$ | (\$) |
| Operating activities | | |
| Net (loss) from operations | (2,155,383) | (168,521) |
| Item not affecting cash: | | |
| Depreciation | - | 453 |
| Net changes in non-cash working capital: | | |
| Shares issued for services | 300,000 | - |
| Share-based compensation expense | 569,027 | - |
| Warrants expense | 774,076 | - |
| Prepaid and HST receivables | (75,613) | 4,787 |
| Trade and other payables | 77,075 | 4,943 |
| Cash used in operating activities | (510,818) | (158,338) |
| Investing activities | | |
| Royalty interests | (2,000,000) | - |
| Cash used in investing activities | (2,000,000) | |
| Financing activities | | |
| Proceeds from private placement | 2,371,790 | - |
| Subscription receipts | 1,280,717 | 40,000 |
| Exercise of options | 36,000 | - |
| Short-term loans | 385,000 | - |
| Cash provided by financing activities | 4,073,507 | 40,000 |
| Net change in cash | 1,562,690 | (118,338) |
| Cash, beginning of period | 4,101 | 119,198 |
| Cash, end of year of period | 1,566,791 | 860 |

See accompanying notes to the condensed consolidated interim financial statements

Metalla Royalty & Streaming Ltd.

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity (Unaudited)

(In Canadian dollars)

| | Issued Capital | | Equity Reserves | | | Total (\$) |
|---|---------------------|--------------------------|------------------|--------------------------------|--------------------------------|------------------|
| | Number of Shares | Capital Stock (\$) | Warrants (\$) | Contributed Surplus (\$) | Accumulated Deficit (\$) | |
| Balance – May 31, 2015 | 82,924,831 | 16,719,348 | 156,053 | 3,516,123 | (20,646,034) | (254,510) |
| Expired warrants <i>(note 8(i))</i> | - | - | (96,141) | 96,141 | - | - |
| Net (loss) for the period | - | - | - | - | (168,521) | (168,521) |
| Balance – February 28, 2016 | 82,924,831 | 16,719,348 | 59,912 | 3,612,264 | (20,814,555) | (423,031) |
| Shares issued for private placement <i>(note 7(i))</i> | 7,125,000 | 142,500 | - | - | - | 142,500 |
| Shares issued for conversion of loan <i>(note 7(i))</i> | 2,875,000 | 57,500 | - | - | - | 57,500 |
| Expired warrants <i>(note 8(i))</i> | - | - | (59,912) | 59,912 | - | - |
| Net (loss) for the period | - | - | - | - | (38,737) | (38,737) |
| Balance – May 31, 2016 | 92,924,831 | 16,919,348 | - | 3,672,176 | (20,853,292) | (261,768) |
| Shares issued for consulting services <i>(note 10)</i> | 3,000,000 | 300,000 | - | - | - | 300,000 |
| Shares issued for royalty interest <i>(note 5)</i> | 10,000,000 | 1,000,000 | - | - | - | 1,000,000 |
| Shares issued for private placement (net) <i>(note 7(v))</i> | 20,582,900 | 2,053,235 | - | - | - | 2,253,235 |
| Shares issued for services and conversion of loans <i>(note 7(v))</i> | 3,135,000 | 313,500 | - | - | - | 113,500 |
| Consolidation of shares 3:1 | (86,428,487) | - | - | - | - | - |
| Warrants expense <i>(note 8)</i> | - | - | 774,076 | - | - | 774,076 |
| Share-based compensation <i>(note 9(iv)(v))</i> | - | - | - | 569,027 | - | 569,027 |
| Exercise of options <i>(note 9 (vi))</i> | - | 72,000 | - | - | - | 72,000 |
| Net (loss) for the period | - | - | - | - | (2,155,383) | (2,155,383) |
| Balance – February 28, 2017 | 43,214,244 | 20,658,083 | 774,076 | 4,241,203 | (23,008,675) | 2,664,687 |

See accompanying notes to the condensed consolidated interim financial statements

Metalla Royalty & Streaming Ltd.

Notes to Condensed Consolidated Financial Statements

(In Canadian dollars)

Nine Months Ended February 28, 2017 and 2016

1. NATURE OF OPERATIONS AND GOING CONCERN

Metalla Royalty & Streaming Ltd. (formerly Excalibur Resources Ltd.), ("Metalla" or the "Company") was incorporated under the laws of Canada on May 11, 1983. Metalla is a precious metals royalty and streaming company, engaged in the acquisition and management of precious metal royalties, streams and similar production-based interests. Previously, the Company was focused on the discovery, development, mining and ore trading of economically viable precious and base metal resources.

