Euro Manganese Inc.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED DECEMBER 31, 2018 AND 2017
(unaudited)

Contents

Condensed Consolidated Interim Statements of Financial Position

Euro Manganese Inc.
(expressed in Canadian dollars - unaudited)

	Note	December 31, 2018	September 30, 2018
		$	$
ASSETS			
Current assets			
Cash		**9,012,510**	10,368,002
Prepaid expenses		**197,964**	124,326
Accounts receivable		**131,765**	162,549
		9,342,239	10,654,877
Non-current assets			
Exploration and evaluation assets	4	**1,249,086**	1,249,086
Property and equipment	5	**366,178**	369,110
Option	6	**815,000**	—
Total assets		**11,772,503**	12,273,073
LIABILITIES			
Current liabilities			
Accounts payable		**611,640**	940,028
Due to related parties	9	**60,369**	320,639
Deferred consideration	7	**285,104**	275,236
		957,113	1,535,903
Non-current liabilities			
Deferred consideration	7	**249,109**	240,537
Total liabilities		**1,206,222**	1,776,440
EQUITY			
Share capital	8	**22,255,025**	19,972,416
Equity reserve		**1,646,648**	1,482,544
Deficit		**(13,335,392)**	(10,958,327)
Total equity		**10,566,281**	10,496,633
Total liabilities and shareholders' equity		**11,772,503**	12,273,073

Nature of operations and liquidity (note 1)

Approved on behalf of the Board of Directors on February 11, 2019

"Marco Romero"
Marco Romero, Director

"John Webster"
John Webster, Director

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

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

Euro Manganese Inc.
(expressed in Canadian dollars - unaudited)

	Three Months Ended December 31,	
	2018	2017
	$	$
Project evaluation expenses		
Engineering	**626,424**	620,987
Drilling, sampling and surveys	**208,250**	—
Metallurgical	**148,957**	34,258
Remuneration	**226,982**	147,702
Share-based compensation	**40,425**	17,405
Travel	**40,086**	46,729
Legal and professional fees	**60,985**	35,465
Geological	**117,503**	65,994
Market studies	**54,788**	91,739
Project management	**—**	44,227
Supplies and rentals	**20,306**	14,714
	1,544,706	1,119,220
Other expenses		
Remuneration	**329,579**	174,991
Share-based compensation	**74,789**	50,620
Total remuneration	**404,368**	225,611
Legal and professional fees	**77,004**	34,296
Travel	**47,290**	12,469
Filing fees	**38,037**	—
Accretion expense	**18,440**	25,898
Office, general and administrative	**27,779**	22,273
Insurance	**25,454**	13,773
Office rent	**21,281**	5,500
Conferences	**—**	2,257
Investor relations	**168,151**	4,565
Depreciation	**4,555**	974
	832,359	347,616
Loss and comprehensive loss for the year	**2,377,065**	1,466,836
Weighted average number of common shares outstanding - basic and diluted	**170,487,861**	90,549,020
Basic and diluted loss per common share	**$0.01**	$0.02

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

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

Euro Manganese Inc.
(expressed in Canadian dollars - unaudited)

	Attributable to equity shareholders of the Company				
	Share Capital (1)	Share Capital	Equity Reserves	Deficit	Shareholders' Equity (Deficit)
	#	$	$	$	$
Balance at October 1, 2017	90,411,610	7,183,542	381,086	(4,424,252)	3,140,376
Shares issued as payment of services	770,060	84,708	—	—	84,708
Options exercised	50,000	9,250	(3,750)	—	5,500
Share-based compensation	—	—	68,025	—	68,025
Loss and comprehensive loss for the period	—	—	—	(1,466,836)	(1,466,836)
Balance at December 31, 2017	91,231,670	7,277,500	445,361	(5,891,088)	1,831,773
Balance at October 1, 2018	**160,509,600**	**19,972,416**	**1,482,544**	**(10,958,327)**	**10,496,633**
Shares and warrants issued for cash, net of expenses	10,000,000	2,232,609	48,890	—	2,281,499
Shares issued as part of broker fees	200,000	50,000	—	—	50,000
Share-based compensation	—	—	115,214	—	115,214
Loss and comprehensive loss for the period	—	—	—	(2,377,065)	(2,377,065)
Balance at December 31, 2018	**170,709,600**	**22,255,025**	**1,646,648**	**(13,335,392)**	**10,566,281**

(1) 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. The comparative information for the three months ended December 31, 2017, was restated for this change.

