

BOREAL METALS CORP.
CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

December 31, 2017

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Boreal Metals Corp.

We have audited the accompanying consolidated financial statements of Boreal Metals Corp., which comprise the consolidated statements of financial position as at December 31, 2017 and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity (deficiency), and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Boreal Metals Corp. as at December 31, 2017 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other Matters

The consolidated financial statements of Boreal Metals Corp. for the year ended December 31, 2016 were audited by another auditor who expressed an unmodified opinion on those statements on April 24, 2017

“DAVIDSON & COMPANY LLP”

Vancouver, Canada

Chartered Professional Accountants

April 12, 2018



BOREAL METALS CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at December 31, 2017 and 2016
(Expressed in Canadian Dollars)

	Note	2017	2016
ASSETS			
Current Assets			
Cash	\$	3,397,728	\$ 196,987
Receivables		76,206	8,931
Prepaid		332,935	-
		3,806,869	205,918
Reclamation bond		7,650	-
Exploration and evaluation assets	3	1,506,230	-
TOTAL ASSETS	\$	5,320,749	\$ 205,918
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities	4,6	\$ 686,862	\$ 181,551
SHAREHOLDERS' EQUITY			
Share capital	5	7,053,617	191,000
Share subscription	5	-	289,379
Reserves		238,847	-
Deficit		(2,658,577)	(456,012)
		4,633,887	24,367
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$	5,320,749	\$ 205,918

Nature of operations and going concern (Note 1)

Subsequent events (Note 12)

Approved and authorized by the Board on April 12, 2018.

<u>“Karl Antonius”</u>	Director	<u>“Jon Sherron”</u>	Director
Karl Antonius		Jon Sherron	

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

BOREAL METALS CORP.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
For the Years Ended December 31, 2017 and 2016
(Expressed in Canadian Dollars)

	Note	2017	2016
OPERATING EXPENSES			
Administrative fees		\$ 22,641	\$ -
Audit and accounting fees		153,495	13,550
Consulting fees	6	48,066	51,158
Exploration expenses	3	798,944	-
General and administrative costs		76,904	6,556
Foreign exchange		15,845	-
Management fees	6	174,250	12,000
Marketing		368,051	-
Legal fees		175,830	17,701
Regulatory, filing and transfer agents fees		102,165	13,155
Rent	6	10,000	-
Travel expenses		256,374	57,421
LOSS AND COMPREHENSIVE LOSS FOR THE YEAR		\$ (2,202,565)	\$ (171,541)
Basic and diluted loss per common share		\$ (0.08)	\$ (0.02)
Weighted average number of common shares issued and outstanding		26,467,233	8,610,000

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

BOREAL METALS CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years ended December 31, 2017 and 2016
(Expressed in Canadian Dollars)

	2017	2016
Cash flow provided by (used in):		
CASH FLOW FROM OPERATING ACTIVITIES		
Loss for the year	\$ (2,202,565)	\$ (171,541)
Changes in non-cash working capital items:		
Accounts receivable	(66,498)	(3,924)
Prepaid	(332,935)	-
Accounts payable and accrued liabilities	323,521	82,996
	(2,278,477)	(92,469)
CASH FLOWS FROM INVESTING ACTIVITIES		
Reclamation bond	(7,650)	-
Acquisition of entities	51,450	-
	43,800	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Shares issued for cash	6,029,621	-
Share issue costs	(594,203)	-
Share subscription	-	289,379
	5,435,418	289,379
Increase in cash	3,200,741	196,910
Cash - beginning of year	196,987	77
Cash - end of year	\$ 3,397,728	\$ 196,987
Supplemental Cash Flow		
Cash paid for interest	\$ -	\$ -
Cash paid for income taxes	\$ -	\$ -

Supplemental disclosure with respect to cash flows (Note 9)

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

BOREAL METALS CORP.**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)**

For the Years Ended December 31, 2017 and 2016

(Expressed in Canadian Dollars)

