

EMPIRE METALS CORP.

(formerly Empire Rock Minerals Inc.)

Interim Consolidated Financial Statements

For the Nine Months Ended September 30, 2017 and 2016

(Expressed in Canadian dollars)

EMPIRE METALS CORP.

September 30, 2017

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under 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 financial statements have not been reviewed by an auditor.

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

The Company's independent auditors have not performed a review of these consolidated 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.

EMPIRE METALS CORP.

(formerly Empire Rock Minerals Inc.)

Interim consolidated statements of financial position

(Expressed in Canadian dollars)

		September 30, 2017	December 31, 2016
<u>ASSETS</u>	Note		
Current assets			
Cash		\$ 917	\$ 910
Marketable securities	3	4,000	4,000
Amounts receivable		12,788	17,230
Due from a related party	7	-	9,010
Total current assets		<u>17,705</u>	<u>31,150</u>
Non-current assets			
Exploration and evaluation assets	4	<u>3,742,532</u>	<u>3,283,836</u>
Total assets		<u>\$ 3,760,237</u>	<u>\$ 3,314,986</u>
<u>LIABILITIES</u>			
Current liabilities			
Accounts payable and accrued liabilities	5	\$ 1,233,434	\$ 1,223,214
Loans payable	6	<u>430,957</u>	<u>382,533</u>
Total liabilities		<u>1,664,391</u>	<u>1,605,747</u>
<u>SHAREHOLDERS' EQUITY</u>			
Share capital		17,297,566	16,826,066
Share-based payment reserve		2,358,234	1,990,019
Share subscriptions received	9	20,200	66,000
Share subscriptions receivable		-	(285,065)
Deficit		<u>(17,580,154)</u>	<u>(16,887,781)</u>
Total shareholders' equity		<u>2,095,846</u>	<u>1,709,239</u>
Total liabilities and shareholders' equity		<u>\$ 3,760,237</u>	<u>\$ 3,314,986</u>

Nature of operations and continuance of business (Note 1)

Subsequent events (Note 14)

Approved and authorized for issuance on behalf of the Board of Directors on November 30, 2017:

/s/ Anthony Beruschi

Director

/s/ Vincent Teo

Director

(The accompanying notes are an integral part of these consolidated financial statements)

EMPIRE METALS CORP.

(formerly Empire Rock Minerals Inc.)

Interim consolidated statements of operations and comprehensive loss

(Expressed in Canadian dollars)

	Note	For the three months ended		For the nine months ended	
		September 30,		September 30,	
		2017	2016	2017	2016
Expenses					
Property investigation costs		\$ -	\$ -	\$ 5,000	\$ -
Stock based compensation	11	-	-	368,215	-
Interest and bank charges	8	63,852	65,592	171,422	226,374
Management fees	8	(52,500)	-	22,500	-
Office and miscellaneous		18,470	24,589	29,119	38,261
Professional fees	8	3,000	3,000	25,983	21,904
Rent	8	8,400	8,400	25,200	25,200
Financing cost		-	-	27,167	-
Salaries		-	6,495	-	34,813
Transfer agent and filing fees		794	3,140	17,767	20,584
Travel and promotion		-	-	-	-
Loss before other items		(42,016)	(111,216)	(692,373)	(367,136)
Other items:					
Finance costs		-	-	-	-
Loss on disposal of marketable securities		-	-	-	(6,285)
Loss on settlement of debt		-	-	-	-
Unrealized gain on marketable securities		-	-	-	-
Write-off of accounts payable		-	-	-	-
Write-off of loan payable		-	-	-	-
Total other income (expense)		0.00	0	0.00	(6,285)
Net loss and total comprehensive loss for the period		<u>\$ (42,016)</u>	<u>\$ (111,216)</u>	<u>\$ (692,373)</u>	<u>\$ (373,421)</u>
Basic and diluted loss per common share		<u>\$ (0.00)</u>	<u>\$ (0.01)</u>	<u>\$ (0.02)</u>	<u>\$ (0.02)</u>
Weighted average number of common shares		<u>33,069,258</u>	<u>16,539,072</u>	<u>33,069,258</u>	<u>16,539,072</u>

(The accompanying notes are an integral part of these consolidated financial statements)

EMPIRE METALS CORP.

(formerly Empire Rock Minerals Inc.)

Interim consolidated statements of changes in equity

(Expressed in Canadian dollars)

	Number of shares	Amount \$	subscriptions received \$	subscriptions receivable \$	Contributed surplus \$	Deficit \$	shareholders' equity \$
Balance, January 1, 2016	13,687,904	15,249,326	-	-	1,990,019	(16,266,898)	972,447
Property Acquisition @ \$0.05 for West Graphite (Note 4)	300,000	15,000	-	-	-	-	15,000
Bonus shares @ \$0.08 for the loan from Blizzard Finance Corp (Note 6(f))	500,000	40,000	-	-	-	-	40,000
Exercised warrants @ \$0.25	371,259	92,815	-	-	-	-	92,815
Property Acquisition @ \$0.05 for Alberta Lithium	1,200,000	72,000	-	-	-	-	72,000
Share issued pursuant to a private placement for cash	4,000,000	320,000	-	-	-	-	320,000
Property Acquisition @ \$0.215	50,000	10,750	-	-	-	-	10,750
Shares for debt @ \$0.167	1,500,000	250,000	-	-	-	-	250,000
Share subscription received			221,435	-	-	-	221,435
Total comprehensive loss for the period	-	-	-	-	-	(373,421)	(373,421)
Balance, September 30, 2016	21,609,163	16,049,891	221,435	-	1,990,019	(16,640,319)	1,621,026

	Share capital		Share subscriptions received	Share subscriptions receivable	Contributed surplus	Deficit	Total shareholders' equity
	Number of shares	Amount \$	\$	\$	\$	\$	\$
Balance, January 1, 2017	31,959,163	16,826,066	66,000	(285,065)	1,990,019	(16,887,781)	1,709,239
Shares issued pursuant to a private placement	5,000,000	300,000					300,000
Property Acquisition @ \$0.215 Well Permit	50,000	9,500					9,500
Property Acquisition @ \$0.18 West Graphite	900,000	162,000					162,000
Stock based compensation					368,215		368,215
Share subscriptions received			(45,800)	285,065			239,265
Total comprehensive loss for the period	-	-	-	-	-	(692,373)	(692,373)
Balance, September 30, 2017	37,909,163	17,297,566	20,200	-	2,358,234	(17,580,154)	2,095,846

(The accompanying notes are an integral part of these consolidated financial statements)

EMPIRE METALS CORP.

