

FINANCIAL STATEMENTS

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EURO MANGANESE INC.

CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

SEPTEMBER 30, 2017

Euro Manganese Inc.

Audited Financial Statements for Euro Manganese Inc. as of September 30, 2017 and for the year ended September 30, 2017, and related notes thereto

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December 15, 2017

Independent Auditor's Report

To the Shareholders of Euro Manganese Inc.

We have audited the accompanying consolidated financial statements of Euro Manganese Inc. and its subsidiary, which comprise the consolidated statements of financial position as at September 30, 2017 and September 30, 2016 and the consolidated statements of loss and comprehensive loss, cash flows, and changes in equity for the years then ended, and the related notes, which comprise 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.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits 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 auditor's 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 audits is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers LLP

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

**Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Euro Manganese Inc. and its subsidiary as at September 30, 2017 and September 30, 2016 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which discloses conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about the ability of Euro Manganese Inc. to continue as a going concern.

(signed) “PricewaterhouseCoopers LLP”

Chartered Professional Accountants

EURO MANGANESE INC.

(An Exploration Stage Company)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at September 30, 2017 and 2016

(Expressed in Canadian Dollars)

AS AT

	Note	September 30, 2017	September 30, 2016
		\$	\$
ASSETS			
Current Assets			
Cash		2,860,994	117,393
Prepaid		129,228	-
Receivable		73,010	9,084
		3,063,232	126,477
Non-current assets			
Exploration and evaluation assets	4 & 5	1,249,086	1,249,086
Property and Equipment	6	8,693	2,951
		4,321,011	1,378,514
LIABILITIES			
Current Liabilities			
Accounts payable		339,527	39,233
Due to related parties	8	116,731	187,696
Deferred consideration - current portion	5	273,921	272,233
		730,179	499,162
Non-current liabilities			
Deferred consideration	5	450,456	621,571
		1,180,635	1,120,733
EQUITY			
Share Capital	7 (a)	7,183,542	1,166,353
Equity Reserve		381,086	102,324
Deficit		(4,424,252)	(1,010,896)
		3,140,376	257,781
Total liabilities and shareholders' equity		4,321,011	1,378,514

Nature of Operations and Going Concern (note 1)

Events after the reporting period (note 13)

Approved on behalf of the Board on December 14, 2017

"Marco Romero"

Director

"John Webster"

Director

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

EURO MANGANESE INC.

(An Exploration Stage Company)

CONSOLIDATED STATEMENT OF LOSS AND COMPREHENSIVE LOSS

For the years ended September 30, 2017 and 2016

(Expressed in Canadian Dollars)

	Year Ended September 30,	
	2017	2016
	\$	\$
Project Evaluation Expenses		
Drilling, sampling and surveys	346,025	5,887
Engineering	1,141,129	123,632
Environmental	26,524	17,856
Geophysical	43,229	-
Geological	96,358	3,890
Legal and professional fees	52,385	-
Market studies	28,043	46,758
Metallurgical	194,593	50,498
Option provision	76,064	16,719
Project management	112,625	26,459
Remuneration and overhead allocation	-	279,930
Supplies and rentals	43,196	-
Taxes	22,416	13,269
Travel	215,955	39,332
	2,398,542	624,230
Other Expenses		
Remuneration	321,675	216,452
Stock-based compensation	235,688	145,662
Option provision	134,753	57,368
Less: allocation to project evaluation	-	(279,930)
Net Remuneration	692,116	139,552
Legal and professional fees	67,679	14,832
Conferences	3,174	14,509
Investor relations	1,254	32,878
Depreciation	2,101	794
Insurance	6,938	875
Office, general and administrative	34,890	21,995
Office rent	18,000	13,600
Accretion expense	130,573	37,310
Travel	58,089	45,375
	1,014,814	321,720
Loss & comprehensive loss for the year	(3,413,356)	(945,950)
Loss per share		
Loss & comprehensive loss for the year	(3,413,356)	(945,950)
Basic and diluted loss per share	(0.35)	(0.23)
Weighted average number of shares outstanding	9,772,984	4,190,160

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

EURO MANGANESE INC.

(An Exploration Stage Company)

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended September 30, 2017 and 2016

(Expressed in Canadian Dollars)

	Note	2017	2016
		\$	\$
<u>Operating Activities</u>			
Net loss for the period		(3,413,356)	(945,950)
Less non-cash transactions:			
Share-based payments			
Options		210,817	74,087
Shares and warrants for services		402,923	224,600
		613,740	298,687
Depreciation		2,101	794
Accretion expense	5	130,573	37,310
		(2,666,942)	(609,159)
Changes in non-cash working capital items:			
Accounts payable		300,294	23,327
Accounts receivable		(63,926)	(5,892)
Prepaid expenses		(129,228)	-
Related parties		(70,965)	183,871
		36,175	201,306
Net Operating activities		(2,630,767)	(407,853)
<u>Financing Activities</u>			
Common shares and warrants issued for cash	7 (a)	5,382,211	565,990
Common shares repurchased and cancelled		-	(800)
Loan from shareholders		-	90,000
Loan repayment to shareholder		-	(50,000)
		5,382,211	605,190
<u>Investing Activities</u>			
Cash acquired on acquisition		-	14,728
Mineral property acquisition payment		-	(96,306)
Property & equipment - purchases		(7,843)	(3,215)
		(7,843)	(84,793)
Increase in Cash & Cash Equivalents		2,743,601	112,544
Cash & Cash Equivalents - beginning of year		117,393	4,849
Cash & Cash Equivalents - end of year		2,860,994	117,393
Non-cash transactions excluded from above:			
Mineral property acquisition - net discounted value		-	(1,156,494)
Deferred consideration's discount		-	(343,506)
		-	(1,500,000)
Deferred share payment commitment		(300,000)	1,200,000
Share issue in relation to the acquisition of the mineral property		300,000	300,000
		-	(1,500,000)
Issue of broker's warrants			
Equity Reserve		96,182	-
Share Capital		(96,182)	-
Exercise of warrants outstanding at September 30, 2016			
Share Capital		(28,237)	-
Equity Reserve		28,237	-

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

EURO MANGANESE INC.

(An Exploration Stage Company)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended September 30, 2017 and 2016

(Expressed in Canadian Dollars)

	Attributable to equity shareholders of the Company				
	Share Capital	Share Capital	Equity Reserves	Deficit	Shareholders' Equity (Deficit)
	#	\$	\$	\$	\$
Balance at September 30, 2016	6,007,345	1,166,353	102,324	(1,010,896)	257,781
Shares and warrants issued for cash, net of expenses	10,703,545	5,286,029	96,182	-	5,382,211
Shares issued as payment of services	825,977	431,160	(28,237)	-	402,923
Shares issued as deferred consideration repayment	545,455	300,000	-	-	300,000
Share-based compensation	-	-	210,817	-	210,817
Loss and comprehensive loss for the year	-	-	-	(3,413,356)	(3,413,356)
	12,074,977	6,017,189	278,762	(3,413,356)	2,882,595
Balance at September 30, 2017	18,082,322	7,183,542	381,086	(4,424,252)	3,140,376
Balance at September 30, 2015	2,480,000	24,800	-	(64,946)	(40,146)
Shares issued for cash	2,220,000	563,500	-	-	563,500
Shares repurchased and cancelled	(80,000)	(800)	-	-	(800)
Shares issued as repayment of debt	266,667	80,000	-	-	80,000
Shares issued as payment of services	271,716	96,763	-	-	96,763
Warrants issued as payment of services	248,962	102,090	(99,600)	-	2,490
Shares issued as part of acquisition	600,000	300,000	-	-	300,000
Share-based compensation	-	-	201,924	-	201,924
Loss and comprehensive loss for the year	-	-	-	(945,950)	(945,950)
	3,527,345	1,141,553	102,324	(945,950)	297,927
Balance at September 30, 2016	6,007,345	1,166,353	102,324	(1,010,896)	257,781

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

1. Nature of Operations and Going Concern

Euro Manganese Inc. (the “Company”) was incorporated as a private company under the British Columbia Business Corporations Act on November 24, 2014. The Company is focused on the exploration and reclamation of mineral projects in Europe and is currently evaluating the potential development of the Chvaletice deposit, located in the Czech Republic, into an electrolytic manganese metal (“EMM”) project (the “Project”).

The Company’s corporate and registered offices are located at 1040 West Georgia Street, Suite 1500, Vancouver, B.C.

These consolidated financial statements have been prepared on a going concern basis in accordance with International Financial Reporting Standards (“IFRS”), which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. Several conditions discussed below cast significant doubt on this assumption.

As an early exploration stage corporation, the Company’s Chvaletice project only has established resources but no proven reserve estimates. It has no operating revenues and is unable to self-finance its operations. There is no assurance that the evaluation and acquisition activities executed or planned by the Company for the Chvaletice Project will result in the development of a profitable commercial operation. At September 30, 2017, the Company’s equity totaled \$3,140,376 and working capital totaled \$2,333,053 including cash and cash equivalents of \$2,860,994.

The Company’s ability to continue as a going concern is dependent on its ability to raise funds. The only source of future funds presently available to the Company is through the issuance of share capital. Management is currently pursuing this option. The ability of the Company to arrange such financings in the future will depend principally upon prevailing market conditions and the business performance of the Company. If additional financing is raised through the issuance of shares, control of the Company may change, and shareholders may suffer dilution. These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary if the going concern assumption was inappropriate, and these adjustments could be material.

Based on management’s current estimates, the Company does not currently have sufficient working capital to fund its corporate and Project costs through the next twelve months. The Company’s ability to continue as a going concern is substantially dependent on its ability to raise funds through the issuance of shares. If the Company is unable to obtain adequate additional financing, it will be required to curtail or terminate its activities.

2. Basis of Preparation

2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board. The accounting policies presented in Note 3 were consistently applied to all periods presented.

These consolidated financial statements were prepared by management and approved by the Board of Directors of the Company (the “Board”) on December 14, 2017.

2. Basis of Preparation (continued)

2.2 Basis of measurement

These consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information. In addition, these consolidated financial statements have been prepared on the historical cost basis.

2.3 Basis of consolidation

These consolidated financial statements incorporate the accounts of the Company and the entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operational policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date of control commences until the date that control ceases. All significant intercompany transactions and balances have been eliminated.

The Company acquired control of Mangan Chvaletice s.r.o. effective May 13, 2016 (note 5).

3. Summary of Significant Accounting Policies and Estimates

3.1 Foreign currency translation

The consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company and its subsidiary.

Transactions in foreign currencies are initially recorded in the Company's functional currency at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange prevailing at the end of each reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value is determined. All gains and losses on translation of these foreign currency transactions are included in profit or loss.

3.2 Mineral exploration and evaluation costs

Mineral exploration and evaluation costs include costs to acquire the rights to explore, geological studies, exploratory drilling and sampling, and directly attributable management costs.

Exploration and evaluation costs that are incurred prior to the Company obtaining a material legal interest in a property, are expensed in the period incurred. In addition, exploration and evaluation costs, other than direct acquisition costs, incurred prior to management identifying that the mineral resource of a property has economic potential, are expensed in the period incurred.

Exploration and evaluation costs are capitalized as mineral interests when a mineral resource of a property is identified as having economic potential. A mineral resource is considered to have economic potential when it is expected that documented resources can be legally and economically developed considering long-term metal prices.

3. Summary of Significant Accounting Policies and Estimates (continued)

Therefore, prior to capitalizing such costs, management determines that the following conditions have been met:

- a) There is a probable future benefit that will contribute to future cash inflows,
- b) The Company can obtain the benefit and control access to it, and
- c) The transaction or event giving rise to the benefit has already occurred.

Once the technical and commercial viability of a property has been determined, the exploration and evaluation assets are first tested for impairment, and then reclassified as mineral project and carried at cost until it is placed into commercial production, sold, abandoned or determined by management to be impaired.

The capitalized costs of a producing mineral project are amortized on a unit-of-production basis over the estimated ore reserves of the project. Costs incurred after a project is placed into production that increase production volumes or extend the life of the project are capitalized.

Proceeds from the sale of properties or projects, or cash proceeds received from option payments, are recorded as a reduction of the cost of the related mineral interest.

3.3 Impairment of long-lived assets

At each financial position reporting date, the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs of disposal and the value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arms-length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the prevailing market assessment of the time-value of money and the risks specific to the asset. Future cash flows are based on forecast estimates of production, product prices, and operating, capital, and reclamation costs. Assumptions underlying future cash flow estimates are subject to risks and uncertainties. Any differences between assumptions used and actual market conditions and the Company's performance, could have a material effect on the Company's financial position and results of operations.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the statement of comprehensive loss for the period.