The Company's head office and principal address are located at 8 King St East, Suite 1010, Toronto, Ontario, Canada, M5C 1B5. The Company is listed on The Canadian Securities Exchange.

The Company's inability to generate cash from operations, casts doubt upon the Company's ability to continue as a going concern. In addition to obtaining funding through private placements, management is focused on acquiring royalties and streaming cash flowing investments. There is no assurance that any of these endeavours will be successful.

These condensed consolidated interim financial statements do not reflect any adjustments to the carrying values and classification of assets, or the amounts of, and classification of liabilities that would be necessary if the going concern assumption was not appropriate. Such adjustments could be material.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Consolidation

These condensed consolidated interim financial statements include the accounts of the Company and its wholly-owned subsidiaries: Excalibur Resources (US) Inc., High Stream Corp. and Metalla SEZC.

2.2 Statement of Compliance

These condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standard ("IAS") 34 - *Interim Financial Reporting* using the accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the IAS Board. These interim financial statements were authorized for issue by the Board of Directors on April 28, 2017.

The accounting policies applied in these condensed consolidated interim financial statements are based on IFRS policies issued and outstanding as of the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these unaudited condensed consolidated interim financial statements as those applied in note 2 of the Company's most recent annual consolidated financial statements for the year ended May 31, 2016 and have been consistently applied throughout all periods presented, as if these policies had always been in effect. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year ending May 31, 2017 could result in the restatement of these condensed consolidated interim financial statements.

Metalla Royalty & Streaming Ltd.

Notes to Condensed Consolidated Financial Statements

(In Canadian dollars)

Nine Months Ended February 28, 2017 and 2016

2.3 Basis of Presentation

These condensed consolidated interim financial statements have been prepared on a historical cost basis using the accrual basis of accounting except for financial instruments classified as fair value through profit or loss ("FVTPL"), which are stated at their fair values. The accounting policies have been applied consistently throughout all periods presented in these condensed consolidated interim financial statements.

2.4 Use of Estimates and Judgments

The application of the Company's accounting policies in compliance with IFRS requires the Company's management to make certain judgments, estimates and assumptions about the future and to exercise judgment in applying the Company's accounting policies. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. The impacts of changes to estimates are recognized in the period estimates are revised and in future periods affected. The critical judgments and assumptions made by management are (but not limited to) the following:

- i) the inputs used in accounting for valuation of warrants and options which are included in the condensed consolidated interim statement of financial position;
- ii) the inputs used in accounting for stock-based compensation expense in the condensed consolidated interim statement of loss;
- iii) the existence and estimated amount of contingencies (*note 15 Commitments and Contingencies*).

3. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

Changes in Accounting Policies

There were no new or revised IASB standards and interpretations adopted by the Company on January 1, 2017.

4. PROJECT EVALUATION EXPENSE

For the nine months ended February 28, 2017, the Company expended \$31,579 (2016 - \$32,342) on expenses related to consulting services related to the evaluation of potential future royalties and streaming opportunities.

5. ROYALTY INTERESTS

Metalla is a precious metals royalty and streaming company engaged in the acquisition and management of precious metal royalties, streams and similar production-based interests.

- a) On August 23, 2016, the Company acquired of a 2% Net Smelter Return ("NSR") on the Mirado mine project ("Mirado") located in Kirkland Lake, Ontario, from Orefinders Resources Inc. ("Orefinders"). A secured one-year loan of \$450,000 was provided in return for a potential financing bonus of \$180,000 plus 1,500,000 common shares of Orefinders', valued at \$90,000. In addition to the loan, the Company made an investment

Metalla Royalty & Streaming Ltd.

Notes to Condensed Consolidated Financial Statements

(In Canadian dollars)

Nine Months Ended February 28, 2017 and 2016

of \$50,000 in return for an unsecured royalty capped at a maximum of \$105,000, payable out of Orefinders' profits from processing the stockpile, after paying all processing costs and repayment of the Loan. The acquisition proceeds will be used primarily as deposits on the trucking and milling contracts for the project.