(formerly Empire Rock Minerals Inc.)

Interim consolidated statements of cash flows

(Expressed in Canadian dollars)

	For the three months ended September 30,		For the nine months ended September 30,	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Operating Activities				
Net loss for the period	\$ (42,016)	\$ (111,216)	\$ (692,373)	\$ (373,421)
Items not involving cash:				
Financing costs	-	-	-	6,285
Stock based compensation	-	-	368,215	-
Loss on settlement of debt	-	-	-	-
Unrealized gain on marketable securities	-	-	-	-
Write-off of accounts payable	-	-	-	-
Write-off of loan payable	-	-	-	-
	<u>(42,016)</u>	<u>(111,216)</u>	<u>(324,158)</u>	<u>(367,136)</u>
Changes in non-cash working capital:				
Amounts receivable	1,186	2,978	4,442	9,392
Accounts payable and accrued liabilities	<u>(42,854)</u>	<u>(380,487)</u>	<u>(221,730)</u>	<u>(485,124)</u>
Cash used in operating activities	<u>(83,684)</u>	<u>(488,725)</u>	<u>(541,446)</u>	<u>(842,868)</u>
Investing Activities				
Exploration and evaluation asset expenditures	33,599	43,081	(6,822)	(11,896)
Deferred exploration costs	-	365,000	-	365,000
Cash used in investing activities	<u>33,599</u>	<u>408,081</u>	<u>(6,822)</u>	<u>353,104</u>
Financing Activities				
Loans payable and Advances, net	-	(16,122)	9,010	190,678
Proceeds from issuance of common shares	-	-	300,000	92,815
Proceeds from exercise of warrants	-	-	-	-
Proceeds from share subscriptions received	-	(4,250)	239,265	221,435
Cash from financing activities	<u>-</u>	<u>(20,372)</u>	<u>548,275</u>	<u>504,928</u>
Increase/(decrease) in cash	(50,085)	(101,016)	7	15,164
Cash, beginning of the period	<u>51,002</u>	<u>117,040</u>	<u>910</u>	<u>860</u>
Cash, end of the period	<u>\$ 917</u>	<u>\$ 16,024</u>	<u>\$ 917</u>	<u>\$ 16,024</u>

(The accompanying notes are an integral part of these consolidated financial statements)

EMPIRE METALS CORP.

(formerly Empire Rock Minerals Inc.)

Notes to the interim consolidated financial statements

For the nine months September 30, 2017 and 2016

(Expressed in Canadian dollars)

1. Nature of Operations and Continuance of Business

Empire Metals Corp. (formerly Empire Rock Minerals Inc.) (the “Company”) was incorporated in the province of British Columbia. On February 2, 2017, the Company changed its name to Empire Metals Corp. The Company’s registered address is located at Suite 702, 889 West Pender Street, Vancouver, BC, V6C 3B2.

The Company is an exploration stage company in the process of exploring its mineral properties in Canada and has not yet determined whether its properties contain ore reserves that are economically recoverable. The recoverability of amounts spent for mineral properties is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its property, and upon future profitable production or proceeds from disposition of the properties. The operations of the Company will require various licences and permits from various governmental authorities which are or may be granted subject to various conditions and may be subject to renewal from time to time. There can be no assurance that the Company will be able to comply with such conditions and obtain or retain all necessary licences and permits that may be required to carry out exploration, development, and mining operations at its projects. Failure to comply with these conditions may render the licences liable to forfeiture.

These consolidated financial statements have been prepared on the going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at September 30, 2017, the Company has not generated any revenues from operations, has a working capital deficiency of \$1,646,686, and has an accumulated deficit of \$17,580,154. The continued operations of the Company are dependent on its ability to generate future cash flows or obtain additional financing. Management is pursuing additional financing. Management is of the opinion that sufficient working capital will be obtained from external financing to meet the Company’s liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These factors indicate the existence of a material uncertainty that may cast significant doubt on the Company’s ability to continue as a going concern. These consolidated financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

2. Significant Accounting Policies

(a) Basis of Presentation

These interim consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting of the International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board on a going concern basis.

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Dominica Energy Minerals Inc. and Lithium Power Corp., companies incorporated in the province of Alberta. All significant inter-company balances and transactions have been eliminated on consolidation

These consolidated financial statements have been prepared on a historical cost basis and are presented in Canadian dollars, which is the Company’s functional currency.

EMPIRE METALS CORP.

(formerly Empire Rock Minerals Inc.)

Notes to the interim consolidated financial statements

For the nine months September 30, 2017 and 2016

(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(b) Use of Estimates and Judgments

The preparation of these consolidated financial statements in conformity with IFRS requires the Company's management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and the related notes to the consolidated financial statements. Significant financial statement items which involve the use of estimates include the impairment of marketable securities, fair value of share-based payments, recoverability of exploration and evaluation assets, and unrecognized deferred income tax assets. Actual results could differ from those estimates.

The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether it is likely that future economic benefits are likely either from future exploitation or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The deferral policy requires management to make certain estimates and assumptions about future events or circumstances, in particular whether an economically viable extraction operation can be established. Estimates and assumptions may change if new information becomes available. If information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the consolidated statement of operations in the period when the new information becomes available.

The assessment of whether the going concern assumption is appropriate requires management to take into account all available information about the future, which is at least, but is not limited to, 12 months from the end of the reporting period. The Company is aware that material uncertainties related to events or conditions may cast significant doubt upon the Company's ability to continue as a going concern.

(c) Cash and Cash Equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance, are readily convertible to known amounts of cash, and which are subject to insignificant risk of changes in value to be cash equivalents.

(d) Exploration and Evaluation Expenditures

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are capitalized. Costs incurred before the Company has obtained the legal rights to explore an area are charged to operations.