When an impairment loss reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, provided such revised estimate may not exceed the carrying amount of the asset prior to the recognition of impairment losses recorded in previous periods. A reversal of an impairment loss is recognized immediately in the statement of comprehensive loss.

3.4 Property and equipment

Property and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The carrying amount of a replaced asset is derecognized when replaced. IT hardware and software, and equipment and furniture are amortized on a declining balance basis at an annual rate of 30%.

3. Summary of Significant Accounting Policies and Estimates (continued)

The Company allocates the amount initially recognized in respect of an item of property and equipment to its significant parts and separately depreciates each such part. Residual values, method of amortization, and useful lives of the assets are reviewed annually and adjusted if appropriate.

Gains and losses on disposals of property and equipment are determined by comparing the proceeds with the carrying amount of the asset and are included as part of other gains and losses in the statement of loss.

3.5 Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value. There were no cash equivalents at September 30, 2017 and 2016.

3.6 Stock and warrant based compensation

- a) **Options** - Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of equity instruments issued, if it is determined the fair value of the goods and services cannot be reliably measured, and are recorded at the date of the goods or services are received. The corresponding amount is recorded to the option reserves. The fair value of the options is determined using the Black-Scholes Option Pricing Model or when they are issued in settlement of compensation, measured at the fair value of the services rendered. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest (note 7(b)).
- b) **Warrants** - Warrant-issued payments to employees or as part of financing efforts are measured, at the time of issue, at the fair value of the services rendered, or, if the value of the services rendered is not determinable, using the Black-Scholes Option Pricing Model.

3.7 Income taxes

Income tax comprises current and deferred tax. Income tax is recognized in the statement of comprehensive loss except to the extent that it relates to items recognized directly in equity, in which case the income tax is also recognized directly in equity.

Current tax is the expected tax payable or recoverable on the taxable income for the period, using tax rates enacted or substantially enacted at the end of the reporting period.

In general, deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantially enacted at the statement of financial position date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets will be recovered.

Deferred tax assets and liabilities where recognized are presented as non-current.

3. Summary of Significant Accounting Policies and Estimates (continued)

3.8 Financial instruments

The Company's financial instruments consist of cash, receivables, due from related parties, accounts payable, deferred consideration and due to related parties. Cash, receivables, and due from related parties are designated as loans and receivables. Accounts payable, due to related parties and deferred consideration are classified as other financial liabilities.

All financial assets are initially recorded at fair value and designated upon inception into one of the following three categories:

Fair value through profit or loss ("FVTPL") is measured at fair value with gains and losses recognized through profit or loss. Available for sale is measured at fair value and loans and receivables are measured at amortized cost.

Financial assets classified as available for sale are measured at fair value with gains and losses recognized in other comprehensive income or loss, except for impairment losses. Interest calculated using the effective interest method and foreign exchange gains and losses on monetary items are recognized in profit and loss.

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating the accretion charge over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability.

3.09 Related party transactions

Parties are related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities. A transaction is a related party transaction when there is a transfer of resources or obligations between related parties.

3.10 Loss per share

Basic loss per share is calculated using the weighted average number of common shares outstanding during the period. Diluted loss per share is calculated giving effect to the potential dilution that would occur if securities or other contracts to issue common shares were exercised or converted to common shares using the treasury stock method. If the Company incurs a net loss in a fiscal period, basic and diluted loss per share are the same.

3. Summary of Significant Accounting Policies and Estimates (continued)

3.11 Asset Retirement Obligation

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development and ongoing production of a mineral interest by or on behalf of the Company. Costs for restoration of site damage which is created on an ongoing basis during exploration and evaluation are provided for at their net present values and charged against profits in the period such exploration and evaluation occurs. Discount rates using a risk-free rate that reflects the time value of money are used to calculate the net present value. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. As at September 30, 2017 and 2016 the Company does not have any decommissioning obligations.

3.12 Recent accounting pronouncements

The Company has not applied the following pronouncements that have been issued but are not yet effective:

IFRS 9 - Financial Instruments - The standard is effective for annual reporting periods beginning January 1, 2018 for entities. The Company is assessing the impact of this standard.

IFRS 15 - Revenue from Contracts with Customers - The standard is effective for annual reporting periods beginning January 1, 2018. Entities have the option of using either a full retrospective or a modified retrospective approach to adopt the guidance. The Company is not expecting this standard to impact the financial statements.

IFRS 16 - Leases – The new standard on lease accounting was issued on January 13, 2016 and replaces the current guidance in IAS 17. The new standard results in substantially all lessee leases being recorded on the consolidated statement of financial position. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted. The Company is currently evaluating the impact of this new standard on the Company's financial statement measurements and disclosures. The Company does not anticipate early adoption of this standard.

3.13 Critical Judgments and Estimates

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. The estimates and the underlying assumptions are based on the judgement of management, including historical experience and other factors that management believes to be reasonable under the circumstances.

The estimates and underlying assumptions are reviewed on an ongoing basis. A revision to an accounting estimate is recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both the current and future periods.

The following are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the financial statements:

- a) Management is required to assess impairment in respect of exploration and evaluation assets. The triggering events are defined in IFRS 6. In making the assessment, management is required to make

3. Summary of Significant Accounting Policies and Estimates (continued)

judgments on the status of each project, future plans towards finding commercial reserves and whether future economic benefits are likely either from exploitation or future sale or whether activities have

not reached a stage that permits a reasonable assessment of the existence of reserves. The nature of exploration and evaluation activity is such that only a small proportion of projects are ultimately successful, and some assets are likely to become impaired in future periods.

Management has determined that there were no triggering events present as defined in IFRS 6 for the exploration and evaluation assets and as such, no impairment test was performed.

- b) As part of the acquisition of Mangan, the Company discounted the \$1.2 million future deferred consideration at an annual rate of 15%. The discount rate represents an estimate of the Company's borrowing rate at the time of the acquisition. The deferred consideration balance will be accreted at an annual rate of 15% over the remaining repayment period and the resulting increase will be recorded as an annual accretion charge.
- c) Significant estimation is involved in determining the fair value of shares issued by the Company given that the Company is not publicly traded. Reference is made to the most recent share price negotiated with arms-length third parties when estimating the fair value of shares.
- d) Significant judgement is involved in determining the fair value of the penalty shares to be issued to certain shareholders if specific future conditions are not met (Note 7). Management considered the Company's previous record of raising financing in making this judgement.

4. Exploration and evaluation assets

The Chvaletice Project is a manganese deposit hosted in historic mine tailings located in the Czech Republic, a European Union member country. The Chvaletice Project has mineral exploration rights (the "License") expiring on September 30, 2019. If geological works have been implemented in line with the terms of the License, subject to receiving the approval from the Czech Republic's Ministry of Environment, at expiration the terms of the License may be extended or converted to a mining license.

The Company was formed with the objective of evaluating, acquiring, developing and operating the Chvaletice Project as electrolytic manganese metal project.

- a) Initially in 2014 the Company negotiated an option to purchase an 80% interest in the Chvaletice Project (the "Option Agreement"). An initial option payment of \$10,000 was made in June 2015.
- b) In 2016, following the acquisition by the Company of a 100% equity interest in Mangan, the Option Agreement was cancelled (note 5).

5. Mangan's Acquisition

On May 13, 2016 (the "Acquisition Date"), the Company acquired a 100% interest in Mangan from Mangan's shareholders (the "Shareholders"). The transaction did not meet the definition of a business combination, and was therefore accounted for as an acquisition of an asset.

The Option Agreement was cancelled and in exchange for receiving from the Shareholders a 100% equity interest in Mangan, the Company agreed to the following consideration:

- A cash payment of \$10,590 equivalent to Czech koruna CZK200,000, paid to Mangan's Founding Shareholders (the "Founding Shareholders") in early June 2016.
- The issuance, to the Founding Shareholders, of common shares of the Company in five equal tranches, each tranche valued at \$300,000. The first tranche, issued on June 16, 2016, consisted of 600,000 common shares at an estimated fair value of \$0.50 per share, based on the Company's most recent arm's length equity financing share price. The second tranche issued on May 13, 2017, consisted of 545,455 common shares at an estimated fair value of \$0.55 per share, based on the Company's most recent arm's length equity financing share price. Future tranches will be issued annually on the anniversary of the Acquisition Date.

The future number of shares to be issued will be based on the estimated value of the Company's common shares at the time of each issue. If traded on a stock exchange, the value of the Company shares will equal to the market value of the Company shares or, if the Company's shares are not traded on a stock exchange, the share value will equal the Company's most recent arm's length equity financing share price. As the future number of shares to be issued is undetermined, accounting standards require the Company to record the estimated value of future share issues as a liability rather than equity.

On each anniversary of the Acquisition Date, the total number of shares to be issued is restricted to an amount that when combined with other shares held by Founding Shareholders is a maximum of 20% of the Company's outstanding shares following the issue. If necessary, the unit price of the Company's shares used in the calculation will be adjusted accordingly at the time of issue. At inception, the Company estimated that the fair value of the related future share issuances will total \$1.2 million, so the maximum 20% limitation factor was assigned a nil value.

- The issue of a 1.2% net smelter royalty interest in the Project to the three Founding Shareholders of Mangan. A summary of the total remuneration issued and the balance of Mangan's net assets acquired at May 13, 2016 are as follows:

	\$		\$
Net Consideration value		Net assets acquired	
1) Paid on the Closing Date:		Cash	14,728
Cash payment	10,590	Receivable	3,192
600,000 shares issued @ \$0.50/share	300,000	Accounts payable	(4,206)
	310,590	Mineral property interest	1,239,086
2) Deferred future consideration:			
Value of common shares to be issued over			
four years	1,200,000		
less discounted future obligation	(343,506)		
	856,494		
3) Capitalized acquisition costs	85,716		
Total consideration value	1,252,800	Total net assets acquired	1,252,800

5. Mangan's Acquisition (continued)

⁽¹⁾At May 13, 2016, a deemed interest percentage of 15% based on comparative companies was used to discount the \$1.2 million nominal future deferred consideration balance to \$856,494. Over the next four-year period, the Company expects to accrue cumulative accretion charges totaling \$343,506.

During the year ended September 30, 2017, the Company issued a \$300,000 partial repayment consisting in 545,455 shares at a price of \$0.55 per share and the Company accrued an accretion charge of \$130,573 (2016 - \$37,310) resulting in a balance of \$724,377 (2016 - \$893,804) in deferred consideration at September 30, 2017.

6. Property and Equipment

IT hardware and software

	Opening cost	Additions	Disposals	Closing cost	Accumulated depreciation	Closing carrying value
	\$	\$	\$	\$	\$	\$
At September 30, 2016	3,745	-	-	3,745	(794)	2,951
Additions	-	7,843	-	7,843	(2,101)	5,742
At September 30, 2017	3,745	7,843	-	11,588	(2,895)	8,693
At September 30, 2015	530	-	-	530	-	530
Additions	-	3,215	-	3,215	(794)	2,421
At September 31, 2016	530	3,215	-	3,745	(794)	2,951

7. Equity

a) Common shares:

Authorized: Unlimited common shares without par value

Issued and outstanding: Total number of shares issued and outstanding at September 30, 2017:

	Share price	Number of common shares	Share capital
			CAD\$
Balance at September 30, 2016		6,007,345	1,166,353
Share issuance in year ended September 30, 2017			
i) Shares and warrants issued for cash			
- Private placements	\$0.50	1,442,000	721,000
	\$0.55	897,909	493,850
- Warrants issued for cash	\$0.01	-	4,308
- Brokered placement, net of expenses	\$0.55	8,363,636	4,066,870
		10,703,545	5,286,028
ii) Shares issued for services rendered			
	\$0.50	376,438	186,064
	\$0.55	449,539	245,096
		825,977	431,160
iii) Shares issued as repayment of deferred consideration	\$0.55	545,455	300,000
		12,074,977	6,017,189
Balance at September 30, 2017		18,082,322	7,183,542

7. Equity (continued)

The Company received \$4,308 from the exercise of 430,833 warrants at \$0.01 per share.

In four separate tranches of a brokered private placement (the “Brokered Placement”), on June 16th, June 30th, July 31st and August 18th, 2017, the Company issued a total 8,363,636 common shares at \$0.55 per share for total gross proceeds of \$4,600,000 less \$436,947 in expenses related to the share issue and \$96,182 in value assigned to the issue of 585,453 two-year broker warrants, exercisable at \$0.55 per share (note 7 (c)).

As part of the Brokered Placement, the Company agreed to the following conditions:

Reporting issuer - The Company will use commercially reasonable efforts to become a reporting issuer in Canada and obtain a listing either through an initial public offering, reverse takeover, or qualifying transaction on a recognized stock exchange in Canada or Australia.

