

EMPIRE METALS CORP.
Management's Discussion and Analysis of Financial
Condition and Results of Operations
For the nine months ended September 30, 2019

November 29, 2019

This management's discussion and analysis ("MD&A") focuses on events and activities that affected Empire Metals Corp. ("Empire" or the "Company") during the nine months ended September 30, 2019 and to the date of this report. The MD&A supplements, but does not form part of, the interim consolidated financial statements of the Company and the notes thereto for the nine months ended September 30, 2019. Consequently, the following discussion and analysis should be read in conjunction with the interim consolidated financial statements for the nine months ended September 30, 2019 and the notes thereto, which are prepared in accordance with International Financial Reporting Standards. All amounts presented in this MD&A are in Canadian dollars unless otherwise indicated. Additional information related to Empire is available for view on SEDAR at www.sedar.com.

FORWARD LOOKING STATEMENTS

Except for historical information contained in this discussion and analysis, disclosure statements contained herein are forward-looking. Forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those in such forward-looking statements. Forward-looking statements are made based on management's beliefs, estimates and opinions on the date the statements are made and Empire undertakes no obligation to update forward-looking statements if these beliefs, estimates and opinions or other circumstances should change. Investors are cautioned against attributing undue certainty to forward-looking statements.

OVERVIEW

Empire Metals Corp. is a mineral resource exploration company. Empire's shares are listed and called for trading on the TSX Venture Exchange under the trading symbol "EP". Empire's principal business is the acquisition, exploration and development of mineral properties with a primary focus on exploration properties demonstrating strong potential for hosting large scale ore bodies.

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EXPLORATION AND EVALUATION EXPENDITURES

The following schedule presents exploration expenditures incurred by Empire during the nine months ended September 30, 2019 and the year ended December 31, 2018:

	Nine Months Ended September 30, 2019				
	Buck Lake		Fox Creek		Total
	Project	Lithium Project	Gwyn Lake	Graphite West	
	\$	\$	\$	\$	\$
Acquisition costs					
Balance, beginning of period	\$ 564,456	\$ 468,575	\$ 21,350	\$ 287,000	\$ 1,341,381
Additons	\$ 25,850	\$ -	\$ -	\$ -	\$ 25,850
Balance, end of period	\$ 590,306	\$ 468,575	\$ 21,350	\$ 287,000	\$ 1,367,231
Deferred exploration costs					
Balance, beginning of period	\$ 1,468,902	\$ 783,201	\$ 980,690	\$ 32,671.00	\$ 3,265,464
Administration	\$ 667	\$ -	\$ -	\$ -	\$ 667
Assay	\$ 3,400	\$ -	\$ -	\$ -	\$ 3,400
Consulting	\$ 10,800	\$ 97,200	\$ -	\$ -	\$ 108,000
Equipment rental	\$ 1,397	\$ -	\$ -	\$ -	\$ 1,397
Property exploration	\$ 72,067	\$ 38,142	\$ 14,400	\$ -	\$ 124,609
Staking	\$ 700	\$ -	\$ -	\$ -	\$ 700
Travel and accomodations	\$ 6,801	\$ -	\$ -	\$ -	\$ 6,801
Write-off	\$ -	\$ -	\$ -	\$ -	\$ -
Balance, end of period	\$ 1,564,734	\$ 918,543	\$ 995,090	\$ 32,671.00	\$ 3,511,038
Total	\$ 2,155,040	\$ 1,387,118	\$ 1,016,440	\$ 319,671	\$ 4,878,269

	Buck Lake Project	Fox Creek Lithium Project	Gwyn Lake	Graphite West	Total
	\$	\$	\$	\$	\$
<i>Acquisition costs:</i>					
Balance, December 31, 2017	489,756	476,386	18,350	287,000	1,271,492
Additions	74,700	(7,811)	3,000	-	69,889
Balance, December 31, 2018	564,456	468,575	21,350	287,000	1,341,381
<i>Exploration costs:</i>					
Balance, December 31, 2017	1,399,664	340,683	930,356	-	2,670,703
Administration	-	1,183	-	-	1,183
Assay (Note 7)	-	-	2,571	-	2,571
Consulting	14,400	129,600	-	-	144,000
Equipment rental (Note 7)	-	-	2,972	-	2,972
Property exploration	37,372	299,931	39,076	32,671	409,050
Staking	-	9,526	-	-	9,526
Travel and accommodations (Note 7)	-	2,278	5,715	-	7,993
Balance, December 31, 2018	1,451,436	783,201	980,690	32,671	3,247,998
Net carrying value, December 31, 2018	2,015,892	1,251,776	1,002,040	319,671	4,589,379

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

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.