Exploration and evaluation assets are assessed for impairment if: (i) sufficient data exists to determine technical feasibility and commercial viability; and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

EMPIRE METALS CORP.

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Notes to the interim consolidated financial statements

For the nine months September 30, 2017 and 2016

(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(d) Exploration and Evaluation Expenditures (continued)

Mineral Property Options

The Company does not record any expenditures made by the optionee in its accounts. It also does not recognize any gain or loss on its exploration and evaluation option arrangements but re-designates any costs previously capitalized in relation to the whole interest as relating to the partial interest retained and any consideration received directly from the optionee is credited against costs previously capitalized.

(e) Impairment of Non-Current Assets

At each reporting date, the Company reviews the carrying amounts of its tangible assets to determine whether there are any indications of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any.

Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash generating unit ("CGU") to which the asset belongs. The recoverable amount is determined as the higher of fair value less direct costs to sell and the asset's value in use. In assessing value in use, the estimated future cash flows are discounted to their present value. Estimated future cash flows are calculated using estimated recoverable reserves, estimated future commodity prices and the expected future operating and capital costs. The pre-tax discount rate applied to the estimated future cash flows reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

If the carrying amount of an asset or CGU exceeds its recoverable amount, the carrying amount of the asset or CGU is reduced to its recoverable amount through an impairment charge to the consolidated statement of operations.

Assets that have been impaired are tested for possible reversal of the impairment whenever events or changes in circumstance indicate that the impairment may have reversed. When an impairment subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but only so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of depreciation, depletion and amortization) had no impairment loss been recognized for the asset or CGU in prior periods. A reversal of impairment is recognized as a gain in the consolidated statement of operations.

(f) Reclamation and Remediation Provisions

The Company recognizes a provision for statutory, contractual, constructive or legal obligations associated with decommissioning of mining operations and reclamation and rehabilitation costs arising when environmental disturbance is caused by the exploration or development of mineral properties, plant and equipment. Provisions for site closure and reclamation are recognized in the period in which the obligation is incurred or acquired, and are measured based on expected future cash flows to settle the obligation, discounted to their present value. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability including risks specific to the countries in which the related operation is located.

When an obligation is initially recognized, the corresponding cost is capitalized to the carrying amount of the related asset in mineral properties, plant and equipment. These costs are depreciated using either the unit-of-production or straight-line method depending on the asset to which the obligation relates.

EMPIRE METALS CORP.

(formerly Empire Rock Minerals Inc.)

Notes to the interim consolidated financial statements

For the nine months September 30, 2017 and 2016

(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(f) Reclamation and Remediation Provisions (continued)

The obligation is increased for the accretion and the corresponding amount is recognized as a finance expense. The obligation is also adjusted for changes in the estimated timing, amount of expected future cash flows, and changes in the discount rate. Such changes in estimates are added to or deducted from the related asset except where deductions are greater than the carrying value of the related asset in which case, the amount of the excess is recognized in the consolidated statement of operations.

Due to uncertainties concerning environmental remediation, the ultimate cost to the Company of future site restoration could differ from the amounts provided. The estimate of the total provision for future site closure and reclamation costs is subject to change based on amendments to laws and regulations, changes in technology, price increases, changes in interest rates, and as new information concerning the Company's closure and reclamation obligations becomes available.

(g) Financial Instruments

(i) Non-derivative financial assets

The Company initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risk and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Financial assets at fair value through profit or loss

Financial assets are classified as fair value through profit or loss when the financial asset is held for trading or it is designated as fair value through profit or loss. A financial asset is classified as held for trading if: (i) it has been acquired principally for the purpose of selling in the near future; (ii) it is a part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short-term profit taking; or (iii) it is a derivative that is not designated and effective as a hedging instrument.

Financial assets classified as fair value through profit or loss are stated at fair value with any gain or loss recognized in the consolidated statement of operations. The net gain or loss recognized incorporates any dividend or interest earned on the financial asset. The Company's cash and marketable securities are classified as fair value through profit or loss.

Held-to-maturity investments

Held-to-maturity investments are recognized on a trade-date basis and are initially measured at fair value, including transaction costs. The Company does not have any assets classified as held-to-maturity investments.

EMPIRE METALS CORP.

(formerly Empire Rock Minerals Inc.)

Notes to the interim consolidated financial statements

For the nine months September 30, 2017 and 2016

(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(g) Financial Instruments (continued)

(i) Non-derivative financial assets (continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale equity instruments, are recognized in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to the consolidated statement of operations. The Company does not have any assets classified as available-for-sale.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Loans and receivables are comprised of amounts receivable and loan receivable.

Impairment of financial assets

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income or loss are reclassified to the consolidated statement of operations in the period. Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been impacted. For marketable securities classified as available-for-sale, a significant or prolonged decline in the fair value of the securities below their cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial assets, such as amounts receivable, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of amounts receivable, where the carrying amount is reduced through the use of an allowance account. When an amount receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in the consolidated statement of operations.

EMPIRE METALS CORP.

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Notes to the interim consolidated financial statements

For the nine months September 30, 2017 and 2016

(Expressed in Canadian dollars)

2. Significant accounting policies (continued)

(g) Financial instruments (continued)

(i) Non-derivative financial assets (continued)

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through the consolidated statement of operations to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. In respect of available-for-sale equity securities, impairment losses previously recognized through the consolidated statement of operations are not reversed through the consolidated statement of operations. Any increase in fair value subsequent to an impairment loss is recognized directly in equity.

(ii) Non-derivative financial liabilities

The Company initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company has the following non-derivative financial liabilities: accounts payable and accrued liabilities, and loans payable.

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

(iii) Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and stock options are recognized as a deduction from equity, net of any tax effects.

(h) Foreign Currency Translation

The functional and reporting currency is the Canadian dollar. Transactions denominated in foreign currencies are translated using the exchange rate in effect on the transaction date or at an average rate. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange in effect at the consolidated statement of financial position date. Non-monetary items are translated using the historical rate on the date of the transaction. Foreign exchange gains and losses are included in the consolidated statement of operations.

EMPIRE METALS CORP.