	Share Capital		Share Subscription	Warrants	Deficit	Total
	Number	Amount				
Balance at December 31, 2015	8,610,000	\$ 191,000	\$ -	\$ -	\$ (284,471)	\$ (93,471)
Share subscription	-	-	289,379	-	-	289,379
Loss for the year	-	-	-	-	(171,541)	(171,541)
Balance at December 31, 2016	8,610,000	\$ 191,000	\$ 289,379	\$ -	\$ (456,012)	\$ 24,367
Shares issued on acquisition of Swedish Companies	1,713,390	85,670	-	-	-	85,670
Shares issued on private placements	33,130,832	6,319,000	(289,379)	-	-	6,029,621
Shares issued as corporate finance units	644,000	132,422	-	56,378	-	188,800
Shares issued as per acquisition agreement	7,492,492	1,290,997	-	-	-	1,290,997
Share issue costs	-	(965,472)	-	182,469	-	(783,003)
Loss for the year	-	-	-	-	(2,202,565)	(2,202,565)
Balance December 31, 2017	51,590,714	\$ 7,053,617	\$ -	\$ 238,847	\$ (2,658,577)	\$ 4,633,887

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

BOREAL METALS CORP.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2017

(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Boreal Metals Corp. (the “Company”) was incorporated under the Business Corporations Act, British Columbia on December 31, 2013 and is considered to be in the exploration stage with respect to its mineral properties. The Company’s head office address is Suite 340 - 233 West 1st Street, North Vancouver, BC V7M 1B3.

On April 1, 2014, the Company commenced trading on the Canadian Securities Exchange (“CSE”) under the trading symbol “EFM”. On April 12, 2016, the CSE delisted the Company for being in default of CSE requirements. As of the date of the financial statements the Company’s common shares were delisted from trading on the CSE.

On November 21, 2017, the Company obtained a public listing for its securities on the TSX Venture Exchange (“TSX-V”) under the trading symbol “BMX” following closing of its offerings of units by way of Short Form Offering Document (“SFOD”) and by way of a brokered private placement (Note 5).

On February 14, 2017, the Company closed a share purchase agreement with EMX Royalty Corporation (“EMX”) and has acquired two companies with exploration stage assets in Scandinavia. The companies were wholly-owned subsidiaries of EMX which together held a portfolio of four base and precious metal exploration projects, two in Sweden and two in Norway. EMX Exploration Scandinavia AB and Iekelvare Minerals AB (together referred to as the “Swedish Companies”) are now wholly-owned subsidiaries of the Company (Note 3).

The Company is in the process of exploring and developing its mineral properties and has not yet determined whether the properties contain reserves that are economically recoverable. The recoverability of the amounts shown for mineral properties and related exploration and evaluation assets are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production.

These consolidated financial statements have been prepared by management on a 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 for the foreseeable future. The Company has incurred ongoing losses and expects to incur further losses in the development of its business. At December 31, 2017, the Company had cash of \$3,397,728, working capital of \$3,120,007 and accumulated deficit of \$2,658,577. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future and repay its liabilities arising from normal business operations as they become due. Management estimates it has sufficient funds for operations for the ensuing year

The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES**Basis of presentation and basis of consolidation**

These consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

The consolidated financial statements have been prepared on a historical cost basis except for certain financial assets that are measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

These consolidated financial statements incorporate the financial statements of the Company and its wholly controlled subsidiary, First Ferro Mining Ltd. (“First Ferro”, currently dormant), and newly acquired Swedish Companies (Note 3). Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All significant intercompany transactions and balances have been eliminated.

Foreign currency transactions

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The Company's reporting currency and the functional currency of all of its operations is the Canadian dollar as this is the principal currency of the economic environment in which the Company operates.