Penalties for failing to obtain listing - The Company also agreed to the following penalties if it fails to meet the following listing requirements:

- Issue for no consideration a total of 1,254,545 shares to the Brokered Placement’s investors if the Company fails, by March 31, 2018, to file a preliminary prospectus or the required listing documents with a applicable regulatory authorities and,
- Issue for no consideration an additional 1,254,545 shares to the Brokered Placement’s investors if the Company fails, within 18 months from August 18, 2017, to become publicly listed in Canada or Australia.
- At the time of closing the first tranche of the Brokered Placement on June 16, 2017, the Company estimated that it would be able to meet the listing requirements and avoid the penalties. Therefore, a nil probability and no value was assigned to the possibility of the Company having to issue such additional penalty shares.

First right of refusal to act as agent for a twelve-month period - As part of the Brokered Placement, the Company also granted the broker a right of first refusal, for a period of twelve months following the closing of the Brokered Placement, to act as agent in any offering of Company’s securities to be issued and sold to the public in Canada by private placement or public offering or to provide professional, sponsorship or advisory services performed by a broker or investment dealer.

Extension of penalties to other shareholders - When negotiating share issuances with the Company’s other investors that had invested at \$0.50 and \$0.55 per share, the Company agreed that the terms would be at least as favorable as any terms agreed to in the Brokered Placements. Therefore, on September 15, 2017 the Company formalized terms applicable to all share subscription agreements previously priced at \$0.50 and \$0.55 per share, for the penalty terms identical to the ones granted to the Brokered Placement’s investors to extend to those shareholders.

ii) Shares issued for services rendered

During the year ended September 30, 2017, the Company issued a total of 376,438 common shares at \$0.50 per share and 449,539 common shares at \$0.55 per share as payment for services

7. Equity (continued)

rendered for a total value of \$431,160. The issued shares were priced based on the latest share issue price at the time the services were rendered.

iii) Shares issued for repayment of deferred consideration

On May 13, 2017, the Company issued a total of 545,455 common shares at \$0.55 per share as a partial repayment of the outstanding deferred consideration (note 5 (c)).

b) Stock options

The Company has a rolling stock-based compensation plan (the “Plan”) allowing for the reservation of a maximum 10% of the common shares issued and outstanding at any given time for issuance under the Plan. Under the Plan, all stock options are granted at the discretion of the Board. The term of any option granted may not exceed ten years and the exercise price may not be less than the market value of the Company shares or, if the Company’s shares are not traded on a stock exchange, the share price equal to the Company’s most recent arm’s length equity financing share price.

Current outstanding options have an expiry date of ten years and vest over a period of 24 months. In the year ended September 30, 2017, the Company granted a total of 1,055,000 options to directors, officers and consultants. A total of 345,000 options were granted at \$0.50 on April 6, 2017 and 710,000 options were granted at \$0.55 on September 21, 2017.

A continuity summary of the stock options granted and outstanding under the Plan is presented below:

	Year ended September 30, 2017		Year ended September 30, 2016	
	Number of share options	Weighted average exercise price (\$/per share)	Number of share options	Weighted average exercise price (\$/per share)
		\$		\$
Balance, beginning of year	395,000	0.41	-	-
Options granted during the year	1,055,000	0.53	395,000	0.41
Balance, end of year	1,450,000	0.50	395,000	0.41

The balance of options outstanding and exercisable at September 30, 2017 is as follows:

Options outstanding & exercisable			Options exercisable	
Exercise price (per share)	Number of share options	Weighted average remaining contractual life	Number of share options outstanding	Weighted average remaining contractual life
\$				
0.40	355,000	8.6	236,662	8.6
0.50	385,000	9.4	141,661	9.4
0.55	710,000	10.0	236,660	10.0
	1,450,000	9.5	614,983	9.4

7. Equity (continued)

The Company applied the fair value based method of accounting to determine the value of stock options granted to employees, including directors, and non-employees on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions:

	From	To	Weighted average
Option exercise price range	\$0.50	\$0.55	\$0.54
Risk free rate	1.24%	1.78%	1.45%
Expected life (years)	9.0	9.0	9.0
Annualized volatility	60%	60%	60%
Dividend rate	0%	0%	0%
Forfeiture rate	0%	0%	0%
Share price	\$0.50	\$0.55	\$0.53

During the year ended September 30, 2017, the Company recorded a stock-based compensation expense of \$210,817 (2016 - \$74,087) of which \$76,064 (2016 - \$16,719) was allocated to project expenses and \$134,753 (2016 - \$57,368) to administrative expenses.

c) Warrants

- i) During the year ended September 30, 2017, in lieu of a cash payment for services from an officer of \$221,875 (2016 - \$127,837) the Company issued warrants exercisable at \$0.01 per share totaling 430,833 shares (2016 - 306,589). At September 30, 2017, no warrants relating to these payments (2016 - 57,627) were outstanding.
- ii) Between June and August 2017, as part of separate tranches of a Brokered Placement, the Company issued a total of 585,453 two-year warrants exercisable at \$0.55 per share expiring in the period between June 16, 2019 and August 18, 2019.

Using the Black-Scholes option pricing model with the following weighted-average assumptions the warrants were assigned a value of \$96,182.

Option exercise price range	CAD\$0.55
Risk free rate	0.76%
Expected life (years)	2.0
Annualized volatility	60%
Dividend rate	0%
Share price	CAD\$0.55

d) Deferred consideration

At September 30, 2017, the Company has a commitment to issue a cumulative total of \$900,000 in common shares of the Company. A total of \$300,000 in shares is due on May 13, 2018 and a similar amount on the following two anniversary dates. The number of shares issuable will be based on the value of the Company's shares at the time of each issue (note 5).

7. Equity (continued)

e) The total balance of current services to be repaid by the Company through the future issuance of shares or warrants was as follows:

	Year ended September 30, 2017		Year ended September 30, 2016	
	Share price	Number of common shares	Share price	Number of common shares
Shares to be issued to employees and consultants	\$0.55	41,878	\$0.50	17,857
Warrants to be issued to an employee	\$0.55	61,203	-	-
		103,081		17,857

8. Related Party Transactions

Related parties and related party transactions impacting the accompanying consolidated financial statements are summarized below and include transactions with the following individuals and entities:

a) Key management personnel

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Board and corporate officers.

b) Related party transactions during the year

During the year ended September 30, 2017 and 2016, the Company incurred the following expenses to officers or directors of the Company or companies with common directors:

	Year ended September 30,	
	2017	2016
	\$	\$
Salaries and consulting fees payable to officers of the Company	645,928	177,000
Fees provided by a legal firm associated with a director of the Company	43,171	93,564
	689,099	270,564
Stock-based compensation	158,932	202,669
	848,031	473,233

8. Related Party Transactions (continued)

c) Balances payable to related parties at the end of the year:

	September 30, 2017	September 30, 2016
	\$	\$
Salaries and consulting fees from officers of the Company	64,576	176,515
Fees provided by a legal firm associated with a director of the Company	11,161	9,418
Outstanding payable due to officers and directors of the Company	40,994	1,763
	116,731	187,696

These transactions were incurred in the normal course of operations.

9. Financial Instruments and Risk Management

a) Fair value

The carrying value of the Company's financial assets and liabilities approximates their estimated fair value.

b) Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash.

The Company's maximum exposure to credit risk is comprised of the following:

	September 30, 2017	September 30, 2016
	\$	\$
Cash	2,860,994	117,393
	2,860,994	117,393

c) Liquidity risk

Liquidity risk is the risk that the Company will incur difficulties meeting its financial obligations as they are due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking harm to the Company's reputation (note 1).

10. Segmented information

The Company's operations are all conducted in one segment, the exploration and development of exploration and evaluation assets. The Company's exploration and evaluation assets are in the Czech Republic.

11. Management of Capital

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern to pursue suitable business opportunities and to maintain flexible capital structure for its projects for the benefit of its stakeholders. As the Company is in the exploration and evaluation stage and has not achieved commercial operations from its projects, its principal source of funds is from the issuance of common shares. Further information related to liquidity risk is disclosed in note 1 and 9.

In the management of capital, the Company includes the components of equity. The Company manages and adjusts its capital structure considering changes in economic conditions and the risk characteristics of the underlying assets. To maintain and adjust the capital structure, the Company may attempt to issue new shares, enter joint venture property arrangements, acquire or dispose of assets or adjust the amount of cash and cash equivalents and investments.

To facilitate the management of its capital requirements, the Company prepares monthly and 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.

The Company's investment policy is to invest its cash in highly liquid short-term interest-bearing investments with maturities or three months or less from the original date of acquisition, selected with regards to the expected timing of expenditures from continuing operations.

The Company is uncertain as to whether its current capital resources will be sufficient to carry its exploration and development plans and operations through its current operating period and, accordingly, management is reviewing the timing and scope of current exploration plans and is also pursuing other financing alternatives to fund the Company's operations.

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

12. Income taxes

A reconciliation of the income tax recoveries at the statutory tax rate of 26% (2015 – 26%) is as follows:

	September 30, 2017	September 30, 2016
	\$	\$
Loss for the year	(3,413,356)	(945,950)
Expected income tax recovery	(887,472)	(245,947)
Non-deductible expenses and other	145,262	150,790
Non-capital losses expired	-	-
Effect of foreign tax rates and tax rate changes	167,898	(255)
Effect of deductible temporary difference not recognized	574,312	95,412
Income tax recovery	-	-

12. Income taxes (continued)

The Company has not recognized any deferred tax assets as realization is not probable.

The significant components of the Company's deferred tax assets are as follows:

	September 30, 2017	September 30, 2016
	\$	\$
Equipment	3,013	836
Exploration and evaluation assets	84,315	84,315
	87,328	85,151
Unrecognized deferred income tax assets	(87,328)	(85,151)
Deferred income tax assets	-	-

13. Events after the reporting period

- a) As part of its Project's land planning efforts, the Company acquired at the beginning of November 2017, a land parcel and some building and equipment for approximately \$326,000.
- b) On December 14, 2017, the Company granted, to directors and employees of the Company, a total of 140,000 ten-year options with an exercise price of \$0.55 per option.

EURO MANGANESE INC.

CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

SEPTEMBER 30, 2016

Euro Manganese Inc.

Audited Financial Statements for Euro Manganese Inc. as of September 30, 2016 and
for the year ended September 30, 2016, and related notes thereto

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December 23, 2016

Independent Auditor's Report

To the Shareholders of Euro Manganese Inc.

We have audited the accompanying consolidated financial statements of Euro Manganese Inc. and its subsidiary, which comprise the consolidated statements of financial position as at September 30, 2016 and September 30, 2015 and the consolidated statements of loss and comprehensive loss, cash flows, and changes in equity for the year ended September 30, 2016, and the period from November 24, 2014 to September 30, 2015, and the related notes, which comprise 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.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits 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 auditor's 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 audits is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers LLP

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

**Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Euro Manganese Inc. and its subsidiary as at September 30, 2016 and September 30, 2015 and their financial performance and their cash flows for the year ended September 30, 2016 and the period from November 24, 2014 to September 30, 2015 in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which discloses conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about the ability of Euro Manganese Inc. to continue as a going concern.

(signed) “PricewaterhouseCoopers LLP”

Chartered Professional Accountants

EURO MANGANESE INC.

(An Exploration Stage Company)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at September 30, 2016 and 2015

(Expressed in Canadian Dollars)

AS AT

	Note	September 30, 2016	September 30, 2015
		\$	\$
ASSETS			
Current Assets			
Cash and cash equivalents		117,393	4,849
Receivable		9,084	-
Due from related parties	8	-	2,400
		126,477	7,249
Non-current assets			
Exploration and evaluation assets	4	1,249,086	10,000
Property and Equipment	6	2,951	530
		1,378,514	17,779
LIABILITIES			
Current Liabilities			
Accounts payable		39,233	3,869
Due to related parties	8	187,696	54,056
Deferred consideration - current portion		272,233	-
		499,162	57,925
Non-current liabilities			
Deferred consideration	5	621,571	-
		1,120,733	57,925
EQUITY			
Share Capital	7 (a)	1,166,353	24,800
Equity Reserve	7 (b)(c)	102,324	-
Deficit		(1,010,896)	(64,946)
		257,781	(40,146)
Total liabilities and shareholders' equity (deficit)		1,378,514	17,779

Nature of Operations and Going Concern (note 1)

Events after the reporting period (note 13)

Approved on behalf of the Board on December 23, 2016

"Marco Romero"

Director

"John Webster"

Director

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

EURO MANGANESE INC.