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Notes to the interim consolidated financial statements

For the nine months September 30, 2017 and 2016

(Expressed in Canadian dollars)

2. Significant accounting policies (continued)

(i) Income Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in the consolidated statement of operations. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred income tax is provided using the statement of financial position method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

(j) Flow-through Shares

The resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with Canadian tax legislation. On issuance, the premium recorded on the flow-through share, being the difference in price over a common share with no tax attributes, is recognized as a liability. As expenditures are incurred, the deferred income tax liability associated with the renounced tax deductions is recognized in the consolidated statement of operations with a pro-rata portion of the deferred premium.

(k) Comprehensive Loss

Comprehensive income (loss) is the change in the Company's net assets that results from transactions, events, and circumstances from sources other than the Company's shareholders and includes items that are not included in the consolidated statement of operations.

(l) Loss Per Share

Basic loss per share is computed using the weighted average number of common shares outstanding during the period. The treasury stock method is used for the calculation of diluted loss per share, whereby all "in the money" stock options and share purchase warrants are assumed to have been exercised at the beginning of the period and the proceeds from their exercise are assumed to have been used to purchase common shares at the average market price during the period. When a loss is incurred during the period, basic and diluted loss per share are the same as the exercise of stock options and share purchase warrants is considered to be anti-dilutive. As at September 30, 2017, the Company had 26,216,667 (December 31, 2016 – 19,216,667) potentially dilutive shares outstanding.

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Notes to the interim consolidated financial statements

For the nine months September 30, 2017 and 2016

(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(m) Share-based Payments

The grant date fair value of share-based payment awards granted to employees is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled, share-based payment transactions, regardless of how the equity instruments are obtained by the Company.

The fair value of the options is measured at the grant date using the Black-Scholes option pricing model. The fair value is recognized as an expense over the vesting period, which is the period over which all of the specified vesting conditions are satisfied with a corresponding increase in equity. For awards with graded vesting, the fair value of each tranche is recognized over its respective vesting period. Non-market vesting conditions are considered in making assumptions about the number of awards that are expected to vest. When the options are exercised, any proceeds received are credited to share capital along with the amount reflected in share-based payment reserve.

(n) Reclassifications

Certain of the prior year figures were reclassified to conform to the current year's presentation.

(o) Accounting Standards Issued But Not Yet Effective

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2016, and have not been applied in preparing these consolidated financial statements.

New standard IFRS 9, "Financial Instruments"

Amended standard IFRS 2, "Share-based Payment"

The Company has not early adopted these revised standards and is currently assessing the impact that these standards will have on the Company's consolidated financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's consolidated financial statements.

3. Marketable Securities

2016 Fair value \$	Additions \$	Disposals \$	Unrealized gain \$	2017 Fair value \$
4,000	—	—	—	4,000

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3. Marketable Securities (continued)

	2015 Fair value \$	Additions \$	Disposals \$	Unrealized gain \$	2016 Fair value \$
	43,138	–	(39,138)	–	4,000

4. Loan Receivable

As at September 30, 2017, the amount of \$nil (December 31, 2016 - \$9,010) was owed from a public company with two common former directors. The amount due is non-interest bearing, unsecured, and due on demand.

5. Exploration and Evaluation Assets

	Nine Months Ended September 30, 2017				Total
	Buck Lake Project \$	Lithium Project \$	Gwyn Lake \$	Graphite West \$	
Acquisition costs					
Balance, beginning of period	\$ 489,756	\$ 449,075	\$ 53,350	\$ 71,000	\$ 1,063,181
Additions	\$ -	\$ 19,500	\$ -	\$ 162,000	\$ 181,500
Option payment	\$ -	\$ -	\$ (35,000)	\$ -	\$ (35,000)
Balance, end of period	\$ 489,756	\$ 468,575	\$ 18,350	\$ 233,000	\$ 1,209,681
Deferred exploration costs					
Balance, beginning of period	\$ 1,265,891	\$ 38,556	\$ 916,208	\$ -	\$ 2,220,655
Administration	\$ 1,200	\$ 92	\$ -	\$ -	\$ 1,292
Assay	\$ 2,800	\$ -	\$ -	\$ 300	\$ 3,100
Travel	\$ 9,764	\$ -	\$ -	\$ -	\$ 9,764
Geological exploration	\$ 107,820	\$ 181,930	\$ -	\$ 8,290	\$ 298,040
Write-off	\$ -	\$ -	\$ -	\$ -	\$ -
Balance, end of period	\$ 1,387,475	\$ 220,578	\$ 916,208	\$ 8,590	\$ 2,532,851
Total	\$ 1,877,231	\$ 689,153	\$ 934,558	\$ 241,590	\$ 3,742,532

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5. Exploration and Evaluation Assets (continued)

	Buck Lake Project \$	Fox Creek Lithium Project \$	Gwyn Lake \$	Graphite West \$	Total \$
<i>Acquisition costs:</i>					
Balance, December 31, 2015	470,285	–	153,350	47,000	670,635
Additions	19,471	449,075	–	24,000	492,546
Option payment received	–	–	(100,000)	–	(100,000)
Balance, December 31, 2016	489,756	449,075	53,350	71,000	1,063,181
<i>Exploration costs:</i>					
Balance, December 31, 2015	1,085,142	–	878,994	–	1,964,136
Assays (Note 8)	16,554	–	3,800	–	20,354
Fieldwork	–	3,234	–	–	3,234
Property exploration (Note 8)	164,195	35,322	26,983	–	226,500
Travel and accommodations (Note 8)	–	–	6,431	–	6,431
Balance, December 31, 2016	1,265,891	38,556	916,208	–	2,220,655
Net carrying value, December 31, 2016	1,755,647	487,631	969,558	71,000	3,283,836

Buck Lake Platinum, Palladium, and Nickel Project, Thunder Bay, Ontario, Canada

On July 24, 2014, the Company entered into a purchase agreement with Goldbank to acquire Goldbank's 51% interest in the Buck Lake Platinum, Palladium, and Nickel Project. Pursuant to the agreement, the Company issued 733,333 common shares to Goldbank and issued a promissory note in the amount of \$250,000 to Goldbank. During the year ended December 31, 2016, the Company issued 1,500,000 common shares to settle the promissory note owing to Goldbank. Refer to Note 7(j).