The Company also acquired i) a 2% NSR with total proceeds to be capped at \$1,000,000 on certain revenues from Orefinders' potential future production, ii) the right to purchase a 1% NSR during the life of Mirado for an additional \$2,000,000 after Orefinders attains commercial production and iii) a right of first refusal to provide any future stream financing component to Orefinders on its possible future Phase Two production from expansion of the open pit once a PEA has been completed and provided the financing is on reasonable and competitive commercial terms consistent with industry standards. Orefinders may elect, at its option, to buy out 1% of the prior NSR for the sum of \$1,000,000.

Metalla funded these investments through a one-year, \$500,000 loan (plus financing fees). See note 6 (b)(iv) *Other Loans* and note 8 *Warrants*.

b) On November 18, 2016, the Company acquired the following royalties:

i) 1% NSR granted by Goldcorp on the Hoyle Pond Extension Property:

The Hoyle Pond mine has been in production since 1985 and represents one of the highest grade mines in Ontario averaging a grade of over 14 grams per ton since 2011 on its portion of the extension property. Production over the last four years has averaged 150,000 – 160,000 ounces of gold (Au) annually. The NSR will generate cash flow once 500,000 ounces have been produced.

ii) an NSR of up to a 1.5% granted by Tahoe Resources on the West Timmins extension properties subject to a buyback of 0.75% for \$750,000:

The West Timmins mine is owned and operated by Tahoe Resources. Production in Timmins has averaged over 140,000 ounces of gold (Au) annually since 2014. The royalty will cash flow immediately once the company mines on the extension property.

iii) a 1.5% NSR assumed by Osisko Mining on the Desantis properties with a buyback of 0.5% for \$1 million. Osisko Mining recently purchased the property from Excellon Resources and is a historical producing operation that contains a historical resource.

Total consideration for these royalties includes \$6,000,000 cash and \$4,000,000 in shares of Metalla. To date the Company has delivered \$1,500,000 and \$1,000,000 in shares (10,000,000 pre-consolidated) shares. The balance of the purchase price will be paid upon production milestones being achieved by the operators of the mines.

c) On January 18, 2017 the Company signed a Letter of Intent to acquire 15% of the New Luika Gold Mine silver stream for US\$2,000,000. The Company will also have a two-year option to acquire a second stream.

Metalla Royalty & Streaming Ltd.

Notes to Condensed Consolidated Financial Statements

(In Canadian dollars)

Nine Months Ended February 28, 2017 and 2016

6. SUBSCRIPTION RECEIPTS and OTHER LOANS

a) Subscription Receipts

i) On June 25, 2014 a shareholder advanced \$100,000 to the Company, for working capital, as part of a future private placement. On November 30, 2016 the shareholder converted this loan to equity shares as part of a private placement. See *note 7 Capital Stock*.

ii) On February 13, 2017, the Company announced an offering by way of private placement, for up to 14,000,000 units ("Units") at \$0.50 per Unit for total gross proceeds of \$7,000,000. As at February 28, 2017, the Company had received subscription agreements for the issuance of 2,761,436 Units for gross proceeds of \$1,380,718. See *note 16 – Subsequent Events*.

b) Other Loans

i) On September 12, 2014, a shareholder advanced \$50,000 to the Company as a one-year, 12% bridge loan. During the nine months ended February 28, 2017, \$4,500 was recorded as interest expense. To February 28, 2017, a total of \$14,778 (2016 - \$8,778) has been recorded accrued as interest expense for this loan.

ii) On November 6, 2014, a shareholder advanced US\$50,000 (\$57,500) to the Company in the form of a royalty note on production from San Pedro. No payments were made due to lack of production at San Pedro. On May 6, 2016, the shareholder converted the loan to 2,875,000 common shares as a subscriber to a private placement.

iii) On April 16, 2015, a shareholder advanced US\$50,000 (\$65,000) to the Company as a 15% bridge loan. During the nine months ended February 28, 2017, \$6,974 (2016 - \$2,169) was recorded as interest expense. As at February 28, 2017, a total of \$18,245 (2016 - \$8,495) has charged to interest expense, and \$15,067 remains unpaid.

iv) On August 11, 2016, a shareholder advanced \$500,000 to the Company as a one-year, unsecured loan. A potential \$250,000 cash payment will be payable from the revenues earned from the processing of the Orefinders' stockpile, 1,000,000 Orefinders' shares and 2,500,000 (pre-consolidated) five-year warrants, which were assigned a fair value of \$150,656 and allocated to warrants expense and contributed surplus. (see *note 8 Warrants*).

v) On August 30, 2016, a shareholder loaned \$50,000 to the Company for one month, which was repaid on September 30, 2016. This loan was non-interest bearing and included 250,000 (pre-consolidated) five-year warrants with a fair value of \$12,033 which was allocated to warrants expense and contributed surplus (see *note 8 - Warrants*).