(An Exploration Stage Company)

CONSOLIDATED STATEMENT OF LOSS AND COMPREHENSIVE LOSS

For the year ended September 30, 2016 and the period ended September 30, 2015

(Expressed in Canadian Dollars)

	Year ended September 30,	
	2016	2015
	\$	\$
Project Evaluation Expenses		
Drilling, sampling and surveys	5,887	-
Engineering	123,632	10,858
Environmental	17,856	4,690
Geological	3,890	-
Market studies	46,758	7,100
Metallurgical	50,498	6,908
Other	4,724	1,820
Project management	25,379	-
Taxes	8,948	-
Travel	39,332	-
Remuneration and overhead allocation	229,403	6,162
Overhead allocation	50,527	-
Stock-based compensation	16,719	-
	623,553	37,538
Other Expenses		
Remuneration	235,885	9,788
Stock-based compensation	185,205	-
Less: allocation to project evaluation	(279,930)	(6,162)
Net Remuneration	141,160	3,626
Legal	14,832	-
Conferences	14,509	2,415
Investor relations	32,878	468
Depreciation	794	-
Insurance	875	875
Office, general and administrative	21,063	7,771
Office rent	13,600	2,000
Interest expense	37,310	-
Travel	45,376	10,253
	322,397	27,408
Loss & comprehensive loss for the year	(945,950)	(64,946)
Loss per share		
Loss & comprehensive loss for the year	(945,950)	(64,946)
Basic and diluted loss per share	(0.23)	(0.03)
Weighted average number of shares outstanding	4,190,160	2,139,742

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

EURO MANGANESE INC.

(An Exploration Stage Company)

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the year ended September 30, 2016 and the period ended September 30, 2015

(Expressed in Canadian Dollars)

	Note	Year ended September 30,	
		2016	2015
		\$	\$
Operating Activities			
Net loss for the period		(945,950)	(64,946)
Less non-cash transactions:			
Share-based payments			
Options		74,087	-
Warrants		127,837	-
Share for services		96,763	-
	7 (b)(c)	298,687	-
Depreciation		794	-
Interest expense	5	37,310	-
		(609,159)	(64,946)
Changes in non-cash working capital items:			
Accounts payable		23,327	3,869
Accounts receivable		(5,892)	-
Related parties		183,871	14,056
		201,306	17,925
Net Operating activities		(407,853)	(47,021)
Financing Activities			
Common shares issued for cash		565,990	22,400
Common shares repurchased and cancelled		(800)	-
Loan from shareholders		90,000	-
Loan repayment to shareholder		(50,000)	40,000
		605,190	62,400
Investing Activities			
Cash acquired on acquisition		14,728	-
Mineral property acquisition payment		(96,306)	(10,000)
Property & equipment - purchases		(3,215)	(530)
		(84,793)	(10,530)
Increase in Cash & Cash Equivalents		112,544	4,849
Cash & Cash Equivalents - beginning of period		4,849	-
Cash & Cash Equivalents - end of period		117,393	4,849
Non-cash transactions excluded from above:			
Mineral property acquisition - net discounted value		(1,156,494)	-
Deferred consideration's discount		(343,506)	-
		(1,500,000)	-
Deferred share payment commitment		1,200,000	-
First share issue on June 16, 2016 related to the acquisition of the mineral property		300,000	-
		-	-

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

EURO MANGANESE INC.

(An Exploration Stage Company)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the year ended September 30, 2016 and the period ended September 30, 2015

(Expressed in Canadian Dollars)

	Attributable to equity shareholders of the Company				
	Share Capital	Share Capital	Equity Reserves	Deficit	Shareholders' Equity (Deficit)
	#	\$	\$	\$	\$
Balance at September 30, 2015	2,480,000	24,800	-	(64,946)	(40,146)
Shares issued for cash	2,220,000	563,500	-	-	563,500
Shares repurchased and cancelled	(80,000)	(800)	-	-	(800)
Shares issued as repayment of debt	266,667	80,000	-	-	80,000
Shares issued as repayment of services	271,716	96,763	-	-	96,763
Shares issued as part of acquisition	600,000	300,000	-	-	300,000
Shares issued on exercise of warrants	248,962	102,090	(99,600)	-	2,490
Share-based compensation	-	-	201,924	-	201,924
Loss and comprehensive loss for the year	-	-	-	(945,950)	(945,950)
	3,527,345	1,141,553	102,324	(945,950)	297,927
Balance at September 30, 2016	6,007,345	1,166,353	102,324	(1,010,896)	257,781
Balance, November 24, 2014 (incorporation date)	-	-	-	-	-
Shares issued for cash at \$0.01 per share	2,480,000	24,800	-	-	24,800
Loss and comprehensive loss for the period	-	-	-	(64,946)	(64,946)
Balance at September 30, 2015	2,480,000	24,800	-	(64,946)	(40,146)

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

EURO MANGANESE INC.

(An Exploration Stage Company)

Notes to the consolidated financial statements

(Expressed in Canadian Dollars)

September 30, 2016

1. Nature of Operations and Going Concern

Euro Manganese Inc. (the “Company”) was incorporated as a private company under the British Columbia Business Corporations Act on November 24, 2014, and accordingly the year ended September 30, 2015 includes a period of approximately ten months. The Company is focused on the exploration and reclamation of mineral projects in Europe and is currently evaluating the potential development of the Chvaletice deposit, located in the Czech Republic, into an electrolytic manganese metal (“EMM”) project (the “Project”).

The Company’s corporate and registered offices are located at 1040 West Georgia Street, Suite 1500, Vancouver, B.C. The Company commenced activities in the fourth quarter of calendar 2014.

These consolidated financial statements have been prepared on a going concern basis in accordance with International Financial Reporting Standards (“IFRS”), which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. Several conditions discussed below cast significant doubt on this assumption.

As an early exploration stage corporation, the Company does not own any properties or projects with established resources or reserves. It has no operating revenues and is unable to self-finance its operations. There is no assurance that the evaluation and acquisition activities executed or planned by the Company for the Chvaletice Project will result in the development of a profitable commercial operation. At September 30, 2016, the Company’s equity totaled \$257,781 and working capital deficit totaled \$372,685, including cash and cash equivalents of \$117,393.

The Company’s ability to continue as a going concern is dependent on its ability to raise funds. The only source of future funds presently available to the Company is through the issuance of share capital. Management is currently pursuing this option. The ability of the Company to arrange such financings in the future will depend principally upon prevailing market conditions and the business performance of the Company. If additional financing is raised through the issuance of shares, control of the Company may change and shareholders may suffer dilution. These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary if the going concern assumption was inappropriate, and these adjustments could be material.

Based on management’s current estimates, the Company does not currently have sufficient working capital to fund its corporate and Project costs through the next twelve months. The Company’s ability to continue as a going concern is substantially dependent on its ability to raise funds through the issuance of shares. If the Company is unable to obtain adequate additional financing, it will be required to curtail or terminate its activities.

2. Basis of Preparation

2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards (“IASB”) as set out in the Chartered Professional Accountants of Canada Handbook – Accounting – Part 1 (“CPA Handbook”). The accounting policies presented in Note 3 were consistently applied to all periods presented.

These consolidated financial statements were prepared by management and approved by the Board of Directors of the Company (the “Board”) on December 23, 2016.

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(An Exploration Stage Company)

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(Expressed in Canadian Dollars)

September 30, 2016

2. Basis of Preparation (continued)

2.2 Basis of measurement

These consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information. In addition, these consolidated financial statements have been prepared on the historical cost basis.

2.3 Basis of consolidation

These consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operation policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date of control commences until the date that control ceases. All significant intercompany transactions and balances have been eliminated.

The Company acquired control of Mangan Chvaletice s.r.o. effective June 16, 2016 (note 5).

3. Summary of Significant Accounting Policies and Estimates

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. The estimates and the underlying assumptions are based on the judgement of management, including historical experience and other factors that management believes to be reasonable under the circumstances.

The estimates and underlying assumptions are reviewed on an ongoing basis. A revision to an accounting estimate is recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both the current and future periods.

3.1 Foreign currency translation

The consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company and its subsidiary.

Transactions in foreign currencies are initially recorded in the Company's functional currency at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange prevailing at the end of each reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value is determined. All gains and losses on translation of these foreign currency transactions are included in profit or loss.

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3. Summary of Significant Accounting Policies and Estimates (continued)

3.2 *Mineral exploration and evaluation costs*

Mineral exploration and evaluation costs include costs to acquire the rights to explore, geological studies, exploratory drilling and sampling, and directly attributable management costs.

Exploration and evaluation costs that are incurred prior to the Company obtaining a material legal interest in a property, are expensed in the period incurred. In addition, exploration and evaluation costs, other than direct acquisition costs, incurred prior to management identifying that the mineral resource of a property has economic potential, are expensed in the period incurred.

Exploration and evaluation costs are capitalized as mineral interests when a mineral resource of a property is identified as having economic potential. A mineral resource is considered to have economic potential when it is expected that documented resources can be legally and economically developed considering long-term metal prices.

Therefore, prior to capitalizing such costs, management determines that the following conditions have been met:

- a) There is a probable future benefit that will contribute to future cash inflows;
- b) The Company can obtain the benefit and control access to it; and
- c) The transaction or event giving rise to the benefit has already occurred.

Once the technical and commercial viability of a property has been determined, it is classified as mineral project and carried at cost until it is placed into commercial production, sold, abandoned or determined by management to be impaired.

The capitalized costs of a producing mineral project are amortized on a unit-of-production basis over the estimated ore reserves of the project. Costs incurred after a project is placed into production that increase production volumes or extend the life of the project are capitalized.

Proceeds from the sale of properties or projects, or cash proceeds received from option payments, are recorded as a reduction of the cost of the related mineral interest.

3.3 *Impairment of long-lived assets*

At each financial position reporting date, the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and the value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arms-length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the prevailing market assessment of the time-value of money and the risks specific to the asset. Future cash flows are based on forecast estimates of production, product prices, and operating, capital, and reclamation costs. Assumptions underlying future cash flow estimates are subject to risks and uncertainties. Any differences between assumptions used and actual market conditions and the Company's performance, could have a material effect on the Company's financial position and results of operations.

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3. Summary of Significant Accounting Policies and Estimates (continued)

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period.

When an impairment loss reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, provided such revised estimate may not exceed the carrying amount of the asset prior to the recognition of impairment losses recorded in previous periods. A reversal of an impairment loss is recognized immediately in the statement of comprehensive loss.

3.4 *Property and equipment*

Property and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The carrying amount of a replaced asset is derecognized when replaced. IT hardware and software, and equipment and furniture are amortized on a declining balance basis at an annual rate of 30%.

The Company allocates the amount initially recognized in respect of an item of property and equipment to its significant parts and separately depreciates each such part. Residual values, method of amortization, and useful lives of the assets are reviewed annually and adjusted if appropriate.

Gains and losses on disposals of property and equipment are determined by comparing the proceeds with the carrying amount of the asset and are included as part of other gains and losses in the statement of loss.

3.5 *Cash and cash equivalents*

Cash and cash equivalents includes cash on hand, deposits held with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and subject to an insignificant risk of change value. There were no cash equivalents at September 30, 2016 and 2015.

3.6 *Stock and warrant based compensation*

- a) **Options** - Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of equity instruments issued, if it is determined the fair value of the goods and services cannot be reliably measured, and are recorded at the date of the goods or services are received. The corresponding amount is recorded to the option reserves. The fair value of the options is determined using the Black-Scholes Option Pricing Model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest (note 7(b)).
- b) **Warrants** - Warrant-based payments to employees are measured, at the time of issue, at the fair value of the services rendered.

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3. Summary of Significant Accounting Policies and Estimates (continued)

3.7 *Income taxes*

Income tax comprises current and deferred tax. Income tax is recognized in the statement of comprehensive loss except to the extent that it relates to items recognized directly in equity, in which case the income tax is also recognized directly in equity.

Current tax is the expected tax payable or recoverable on the taxable income for the period, using tax rates enacted or substantially enacted at the end of the reporting period.

In general, deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantially enacted at the statement of financial position date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets will be recovered.

Deferred tax assets and liabilities where recognized are presented as non-current.

3.8 *Financial instruments*

The Company's financial instruments consist of cash and cash equivalents, receivables, due from related parties, accounts payable, deferred consideration and due to related parties. Cash and cash equivalents, receivables, and due from related parties are designated as loans and receivables. Accounts payable, due to related parties and deferred consideration are classified as other financial liabilities.

All financial assets are initially recorded at fair value and designated upon inception into one of the following three categories:

Fair value through profit or loss ("FVTPL") is measured at fair value with gains and losses recognized through profit or loss.

- a) Available for sale is measured at fair value.
- b) Loans and receivables are measured at amortized cost.

Financial assets classified as available for sale are measured at fair value with gains and losses recognized in other comprehensive income or loss, except for impairment losses. Interest calculated using the effective interest method and foreign exchange gains and losses on monetary items are recognized in profit and loss.

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are *subsequently* measured at amortized cost using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability.