The Company holds a 100% interest in the Buck Lake Platinum, Palladium, and Nickel Project located 25 kilometers west of newly reorganized North American Palladium Corp.'s Lac des Iles Mine near Thunder Bay, Ontario, Canada. The Buck Lake Project is subject to a 2.5% net smelter returns royalty in favour of the original vendors.

The Company successfully completed its 2015 exploration program where exploration focused on outcrops exposed by recent logging operations and road building which greatly enhanced the Company's exploration efforts.

NAP and Jordain Claims – Ontario, Canada

On October 14, 2015, the Company entered into an option agreement to acquire a 100% interest in two groups of mineral claims totaling 77 units known as the NAP Claims and Jordain Claims. The NAP Claims and Jordain Claims are adjacent to, or in the vicinity of, the Company's Buck Lake Platinum, Palladium and Nickel property where the Company is exploring for platinum, palladium, and nickel mineralization in a mafic/ultramafic intrusive body.

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5. Exploration and Evaluation Assets (continued)

Buck Lake Platinum, Palladium, and Nickel Project, Thunder Bay, Ontario, Canada (continued)

NAP and Jordain Claims – Ontario, Canada (continued)

Under the terms of the option agreement, the Company can acquire a 100% interest in the NAP Claims and Jordain Claims, subject to a 1% net smelter royalty, by making payments totalling \$74,000 and issuing a total of 80,000 common shares as follows:

Cash to be paid:

- \$24,000 upon TSX Venture Exchange acceptance of the option agreement (paid on December 18, 2015);
- \$30,000 on or before October 15, 2016 (extended); and
- \$20,000 on or before October 15, 2017.

Shares to be issued:

- 45,000 common shares within ten days of TSX Venture Exchange acceptance of the option agreement (issued on November 13, 2015); and
- 35,000 common shares to be issued on or before October 15, 2016 (issued on October 14, 2016).

Orbit Lake Claims – Ontario, Canada

On October 11, 2016, the Company entered into a property purchase agreement to acquire a 100% interest in 2 mineral claim units located in the Thunder Bay Mining Division, Ontario, Canada, subject to a 1.5% net smelter returns royalty.

Pursuant to the terms of the agreement, the Company acquired a 100% interest in the Orbit Lake claims, subject to a 1.5% net smelter returns royalty, by paying \$7,000 (paid) and issuing 25,000 common shares (issued on November 8, 2016). The Orbit Property is situated about 22 kilometres south of the Company's Buck Lake Platinum, Palladium and Nickel project where the Company is exploring for platinum, palladium and nickel mineralization in a mafic/ultramafic intrusive body, and near the NAP and Jordain Claims on which the Company has an option to acquire a 100% interest.

Fox Creek Lithium Project – Fox Creek, Alberta, Canada

On April 11, 2016, the Company entered into an agreement to acquire a 70% interest in certain metallic and industrial mineral permits which are primarily located in the Fox Creek area in the province of Alberta, Canada together with a 100% ownership of two newly incorporated private Alberta companies for consideration of \$100,000 (paid) and the issuance of 1,200,000 common shares of the Company (issued on May 16, 2016). Upon acquisition of a 70% interest, the Company shall incur the first \$2,000,000 in development, production, and all other expenses with respect to the permits. The permits are subject to a 2.2% royalty in favour of the original vendors of the permits.

The Company has an interest in 758,000 contiguous acres covering numerous Devonian oil and gas fields at the Fox Creek Lithium project in Alberta, Canada, where current petroleum production is from lithium enriched brines. The Fox Creek Lithium Project consists of 36 industrial minerals permits giving the Company the right to extract lithium and other industrial minerals including potassium, boron, bromine, and magnesium contained in the brines.

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5. Exploration and Evaluation Assets (continued)

Fox Creek Lithium Project – Fox Creek, Alberta, Canada (continued)

Well Permit – Alberta, Canada

The Company holds a 100% interest in the Well Permit, a metallic and industrial mineral permit adjacent to and contiguous with the Company's Fox Creek Mineral Permits at Fox Creek, Alberta, subject to a 2% net smelter returns royalty. On May 6, 2016, the Company entered into an option agreement to acquire a 100% interest in the Well Permit located in the Fox Creek area in the province of Alberta, Canada. The Well Permit is a 6,912 hectare metallic and industrial mineral permit which allows the Company to potentially recover lithium, potassium, boron, bromine and other important elements from brines underlying the permit area.

The terms of the option agreement provided that the Company can acquire a 100% interest in the Well Permit, subject to a 2% net smelter returns royalty, by making payments totalling \$20,000 and issuing 100,000 common shares as follows:

Cash to be paid:

- \$10,000 within five days of TSX Venture Exchange acceptance of the option agreement (paid on June 15, 2016); and
- \$10,000 on or before May 6, 2017 (paid on April 28, 2017).

Shares to be issued:

- 50,000 common shares within five days of TSX Venture Exchange acceptance of the option agreement (issued June 1, 2016); and
- 50,000 common shares on or before May 6, 2017 (issued on April 28, 2017).

Gwyn Lake Gold Property - Ontario, Canada

The Company holds a 100% interest in the Gwyn Lake claims located in the Thunder Bay Mining District of Ontario, subject to a 1% net smelter return royalty which the Company may purchase at any time for \$500,000.

The Company also holds a 100% interest in certain additional mineral claims contiguous to the Gwyn Lake Claims, which interest is also subject to a 1% net smelter royalty return.

On January 12, 2010, the Company entered into an option agreement to grant Leeta Gold Corp. ("Leeta"), a public company with two common former directors, the option to acquire a 70% interest in the Beardmore Gold Property, which comprises a portion of Gwyn Lake claims. As consideration, Leeta is to pay \$180,000 over four years as follows:

Cash to be paid:

- \$10,000 on or before June 1, 2010 (settled with 74,074 shares);
- \$20,000 on or before June 28, 2011 (settled with 37,037 shares);
- \$50,000 on or before June 28, 2012 (\$25,000 paid in 2013); and
- \$100,000 on or before December 31, 2013 (extended).

A \$10,000 payment due on June 1, 2010 and a \$20,000 payment due on June 28, 2011 were not settled in cash. On February 16, 2012, the Company accepted 111,111 Leeta shares as settlement of these payments totalling \$30,000.