Metalla Royalty & Streaming Ltd.

Notes to Condensed Consolidated Financial Statements

(In Canadian dollars)

Nine Months Ended February 28, 2017 and 2016

7. CAPITAL STOCK

Authorized: an unlimited number of common shares without par value

- i) On May 6, 2016, the Company completed a non-brokered private placement financing for cash and loan conversions totalling \$200,000, through the issuance of 10,000,000 common shares at \$0.02 per share.
- ii) On September 1, 2016, the Company issued 3,000,000 (pre-consolidated) Company shares to Brett Heath, to become President of Metalla and as compensation for 100% of the shares of High Stream Corp. A fair value of \$300,000 was assigned this issuance using the closing market price of \$0.10 of Metalla on the day before the acquisition. *See note 15 – Related Party Transactions*
- iii) On November 18, 2016, the Company acquired NSRs on certain properties located in Timmins, Ontario. Total potential consideration for the NSRs is \$6,000,000 cash and \$4,000,000 in Metalla shares. The first unconditional payment of \$1,500,000 cash and \$1,000,000 in shares (10,000,000 pre-consolidated shares at \$0.10) was delivered to close the transaction on November 30, 2016. *See note 5 (b) Royalty Interests.*
- iv) On November 22, 2016, the shareholders of the Company approved a resolution to consolidate the Company's shares on the basis of one (1) new share for up to three (3) old shares.
- v) On November 30, 2016 the Company completed a private placement financing for 23,717,900 Units (pre-consolidated), each unit consisting of one common share and one half of one common share purchase warrant. Each full warrant is exercisable to acquire one common share at \$0.15 (\$0.45 post-consolidated) for a period of two years. Total consideration of \$2,371,790 for the private placement included: \$2,253,235 cash, the conversion of \$300,000 of short-term loans and \$13,500 project evaluation services which were rendered in exchange for 45,000 Units. Finder's fees of \$5,055 were paid and the Company issued 144,500 (pre-consolidated) warrants in connection with this financing. The warrants were assigned a fair value of \$511,387 using the relative fair value method. Under this method this fair value was allocated to the warrants based on the estimated value of the warrants using the Black-Scholes option pricing model, as a percentage of this Black-Scholes value plus the value of the common stocks based on the market closing price on November 30, 2016. The original Black-Scholes option pricing model used the following assumptions: share price \$0.10 (pre-consolidated), forfeiture rate 0%, dividend yield 0%, expected volatility 100%, a risk-free interest rate of 0.70% and an expected life of 2 years.
- vi) On December 2, 2016 the Company relisted its common shares on the OTCQB Venture Marketplace under the symbol "EXCFF".

Issued and outstanding common shares at February 28, 2017:

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Notes to Condensed Consolidated Financial Statements

(In Canadian dollars)

Nine Months Ended February 28, 2017 and 2016

| | Number of Shares | Value |
|--|---------------------|---------------------|
| Balance - May 31, 2015 and February 28, 2016 | 82,924,831 | \$16,719,348 |
| Shares issued for private placement (<i>note 7(i)</i>) | 7,125,000 | 142,500 |
| Shares issued for conversion of loan (<i>note 7(i)</i>) | 2,875,000 | 57,500 |
| Balance - May 31, 2016 | 92,924,831 | \$16,919,348 |
| Shares issued for compensation (<i>note 7(ii)</i>) | 3,000,000 | 300,000 |
| Shares issued for royalty (<i>note 7(iii)</i>) | 10,000,000 | 1,000,000 |
| Shares issued for private placement (net) (<i>note 7(v)</i>) | 20,582,900 | 2,053,235 |
| Shares issued for payment for services and conversion of loan (<i>note 7(v)</i>) | 3,135,000 | 313,500 |
| Consolidation of common shares 3:1 (<i>note 7(iv)</i>) | (86,428,487) | - |
| Balance – February 28, 2017 | 43,214,244 | \$20,521,251 |

8. WARRANTS

- i) From May 31, 2015 to May 31, 2016, there were no warrants issued and a total of 4,500,000 warrants expired, unexercised.
- ii) On August 11, 2016, the Company issued 2,500,000 warrants to a shareholder who loaned the Company \$500,000 in the form of an unsecured, one-year loan. See *note 6(b)(iv) Other Loans*.