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3. Summary of Significant Accounting Policies and Estimates (continued)

3.09 Related party transactions

Parties are related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities. A transaction is a related party transaction when there is a transfer of resources or obligations between related parties.

3.10 Loss per share

Basic loss per share is calculated using the weighted average number of common shares outstanding during the period. Diluted loss per share is calculated giving effect to the potential dilution that would occur if securities or other contracts to issue common shares were exercised or converted to common shares using the treasury stock method. If the Company incurs a net loss in a fiscal period, basic and diluted loss per share are the same.

3.11 Asset Retirement Obligation

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development and ongoing production of a mineral interest by or on behalf of the Company. Costs for restoration of site damage which is created on an ongoing basis during exploration and evaluation are provided for at their net present values and charged against profits in the period such exploration and evaluation occurs. Discount rates using a risk-free rate that reflects the time value of money are used to calculate the net present value. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. As at September 30, 2016 and 2015 the Company does not have any decommissioning obligations.

3.12 Recent accounting pronouncements

The Company has adopted amendments to IFRS 8 *Operating Segments* effective January 1, 2015 for the year commencing October 1, 2015. This standard requires a description of the segments in which aggregated based on similar economic indicators. These amendments did not materially impact the Company's disclosures.

The Company has not applied the following pronouncements that have been issued but are not yet effective:

IFRS 9 - *Financial Instruments* - The standard is effective for annual reporting periods beginning January 1, 2018 for entities. The Company is assessing the impact of this standard.

IFRS 15 - *Revenue from Contracts with Customers* - The standard is effective for annual reporting periods beginning January 1, 2018 for entities with early adoption permitted. Entities have the option of using either a full retrospective or a modified retrospective approach to adopt the guidance. The Company is not expecting this standard to impact the financial statements.

IFRS 16 - *Leases* - The new standard on lease accounting was issued on January 13, 2016 and replaces the current guidance in IAS 17. The new standard results in substantially all lessee leases being recorded on the consolidated statement of financial position. IFRS 16 is effective for annual periods beginning on or after

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3. Summary of Significant Accounting Policies and Estimates (continued)

January 1, 2019, with early adoption permitted. The Company is currently evaluating the impact of this new standard on the Company's financial statement measurements and disclosures. The Company does not anticipate early adoption of this standard.

3.13 Critical Judgments

The following are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the financial statements:

- a) Management is required to assess impairment in respect of intangible exploration and evaluation assets. The triggering events are defined in IFRS 6. In making the assessment, management is required to make judgments on the status of each project and future plans towards finding commercial reserves. The nature of exploration and evaluation activity is such that only a small proportion of projects are ultimately successful and some assets are likely to become impaired in future periods.

Management has determined that there were no triggering events present as defined in IFRS 6 for the exploration and evaluation assets and as such, no impairment test was performed.

- b) As part of the acquisition of Mangan, the Company discounted the \$1.2 million future deferred consideration at an annual rate of 15%. The discount rate represents an estimate of the Company's borrowing rate at the time of the acquisition. The deferred consideration balance will be accreted at an annual rate of 15% over the remaining repayment period and the resulting increase will be recorded as an annual interest expense charge.
- c) Significant estimation is involved in determining the fair value of shares issued by the Company given that the Company is not publicly traded.

4. Exploration and evaluation assets

The Chvaletice Project is a manganese deposit hosted in historic mine tailings located in the Czech Republic, a European Union member country. The Chvaletice Project owns mineral exploration rights (the "License") expiring on September 30, 2019. If geological works have been implemented in line with the terms of the License, subject to receiving the approval from the Czech Republic's Ministry of Environment, at expiration the terms of the Licence may a) be extended or b) converted to a mining license.

The Company was formed with the objective of evaluating, acquiring, developing and operating the Chvaletice Project as electrolytic manganese metal project.

- a) *Initial 2014 option to earn an 80% interest* - In December 2014, the Company negotiated an option (the "Option") to acquire an indirect interest in an exploration-stage Project from Mangan Chvaletice s.r.o. ("Mangan"), a company based in the Czech Republic owning a one hundred percent interest in the Project.

In June 2015, the Company exercised its right to acquire the Option and made a payment of \$10,000 to the founding shareholders of Mangan (the "Founding Shareholders") to secure the Option.

The Option gave the Company the right to acquire a) 51% equity interest in Mangan, by incurring, by November 30, 2016, \$500,000 in expenditures on Mangan and its' Project (the "Phase One Expenditure Program") and following the exercise of Phase One, b) a further 29% equity interest in Mangan by incurring the following: i) an additional \$2.0 million in expenditures (the "Phase Two Expenditure

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4. Exploration and evaluation assets (continued)

Program”) by May 31, 2019 and ii) issuing to the Founding Shareholders, at the end of Phase Two, common shares of the Company with a fair value of \$1.5 million at the time of issue.

Following the acquisition of the 80% equity interest in Mangan, future funding of Mangan and its Chvaletice Project was to consist in equity contributions by Mangan’s shareholders in proportion to their existing equity interest.

At the end of Phase Two Expenditure Program, the Founding Shareholders had the right to collectively elect to convert their 20% interest in Mangan to a 1.2% net smelter royalty interest in the Project (the “NSR”). If such election was not made at that time, the Shareholders’ equity interest would have been converted to the NSR if their collective equity interest fell below 5%.

- b) *2016 acquisition of a 100% interest* - On June 16, 2016, the Company acquired a 100% equity interest in Mangan resulting in termination of the Option (note 5).

5. Mangan’s Acquisition

On June 16, 2016 (the “Closing Date”), the Company completed the acquisition, from Mangan’s shareholders (the “Shareholders”), of a 100% interest in Mangan.

The transaction did not meet the definition of a business combination, and was therefore accounted for as an acquisition of an asset.

The December 2014 Option agreement was cancelled and in exchange for receiving from the Shareholders a 100% equity interest in Mangan, the Company agreed to the following consideration:

- i) A cash payment of \$10,590 equivalent to Czech koruna CZK200,000, paid to Mangan’s Founding Shareholders on Closing Date.
- ii) The issuance, to the Founding Shareholders, of common shares of the Company in five equal tranches, each tranche valued at \$300,000. The first tranche, issued on the Closing Date, consisted of 600,000 common shares at an estimated fair value of \$0.50 per share, based on the Company’s most recent arm’s length equity financing share price. Future tranches will be issued annually on the anniversary of the Closing Date.

The future number of shares to be issued will be based on the estimated value of the Company’s common shares at the time of each issue. If traded on a stock exchange, the value of the Company shares will equal to the market value of the Company shares or, if the Company’s shares are not traded on a stock exchange, the share value will equal the Company’s most recent arm’s length equity financing share price. As the future number of shares to be issued is undetermined, accounting standards require the Company to record the estimated value of future shares issues as a liability rather than equity.

On each anniversary date, the total number of shares to be issued is restricted to an amount that when combined with other shares held by Founding Shareholders is a maximum of 20% of the Company’s outstanding shares following the issue. If necessary, the unit price of the Company’s shares used in the calculation will be adjusted accordingly at the time of issue. The Company estimated that the fair value of the related future share issuances will total \$1.2 million, so the maximum 20% limitation factor was assigned a nil value.

- iii) The issue of a 1.2% net smelter royalty interest in the Project to the three Founding Shareholders of Mangan.

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5. Mangan's Acquisition (continued)

A summary of the total remuneration issued and the balance of Mangan's net assets acquired at June 16, 2016 are as follows:

	\$		\$
Net Consideration value		Net assets acquired	
1) Paid on the Closing Date:		Cash	14,728
Cash payment	10,590	Receivable	3,192
600,000 shares issued @ \$0.50/share	300,000	Accounts payable	(4,206)
	310,590	Mineral property interest	1,239,086
2) Deferred future consideration:			
Value of common shares to be issued			
over four years	1,200,000		
less discounted future obligation	(343,506) ⁽¹⁾		
	856,494		
3) Capitalized acquisition costs	85,716		
Total consideration value	1,252,800	Total net assets acquired	1,252,800

⁽¹⁾ At June 16, 2016, a deemed interest percentage of 15% based on comparative companies was used to discount the \$1.2 million nominal future deferred consideration balance to \$856,494. Over the next four-year period, the Company expects to accrue cumulative interest charges totaling \$343,506. During the year ended September 30, 2016, the Company accrued an interest charge of \$37,310 increasing the deferred consideration balance to \$893,804 at September 30, 2016.

6. Property and Equipment

IT hardware and software

	Opening cost	Additions	Disposals	Closing cost	Accumulated depreciation	Closing carrying value
	\$	\$	\$	\$	\$	\$
At September 30, 2015	530	-	-	530	-	530
Additions	-	3,215	-	3,215	(794)	2,421
At September 30, 2016	530	3,215	-	3,745	(794)	2,951

7. Equity

a) Common shares:

Authorized: Unlimited common shares without par value

Issued and outstanding:

	September 30,	
	2016	2015
Shares	6,007,345	2,480,000
Amount	\$1,166,353	\$24,800

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7. Equity (continued)

The following is a summary of the total number of shares issued during the year ended September 30, 2016:

	Share price	Number of common shares	Share capital CAD\$
Balance at September 30, 2015			
i) Founders shares issued	\$0.01	2,480,000	24,800
Share issuance in year ended September 30, 2016			
i) Founders shares			
Shares issued	\$0.01	950,000	9,500
Shares repurchased and cancelled	\$0.01	(80,000)	(800)
		870,000	8,700
ii) Shares issued as repayment of debt	\$0.30	266,667	80,000
iii) Private placements			
	\$0.40	810,000	324,000
	\$0.50	460,000	230,000
		1,270,000	554,000
iv) Shares issued for services rendered			
	\$0.30	120,581	36,174
	\$0.40	149,794	59,918
	\$0.50	1,341	671
		271,716	96,763
v) Warrants exercised	\$0.41	248,962	102,090
vi) Shares issued for mineral property acquisition	\$0.50	600,000	300,000
		3,527,345	1,141,553
Balance at September 30, 2016		6,007,345	1,166,353

The following is a summary of share issues since inception:

i) Founders shares issued for cash:

Founders shares - To incentivize its directors and senior personnel, these shares were first issued by the Company at \$0.01 per share. At September 30, 2016, a total of 3.35 million Founders shares had been issued consisting of 2.248 million shares at September 30, 2015 and an additional 950,000 shares in January 2016.

The Founders shares are subject to a vesting restriction entitling the owner to vest one third of the purchased shares at the date of issue and, if the shareholder is still an officer or director of the Company, the remaining share balance will vest in equal amount over the remaining two years on the anniversary date of the first issue. Following the departure in January and February 2016 of two officers, the Company cancelled and repurchased for \$800 a total of 80,000 shares.

ii) shares issued as repayment of cash advances.

In January 2016, the Company issued 266,667 shares at \$0.30 per share as repayment of \$80,000 cash advance from a director.

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7. Equity (continued)

iii) Private placements:

During the year ended September 30, 2016, the Company issued 810,000 shares at \$0.40 per share and an additional 460,000 shares at \$0.50 per share for cumulative total proceeds of \$554,000.

iv) shares issued for services.

During the year ended September 30, 2016, the Company issued a total of 271,716 shares as repayment of services rendered for a total value of \$96,763. The shares were issued at prices ranging from \$0.30 to \$0.50 per share, based on the latest share issue price at the time the services were rendered.

v) shares issued following the exercise of warrants.

During the year ended September 30, 2016 warrants were exercised resulting in a total of 248,962 shares of the Company being issued for \$102,090 in services rendered by an officer of the Company.

vi) shares issued following a property acquisition.

On June 16, 2016, as part of the Mangan acquisition, the Company issued a total of 600,000 shares at a price of \$0.50 per share (note 5).

b) Stock options

The Company has a rolling stock-based compensation plan (the "Plan") allowing for the reservation of a maximum 10% of the common shares issued and outstanding at any given time for issuance under the Plan. Under the Plan, all stock options are granted at the discretion of the Company's board of directors. The term of any option granted may not exceed ten years and the exercise price may not be less than the market value of the Company shares or, if the Company's shares are not traded on a stock exchange, the share value equaled to the Company's most recent arm's length equity financing share price.