On August 20, 2018, the Company acquired the North Buck Lake Property from Ontario prospector William Richmond for \$7,500 and issuance of 35,000 common shares, subject to a 1.5% net smelter returns royalty.

On July 9, 2019, the Company acquired the Stag Platinum, Palladium, Nickel and Gold Project from Ontario prospector William Richmond for \$10,800 and issuance of 100,000 common shares, subject to a 1% net smelter returns royalty.

NAP and Jordain Claims – Ontario, Canada

On February 9, 2018, the Company acquired a 100% interest in two groups of mineral claims known as the NAP and Jordain Claims. The NAP and Jordain Claims are subject to a 1% net smelter royalty.

Orbit Lake Claims – Ontario, Canada

The Company holds a 100% interest in 2 mineral claim units known as the Orbit Lake claims located in the Thunder Bay Mining Division, Ontario, Canada, subject to a 1.5% net smelter returns royalty.

The Orbit Lake claims are 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.

Fox Creek Lithium Project – Fox Creek, Alberta, Canada

The Company holds a 70% interest in the certain metallic and industrial mineral permits located in the Fox Creek area in the province of Alberta, Canada, giving the Company the right to explore for and potentially extract lithium and other industrial minerals including potassium, boron, bromine, and magnesium contained in the brines. The Company is responsible for incurring 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 one of the original vendors of the permits.

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.

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. The claims are subject to a 1% net smelter returns 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. These claims are also subject to a 1% net smelter return royalty.

The Company holds a 30% interest in the Beardmore Gold Property, which comprises a portion of Gwyn Lake claims. The Beardmore Gold Property is subject to a 1% net smelter returns royalty.

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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 the optionor (issued), and is responsible for incurring exploration and related business development expenditures totalling \$400,000 over four years.

SELECTED ANNUAL INFORMATION

The following table presents selected consolidated financial information for the years ended December 31, 2018, 2017 and 2016.

	Year ended December 31, 2018	Year ended December 31, 2017	Year ended December 31, 2016
	\$	\$	\$
Revenue	–	–	–
Net loss	(1,377,925)	(877,631)	(614,882)
Basic and diluted loss per share	(0.03)	(0.02)	(0.12)
Total assets	6,132,415	4,091,305	2,702,342

Empire incurred a net loss of \$1,377,925 for the year ended December 31, 2018, as compared to a net loss of \$877,631 for the comparable period in the previous year. The variance in net loss of \$500,294 was mainly due to the following expenses:

- investor relations/shareholder communication for \$45,405 (2017: \$15,000);
- bad debts for \$nil (2017: \$8,000);
- consulting for \$55,000 (2017: \$nil);
- office and miscellaneous for \$80,806 (2017: \$29,969);
- interest and bank charges for \$309,373 (2017: \$214,370);
- professional fees for \$35,800 (2017: \$25,983);
- finance costs for \$92,199 (2017: \$71,760);
- share-based compensation for \$619,791 (2017: \$365,813); and
- transfer agent and filing fees for \$24,169 (2016: \$24,057).

Empire incurred a net loss of \$877,631 for the year ended December 31, 2017, as compared to a net loss of \$620,883 for the comparable period in the previous year. The variance in net loss of \$256,748 was mainly due to the following expenses:

- investor relations/shareholder communication for \$15,000 (2016: \$nil);
- bad debts for \$8,000 (2016: \$nil);
- interest and bank charges for \$214,370 (2016: \$212,041);
- management fees for \$30,000 (2016: \$nil);
- share-based compensation for \$365,813 (2016: \$nil); and
- transfer agent and filing fees for \$24,057 (2016: \$23,204).