Transactions in foreign currencies are translated at the exchange rate in effect at the date of the transaction. Foreign denominated monetary assets and liabilities are translated to their Canadian dollar equivalents using foreign exchange rates prevailing at the statement of financial position date. Non-monetary items are translated into Canadian dollars at the exchange rate in effect on the respective transaction dates. Revenues and expenses are translated at average rates for the year, except for amortization, which is translated on the same basis as the related asset. Exchange gains or losses arising on foreign currency translation are reflected in profit or loss for the year.

Exploration and evaluation assets

The Company charges to operations all exploration and evaluation expenses incurred prior to the determination of economically recoverable reserves and a decision to develop has been made. These costs would also include periodic fees such as license and maintenance fees.

The Company capitalizes direct mineral property acquisition costs and those expenditures incurred following the determination that the property has economically recoverable reserves and a decision to develop the property. Mineral property acquisition costs include cash consideration and the fair value of common shares issued for mineral property interests, pursuant to the terms of the relevant agreement. These costs are amortized over the estimated life of the property following commencement of commercial production, or written off if the property is sold, allowed to lapse or abandoned, or when impairment in value has been determined to have occurred. A mineral property is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

Although the Company has taken steps to verify the title to mineral properties in which it has an interest, in accordance with industry practice for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

Provision for decommissioning and restoration

The Company recognizes provisions for statutory, contractual, constructive or legal obligations associated with the reclamation of mineral properties in the year in which it is probable that an outflow of resources will be required to settle the obligation and when a reliable estimate of the amount can be made. Initially, a provision for a decommissioning liability is recognized based on expected cash flows required to settle the obligation and discounted at a pre-tax rate specific to the liability. The capitalized amount is depreciated on the same basis as the related asset. Following the initial recognition of the decommissioning liability, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the current market based discount rate and the amount or timing of the underlying cash flows needed to settle the obligation. The increase in the provision due to passage of time is recognized as interest expense. Significant judgments and estimates are involved in forming expectations of the amounts and timing of future closure and reclamation cash flows.

Significant accounting judgments and estimates

The preparation of consolidated financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported revenues and expenses during the year. Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates. The most significant accounts that require estimates as the basis for determining the stated amounts include valuation of share-based payments, recognition of deferred income tax amounts, provision for restoration, rehabilitation and environmental costs and recoverability of exploration and evaluation assets.

Valuation of share-based compensation

The Company uses the Black-Scholes Option Pricing Model for valuation of share-based compensation. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

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Income taxes

In assessing the probability of realizing income tax assets, management makes estimates related to expectations of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

Site decommissioning obligations

The Company recognizes a provision for future abandonment activities in the financial statements equal to the net present value of the estimated future expenditures required to settle the estimated future obligation at the statement of financial position date. The measurement of the decommissioning obligation involves the use of estimates and assumptions including the discount rate, the expected timing of future expenditures and the amount of future abandonment costs. The estimates were made by management and external consultants considering current costs, technology and enacted legislation. As a result, there could be significant adjustments to the provisions established which would affect future financial results.

Economic recoverability and probability of future economic benefits of exploration and evaluation assets

Management has determined that mineral property costs incurred which were capitalized have future economic benefits and are economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including geological and metallurgic information, history of conversion of mineral deposits to proven and probable reserves, scoping and feasibility studies, accessible facilities, existing permits and life of mine plans.

Critical judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are as follows:

Functional and reporting currency

The functional currency is the currency of the primary economic environment in which the entity operates. The functional currency for the Company and its subsidiaries is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, The Effects of Changes in Foreign Exchange Rates.

Acquisition method accounting

In the acquisition of the Swedish Companies, significant judgement was required to determine if that transaction represented a business combination or an asset purchase. More specifically, management concluded that the Swedish Companies did not represent a business, as the assets acquired were not an integrated set of activities with inputs, processes and outputs.

Share capital

Common shares are classified as equity. Proceeds from unit placements are allocated between shares and warrants issued using the residual value method. Warrants that are part of units are assigned a value based on residual value, if any, and included in reserves. Costs directly identifiable with share capital financing are charged against share capital.