Current outstanding options have an expiry date of ten years and vest over a period of 24 months. A continuity summary of the stock options granted and outstanding under the Plan is presented below:

	Year ended September 30, 2016		Year ended September 30, 2015	
	Number of share options	Weighted average exercise price (\$/per share)	Number of share options	Weighted average exercise price (\$/per share)
		CAD\$		CAD\$
Balance, beginning of year	-	-	-	-
Options granted	395,000	\$0.41	-	-
Balance, end of year	395,000	\$0.41	-	-

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7. Equity (continued)

Options outstanding & exercisable			Options exercisable	
Exercise price (per share)	Number of share options	Weighted average remaining contractual life (years)	Number of share options outstanding	Weighted average remaining contractual life (years)
CAD\$				
\$0.40	355,000	9.6	118,331	9.6
\$0.50	40,000	9.7	13,333	9.7
	395,000	9.6	131,664	9.6

The fair value based method of accounting was applied to stock options granted to employees, including directors, and non-employees on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions:

	From	To	Weighted average
Option exercise price range	CAD\$0.40	CAD\$0.50	CAD\$0.41
Risk free rate	0.46%	0.52%	0.50%
Expected life (years)	9.0	9.0	9.0
Annualized volatility	100%	100%	100%
Dividend rate	0%	0%	0%
Forfeiture rate	0%	0%	0%
Share price	CAD\$0.40	CAD\$0.50	CAD\$0.41

During the year ended September 30, 2016, the Company recorded stock-based compensation expense of \$74,087 (2015 – Nil) of which \$16,719 has been allocated to project expenses and \$57,368 to administrative expenses.

c) Warrants

During the year ended September 30, 2016, in lieu of a \$127,837 cash compensation to an officer of the Company, a total of 306,589 warrants were granted, exercisable at \$0.01 per share.

At September 30, 2016, a balance of 57,627 warrants remained outstanding. The balance of warrants outstanding at September 30, 2016 was exercised on October 7, 2016 (note 13).

d) Deferred consideration

At September 30, 2016, the Company has a commitment to issue a cumulative total of \$1.2 million in common shares of the Company. A total of \$300,000 in shares is issuable starting on June 16, 2017 and on each of subsequent three anniversary dates. The number of shares issuable will be based on the value of the Company's shares at the time of each issue (note 5).

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8. Related Party Transactions

Related parties and related party transactions impacting the accompanying consolidated financial statements are summarized below and include transactions with the following individuals and entities:

a) *Key management personnel*

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Board and corporate officers.

b) *Related party transactions during the year*

During the year ended September 30, 2016 and 2015, the Company incurred the following expenses to officers or directors of the Company or companies with common directors:

	Year ended September 30,	
	2016	2015
	\$	\$
Consulting fees remuneration payable to officers of the Company	177,000	6,225
Fees provided by a legal firm associated to a Company's director	93,564	-
	270,564	6,225
Stock-based compensation	202,669	-
	473,233	6,225

c) *Related party balances at the end of the year:*

i) Balance receivable from related parties:

	September 30,	September 30,
	2016	2015
	\$	\$
Share subscription receivable from the founders of the Company	-	2,400

ii) Balances payable to related parties:

	September 30,	September 30,
	2016	2015
	\$	\$
Remuneration and consulting fees provided by officers of the Company	176,515	6,225
Fees provided by a legal firm associated to a Company's director	9,418	-
Outstanding payable to Company's officers	1,763	7,831
Loans from directors	-	40,000
	187,696	54,056

EURO MANGANESE INC.

(An Exploration Stage Company)

Notes to the consolidated financial statements

(Expressed in Canadian Dollars)

September 30, 2016

8. Related Party Transactions (continued)

These transactions were incurred in the normal course of operations.

9. Financial Instruments and Risk Management

Fair value

The carrying value of the Company's financial assets and liabilities approximates their estimated fair value.

Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash.

The Company's maximum exposure to credit risk is comprised of the following:

	September 30, 2016	September 30, 2015
	\$	\$
Cash and cash equivalents	117,393	4,849
Receivable	9,084	-
	126,477	4,849

Liquidity risk

Liquidity risk is the risk that the Company will incur difficulties meeting its financial obligations as they are due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking harm to the Company's reputation (note 1).

10. Segmented information

The Company's operations are all conducted in one segment, the exploration and development of exploration and evaluation assets. The Company's exploration and evaluation assets are in the Czech Republic.

11. Management of Capital

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern to pursue suitable business opportunities and to maintain flexible capital structure for its projects for the benefit of its stakeholders. As the company is in the exploration and evaluation stage and has not achieved commercial operations from its projects, its principal source of funds is from the issuance of common shares. Further information related to liquidity risk is disclosed in note 1 and 9.

In the management of capital, the Company includes the components of equity. The Company manages and adjusts its capital structure considering changes in economic conditions and the risk characteristics of the underlying assets. To maintain and adjust the capital structure, the Company may attempt to issue new shares, enter joint venture property arrangements, acquire or dispose of assets or adjust the amount of cash and cash equivalents and investments.

EURO MANGANESE INC.

(An Exploration Stage Company)

Notes to the consolidated financial statements

(Expressed in Canadian Dollars)

September 30, 2016

11. Management of Capital (continued)

To facilitate the management of its capital requirements, the Company prepares monthly and 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's investment policy is to invest its cash in highly liquid short-term interest-bearing investments with maturities of three months or less from the original date of acquisition, selected with regards to the expected timing of expenditures from continuing operations. The Company is uncertain as to whether its current capital resources will be sufficient to carry its exploration and development plans and operations through its current operating period and, accordingly, management is reviewing the timing and scope of current exploration plans and is also pursuing other financing alternatives to fund the Company's operations.

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

12. Income taxes

A reconciliation of the income tax recoveries at the statutory tax rate of 26% (2015 – 26%) is as follows:

	September 30, 2016	September 30, 2015
	\$	\$
Loss for the year	(945,950)	(64,946)
Expected income tax recovery	(245,947)	(16,886)
Non-deductible expenses and other	150,790	8,303
Effect of foreign tax rates and tax rate changes	(229)	-
Effect of deductible temporary difference not recognized	95,386	8,583
Income tax recovery	-	-

The Company has not recognized any deferred tax assets as realization is not probable.

The significant components of the Company's deferred tax assets are as follows:

	September 30, 2016	September 30, 2015
	\$	\$
Equipment	836	138
Exploration and evaluation assets	84,315	10,757
	85,151	10,895
Unrecognized deferred income tax assets	(85,151)	(10,895)
Deferred income tax assets	-	-

13. Events after the reporting period

In October and November 2016, the Company issued a total of 395,484 shares including a) 320,000 shares at \$0.50 per share for cash proceeds of \$160,000 b) 17,857 shares at \$0.50 per share as repayment of services totaling \$8,929 and c) 57,627 shares following the exercise of the balance of warrants outstanding at September 30, 2016.

EURO MANGANESE INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

**FOR THE THREE AND SIX-MONTH PERIODS ENDED
MARCH 31, 2018
(unaudited)**

Euro Manganese Inc.

Unaudited condensed consolidated financial statements of the Company as at and for the three and six-month periods ended March 31, 2018, and related notes thereto

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EURO MANGANESE INC.

(An Exploration Stage Company)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

As at March 31, 2018 and September 30, 2017

(Expressed in Canadian Dollars)

(Unaudited)

AS AT		March 31, 2018	September 30, 2017
	Note	\$	\$
ASSETS			
Current Assets			
Cash		7,648,144	2,860,994
Prepaid		94,846	129,228
Receivable		55,338	73,010
		7,798,328	3,063,232
Non-current assets			
Exploration and evaluation assets	4 & 5	1,249,086	1,249,086
Property and Equipment	6	333,310	8,693
		9,380,724	4,321,011
LIABILITIES			
Current Liabilities			
Accounts payable		366,069	339,527
Due to related parties	8	163,974	116,731
Deferred consideration - current portion	7 (e)	295,101	273,921
		825,144	730,179
Non-current liabilities			
Deferred consideration	7 (e)	480,508	450,456
		1,305,652	1,180,635
EQUITY			
Share Capital	7 (a)	14,591,788	7,183,542
Equity Reserve		858,974	381,086
Deficit		(7,375,690)	(4,424,252)
		8,075,072	3,140,376
Total liabilities and shareholders' equity		9,380,724	4,321,011

Nature of Operations and Liquidity (note 1)

Commitments (note 10)

Events after the reporting period (note 11)

Approved on behalf of the Board on June 25, 2018

"Marco Romero"
Director

"John Webster"
Director

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

EURO MANGANESE INC.

(An Exploration Stage Company)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

For the three and six-month periods ended March 31, 2018 and 2017

(Expressed in Canadian Dollars, except per share amounts)

(Unaudited)

	Three-month period ended March 31,		Six-month period ended March 31,	
	2018	2017	2018	2017
	\$	\$	\$	\$
Project Evaluation Expenses				
Engineering	516,219	130,214	1,168,024	188,413
Remuneration	174,660	-	322,362	-
Market studies	66,617	12,168	158,356	13,371
Travel	63,495	44,439	110,224	58,844
Share-based compensation	79,918	4,027	97,323	8,144
Geological	13,075	-	79,070	-
Legal and professional fees	18,634	-	54,099	56
Project management	24,819	7,050	52,938	12,166
Supplies and rentals	11,738	-	32,387	-
Metallurgical	-	14,415	13,612	14,519
Drilling, sampling and surveys	-	7,256	-	12,500
Taxes	-	4,816	-	7,935
Environmental	-	1,954	-	2,643
	969,175	226,339	2,088,395	318,591
Other Expenses				
Remuneration	211,932	80,228	303,660	161,174
Share-based compensation	164,927	50,262	298,810	104,156
Total remuneration	376,859	130,490	602,470	265,330
Legal and professional fees	23,496	14,589	57,793	36,224
Travel	41,523	7,987	53,992	14,920
Accretion expense	25,334	31,679	51,232	64,061
Office, general and administrative	13,898	4,866	36,170	9,136
Insurance	13,773	-	27,546	-
Office rent	7,500	4,500	13,000	9,000
Conferences	10,132	-	12,390	3,174
Investor relations	1,830	480	6,395	720
Depreciation	1,082	355	2,055	669
	515,427	194,946	863,043	403,234
Loss & comprehensive loss for the period	(1,484,602)	(421,285)	(2,951,438)	(721,825)
Loss per share				
Basic and diluted loss per share	(0.01)	(0.01)	(0.03)	(0.02)
Weighted average number of shares outstanding	105,800,565	34,112,900	98,085,922	32,749,365

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

EURO MANGANESE INC.

(An Exploration Stage Company)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

For the three and six-month periods ended March 31, 2018 and 2017

(Expressed in Canadian Dollars)

(Unaudited)

	Note	Six-month period ended March 31, 2018	2017
		\$	\$
<u>Operating Activities</u>			
Net loss for the period		(2,951,438)	(721,825)
Less non-cash transactions:			
Share-based payments			
Options		312,870	34,937
Shares and warrants for services		201,363	146,954
		514,233	181,891
Depreciation		2,055	669
Accretion expense		51,232	64,061
		(2,383,918)	(475,204)
Changes in non-cash working capital items:			
Accounts payable		63,726	(17,670)
Accounts receivable		17,672	4,050
Prepaid expenses		34,382	-
Due to related parties		47,243	10,974
		163,023	(2,646)
Net Operating activities		(2,220,895)	(477,850)
<u>Financing Activities</u>			
Common shares issued for cash, net of expenses		7,327,063	542,119
Exercise of warrants		2,154	-
Exercise of stock options	7(a)	5,500	-
		7,334,717	542,119
<u>Investing Activities</u>			
Property, plant and equipment's acquisition		(326,672)	(1,596)
		(326,672)	(1,596)
Decrease in Cash & Cash Equivalents		4,787,150	62,673
Cash & Cash Equivalents - beginning of the period		2,860,994	117,393
Cash & Cash Equivalents - end of the period		7,648,144	180,066
Non-cash transactions excluded from above:			
Common shares issued as payment of financing services		(354,135)	-
Share issue cost		354,135	-
Issue of employee warrants			
Equity Reserve		116,313	-
Share Capital		(116,313)	-

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

EURO MANGANESE INC.

(An Exploration Stage Company)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

For the three and six-month periods ended December 31, 2018 and 2017

(Expressed in Canadian Dollars)

(Unaudited)

	Attributable to equity shareholders of the Company				
	Share Capital	Share Capital	Equity Reserves	Deficit	Shareholders' Equity (Deficit)
	#	\$	\$	\$	\$
Balance at September 30, 2017	90,411,610	7,183,542	381,086	(4,424,252)	3,140,376
Shares issued for cash, net of expenses	37,750,000	6,804,160	168,768	-	6,972,928
Options exercised	50,000	9,250	(3,750)	-	5,500
Warrants exercised for cash	-	2,154	-	-	2,154
Shares issued as payment for broker fees	1,714,050	342,810	-	-	342,810
Shares issued as payment of services	2,280,880	249,872	-	-	249,872
Share-based compensation	-	-	312,870	-	312,870
Loss and comprehensive loss for the period	-	-	-	(2,951,438)	(2,951,438)
	41,794,930	7,408,246	477,888	(2,951,438)	4,934,696
Balance at March 31, 2018	132,206,540	14,591,788	858,974	(7,375,690)	8,075,072
Balance at September 30, 2016	30,036,725	1,166,353	102,324	(1,010,896)	257,781
Shares issued for cash	1,600,000	542,119	-	-	542,119
Shares issued as payment of services	217,085	21,708	-	-	21,708
Warrants issued as payment of services	559,305	54,812	(28,237)	-	26,575
Share-based compensation	-	-	34,937	-	34,937
Loss and comprehensive loss for the period	-	-	-	(721,825)	(721,825)
	2,376,390	618,639	6,700	(721,825)	(96,486)
Balance at March 31, 2017	32,413,115	1,784,992	109,024	(1,732,721)	161,295

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

EURO MANGANESE INC.