Under the agreement, Leeta must also incur exploration and development expenditures on the property of \$500,000 on or before September 30, 2013 (extended).

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5. Exploration and Evaluation Assets (continued)

Gwyn Lake Claims - Ontario, Canada (continued)

By letter agreement dated September 1, 2016, the Company and Leeta confirmed the following new terms for the completion of the acquisition of a 70% interest in the Beardmore gold property by Leeta:

- Immediate cash payment of \$135,000 by Leeta to the Company for payment of outstanding property obligations (paid \$100,000); and
- \$265,000 payment by Leeta to the Company for exploration (paid on September 26, 2016).

Graphite West Claims – Ontario, Canada

On November 4, 2015, the Company entered into an option agreement to acquire an 80% interest in 16 mineral claim units referred to as the Graphite West Project located in the Porcupine Mining Division, Ontario, Canada.

Under the terms of the option agreement, the Company can acquire an 80% interest in the Graphite West Project, subject to a 1% net smelter returns royalty, by paying \$20,000 (paid) and issuing a total of 1,800,000 common shares to Bluenose over three years as follows:

- 600,000 common shares to be issued within five days of TSX Venture Exchange acceptance of the option agreement (issued on December 15, 2015);
- 300,000 common shares to be issued on or before February 15, 2016 (issued on February 12, 2016); and
- 900,000 common shares to be issued on or before December 31, 2017 (issued on September 12, 2017).

The Company will be responsible for incurring exploration and related business development expenditures totalling \$400,000 over four years.

Anne Mark and Plata North Claims - Yukon Territory, Canada

The Company has been granted an option by Bluenose Gold Corp. (“Bluenose”) to acquire an 80% interest in the Anne Mark and Plata North claims located in the Mayo Mining Division of Yukon Territory in consideration for cash payments totalling \$500,000, and the issuance of 1,000,000 common shares of the Company over five years.

On November 4, 2015, the Company terminated this option agreement and recognized an impairment of \$330,904.

Kalnica-Selec and Horka-Vahom Claims - Slovakia

During the year ended December 31, 2013, the Company was refused an exploration permit to renew the Kanica-Selec property claims, as a result of government legislation allowing local communities the right to refuse exploration work in their region. As a result, the Company recognized an impairment of \$361,686.

During the year ended December 31, 2015, the Company was refused the remainder of its exploration permits to renew the Horka and Vahom property claims as a result of government legislation allowing local communities the right to refuse exploration work in their region. As a result, the Company recognized an impairment of \$364,186.

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6. Accounts Payable and Accrued Liabilities

	September 30, 2017 \$	December 31, 2016 \$
Trade payables	62,314	78,440
Related party payables (Note 8)	1,148,774	1,080,382
Accrued liabilities	15,000	16,586
Accrued interest (Note 7)	7,346	47,806
	1,233,434	1,223,214

7. Loans Payable

- (a) As at September 30, 2017, the total amount of \$14,858 (December 31, 2016 - \$15,258) is owed to various unrelated parties. The amounts due are non-interest bearing, unsecured, and due on demand.
- (b) As at September 30, 2017, the total amount of \$46,597 (December 31, 2016 - \$38,091) is owed to a shareholder of the Company who has significant influence on the Company's operations and companies controlled by the shareholder. The amounts due are unsecured, bear interest at 12% per annum compounded monthly, and due on demand. As at September 30, 2017, accrued interest of \$2,369 (December 31, 2016 - \$1,109) is included in loans payable.
- (c) As at September 30, 2017, the total amount of \$15,000 (December 31, 2016 - \$15,000) is owed to a shareholder of the Company who has significant influence on the Company's operations and companies controlled by the shareholder. The amount is unsecured, bears interest at 12% per annum compounded quarterly, and due on demand. As at September 30, 2017, accrued interest of \$3,071 (December 31, 2016 - \$913) is included in loans payable.
- (d) As at September 30, 2017, the total amount of \$70,000 (December 31, 2016 - \$70,000) is owed to a company with common directors. The amount is unsecured, bears interest at 12% per annum compounded quarterly, and due on demand. As at September 30, 2017, accrued interest of \$11,149 (December 31, 2016 - \$4,263) is included in loans payable.
- (e) On February 16, 2016, the Company entered into a loan agreement with Blizzard Finance Corp. ("Blizzard"), a company controlled by a shareholder of the Company who has significant influence on the Company's operations, for proceeds of \$200,000. The loan is unsecured, bears interest at a rate of 20% per annum compounded quarterly, and is due one year from the date of the agreement. In connection with the financing, the Company incurred financing costs by issuing 500,000 common shares with a fair value of \$40,000 to Blizzard as bonus consideration, which will be charged to operations over the term of the loan payable. Refer to Note 9(b). During the year ended December 31, 2016, the Company amortized \$34,959 of the financing costs. As at September 30, 2017, the carrying value of the loan payable was \$274,463 (December 31, 2016 - \$194,959). As at September 30, 2017, accrued interest of \$74,463 (December 31, 2016 - \$39,547) is included in loans payable.
- (f) During the year ended December 31, 2016, the Company issued 1,500,000 common shares with a fair value of \$300,000 to settle debt of \$250,000 owed to Goldbank. Refer to Note 9(g).

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8. Related Party Transactions

- (a) As at September 30, 2017, the amount of \$nil (December 31, 2016 - \$300) was owed to a company with common directors, which was included in accounts payable and accrued liabilities. The amount due is non-interest bearing, unsecured, and due on demand.
- (b) As at September 30, 2017, the amount of \$1,195,324 (December 31, 2016 - \$1,080,082) was owed to a shareholder of the Company who has significant influence on the Company's operations and companies controlled by this shareholder, which was recorded in accounts payable and accrued liabilities. Of this amount, \$1,127,888 (December 31, 2016 - \$1,080,082) bears interest at 2% per month, is unsecured, and due on demand.
- (c) During the nine months ended September 30, 2017, the Company incurred the following expenditures to a shareholder of the Company who has significant influence in the Company's operations and companies controlled by this shareholder:
 - Interest expense of \$139,525 (December 31, 2016 - \$213,678);
 - Management fees of \$22,500 (December 31, 2016 - \$nil);
 - Corporate administration costs of \$nil (December 31, 2016 - \$85,309);
 - Professional fees of \$9,000 (December 31, 2016 - \$12,000);
 - Rent of \$25,200 (December 31, 2016 - \$33,600);
 - Fieldwork of \$133,439 (December 31, 2016 - \$456,179); and
 - Travel and accommodations of \$4,882 (December 31, 2016 - \$6,431).