Using a Black Scholes pricing model, the assumptions used to calculate the fair value of these warrants were:

| | |
|----------------------------------|-----------|
| Share price (pre-consolidation) | \$0.09 |
| Strike price (pre-consolidation) | \$0.15 |
| Risk-free interest rate | 0.66% |
| Expected life (years) | 5 |
| Expected volatility | 100% |
| Expected dividend yield | Nil |
| Fair value of warrants | \$150,656 |

- iii) On August 30, 2016, the Company issued 250,000 (pre-consolidated) warrants to a shareholder who loaned the Company \$50,000, in the form of a one month short-term note payable. See *note 6(b)(v) Other Loans*.

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(In Canadian dollars)

Nine Months Ended February 28, 2017 and 2016

Using a Black Scholes pricing model, the assumptions used to calculate the fair value of these warrants were:

| | |
|----------------------------------|----------|
| Share price (pre-consolidation) | \$0.08 |
| Strike price (pre-consolidation) | \$0.15 |
| Risk-free interest rate | 0.60% |
| Expected life (years) | 5 |
| Expected volatility | 100% |
| Expected dividend yield | Nil |
| Fair value of warrants | \$12,033 |

- iv) On September 19, 2016, the Company issued 1,000,000 (pre-consolidated) warrants to a shareholder who advanced the Company a total of \$200,000, to be converted as part of a future private placement. Each warrant is exercisable for five years at an exercise price of \$0.15 (\$0.45 post-consolidation).

Using a Black Scholes pricing model, the assumptions used to calculate the fair value of these warrants were:

| | |
|----------------------------------|-----------|
| Share price (pre-consolidation) | \$0.10 |
| Strike price (pre-consolidation) | \$0.15 |
| Risk-free interest rate | 0.54% |
| Expected life (years) | 5 |
| Expected volatility | 200% |
| Expected dividend yield | Nil |
| Fair value of warrants | \$100,000 |

- v) On November 30, 2016, the Company completed a private placement for 23,717,900 units which included 11,791,450 warrants. Each warrant is exercisable for two years at an exercise price of \$0.15 (\$0.45 post-consolidation). Further, in connection with the same private placement, the Company issued an additional 144,500 warrants as finder's fees on the same terms as the private placement warrants.

Using a Black Scholes pricing model, the assumptions used to calculate the fair value of these warrants were:

| | |
|----------------------------------|---------|
| Share price (pre-consolidation) | \$0.10 |
| Strike price (pre-consolidation) | \$0.15 |
| Risk-free interest rate | 0.70% |
| Expected life (years) | 2 |
| Expected volatility | 100% |
| Expected dividend yield | Nil |
| Fair value of warrants | 511,387 |

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Notes to Condensed Consolidated Financial Statements

(In Canadian dollars)

Nine Months Ended February 28, 2017 and 2016

The following summarizes the outstanding warrants for the nine months ended February 28, 2017:

| | Number of Warrants | Weighted Average Exercise Price \$ | Estimated Fair Value at Date of Grant \$ |
|---|--------------------|------------------------------------|--|
| Balance – May 31, 2015 and February 28, 2016 | 4,500,000 | 0.15 | 156,053 |
| Expired | (4,500,000) | (0.15) | (156,053) |
| Balance - May 31, 2016 | - | - | - |
| Issued (note 8(ii)(iii)(iv)) | 3,750,000 | 0.15 | 262,689 |
| Issued (note 8 (v)) | 11,935,950 | 0.15 | 511,387 |
| Consolidation 3:1 | (10,457,300) | - | - |
| Balance – February 28, 2017 | 5,228,650 | 0.45 | 774,076 |
| | | | |
| Number of Warrants Outstanding | Exercise Price | Expiry Date | |
| 833,334 | \$0.45 | August 11, 2021 | |
| 83,333 | \$0.45 | August 30, 2021 | |
| 333,333 | \$0.45 | September 19, 2021 | |
| 3,978,650 | \$0.45 | November 30, 2018 | |
| 5,228,650 | \$0.45 | | |

The weighted average contractual life remaining for warrants outstanding at February 28, 2017 is 1.42 years (2016 – 0.23) years.