Warrants that are issued as payment for agency or finders' fees are accounted for as share-based payments.

Financial instruments

The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity, available-for-sale and other financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

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Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period which are classified as non-current assets.

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to maturity investments and are subsequently measured at fair value. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary financial assets.

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost. Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the group commits to purchase the asset.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. The Company does not have any derivative financial assets and liabilities.

Income taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity. Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded by providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for relating to goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting or taxable loss, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Loss per share

Basic loss per share is calculated by dividing the net loss available to common shareholders by the weighted average number of shares outstanding during the year. Diluted earnings per share reflect the potential dilution of securities that could share in earnings of an entity. In a loss year, potentially dilutive common shares are excluded from the loss per share calculation as the effect would be anti-dilutive. Basic and diluted loss per share are the same for the years presented.

Accounting standards issued but not yet effective

The Company has not yet adopted the following revised or new IFRS that have been issued but were not yet effective as at December 31, 2017:

- IFRS 9, Financial Instruments (effective date January 1, 2018) introduces new requirements for the classification and measurement of financial assets and liabilities.
- IFRS 16, Leases is a new standard that sets out the principles for recognition, measurement, presentation and disclosure of leases including guidance for both parties to a contract, the lessee and the lessor. The new standard eliminates the classification of leases as either operating or finance leases as is required by IAS 17 and instead

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introduces a single lessee accounting model. This standard is effective for the years beginning on or after January 1, 2019.

The Company expects the only impact that these new accounting standards will have on the financial statements will be additional note disclosure.

3. EXPLORATION AND EVALUATION ASSETS

On February 14, 2017, the Company acquired two companies that were wholly-owned subsidiaries of EMX which together represent a portfolio of four Scandinavian base and precious metal (zinc-lead-copper-silver-gold) exploration projects including Gumsberg and Adak exploration assets in Sweden and the Tynset and Burfjord assets in Norway.

To acquire the Swedish Companies, the Company issued 1,713,390 of its common shares to EMX which represented a 19.9% equity ownership in the Company and had the continuing obligation to issue additional shares to maintain 19.9% interest, at no additional cost to EMX, until the Company has raised CDN\$5,000,000 in equity (raised on November 21, 2017); thereafter, EMX has the right to participate pro-rata in future financings at its own cost to maintain its 19.9% interest. During 2017, a total of 7,492,592 common shares valued at \$1,290,997 of the Company were issued to EMX due to above obligation (Note 5).

EMX has also been granted a 3% net smelter return (“NSR”) royalty on each of the Properties, of which a 1% NSR royalty may be purchased by the Company on or before the fifth anniversary of the closing date in 0.5% increments for a total of (a) USD\$2,500,000, or (b) at the purchaser’s option, USD\$2,000,000 plus shares of the Company equal in value to USD\$500,000.

EMX will receive annual advance royalty (“AAR”) payments of USD\$20,000 for each of the Properties commencing on the second anniversary of the closing, with each AAR payment increasing by USD\$5,000 per year until reaching USD\$60,000 per year, except that the Company may forgo AAR payments on two of the four Properties in years two and three. Once reaching USD\$60,000, AAR payments will be adjusted each year according to the Consumer Price Index (as published by the U.S. Department of Labor, Bureau of Labor Statistics). EMX Royalty will receive a 0.5% NSR royalty on any new mineral exploration projects generated by the Company in Sweden or Norway, excluding projects acquired from a third party containing a mineral resource or reserve or an existing mining operation. EMX has the right to nominate one seat on the Board of Directors of the Company.