9. Share Capital

Authorized: unlimited common shares without par value

Share transactions for the nine months ended September 30, 2017:

- (a) On January 6, 2017, the Company issued 2,500,000 flow-through units at \$0.06 per unit for proceeds of \$150,000. Each unit consisted of one flow-through common share and one five-year transferrable share purchase warrant to purchase an additional flow-through common share at a price of \$0.08 per share for the first two year and for \$0.30 per share thereafter.
- (b) On January 6, 2017, the Company issued 2,500,000 non-flow-through units at \$0.06 per unit for proceeds of \$150,000. Each unit consisted of one non-flow-through common share and one five-year transferrable share purchase warrant to purchase an additional non-flow-through common share at a price of \$0.08 per share for the first two years and for \$0.30 per share thereafter.
- (c) On April 28, 2017, the Company issued 50,000 common shares with a fair value of \$9,500 pursuant to an option agreement to acquire a 100% interest in the Well Permit located in the Fox Creek area in the province of Alberta, Canada. Refer to Note 5.
- (d) On September 12, 2017, the Company issued 900,000 common shares with a fair value of \$162,000 pursuant to an option agreement to acquire a 80% interest referred to as the Graphite West Project located in the Porcupine Mining Division, Ontario, Canada Refer to Note 5.
- (e) As at September 30, 2017, the Company received share subscriptions of \$20,200 (December 31, 2016 - \$66,000).

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9. Share Capital (continued)

Share transactions for the year ended December 31, 2016:

- (a) On February 2, 2016, the Company issued 300,000 common shares with a fair value of \$24,000 pursuant to an option agreement to acquire an 80% interest in the Graphite West Project. Refer to Note 5.
- (b) On March 15, 2016, the Company issued 500,000 common shares with a fair value of \$40,000 to Blizzard in consideration for providing the Company with a loan. Refer to Note 7(i).
- (c) On April 22, 2016, the Company issued 2,000,000 non-flow-through units at \$0.08 per unit for total proceeds of \$160,000. Included in this issuance were 250,000 units for proceeds of \$20,000 issued to a company controlled by a director of the Company and 250,000 units for proceeds of \$20,000 issued to a company controlled by the Corporate Secretary of the Company. Each unit consisted of one common share and one transferrable five-year share purchase warrant to purchase an additional common share at a price of \$0.15 per share for the first year and then \$0.30 per share thereafter.
- (d) On April 22, 2016, the Company issued 2,000,000 flow-through units at \$0.08 per unit for total proceeds of \$160,000. Each unit consisted of one common share and one transferrable five-year share purchase warrant to purchase an additional common share at a price of \$0.15 per share for the first year and then \$0.30 per share thereafter.
- (e) On May 13, 2016, the Company issued 371,259 common shares for proceeds of \$92,815 pursuant to the exercise of share purchase warrants.
- (f) On May 16, 2016, the Company issued 1,200,000 common shares with a fair value of \$264,000 pursuant to an agreement to acquire a 70% interest in certain metallic and industrial mineral permits which are primarily located in the Fox Creek area in the province of Alberta, Canada. Refer to Note 5.
- (g) On May 30, 2016, the Company issued 1,500,000 common shares with a fair value of \$300,000 to settle debt of \$250,000 owed to Goldbank, resulting in a loss on settlement of debt of \$50,000. Refer to Note 7(j).
- (h) On June 1, 2016, the Company issued 50,000 common shares with a fair value of \$10,750 pursuant to an option agreement to acquire a 100% interest in the Well Permit located in the Fox Creek area in the province of Alberta, Canada. Refer to Note 5.
- (i) On October 14, 2016, the Company issued 35,000 common shares with a fair value of \$8,050 pursuant to an option agreement to acquire a 100% interest in two groups of mineral claims totaling 77 units known as the NAP Claims and Jordain Claims. Refer to Note 5.
- (j) On November 8, 2016, the Company issued 25,000 common shares with a fair value of \$2,625 pursuant to an option agreement to acquire a 100% interest in 2 mineral claim units located in the Thunder Bay Mining Division, Ontario, Canada. Refer to Note 5.
- (k) On December 29, 2016, the Company issued 290,000 common shares to a shareholder of the Company who has significant influence in the Company's operations for proceeds of \$14,500 pursuant to the exercise of share purchase warrants.
- (l) On December 30, 2016, the Company issued 4,900,000 non-flow-through units at \$0.05 per unit for proceeds of \$245,000. Each unit consisted of one common share and one transferrable five-year share purchase warrant to purchase an additional common share at a price of \$0.08 per share for the first two years and then \$0.30 per share thereafter.

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9. Share Capital (continued)

Share transactions for the year ended December 31, 2016 (continued):

(m) On December 30, 2016, the Company issued 5,100,000 flow-through units at \$0.05 per unit for total proceeds of \$255,000. Included in this issuance were 1,200,000 units for proceeds of \$60,000 issued to a shareholder of the Company who has significant influence in the Company's operations, 560,000 units for proceeds of \$28,000 to a company with common directors, and 200,000 units for proceeds of \$10,000 to a director of the Company. Each unit consisted of one common share and one transferrable five-year share purchase warrant to purchase an additional common share at a price of \$0.08 per share for the first two years and then \$0.30 per share thereafter.

(n) As at December 31, 2016, the Company received share subscriptions of \$66,000 (2015 - \$nil).