The above warrants have not been included in the computation of diluted net loss per share as they are anti-dilutive.

Option-pricing models require the use of highly subjective estimates and assumptions including the expected stock price volatility. Volatility is based on the historical volatility of comparable companies. Changes in the underlying assumptions described in notes 7 and 8 can materially affect the fair value estimates.

9. SHARE-BASED COMPENSATION

The Company maintains a Stock Option Plan (the "Plan") for the benefit of directors, officers, employees and consultants. The maximum number of common shares reserved for issuance with respect to the Plan cannot exceed 10% of the issued and outstanding common shares of the Company at the date of grant. Stock options granted generally vest immediately.

- i) Effective August 31, 2015 a total of 200,000 stock options previously granted to employees were cancelled.
- ii) On December 5, 2015 a total of 300,000 stock options previously granted to a director, expired.

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(In Canadian dollars)

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- iii) On March 15, 2016, a total of 200,000 stock options previously granted to a consultant, expired.
- iv) On July 15, 2016 the Company granted a total of 5,300,000 stock options to directors, officers and consultants. Each option is exercisable to acquire one common share at a price of \$0.07(\$0.21). These options vest immediately and mature on July 15, 2021. Using a Black Scholes pricing model, a total fair value of \$274,803 was calculated using the following assumptions:

| | |
|------------------------------------|-----------|
| Share price (post-consolidation) | \$0.21 |
| Strike price (post-consolidation) | \$0.21 |
| Risk-free interest rate | 0.65 |
| Expected life (years) | 5 |
| Expected volatility | 100% |
| Expected dividend yield | Nil |
| Fair price of stock options issued | \$274,803 |

- v) On November 15, 2016, the Company granted a total of 1,200,000 stock options (433,333 post-consolidation) to consultants. Each option is exercisable to acquire one common share at a price of \$0.10 (\$0.30). These options vest immediately and mature on November 15, 2021. Using a Black Scholes pricing model, a total fair value of \$106,347 was calculated using the following assumptions:

| | |
|------------------------------------|-----------|
| Share price (post-consolidation) | \$0.30 |
| Strike price (post-consolidation) | \$0.30 |
| Risk-free interest rate | 1.00 |
| Expected life (years) | 5 |
| Expected volatility | 100% |
| Expected dividend yield | Nil |
| Fair price of stock options issued | \$106,347 |

- vi) On November 30, 2016, the Company granted a total of 3,600,000 stock options (1,200,000 post-consolidation) to directors, officers and consultants. Each option is exercisable to acquire one common share at a price of \$0.11 (\$0.33). These options vest immediately and mature on November 30, 2021. Using a Black Scholes pricing model, a total fair value of \$187,877 was calculated using the following assumptions:

| | |
|------------------------------------|-----------|
| Share price (post-consolidation) | \$0.33 |
| Strike price (post-consolidation) | \$0.33 |
| Risk-free interest rate | 1.00 |
| Expected life (years) | 5 |
| Expected volatility | 100% |
| Expected dividend yield | Nil |
| Fair price of stock options issued | \$187,877 |

- vii) On February 22, 2017, two directors and one officer exercised a total of 200,000 stock options for proceeds of \$72,000.

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viii) On February 28, 2017, a total of 466,667 stock options previously granted to directors, officers and consultants, expired.

The following summarizes the stock option activities during the nine months ended February 28, 2017 and 2016:

| | Number of Options # | Weighted Average Exercise Price \$ |
|---|---------------------------|--|
| Balance - May 31, 2015 | 4,600,000 | 0.15 |
| Expired (note 8(i)) | (200,000) | 0.15 |
| Balance – February 27, 2016 | 4,400,000 | 0.14 |
| Expired (note 8(ii)(iii)) | (500,000) | 0.14 |
| Balance – May 31, 2016 | 3,900,000 | 0.14 |
| Granted (note 9(iv)) | 5,300,000 | 0.07 |
| Granted (note 9(v)) | 1,300,000 | 0.10 |
| Granted (note 9(vi)) | 2,300,000 | 0.11 |
| Consolidation 3:1 | (8,533,333) | (0.10) |
| Exercised (note 8(vii)) | (200,000) | 0.36 |
| Expired (note 8(viii)) | (566,667) | 0.36 |
| Options outstanding at February 28, 2017 | 3,500,000 | 0.30 |