Management has determined that this transaction does not qualify as a business combination. Accordingly, it was accounted for as an acquisition of net assets. The fair value of the consideration allocated to assets and liabilities acquired is as follows:

Net assets and liabilities acquired:	
Cash	\$ 51,450
Accounts receivable	777
Properties acquisition costs	215,233
Trade and other payables	(181,790)
Total	\$ 85,670
Consideration paid:	
Share capital	\$ 85,670
Swedish Properties	
Balance as of December 31, 2016	\$ -
Property acquisition costs	215,233
Shares issued as anti-dilutive right	1,290,997
Balance as of December 31, 2017	\$ 1,506,230

The Company is the owner of mining licenses located in Norway known as the Tynset licenses and Burfjord licenses; furthermore, it owns licenses in Sweden known as the Gumsberg and the Adak VMS Projects.

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Tynset VMS project (Røros District, Norway)

The Tynset project is comprised of certain exploration licenses in the Røros Mining District of central Norway.

Burfjord IOCG project (Alta Region, Norway)

The Burfjord project is comprised of certain exploration licenses near Kåfjord, Norway.

Gumsberg VMS Project (Bergslagen District, Sweden)

The Gumsberg project consists of certain exploration licenses in the Bergslagen Mining District of southern Sweden.

Adak VMS Project (Skellefteå District, Sweden)

Adak exploration license is located in Skellefteå Mining District in north Sweden.

In the year ended December 31, 2017, exploration costs were incurred by the Company as follows:

Exploration expenses	Adak	Gumsberg	Burfjord	Tynset	Total
Accommodation	\$ -	\$ 6,016	\$ 17,921	\$ -	\$ 23,937
Drilling	-	169,176	-	-	169,176
Field work	326	104,816	144,233	5,611	254,985
Exploration licenses	-	33,132	6,340	3,676	43,149
Geological	30,498	150,046	88,499	12,854	281,898
Geophysical	4,800	12,600	7,800	600	25,800
Total exploration costs incurred as of December 31, 2017	\$ 35,624	\$ 475,786	\$ 264,793	\$ 22,741	\$ 798,944

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As at December 31, 2017 and 2016 accounts payable and accrued liabilities consists of the following:

	2017	2016
Accounts payable	\$ 574,826	\$ 82,806
Accrued liabilities	20,000	4,550
Due to related parties	92,036	94,195
	\$ 686,862	\$ 181,551

5. SHARE CAPITAL

Authorized share capital

The authorized share capital of the Company is an unlimited number of common shares without par value. All issued shares, consisting only of common shares are fully paid.

Issued share capital

During the year ended December 31, 2017

- On February 14, 2017, the Company issued 1,713,390 common shares to EMX on the acquisition of the Swedish Companies. The shares were valued at \$85,670 (Note 3).
- During the year ended December 31, 2017, a total of 7,492,492 shares were issued to EMX at no additional cost due to the Company's obligation to maintain EMX Royalty 19.9% equity ownership in the Company (Note 3). These shares were recorded at a value of \$1,290,997.
- On April 4, 2017, the Company closed a non-brokered private placement of 12,270,000 units at \$0.05 for

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proceeds of \$613,500, of which \$289,379 was received in fiscal 2016. Each unit consisted of one common share and one-half of one transferable share purchase warrant with each whole warrant exercisable into one additional common share at a price of \$0.10 for a period of one year.

- d) On August 14, 2017, the Company closed a private placement of 5,527,500 units at a price of \$0.20. Each unit consisted of one common share and one-half of one transferable share purchase warrant, each whole warrant exercisable into one additional common share at a price of \$0.40 for a period of two years from the date of issue. The warrants are subject to an acceleration provision.

The Company paid finder's fees of \$18,500 in cash, issued 44,000 common shares as finder's fees at value of \$8,800 and 136,500 finder's warrants to certain finders valued at \$9,839. The finder's warrants have the same terms as private placement warrants except they are non-transferable.

- e) On November 21, 2017, the Company closed a SFOD by way of brokered private placement. The SFOD consisted of 6,666,666 units of the Company at a price of \$0.30 for gross proceeds of \$2,000,000. Each unit consisted of one common share and one-half of share purchase warrant, with each whole warrant exercisable at a price of \$0.50 for a period of 24 months from the closing date of the SFOD.