10. Share Purchase Warrants

The following table summarizes the continuity of share purchase warrants:

	Number of warrants	Weighted average exercise price \$
Balance, December 31, 2015	9,663,933	0.25
Issued	14,000,000	0.10
Exercised	(661,259)	0.16
Expired	(3,786,007)	0.42
Balance, December 31, 2016	19,216,667	0.10
Issued	5,000,000	0.06
Exercised	-	-
Expired	-	-
Balance, September 30, 2017	24,216,667	0.09

As at September 30, 2017, the following share purchase warrants were outstanding:

Number of warrants outstanding	Exercise price \$	Expiry date	
1,666,667	0.15	December 31, 2019	(1,000,000 exercisable into flow-through shares)
3,550,000	0.05	December 29, 2020	(2,550,000 exercisable into flow-through shares)
4,000,000	0.15*	May 27, 2021	(2,000,000 exercisable into flow-through shares)
10,000,000	0.08**	December 30, 2021	(5,100,000 exercisable into flow-through shares)
5,000,000	0.08***	January 6, 2022	(2,500,000 exercisable into flow-through shares)
<u>24,216,667</u>			

*Share purchase warrants are exercisable at \$0.15 per share for the first year and at \$0.30 per share beginning on May 27, 2017.

**Share purchase warrants are exercisable at \$0.08 per share for the first two years and at \$0.30 per share beginning on December 30, 2018.

***Share purchase warrants are exercisable at \$0.08 per share for the first two years and at \$0.30 per share beginning on January 6, 2019.

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11. Stock Options

On July 15, 2014, the Company adopted a new stock option pursuant to which options may be granted to directors, officers, employees and consultants of the Company. The exercise price is determined by the Board of Directors, subject to the Discounted Market Price policies of the TSX Venture Exchange. The aggregate number of shares issuable pursuant to stock options granted under the plan is limited to 10% of the issued and outstanding shares at the time of grant. Options are granted for a maximum term of 10 years and are fully vested when granted unless otherwise stated.

- (a) On January 20, 2017, the Company granted 500,000 stock options exercisable at a price of \$0.10 per common share until January 20, 2022 to a shareholder of the Company who has significant influence on the Company's operations.
- (b) On January 25, 2017, the Company granted 1,350,000 stock options exercisable at a price of \$0.10 per common share until January 25, 2019 to directors and officers of the Company.
- (c) On January 25, 2017, the Company granted 150,000 stock options exercisable at a price of \$0.10 per common share until January 25, 2019 to a consultant.

The following table summarizes the continuity of the Company's stock options:

	Number of stock options	Weighted average exercise price \$
Outstanding, December 31, 2015 and 2016	–	–
Issued	2,000,000	0.10
Outstanding, September 30, 2017	2,000,000	0.10

The weighted average fair value at grant date of options granted during the nine months ended September 30, 2017 was \$0.10 per option using the Black-Scholes model with the following assumptions:

Grant Date	Expiry Date	Share Price at Grant Date	Exercise Price	Risk-Free Interest Rate	Expected Life	Volatility Factor	Dividend Yield
January 20, 2017	January 20, 2022	\$0.12	\$0.10	2.7%	5 years	151%	0%
January 25, 2017	January 25, 2019	\$0.25	\$0.10	2.7%	2 years	151%	0%

The expected price volatility is based on historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

The weighted average share price at the date of exercise of options during the nine months ended September 30, 2017 were \$0.10 per share. The weighted average life remaining of the option is 2.81 years.

Total expenses arising from share-based payment transactions recognized during the nine months ended September 30, 2017 were \$368,215 (December 31, 2016: \$nil).

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12. Capital Management

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of cash and equity comprised of issued share capital and share-based payment reserve.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances.

The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remains unchanged from the year ended December 31, 2015.

13. Financial Instruments and Risks

(a) Fair Values

Assets and liabilities measured at fair value on a recurring basis were presented on the Company's statement of financial position as at September 30, 2017 as follows:

	Fair Value Measurements Using			Balance, September 30, 2017 \$
	Quoted prices in active markets for identical instruments (Level 1) \$	Significant other observable inputs (Level 2) \$	Significant unobservable inputs (Level 3) \$	
Cash	917	–	–	917
Marketable securities	4,000	–	–	4,000

The fair values of other financial instruments, which include amounts receivable, loan receivable, accounts payable and accrued liabilities, and loans payable, approximate their carrying values due to the relatively short-term maturity of these instruments.

(b) Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash and amounts receivable. The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions. Amounts receivable consist of GST refunds due from the Government of Canada. The carrying amount of financial assets represents the maximum credit exposure.

(c) Foreign Exchange Rate Risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in the foreign exchange rates. The Company's functional and reporting currency is the Canadian dollar. The Company may be exposed to the financial risk related to the fluctuation of foreign exchange rates. As at September 30, 2017, the Company is not exposed to any significant foreign exchange rate risk.

(d) Interest Rate Risk

The Company is not exposed to any significant interest rate risk.

EMPIRE METALS CORP.

(formerly Empire Rock Minerals Inc.)

Notes to the interim consolidated financial statements

For the nine months September 30, 2017 and 2016

(Expressed in Canadian dollars)

13. Financial Instruments and Risks (continued)

(e) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs.

(f) Price Risk

The Company is exposed to price risk with respect to commodity prices. The Company's ability to raise capital to fund exploration and development activities is subject to risks associated with fluctuations in the market price of commodities.

14. Subsequent event

On November 3, 2017, the Company has closed its non-brokered private placement financing of \$880,000 comprised of 5,866,666 units at \$0.15 per unit. Each unit consists of one common share and one three-year transferable warrant entitling the holder to purchase one additional share at a price of \$0.28 per share. The warrants will be subject to an accelerated expiry, wherein the expiry period of the warrants may be reduced, upon notice to holders and at the election of Empire, if the closing price of the shares is equal to or greater than \$0.50 per share for 10 consecutive trading days after any applicable hold periods. If this condition is met and Empire elects to accelerate all or a portion of the warrants, the exercise period will be reduced to 25 business days from the date notice is provided by Empire to the warrant holders. 4,166,666 units were issued on a flow-through basis. The flow-through shares comprising the flow-through units and flow-through shares issuable upon exercise of the warrants comprising the flow-through units will entitle holders to receive tax benefits applicable to flow-through shares in accordance with provisions of the Income Tax Act (Canada). Proceeds of the financing will be used for exploration and development of Empire's Alberta lithium properties, the Buck Lake platinum palladium nickel project and the Graphite West project, and for general working capital. The terms of the financing have been accepted for filing by the TSX Venture Exchange. The units are restricted from trading until March 4, 2018.