The following summarizes the exercisable stock options outstanding at February 28, 2017: (Post-consolidation):

| Number of Exercisable Options | Exercise Price \$ | Expiry Date | Estimated Fair Value At the date of grant \$ |
|-------------------------------------|----------------------|-------------------|---|
| 66,666 | 0.75 | March 15, 2018 | 61,997 |
| 466,667 | 0.36 | February 28, 2019 | 197,209 |
| 1,766,667 | 0.21 | July 15, 2021 | 274,803 |
| 433,333 | 0.30 | Nov. 15, 2021 | 106,347 |
| 766,667 | 0.33 | Nov. 30, 2021 | 187,877 |
| 3,500,000 | | | |

The weighted average contractual life remaining for stock options at February 28, 2017 is 4.17 years (2016 – 2.33 years).

The above options were not included in the computation of diluted net loss per share as they are anti-dilutive.

Option-pricing models require the use of highly subjective estimates and assumptions including the expected stock price volatility. Volatility is based on the historical volatility of comparable companies. Changes in the underlying assumptions described in note 8 can materially affect the fair value estimates.

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The Company has valued the options granted to non-employees based on the fair value of the equity instruments granted in the absence of a reliable estimate of the fair value of the goods and services received.

10. RELATED PARTY TRANSACTIONS

Related parties include the Board of Directors, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions. Transactions with related parties are incurred in the normal course of business.

During the nine months ended February 28, 2017:

- (i) Management fees of \$214,706 (2016 - \$96,000) plus applicable taxes were paid or accrued to officers of the Company for consulting services rendered. Included in accounts payable and accrued liabilities at February 28, 2017 is \$3,390 (2016 - \$29,869) owed to the above related parties.
- (ii) The Chairman paid \$12,420 owing to the Company for the issuance of 621,000 common shares as a participant of the private placement that closed on May 6, 2016.
- (iii) Two directors and one officer exercised a total of 200,000 stock options for proceeds of \$72,000.
- (iv) The President received a total of 1,000,000 (post-consolidation) common shares of the Company (valued at \$0.30 per share) and \$40,317 as additional compensation, pursuant to the terms of his consulting agreement with the Company.

During the three months ended February 28, 2017.

- (v) Management fees of \$90,619 (2016 - \$32,000) plus applicable taxes were paid or accrued to officers of the Company for consulting services rendered.

11. KEY EXECUTIVE COMPENSATION

The Company has identified its directors and officers as its key management personnel. Directors receive no directors' fees compensation.

The Compensation cost for key management personnel during the nine months ended February 28, 2017 and 2016 is as follows:

| | 2017 | 2016 |
|----------------------------|----------------|--------|
| | \$ | \$ |
| Management consulting fees | 214,706 | 96,000 |
| Other (note 10(iv)) | 352,592 | - |
| Stock-based compensation | 383,028 | - |
| | 950,326 | 96,000 |

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Nine Months Ended February 28, 2017 and 2016

12. CAPITAL DISCLOSURES

The Company's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

The Company includes equity, comprised of issued capital stock, warrants, contributed surplus and deficit, in the definition of capital.

The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund the acquisition and management of precious metal royalties, streams and similar production-based interests. To secure the additional capital necessary to pursue these plans, the Company will attempt to raise additional funds through the issuance of equity and warrants, debt or by securing strategic partners.

The Company is not subject to externally imposed capital requirements and there has been no change with respect to the overall capital risk management strategy during the nine months ended February 28, 2017.

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company may be exposed to a variety of financial risks by virtue of its activities, in particular: interest rate risk, credit risk, commodity price risk, currency risk and liquidity risk. The overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on financial performance.

Risk management is carried out by Management under policies approved by the Board of Directors. Management is charged with the responsibility of establishing controls and procedures to ensure that financial risks are mitigated in accordance with the approved policies.

(a) Interest Rate Risk

Interest rate risk is the risk that the future cash flows or fair value of a financial instrument will fluctuate because of changes in market interest rates. Financial assets and financial liabilities with variable interest rates expose the Company to cash flow interest rate risk. The Company's cash earns interest at market rates. The Company's other loans payable incur interest at fixed rates. The Company does not use derivative instruments to reduce its exposure to interest rate risk.