On November 21, 2017, the Company also closed a brokered private placement of 8,000,000 units at a price of \$0.30 per unit for gross proceeds of \$2,400,000. Each unit consisted of one common share and one warrant, having the same terms as the SFOD warrants.

A cash commission of \$319,500 was paid and 1,065,000 non-transferable broker warrants valued at \$172,630 were issued to the agent. Each agent's warrant will be exercisable for one common share at a price of \$0.30 until May 21, 2019.

The agent also received 600,000 units as a corporate finance fee with 400,000 units having the same composition as the SFOD units and 200,000 broker's units. A value of \$56,378 was assigned to 400,000 brokers' warrants issued in connection to corporate finance units.

- f) On November 21, 2017, the Company closed a non-brokered private placement for proceeds of \$200,000. The Company issued 666,666 units at a price of \$0.30, with each unit consisting of one common share and one common share purchase warrant. Each warrant is exercisable into one common share at a price of \$0.50 until November 21, 2019.

During the year ended December 31, 2016

No shares were issued in the year ended December 31, 2016.

As at December 31, 2017 and December 31, 2016, there were no stock options outstanding.

Warrants

A summary of share purchase warrants transactions during the year ended December 31, 2017 are as follows:

Expiry date	Exercise price	WARC life (years)	December 31, 2016	Granted	Exercised	Expired/Cancelled	December 31, 2017
April 4, 2018	\$0.10	0.26	-	6,135,000	-	-	6,135,000
May 21, 2019	\$0.30	1.39	-	1,065,000	-	-	1,065,000
August 14, 2019	\$0.40	1.62	-	2,400,250	-	-	2,400,250
November 21, 2019	\$0.50	1.89	-	12,399,999	-	-	12,399,999
November 21, 2019	\$0.40	1.89	-	500,000	-	-	500,000
TOTAL			-	22,500,249	-	-	22,500,249
Weighted average price			\$ -	\$ 0.37	\$ -	\$ -	\$ 0.37

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The fair value of the brokers warrants issued was determined using the Black-Scholes Option Pricing Model using the following weighted average assumptions:

	2017
Risk-free interest rate	1.41%
Annualized volatility	100%
Expected dividend yield	Nil
Expected warrants life in years	1.67 years

Escrow units

12,102,236 shares and 3,538,618 warrants were placed in escrow in accordance with the escrow agreement dated November 21, 2017. 10% of the escrowed common shares and warrants were released on November 21, 2017, upon the completion of the SFOD. As at December 31, 2017, there were 10,892,12 common shares and 3,184,756 warrants of the Company held in escrow.

6. **RELATED PARTY TRANSACTIONS**

Key management personnel include the Chief Executive Officer (“CEO”), Chief Financial Officer (“CFO”) and Directors of the Company.

The Company entered into the following transactions with related parties during the year ended December 31, 2017:

	For the year ended December 31,	
	2017	2016
Short-term benefits paid or accrued:		
Accounting fees	\$ 55,339	\$ -
Management fees	229,538	12,000
Legal fees / share issuance costs	275,675	-
Rent	12,500	-
	\$ 573,052	\$ 12,000

As of December 31, 2017, included in accounts payable is \$132,934 (2016 - \$8,100) due to directors and officers and \$2,125 (2016 – Nil) prepaid to an officer of the Company.

7. **SEGMENT INFORMATION**

The Company is engaged in one business activity, being the acquisition and exploration of mineral properties. Geographic information is disclosed in Note 3. All non-current assets are held solely in the Scandinavia segment.

8. **FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

Financial instruments

Financial assets and liabilities are classified in the fair value hierarchy according to the lowest level of input that is significant to the fair value measurement. Assessment of the significance of a particular input to the fair value measurement requires judgement and may affect placement within the fair value hierarchy levels. The hierarchy is as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of cash, receivables, reclamation bond and accounts payable and accrued liabilities approximate their carrying amounts due to the short-term nature of the financial instruments. Cash is classified as financial assets fair value through profit or loss and is measured at fair value using level 1 inputs of the fair value hierarchy. Reclamation

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bond is classified as held to maturity. Receivables are classified as loans and receivables. Accounts payable and accrued liabilities is classified as other financial liabilities.