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

Condensed Consolidated Interim Statements of Cash Flows

Euro Manganese Inc.
(expressed in Canadian dollars - unaudited)

	Note	Three Months Ended December 31, 2018 $	2017 $
Operating activities			
Net loss for the period		**(2,377,065)**	(1,466,836)
Less non-cash transactions:			
Share-based compensation		**115,214**	68,025
Shares and warrants for services		**—**	165,650
Depreciation		**4,555**	974
Accretion expense	7	**18,440**	25,898
		(2,238,856)	(1,206,289)
Changes in non-cash working capital items:			
Accounts payable		**(96,854)**	153,041
Accounts receivable		**30,784**	(5,963)
Prepaid expenses		**(73,638)**	18,268
Due to related parties		**(246,082)**	29,661
		(385,790)	195,007
Cash used in operating activities		**(2,624,646)**	**(1,011,282)**
Financing activities			
Common shares issued for cash, net of expenses	8 (a)	**2,085,777**	—
Exercise of stock options		**—**	5,500
Cash generated from financing activities		**2,085,777**	5,500
Investing activities			
Option	6	**(815,000)**	—
Property & equipment acquisition	5	**(1,623)**	(318,734)
Cash used in investing activities		**(816,623)**	(318,734)
Decrease in Cash		**(1,355,492)**	(1,324,516)
Cash - beginning of period		**10,368,002**	2,860,994
Cash - end of period		**9,012,510**	1,536,478
Non-cash transactions excluded from above:			
Shares issued as payment of broker warrants			
Equity reserve		**48,890**	—
Share capital		**(48,890)**	—
Issue of employee warrants			
Equity Reserve		**50,000**	—
Share Capital		**(50,000)**	—

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

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 completed an initial public offering (“IPO”) of its shares on the Australia Securities Exchange ("ASX") on September 28, 2018, and completed an IPO on the TSX Venture Exchange ("TSX-V") on October 2, 2018. The Company’s common shares commenced trading on the TSX-V and CHESS Depository Interests ("CDIs", with each CDI representing one common share) started trading on the ASX on October 2, 2018. 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 a high-purity electrolytic manganese metal (“HPEMM”) and high-purity manganese sulphate monohydrate (“HPMSM”) project (the “Chvaletice Project”).

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

These condensed consolidated interim financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business for at least the next twelve months.

As an early exploration stage company, it 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. The Company will likely operate at a loss while the Company is evaluating the potential of the Chvaletice Project.

At December 31, 2018, the Company’s equity totaled $10,566,281 and working capital totaled $8,385,126, including cash of $9,012,510. These capital resources are expected to provide sufficient working capital to fund its corporate and committed project development costs for at least 12 months from the date of these financial statements.

Additional funding will be required for further evaluation 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 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 evaluation and development of the Company’s principal property and could result in material adjustments to the carrying values of assets.

2. Basis of Preparation

2.1 Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34 *Interim financial reporting*. The comparative information has also been prepared on this basis.

These condensed interim consolidated financial statements do not include all the information required for full annual financial statements and therefore should be read in conjunction with our audited consolidated financial statements for the year ended September 30, 2018.

These condensed consolidated interim financial statements were prepared by management and approved by the Board of Directors of the Company (the “Board”) on February 11, 2019.