(b) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. Senior Management is also actively involved in the review and approval of planned expenditures.

At February 28, 2017, the Company had \$1,566,791 (May 31, 2016 - \$4,101) of cash to settle current trade and other payables of \$98,122 and \$529,845 of short-term loans (May 31, 2016, trade and other payables of \$63,245 and \$133,412 of short-term loans). Further, the Company recorded a liability of \$1,380,718 for private placement prepayments (the "Prepayments"). On the closing of the private placements the subscribers will receipt one Unit composed of one common share and one-half share

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purchase warrant. See note 16 - *Subsequent Events*. At May 31, 2016 the Company recorded \$100,000 subscription receipts for a private placement that was completed on November 30, 2016. See note 7 – *Capital Stock*. Certain loans are interest bearing – See note 6 *Subscription Receipts and Other Loans*. These trade payables and loans have been used as working capital.

Historically the Company has relied on equity financings, loans and ore sales to fund its activities. Management's current budgeting also includes additional sources of financing including cash flows from royalty and streaming investments, potential stock options and warrants exercises, and equity and debt financing.

The Company's future success is highly dependent on viable production results of potential royalty and streaming partners and securing adequate financing through the above-mentioned sources, to advance its projects and meet its ongoing obligations.

(c) Credit Risk

The Company is not exposed to any credit risks attributable to customers and does not engage in any significant revenue activities. The Company's cash is held in a major Canadian financial institution.

(d) Commodity Price Risk

The future profitability of the Company is directly related to the market price of gold, silver and copper.

(e) Currency Risk

Currency risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will fluctuate because of changes in foreign exchange rates. The Company's functional currency is the Canadian dollar. The Company has funded in the past, and may fund in the future, certain operations, including corporate and administrative expenses in US dollars or other foreign currencies. The Company has been subject to gains and losses due to fluctuations in certain foreign currencies including US dollars and Mexican pesos against the Canadian dollar. Management believes the sensitivity of fluctuations in foreign currencies to be immaterial to the net loss.

(f) Fair Value

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision.

Changes in assumptions could significantly affect estimates.

The carrying values of cash, sundry receivables and trade and other payables and certain loans approximate fair values due to the relatively short-term maturities of these instruments.

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14. COMMITMENTS AND CONTINGENCIES

See note 5 Royalty Interests and note 6 Subscription Receipts and Other Loans.

15. SEGMENTED INFORMATION

At February 28, 2017 and 2016, the Company has one operating and reporting segment being the acquisition and management of precious metal royalties, streams and similar production-based interests.

16. SUBSEQUENT EVENTS

a) On February 28, 2017 the Company announced that it had signed a binding agreement with 2090720 Ontario Inc to purchase five net smelter royalties (NSR's) on property located within or proximal to four established mining camps in Ontario. The NSR's will be purchased outright for 250,000 common shares of Metalla and 150,000 warrants allowing 2090720 Ontario Inc to acquire 150,000 shares at \$0.75 for a period of two years.

b) On March 6, 2017 the Company closed a non-brokered private placement announced February 13, 2017 for gross proceeds of \$3,216,818 for 6,433,636 units ("Units") at \$0.50 per unit. Each Unit consists of one common share and one-half of one common share purchase warrant. Each full warrant is exercisable to acquire an additional common share at \$0.75 per share for a period of two years from the closing date. The warrants are subject to an acceleration clause if the stock trades at or above \$1.00 per share for ten consecutive trading days. All securities issued in connection with the offering are subject to a four-month-and-a-day hold period. Broker fees where applicable were 7% cash commission and 7% broker warrants at \$0.75 for 2 years. The Company has granted 600,000 stock options at \$.58 per share for officers, directors, and consultants in accordance with the company stock option plan.

c) On March 6, 2017, proceeds of \$450,000 were received from the Orefinders Royalty loan and used to repay the majority of the \$500,000 one-year shareholder loan.

d) On April 10, 2017 the Company closed additional proceeds of \$727,000 for 1,454,000 units ("Units") at \$0.50 per Unit increasing the financing to \$3,943,818.

e) On April 20, 2017 the announced that it had closed a further \$530,000 financing in the form of a share swap, whereby a company controlled by an insider sold 1,000,000 common shares at \$0.53 to an institutional investor in order to invest the proceeds in the Company at the same price.