Risk management

The Company is exposed to varying degrees to a variety of financial instrument related risks:

Credit risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Company by failing to discharge its obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash and receivables. The Company limits its exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality financial institutions. Receivables are due from government agencies.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with its financial liabilities. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Company considers financing opportunities so that it has sufficient liquidity to meet liabilities when due.

There can be no assurance the Company will be able to obtain required financing in the future on acceptable terms. The Company anticipates it will need additional capital in the future to finance on-going exploration of its properties, such capital to be derived from the completion of other equity financings. The Company has limited financial resources, has no source of operating income and has no assurance that additional funding will be available to it for future exploration and development of its project. The ability of the Company to arrange additional financing in the future will depend, in part, on the prevailing capital market conditions and exploration success. In recent years, the securities markets have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. Any quoted market for the common shares may be subject to market trends generally, notwithstanding any potential success of the Company in creating revenue, cash flows or earnings.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

Currency risk

The Company is exposed to financial risk related to fluctuations in foreign exchange rates. Foreign currency risk is limited to the portion of the Company's business transactions denominated in currencies other than the Canadian Dollar.

Interest rate risk

The Company's exposure to interest rate risk arises from the interest rate impact on cash. The Company's policy is to invest cash at floating rates of interest, in order to maintain liquidity, while achieving a satisfactory return for shareholders. There is minimal risk that the Company would recognize any loss as a result of a decrease in the fair value.

Price risk

The Company is exposed to price risk with respect to commodity prices. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

9. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	2017	2016
Non-cash information:		
Fair value of broker's shares	188,800	-
Fair value of broker's warrants	238,847	-

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Shares issued on property acquisition	85,670	-
Shares issued as anti-dilutive right	1,290,997	-
Reclassification of subscription received in advance	289,379	-

10. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration and development of its mineral properties, acquire additional mineral property interests and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company includes the components of shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors.

The Company currently is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management.

11. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2017	2016
Loss for the year	\$ (2,202,565)	\$ (171,541)
Expected income tax (recovery)	\$ (573,000)	\$ (51,000)
Change in statutory, foreign tax, foreign exchange rates	16,000	-
Impact of subsidiaries acquired	(78,000)	-
Share issue cost	(204,000)	-
Change in unrecognized deductible temporary differences	839,000	51,000
Total income tax expense (recovery)	\$ -	\$ -
Current income tax	\$ -	\$ -
Deferred tax recovery	\$ -	\$ -

In September 2017, the British Columbia (BC) Government proposed changes to the general corporate income tax rate to increase the rate from 11% to 12% effective January 1, 2018 and onwards. This change in tax rate was substantively enacted on October 26, 2017. The relevant deferred tax balances have been re-measured to reflect increase in the Company's combined Federal and Provincial (BC) general corporate income tax rate from 26% to 27%.

The significant components of the Company's deferred tax assets that have not been included on the consolidated statement of financial position are as follows:

	2017	2016
Deferred tax assets(liabilities):		
Exploration and evaluation assets	\$ 199,000	\$ -
Share issue costs	169,000	-
Non-capital losses available for future period	591,000	120,000

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	959,000	120,000
Unrecognized deferred tax assets	(959,000)	(120,000)
	\$ -	\$ -

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	2017	Expiry Date Range	2016	Expiry Date Range
Temporary Differences				
Exploration and evaluation assets	\$ 818,000	No expiry date	\$ -	No expiry date
Share issue costs	626,000	2038 to 2041	-	2037 to 2040
Non-capital losses available for future periods	2,270,000		462,000	
Canada	1,845,000	2034-2037	462,000	2034-2036
Sweden	425,000	Indefinitely	-	Indefinitely

Tax attributes are subject to review, and potential adjustment, by tax authorities.