2. Basis of Preparation (continued)

2.2 Basis of measurement

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

2.3 Basis of consolidation

These condensed consolidated interim financial statements incorporate the accounts of the Company and the entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The condensed consolidated interim financial statements include the accounts of the Company's subsidiaries from the date of control commences until the date that control ceases. The financial statements of its wholly-owned subsidiary, Mangan Chvaletice s.r.o. ("Mangan"), are included in the condensed consolidated interim financial statements for both periods presented. All significant intercompany transactions and balances have been eliminated.

2.4 Share 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.

3. Significant Accounting Policies, Estimates and Judgments

3.1 Change in accounting policies

The accounting policies applied in the preparation of these condensed interim consolidated financial statements are consistent with those applied and disclosed in the Company's audited consolidated financial statements for the year ended September 30, 2018, except for the following:

a) IFRS 9 *Financial Instruments* ("IFRS 9")

IFRS 9 is effective for annual periods beginning on or after January 1, 2018, and sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 *Financial instruments: recognition and measurement* ("IAS 39"). IFRS 9 for the most part retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 financial assets categories of held to maturity, loans and receivables and available for sale. IFRS 9 allows for exemption from restating prior periods in respect to the standard's classification and measurement requirements. The Company chose to apply this exemption upon initial adoption, however, the adoption had no impact on the comparative period's financial statements.

Upon adoption of IFRS 9, the Company changed its accounting policy for financial instruments as follows:

3. Significant Accounting Policies, Estimates and Judgments (continued)

i) Classification

Classification of financial instruments is determined at initial recognition.

A financial asset is classified as measured at: amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification. The Company's first option payment for the shares of E.P. Chvaletice s.r.o. ("EPCS") is classified as FVTPL (note 6). The Company's cash and accounts receivable are classified as measured at amortized cost.

A financial liability is measured at amortized cost, unless it is required to be measured at FVTPL such as instruments held for trading or derivatives, or the Company opted to measure the liability as FVTPL. The Company's accounts payable, due to related parties and deferred consideration are classified as measured at amortized cost.

ii) Measurement

Financial assets and liabilities at FVTPL - Financial assets and liabilities at FVTPL are initially recognized at fair value and transaction costs are expensed in the consolidated statement of income. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets or liabilities held at FVTPL are included in the consolidated statement of income in the period in which they arise. Where the Company has opted to designate a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive income ("OCI").

Financial assets at FVOCI - Investments in equity instruments at FVOCI are initially recognized at fair value plus transaction costs. Subsequently, they are measured at fair value, with gains and losses arising from changes from initial recognition recognized in OCI.

Financial assets and liabilities at amortized cost - Financial assets and liabilities at amortized cost are initially recognized at fair value, and subsequently carried at amortized cost less any impairment.

iii) Impairment of financial assets

An expected credit loss ("ECL") model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments.

The application of the simplified approach to measuring the ECL, which uses a lifetime expected loss allowance for all trade receivables, had no impact on the carrying amounts of the Company's financial assets on the transition date given the accounts receivable are mostly taxes receivable and therefore outside of scope of IFRS 9.

3. Significant Accounting Policies, Estimates and Judgments (continued)

iv) Derecognition

Financial assets are derecognized when the investments mature or are sold, and substantially all the risks and rewards of ownership have been transferred. A financial liability is derecognized when the obligation under the liability is discharged, canceled or expired. Gains and losses on derecognition are recognized within finance income and finance costs, respectively. Gains or losses on financial assets classified as FVOCI remain within accumulated OCI.

v) Fair value of financial instruments

The fair values of quoted investments are based on current prices. If the market for a financial asset is not active, the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the financial asset's specific circumstances.

b) IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15")

IFRS 15 is applicable for annual periods beginning on or after as of January 1, 2018, and covers principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer.

The Company does not yet have revenues from contracts with customers and therefore this accounting standard has no impact on the financial statements of the Company.