(An Exploration Stage Company)

Notes to the condensed consolidated interim financial statements

(Expressed in Canadian Dollars)

March 31, 2018

(Unaudited)

1. Nature of Operations and Liquidity

Euro Manganese Inc. (the “**Company**”) was incorporated as a private company under the British Columbia Business Corporations Act on November 24, 2014. The Company is focused on the exploration and reclamation of mineral projects in Europe and is currently evaluating the potential development of the Chvaletice deposit, located in the Czech Republic, into an electrolytic manganese metal (“**EMM**”) project (the “**Project**”).

The Company’s corporate offices are located at 1040 West Georgia Street, Suite 1500, Vancouver, B.C. and its and registered offices are located at Suite 1700, 666 Burrard Street, Vancouver, B.C.

These condensed consolidated interim financial statements have been prepared on a going concern basis in accordance with International Financial Reporting Standards (“**IFRS**”), which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

As an early exploration stage corporation, the Company does not own any properties with established reserves, has no operating revenues and is unable to self-finance its operations. Further, there is no assurance that the evaluation and acquisition activities executed or planned by the Company for the Chvaletice Project will result in the development of a profitable commercial operation. As a result, the Company will likely operate at a loss until the Company puts the Chvaletice Project into production.

At March 31, 2018, the Company’s equity totaled \$8,075,072 and working capital totaled \$6,973,184, including cash and cash equivalents of \$7,648,144. These capital resources, combined with the net proceeds from a planned \$6.5 million Initial Public Offering (“**IPO**”) of its shares in Australia and Canada which the Company expects to complete in 2018, are expected to provide sufficient working capital to fund its corporate and project development costs for at least 18 months from the date of these financial statements. This will allow the Company to complete the preliminary economic assessment (the “**PEA**”) and move forward with the Chvaletice Project.

Additional funding will be required for further exploration and development work including the completion of feasibility studies, environmental studies, permitting, as well as the potential future construction of infrastructure and facilities for the Chvaletice Project. The ability of the Company to arrange such equity or other financing in the future will depend principally upon prevailing market conditions and the performance of the Company. Such additional funding and may not be available when needed, if at all, or be available on terms favorable to the Company. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of the Company’s principal property and could result in material adjustments to the carrying values of assets.

2. Basis of Presentation

2.1 *Stock Split – Subdivision of shares on a one-for-five basis*

On March 20, 2018, at the Company’s Annual General and Special Meeting, the shareholders approved the modification to the Company’s authorized share structure and the number of issued common shares without par value. All fully paid and issued common shares were subdivided on a basis of one old for five new shares. As a result, a total of 26,441,308 outstanding common shares of the Company were converted to 132,206,540 new common shares.

To reflect the subdivision of shares on a one-for-five, all shares, options and warrants balances presented in these statements have been increased, where applicable, by a factor of five and their respective unit share price has been reduced by the same ratio.

EURO MANGANESE INC.

(An Exploration Stage Company)

Notes to the condensed consolidated interim financial statements

(Expressed in Canadian Dollars)

March 31, 2018

(Unaudited)

2. Basis of Presentation (continued)

2.2 *Statement of compliance*

These condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with IFRS as issued by the International Accounting Standards Board applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting* (“**IAS 34**”). The accounting policies applied in these condensed consolidated interim financial statements are consistent with those disclosed in the Company’s audited financial statements for the year ended September 30, 2017.

These condensed consolidated interim financial statements do not include all the information required for full annual financial statements and should be read in conjunction with the Company’s annual consolidated financial statements for the year ended September 30, 2017.

These condensed consolidated interim financial statements were prepared by management and approved by the Board of Directors on June 25, 2018.

2.3 *Basis of measurement*

These condensed consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information. In addition, these condensed consolidated financial statements have been prepared on the historical cost basis.

2.4 *Basis of consolidation*

These condensed consolidated financial statements incorporate the accounts of the Company and the entity controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operational policies of an entity to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date of control commences until the date that control ceases. All significant intercompany transactions and balances have been eliminated.

The Company acquired control of Mangan Chvaletice s.r.o. effective May 13, 2016 (note 5).

3. Summary of Significant Accounting Policies and Estimates

3.1 *Recent accounting pronouncements*

The Company has not applied the following pronouncements that have been issued but are not yet effective:

IFRS 9 - Financial Instruments - The standard is effective for annual reporting periods beginning January 1, 2018. The Company is assessing the impact of this standard.

IFRS 16 - Leases – The new standard on lease accounting was issued on January 13, 2016 and replaces the current guidance in IAS 17. The new standard results in substantially all lessee leases being recorded on the consolidated statement of financial position. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted. The Company is currently evaluating the impact of this new standard on the Company’s financial statement measurements and disclosures. The Company does not anticipate early adoption of this standard.

EURO MANGANESE INC.

(An Exploration Stage Company)

Notes to the condensed consolidated interim financial statements

(Expressed in Canadian Dollars)

March 31, 2018

(Unaudited)

3. Summary of Significant Accounting Policies and Estimates (continued)

3.2 Critical Judgments and Estimates

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. The estimates and the underlying assumptions are based on the judgement of management, including historical experience and other factors that management believes to be reasonable under the circumstances.

The estimates and underlying assumptions are reviewed on an ongoing basis. A revision to an accounting estimate is recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both the current and future periods.

In preparing these interim financial statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements.

4. Exploration and Evaluation Assets

The Chvaletice Project is a manganese deposit hosted in historic mine tailings located in the Czech Republic, a European Union member country. At March 31, 2018, the Chvaletice Project held mineral exploration rights (the "License") expiring on September 30, 2019. On April 17, 2018, the Czech Ministry of Environment granted to the Company a Preliminary Mining Permit (see note 11 (a)), which provides the Company until April 30, 2023, to prepare and submit a definitive Mining Permit application. Additionally, on May 4, 2018, the Czech Ministry of Environment issued Mangan an additional exploration licence allowing it to drill the slopes on the perimeter of the tailings piles. This additional license area, which is also covered by the Preliminary Mining Permit, now secures Mangan's rights for the entire deposit. The additional license expires May 31, 2023. The Company was formed with the objective of evaluating, acquiring, developing and operating the Chvaletice Project as an electrolytic manganese metal project.

Initially in 2014 the Company negotiated an option to purchase an 80% interest in the Chvaletice Project (the "**Option Agreement**"). An initial option payment of \$10,000 was made in June 2015. In 2016, following the acquisition by the Company of a 100% equity interest in Mangan, the Option Agreement was cancelled (note 5).

5. Mangan's Acquisition

On May 13, 2016 (the "**Acquisition Date**"), the Company acquired a 100% interest in Mangan from Mangan's shareholders.

The acquisition of Mangan included granting a 1.2% net smelter royalty interest and the issue, over a four-year period, of common shares of the Company in five equal tranches, each tranche valued at \$300,000. The first two \$300,000 tranches were issued on June 16, 2016 and May 13, 2017 at an estimated fair value of \$0.10 and \$0.11 per share respectively (see note 7(e) and 11(b)). At the time of each issuance, the estimated share price was based on the Company's most recent arm's length equity financing share price. Future tranches will be issued annually on the anniversary of the Acquisition Date.

EURO MANGANESE INC.

(An Exploration Stage Company)

Notes to the condensed consolidated interim financial statements

(Expressed in Canadian Dollars)

March 31, 2018

(Unaudited)

5. Mangan's Acquisition (continued)

The future number of shares to be issued was to be based on the estimated value of the Company's common shares at the time of each issue. If traded on a stock exchange, the value of the Company shares will equal to the market value of the Company shares or, if the Company's shares are not traded on a stock exchange, the share value will equal the Company's most recent arm's length equity financing share price. As the future number of shares to be issued is not fixed, accounting standards require the Company to record the estimated value of future share issues as a liability rather than equity.

On June 15, 2018, the Company and Mangan's founding shareholders amended the terms of the acquisition agreements to indicate that the minimum deemed value of the common shares to be issued in the future will not be less than \$0.05 per share and to allow the Company an option to settle the remaining obligations in cash, in its sole discretion, provided that in the event either of the remaining two share issuances result in the deemed value of the shares being below \$0.05 per share, the Company agrees to settle such payment in cash.

6. Property and Equipment

	IT Hardware and software	Land, property, plant and equipment	Total
Cost	\$	\$	\$
September 30, 2017	11,588	-	11,588
Additions	7,939	318,733 ^(a)	326,672
March 31, 2018	19,527	318,733	338,260
Accumulated Amortization			
September 30, 2017	2,895	-	2,895
Additions	2,055	-	2,055
March 31, 2018	4,950	-	4,950
Net Book Value			
September 30, 2017	8,693	-	8,693
March 31, 2018	14,577	318,733	333,310

^(a) In November 2017, the Company acquired approximately 1.7 hectares of land and associated equipment located near the Project area. No depreciation is being recorded as the plant and equipment assets are not being used.

EURO MANGANESE INC.

(An Exploration Stage Company)

Notes to the condensed consolidated interim financial statements

(Expressed in Canadian Dollars)

March 31, 2018

(Unaudited)

7. Equity

- a) Authorized Common shares: Unlimited common shares without par value

	Share price	Number of common shares	Share capital
			\$
Balance at September 30, 2017		90,411,610	7,183,542
Share issuance during the six-month period ended March 31, 2018			
i) Shares and warrants issued for cash			
- Shares issued for cash, net of expenses	\$0.20	37,750,000	6,804,160
- Stock option exercised	\$0.11	50,000	9,250
- Warrants exercised for cash	\$0.002	-	2,154
		37,800,000	6,815,564
ii) Shares issued for broker fees	\$0.20	1,714,050	342,810
iii) Shares issued for services rendered	\$0.11	2,268,380	247,372
	\$0.20	12,500	2,500
		2,280,880	249,872
Sub-total for the six-month period		41,794,930	7,408,246
Balance at March 31, 2018		132,206,540	14,591,788

- b) Share issues: The following is a summary of share issues in the three-month period ended March 31, 2018:

- i) Shares issued for cash:

- On January 24, 2018, the Company signed an engagement letter with Canaccord Genuity (Australia) Limited (“**Canaccord Australia**”) to act as lead agent and sole bookrunner in connection with a proposed pre-IPO private placement and a proposed IPO.
 - On February 28, 2018, for gross cash proceeds of \$7,550,000 (the “February 2018 Private Placement”), the Company completed the February 2018 Private Placement by issuing a total of 37,750,000 common shares of the Company at a price of \$0.20 per share and granting to the agent 2,856,750 three-year warrants exercisable at \$0.30 per share at a deemed value of \$168,768. The commission, totaling \$342,810, was paid to the agent through the issuance of 1,714,050 shares at \$0.20 per share.
 - Share issuance expenses related to the February 2018 Private Placement and ongoing IPO efforts included the \$342,810 commission above and \$234,262 in legal and other financing expenditures.

EURO MANGANESE INC.