12. SUBSEQUENT EVENTS

- a) On February 15, 2018, the Company completed the acquisition of the Modum Project ("Modum") from EMX. Pursuant to the terms of the agreement, the Company issued to EMX 1,324,181 common shares, which brings EMX's equity ownership in Boreal to 19.9%. EMX will have the right to participate pro-rata in future financings at its own cost to maintain its 19.9% interest in Boreal.

The agreement contains the following additional terms:

EMX will be granted a 3% NSR royalty on the project, of which a 1% NSR royalty may be purchased by the Company on or before the fifth anniversary of the closing date in 0.5% increments for a total of USD\$2,500,000 in cash and common shares.

EMX will receive AAR payments of USD\$20,000, commencing on the second anniversary of the closing, with each AAR payment increasing by USD\$5,000 per year until reaching USD\$60,000 per year. Once reaching USD\$60,000 per year, AAR payments will be adjusted each year according to the Consumer Price Index (as published by the U.S. Department of Labor, Bureau of Labor Statistics).

- b) On March 20, 2018, the Company completed the acquisition of the Guldgruvan cobalt project ("Guldgruvan") from EMX by Boreal Energy Metals Corp. ("BEMC"), a newly created and wholly owned subsidiary of Boreal.

Pursuant to the terms of the agreement, the Company issued to EMX 2,979,798 common shares of BEMC, which brings EMX's equity ownership in BEMC to 5.9%. BEMC will have the continuing obligation to issue additional shares of BEMC to EMX to maintain its 5.9% interest in BEMC, at no additional cost to EMX, until BEMC has raised CDN\$3,000,000 in equity. Thereafter, EMX will have the right to participate pro-rata in future financings at its own cost to maintain its 5.9% interest in BEMC.

In addition:

- EMX is granted an uncapped 3% NSR royalty on the project, of which a 1% NSR royalty may be purchased by BEMC on or before the fifth anniversary of the closing date in 0.5% increments for a total of USD\$2,500,000 in cash and common shares of BEMC.
- EMX will receive AAR payments of USD\$20,000, commencing on the second anniversary of the closing, with each AAR payment increasing by USD\$5,000 per year until reaching USD\$60,000 per year.
- EMX will also be reimbursed for its acquisition costs and previous expenditures on the project.

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- c) On April 11, 2018, the Company's subsidiary BEMC entered into an agreement with EMX for the acquisition of the Mjövattnet and Njuggträskliden cobalt and nickel projects.

Pursuant to the terms of the agreement, the BEMC will issue to EMX common shares of BEMC, that represents a 4% equity ownership in BEMC. This will increase EMX's share equity ownership in BEMC to 9.9%; BEMC will have the continuing obligation to issue additional shares of BEMC to EMX to maintain its 9.9% interest in BEMC, at no additional cost to EMX, until BEMC has raised CDN\$3,000,000 in equity. Thereafter, EMX will have the right to participate pro-rata in future financings at its own cost to maintain its 9.9% interest in BEMC. The issuance of BEMC shares to EMX, as set forth in the definitive agreement, is subject to receipt of TSX-V approval.

In addition:

- EMX will be granted 3% NSR royalty on each project, of which a 1% NSR royalty may be purchased by BEMC on or before the fifth anniversary of the closing date in 0.5% increments for a total of USD\$2,500,000 in cash and common shares of BEMC.
 - EMX will receive AAR payments of USD\$20,000 for each project, commencing on the second anniversary of the closing, with each AAR payment increasing by USD\$5,000 per year until reaching USD\$60,000 per year.
 - EMX will also be reimbursed 312,000 Swedish Krona (approximately USD\$37,000) for its acquisition costs and previous expenditures on the projects.
- d) The Company issued 5,935,000 common shares on the exercise of warrants for proceeds of \$593,500.