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SUMMARY OF QUARTERLY RESULTS

The following table presents unaudited selected financial information for the last eight quarters:

	2019	2019	2019	2018	2018	2018	2018	2017
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	-	-	-	-	-	-	-	-
Net loss	(86,129)	(82,300)	(54,739)	(329,425)	(139,680)	(755,608)	(153,212)	(185,258)
Basic/diluted loss per share	(0.00)	(0.00)	(0.00)	(0.02)	(0.02)	(0.02)	(0.001)	(0.001)

The Company has no seasonality effect and its general trend is quite stable. The losses over the eight quarters are primarily due to consulting fees, professional fees and salaries. The first quarter net loss of 2017 is larger than usual due to stock based expense (Black Scholes imputed calculations) of \$368,215. The second quarter net loss of 2018 is larger than usual due to stock based expense (Black Scholes imputed calculations) of \$590,035.

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, 2019 as follows:

	Fair Value Measurements Using			Balance, September 30, 2019 \$
	Quoted prices in active markets for identical instruments (Level 1) \$	Significant other observable inputs (Level 2) \$	Significant unobservable inputs (Level 3) \$	
Cash	1,436,250	-	-	1,436,250
Marketable securities	4,000	-	-	4,000

The fair values of other financial instruments, which include amounts 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. The Company is not exposed to any significant foreign exchange rate risk.

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(d) Interest Rate Risk

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

(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.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements.

LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2019, Empire held cash on hand of \$1,436,250 (December 31, 2018: \$1,518,046), current assets totalled \$1,476,738 (December 31, 2018: \$1,543,036) and current liabilities totalled \$1,584,348 (December 31, 2018: \$1,868,388) which resulted in a working capital of \$107,610 (December 31, 2018 working deficiency: \$325,352).

In the short term, the Company will continue to rely on advances/ services from shareholders/ creditors to fund payment of immediate operating costs, such as sustaining fees, rent, accounting and audit fees, and to roll over existing debt.

In the long term, the Company will undertake a series of ongoing private placement equity offerings to regularly fund ongoing operations and its planned program of property exploration and development, acquisitions of property interests, and planned working capital requirements.

Management anticipates the raising of additional funding through sale of its securities to enable the Company to fund ongoing operations. The accompanying financial statements have been prepared on the basis of IFRS applicable to a going concern. The appropriateness of using the going concern basis is dependent upon, among other things, future profitable operations, and the ability to raise additional capital. Specifically, the recovery of the Company's investment in resource properties and related deferred costs is dependent upon the discovery of economically recoverable resources, the ability of the Company to obtain necessary financing to develop the properties and establish future profitable production from the properties or from the proceeds of their disposition. If the Company were unable to continue as a going concern it is likely that assets would be realized at amounts significantly lower than the carrying value and the Company may not be able to satisfy all its obligations.

RESULTS OF OPERATIONS

Empire incurred a net loss of \$1,045,967 for the nine months ended September 30, 2019, as compared to a net loss of \$223,168 for the comparable period in the previous year. The variance of \$822,799 was mainly due to the following expenses:

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- Interest and bank charges of \$66,061 (September 30, 2018: \$286,873) due to discontinued interest charges on prior unpaid principal and interest;
- Accounting & audit fees of \$23,209 (September 30, 2018: \$21,500);
- Office and miscellaneous of \$23,419 (September 30, 2018: \$57,397);
- Stock-based compensation of \$nil (September 30, 2018: \$590,035);
- Management salary of \$43,825 (September 30, 2018: \$22,500); and
- Transfer agent and filing fees of \$12,918 (September 30, 2018: \$15,100).

TRANSACTIONS WITH RELATED PARTIES

As at September 30, 2019, the amount of \$206,035 (December 31, 2018 - \$1,171,156) was owed to companies controlled by the former President and CEO and a director of the Company which was recorded in accounts payable and accrued liabilities.

During the nine months ended September 30, 2019, the Company paid salary totalling \$43,825 to the former President and CEO and a director of the Company.

PROPOSED TRANSACTIONS

The Company does not have any proposed transactions.

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.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

Accounting Standards Issued But Not Yet Effective

The following standards and interpretations have been issued but are not yet effective:

New standard IFRS 16, "*Leases*"

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

ADDITIONAL DISCLOSURES FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

An analysis of material components of the Company's general and administrative expenses is disclosed in the interim consolidated financial statements for the nine months ended September 30, 2019 to which this MD&A relates.