(An Exploration Stage Company)

Notes to the condensed consolidated interim financial statements

(Expressed in Canadian Dollars)

March 31, 2018

(Unaudited)

7. Equity (continued)

i) Shares issued for cash (continued):

- The intent of the IPO is to issue 20,000,000 fully-paid CHESS Depositary Interests (“**CDIs**”) in respect of fully paid common shares to raise no less than \$5 million in Australia, plus a \$1.5 million President’s List issuance in Canada at a price of no less than \$0.25 per share. In connection with the IPO, application is expected to be made for the Company’s shares to be concurrently listed on the Australia Stock Exchange (“**ASX**”) and the TSX Venture Exchange.
- On March 9, 2018, the Company signed an engagement letter with Canaccord Genuity Corp (“**Canaccord Corp**”) to act as lead agent for the offering of 6,000,000 shares in Canada at a price of no less than \$0.25 per share for total gross proceeds of \$1,500,000. This offering is intended to be in place of the President’s List issuance of CDIs contemplated under the January 24, 2018 engagement letter between the Company and Canaccord Australia, at financial terms identical to those agreed to with Canaccord Australia.
- In December 2017, a total of 50,000 options were exercised at \$0.11 per share for total cash proceeds of \$5,500 and a \$3,750 allocation for the vested value of exercised options.
- The Company received \$2,154 following the exercise of 1,076,965 warrants at \$0.002 per share.

ii) Shares issued for services:

- The Company issued a total of 1,710,500 shares as repayment of \$342,810 broker fees related to the pre-IPO private placement completed on February 28, 2018.
- The Company issued a total of 1,203,915 shares as repayment of \$133,559 in rendered services. The shares were issued at \$0.11 and \$0.20 per share, based on the latest share issue price at the time the services were rendered. A balance of \$11,325 was allocated to share issuance costs.
- A total of 1,076,965 shares were issued following the exercise of warrants granted in lieu of \$116,313 in services rendered by an officer of the Company (note 7(d)(ii)).

iii) Penalties for failing to obtain listing:

As part of the brokered placement in mid-2017 (the “Brokered Placement”), the Company agreed to the following conditions:

Reporting issuer - The Company will use commercially reasonable efforts to become a reporting issuer in Canada and obtain a listing either through an initial public offering, reverse takeover, or qualifying transaction on a recognized stock exchange in Canada or Australia.

EURO MANGANESE INC.

(An Exploration Stage Company)

Notes to the condensed consolidated interim financial statements

(Expressed in Canadian Dollars)

March 31, 2018

(Unaudited)

7. Equity (continued)

iii) Penalties for failing to obtain listing (continued):

Penalties for failing to obtain listing - The Company also agreed to the following penalties if it fails to meet the following listing requirements:

- First penalty - Issue for no consideration a total of 6,272,725 shares to the 2017 Brokered Placement's investors if the Company failed, by March 31, 2018, to file a preliminary prospectus or the required listing documents with applicable regulatory authorities. The Company satisfied this requirement by filing a preliminary prospectus with certain securities commissions in Canada on March 29, 2018 and is no longer subject to this penalty.
- Second penalty - Issue for no consideration an additional 6,272,725 shares to the 2017 Brokered Placement's investors if the Company fails, within 18 months from August 18, 2017, to become publicly listed in Canada or Australia.

At the time of closing the first tranche of the 2017 Brokered Placement on June 16, 2017, the Company estimated that it would be able to meet the listing requirements and avoid the penalties. Consequently, a nil probability and no value was assigned to the possibility of the Company having to issue such additional penalty shares.

Extension of penalties to other shareholders - When negotiating share issuances with the Company's other investors that had invested at \$0.10 and \$0.11 per share, the Company agreed that the terms would be at least as favorable as any terms agreed to in the 2017 Brokered Placement. Therefore, on September 15, 2017 the Company formalized terms applicable to all share subscription agreements previously priced at \$0.10 and \$0.11 per share, for the penalty terms identical to the ones granted to the 2017 Brokered Placement's investors to extend to those shareholders. In the event the second penalty is triggered, the Company will have to issue a total of 3,946,055 additional shares to other shareholders.

c) Stock options

The Company has a rolling stock-based compensation plan (the "**Plan**") allowing for the reservation of a maximum 10% of the common shares issued and outstanding at any given time for issuance under the Plan. Under the Plan, all stock options are granted at the discretion of the Company's board of directors. The term of any option granted may not exceed ten years and the exercise price may not be less than the market value of the Company shares or, if the Company's shares are not traded on a stock exchange, the share value equaled to the Company's most recent arm's length equity financing share price.

Current outstanding options have an expiry date of ten years and vest over a period of 24 months. A continuity summary of the stock options granted and outstanding under the Plan is presented below:

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7. Equity (continued)

	Six-month period ended March 31, 2018		Year ended September 30, 2017	
	Number of share options	Weighted average exercise price (\$/per share)	Number of share options	Weighted average exercise price (\$/per share)
Balance, beginning of the period	7,250,000	0.10	1,975,000	0.08
Options granted during the period	4,425,000	0.19	5,275,000	0.11
Options exercised during the period	(50,000)	0.11	-	-
Options expired	(149,995)	0.09	-	-
Options forfeited	(250,005)	0.10	-	-
Balance, end of the period	11,225,000	0.13	7,250,000	0.10

During the six-month period ended March 31, 2018:

- i) the Company granted, to directors and employees a total of 700,000 ten-year options with an exercise price of \$0.11 per share and 3,725,000 ten-year options with an exercise price of \$0.20 per share.
- ii) A total of 50,000 options were exercised at \$0.11 per share.
- iii) On January 9, 2018, a total of 400,000 options, with an average exercise price of \$0.10 per share, expired or were forfeited by employees or consultants that were no longer providing services to the Company.
- iv) The Company recorded stock-based compensation expense of \$312,870 (2017 – \$34,937) of which \$97,323 has been allocated to project expenses (2017 - \$8,144) and \$215,547 to administrative expenses (2017 - \$26,793).

The balance of options outstanding and exercisable at March 31, 2018 is as follows:

Options outstanding & exercisable			Options exercisable	
Exercise price (\$/Share)	Number of share options	Weighted average remaining contractual life	Number of share options outstanding	Weighted average remaining contractual life
0.08	1,625,000	8.1	1,083,310	8.1
0.10	1,775,000	8.9	658,310	8.9
0.11	4,100,000	9.5	1,366,630	9.5
0.20	3,725,000	9.9	1,241,620	9.9
	11,225,000	9.3	4,349,870	9.2

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7. Equity (continued)

The Company applied the fair value-based method of accounting to determine the value of stock options granted to employees, including directors, and non-employees on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions:

	From	To	Weighted average
Option exercise price range	\$0.11	\$0.20	\$0.19
Risk free rate	1.82%	2.38%	2.24%
Expected life (years)	9.0	9.0	9.0
Annualized volatility	60%	60%	60%
Dividend rate	0%	0%	0%
Forfeiture rate	0%	0%	0%
Share price	\$0.11	\$0.20	\$0.19

d) Warrants

i) The balance of broker warrants outstanding and exercisable at March 31, 2018 is as follows:

	Expiry date	Weighted- average exercise price	Number of warrants	Value \$
Balance at September 30, 2016				
Warrants issued during the year ended				
September 30, 2017	June 16 to August 18, 2019	\$0.11	2,927,265	96,182
Balance at September 30, 2017		\$0.11	2,927,265	96,182
Warrants issued during the six-month				
period ended March 31, 2018	February 28, 2021	\$0.30	2,856,750	168,768
Balance at March 31, 2018		\$0.20	5,784,015	264,950

On February 28, 2018, as part of the February 2018 Private Placement, the Company issued a total of 2,856,750 three-year broker warrants exercisable at \$0.30 per share.

ii) During six-month period ended March 31, 2018, the Company issued a total of 1,076,965 warrants, exercisable at \$0.002 per share as compensation for \$116,313 in services rendered by an officer of the Company. The warrants were exercised, and no warrants were outstanding at March 31, 2018.

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7. Equity (continued)

e) Deferred consideration

At March 31, 2018, the Company has a commitment to issue common shares of the Company for a cumulative total value of \$900,000. On May 9, 2018, the Company issued a total of 1,500,000 shares at \$0.20 per share as repayment of \$300,000 in deferred consideration (note 11 (b)). The remaining two \$300,000 payment obligations are due on May 13, 2019 and 2020. The number of shares to be issued will be based on value of the Company's shares at the time of each issuance, or pursuant to an amending agreement between the Company and Mangan's founding shareholders dated June 15, 2018, in cash, at the Company's sole discretion. The amending agreement also indicates that the minimum deemed value of the common shares will not be less than \$0.05 per share, and that in the event either of the remaining two share issuances result in the deemed value of the shares being below \$0.05 per share, the Company agrees to settle such payment in cash (note 5).

8. Related Party Transactions

Transactions between the Company and its subsidiary have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Company and other related parties are disclosed below. Related parties include the board of directors and officers, close family members and enterprises that are controlled by these individuals as well as certain consultants performing similar functions.

a) Key management personnel

Key management personnel include the board of directors and the Chief Executive Officer, Chief Financial Officer, the Managing Director of the Company's Czech subsidiary, and the Vice President, Project Development.

The following is a summary of key management compensation incurred in the six-month periods ended March 31, 2018 and 2017:

	Three-month period ended March 31,		Six-month period ended March 31,	
	2018	2017	2018	2017
	\$	\$	\$	\$
Salaries and consulting fees payable to officers and directors of the Company ⁽¹⁾	342,353	103,012	650,498	209,362
Directors and officers' stock-based compensation	189,401	14,071	242,302	28,455
Total remuneration	531,754	117,083	892,800	237,817

⁽¹⁾ The remuneration of directors and key executives is determined by the Board having regard to the performance of individuals and market trends.

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8. Related Party Transactions (continued)

b) *Related party transactions during the six-month periods ended March 31, 2018 and 2017:*

A Company's director is associated with PRK Partners s.r.o. ("PRK"), a legal firm based in the Czech Republic. During the three and six-month periods, PRK's legal fees charged to the Company totaled \$16,307 (2017 – \$2,275) and \$38,182 (2017 – \$8,160), respectively.

c) *The balances payable to related parties as of the following dates are as follows:*

	March 31, 2018	September 30, 2017
	\$	\$
Salaries and consulting fees due to officers and directors of the Company	89,319	64,576
Legal fees payable to PRK	12,410	11,161
Travel and other expenses due to officers and directors of the Company	62,245	40,994
	163,974	116,731

These transactions were incurred in the normal course of operations.

9. Financial Instruments and Risk Management

Fair value

The carrying value of the Company's financial assets and liabilities approximates their estimated fair value.

Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash. The Company's maximum exposure to credit risk is comprised of the cash balance.

Liquidity risk

Liquidity risk is the risk that the Company will incur difficulties meeting its financial obligations as they are due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking harm to the Company's reputation (note 1).

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10. Commitments

- a) At March 31, 2018, the Company has a commitment to issue common shares in satisfaction of the deferred consideration relating to Mangan's Acquisition (notes 5 and 7(e)). After quarter end, the Company issued 1,500,000 shares at \$0.20 per share as partial settlement of \$300,000 in deferred consideration (note 11). The remaining two \$300,000 payment obligations are due on May 13, 2019 and 2020, and pursuant to an amending agreement between the Company and Mangan's founding shareholders dated June 15, 2018, the terms of these obligations were amended to permit, or require, the Company to pay such obligations in cash, dependent upon deemed value of the shares on the above settlement dates (notes 5 & 7(e)).
- b) The Company has agreed to issue for no consideration 6,272,725 shares to the 2017 Brokered Placement's investors and 3,946,055 additional shares to certain other investors if the Company fails, within 18 months from August 18, 2017, to become publicly listed in Canada or Australia (note 7(b)(iii)).
- c) The Company has entered into employment agreements with its executive officers in which the individuals are entitled to a combination of base salary; extended benefits; specified milestones payments; and may be eligible for annual performance-based bonus as determined by the Board in its sole discretion. Following termination without cause, executive officers are also entitled to 12-month written notice or, in one case, a severance equivalent of one year's salary. Further, upon a change of control, as defined in their employment agreements, certain executives are entitled to lump sum payments of between eighteen and twenty-four months of their base salaries.
- d) Subsequent to quarter-end, the Company entered into an agreement for the office rental in Vancouver, for the period June 1, 2018 to April 30, 2021, requiring it to make minimum annual cash payments as follows:

For the 12 months ending March 31, 2019	\$48,860
For the 12 months ending March 31, 2020	\$61,000
For the 12 months ending March 31, 2021	\$61,200
For the 12 months ending March 31, 2022	\$5,100

11. Events after the Reporting Period

- a) On April 17, 2018, the Czech Ministry of Environment granted the Company a Preliminary Mining Permit. The receipt of this permit, valid until April 30, 2023, enables Mangan to commence work on the Environmental Impact Assessment, a key step towards final permitting for the Chvaletice Project.
- b) On May 9, 2018, the Company issued 1,500,000 shares at a price of \$0.20 per share as repayment of \$300,000 in deferred consideration (note 7(e)), and on June 15, 2018, the Company and Mangan's founding shareholders amended the payment terms of the remaining share issuances due on May 13, 2019 and May 13, 2020 (notes 5 & 10(a)).
- c) On May 28, 2018, the Company issued 222,997 shares at a price of \$0.20 per share as payment for \$44,600 in services and issued 122,220 shares at a price of \$0.20 per share in connection with \$24,444 in directors' fees incurred during the quarter ended March 31, 2018.
- d) Subsequent to quarter end, the Company committed to expenditures aggregating approximately \$1.1 million in connection with various studies related to the completion of the PEA, the final phase of infill drilling to convert Indicated resources to Measured resources, and drilling and sampling the slopes and embankments of the tailings piles to upgrade the Inferred resources thereon.