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DISCLOSURE OF OUTSTANDING SHARE DATA

As at September 30, 2019 and as at the date of this report, outstanding share data for the Company is follows:

Common shares:	Authorized capital:	unlimited common shares without par value
	Issued capital:	75,010,829 as at the date of this report
Stock Options:	3,397,000	
Warrants:	30,083,333	

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

In accordance with National Instrument ("NI") 52-109 (Certification of Disclosure in Issuer's Annual and Interim Filings), the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") of the Company will file a Venture Issuer Basic Certificate with respect to the financial information contained in the unaudited interim financial statements and the audited annual financial statements and respective accompanying Management's Discussion and Analysis. The Venture Issuer Basic Certification includes a 'Note to Reader' stating that the CEO and CFO do not make any representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109.

RISKS AND UNCERTAINTIES

Empire competes with other junior mineral exploration companies, some of which have greater financial resources and technical facilities. The business of mineral exploration and extraction involves a high degree of risks and few properties that are explored are ultimately developed into production. In addition to specific risks disclosed throughout this discussion, other risks facing Empire include competition, reliance on third parties, environmental and insurance risks, statutory and regulatory requirements, metal prices and foreign currency fluctuations, share price volatility and title risks.

Empire plans to continue to raise additional capital through the exercise of stock options and warrants, and issuing new share capital through equity financing. Empire's ability to continue as a going concern and to raise additional capital to fund its operations and business plan, are and will be, dependent upon its ability to raise debt and equity capital generally, secure cooperation and financing from existing creditors and suppliers, the progress and success of existing and new property acquisitions, subsequent development of resource properties and the strength of resource equity markets, which are uncertain. There can be no assurance that additional capital will be available. Empire is in the process of developing plans to raise capital.

RISK FACTORS

In these turbulent financial markets, development- stage mineral exploration companies, such as ours, face a variety of risk and, while unable to eliminate all of them, the Company aims at managing and reducing such risks as much as possible. Few exploration projects successfully achieve development due to factors that cannot be predicted or anticipated, and even on such factor may result in the economic viability of a project being detrimentally impacted such that it is neither feasible nor practical to proceed. The Company closely monitors its activities and those factors that could impact them, and employs experienced consulting to assist in its risk management and to make timely adequate decisions.

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims, as well as the potential for problems arising from the frequently ambiguous conveyance history characteristic of many mineral properties. The price of the commodities being explored is also a significant risk factor, as a substantial decline in their price could result in a decision to abandon a specific project. Environmental laws and regulation could also impact the viability of a project. The Company has

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ensured that it has complied with these regulations, but there can be changes in legislation outside the Company's control that could also add a risk factor to a project.

CAUTION REGARDING FORWARD LOOKING STATEMENTS

Statements contained in this MD&A that are not historical facts are forward-looking statements (within the meaning of the Canadian securities legislation and the U.S. Private Securities Litigation Reform Act of 1995) that involve risks and uncertainties. Forward-looking statements include, but are not limited to, statements with respect to the future price of metals; the estimation of mineral reserves and resources, the realization of mineral reserve estimates; the timing and amount of estimated future production, costs of production, and capital expenditures; costs and timing of the development of new deposits; success of exploration activities, permitting time lines, currency fluctuations, requirements for additional capital, government regulation of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims, limitations on insurance coverage and the timing and possible outcome of pending litigation. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such risks and other factors include, among others, risks related to the integration of acquisitions; risks related to operations; risks related to joint venture operations; actual results of current exploration activities; actual results of current reclamation activities; conclusions of economic evaluations; changes in project parameters as plans continue to be refined; future prices of metals; possible variations in ore reserves, grade or recovery rates; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing or in the completion of development or construction activities, as well as those factors discussed in the sections entitled "Risks and Uncertainties" in this MD&A.

Although Empire has attempted to identify important factors that could affect the Company and may cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The forward-looking statements in this MD&A speak only as of the date hereof. Empire does not undertake any obligation to release publicly any revisions to these forward looking statements to reflect events or circumstances after the date hereof to reflect the occurrence of unanticipated events.

Forward-looking statements and other information contained herein concerning the mining industry and general expectations concerning the mining industry are based on estimates prepared by Empire using data from publicly available industry sources as well as from market research and industry analysis and on assumptions based on data and knowledge of this industry which Empire believes to be reasonable. However, this data is inherently imprecise, although generally indicative of relative market positions, market shares and performance characteristics. While Empire is not aware of any misstatements regarding any industry data presented herein, the industry involves risks and uncertainties and is subject to change based on various factors.