3.2 Significant estimates and judgments

The preparation of financial statements requires the use of estimates and judgments that affect the amounts reported and disclosed in the consolidated financial statements and related notes. These estimates and judgments are based on management's best knowledge of the relevant facts and circumstances, taking into consideration previous experience, but actual results may differ materially from the amounts included in the financial statements. The significant estimates and judgments applied in the preparation of these unaudited condensed consolidated interim financial statements for the three months ended December 31, 2018, are consistent with those applied and disclosed in Note 3.13 to the Company's audited consolidated financial statements for the year ended September 30, 2018.

In addition, the Company applied significant judgment in determining the value of the first option payment pursuant to an option agreement with EPCS ("EPCS Option Agreement") and its classification as financial instrument at FVTPL (Note 6).

3.3 New standards and pronouncements not yet adopted

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB. The following has not yet been adopted by the Company and being evaluated to determine its impact:

IFRS 16 - *Leases* ("IFRS 16") - The new standard on lease accounting was issued on January 13, 2016 and replaces the current guidance in IAS 17 *Lease Accounting*. 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.

(expressed in Canadian dollars - unaudited)

4. Exploration and Evaluation Assets

The Company was formed with the objective of evaluating, acquiring, developing and operating the Chvaletice Project as an HPEMM and HPMSM project. The Company holds two exploration licenses for the Chvaletice Project (the “Licenses”), both expiring May 31, 2023. On April 17, 2018, with effect from April 28, 2018, the Company was issued a Preliminary Mining Permit by the Czech Ministry of Environment, referred to by the Ministry as the prior consent of the establishment of the Mining Lease District (the "Preliminary Mining Permit"). The Preliminary Mining Permit, valid until April 30, 2023, covers the areas included in Licenses and secures the Company's rights for the entire deposit. The Preliminary Mining Permit forms one of the prerequisites for the application for the establishment of the Mining Lease District and represents one of the key steps towards final permitting for the project. The establishment of the Mining Lease District, the application for the final Mining Permit, and applications for permits relating to the construction of infrastructure required for the project, are required prior to operation at the Chvaletice Manganese Project.

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 valued at $300,000 (note 7). The carrying value of the Company’s exploration and evaluation assets of $1,249,086 represents the fair value of the initial share consideration following the acquisition date of Mangan on May 13, 2016, as well as the discounted value of the deferred share consideration, as determined by the Company on the acquisition date.

5. Property and Equipment

	December 31, 2018		
	Equipment	**Land**	**Total**
	$	**$**	**$**
Cost			
October 1, 2018	58,932	318,729	377,661
Additions	1,623	—	1,623
December 31, 2018	**60,555**	**318,729**	**379,284**
Accumulated depreciation			
October 1, 2018	(8,551)	—	(8,551)
Additions	(4,555)	—	(4,555)
December 31, 2018	**(13,106)**	**—**	**(13,106)**
Net Book Value			
October 1, 2018	50,381	318,729	369,110
December 31, 2018	**47,449**	**318,729**	**366,178**

(expressed in Canadian dollars - unaudited)

5. Property and Equipment (continued)

	December 31, 2017		
	Equipment	Land	Total
	$	$	$
Cost			
October 1, 2017	11,588	—	11,588
Additions	—	318,734 [a]	318,734
December 31, 2017	11,588	318,734	330,322
Accumulated depreciation			
October 1, 2017	(2,895)	—	(2,895)
Additions	(974)	—	(974)
December 31, 2017	(3,869)	—	(3,869)
Net Book Value			
October 1, 2017	8,693	—	8,693
December 31, 2017	7,719	318,734	326,453

[a] In November 2017, the Company acquired land near the Chvaletice Project area.

6. EPCS Option

On October 17, 2018, the Company, through its Czech subsidiary Mangan, made the first option payment of 14 million Czech Korunas ($815,000) as stipulated in the EPCS Option Agreement for the purchase of a 100% interest in EPCS dated on August 13, 2018. EPCS is a Czech operating company whose principal asset is a large parcel of industrial zoned land adjacent to the Chvaletice Manganese Project, where the Company proposes to develop its high-purity manganese processing facility.

Pursuant to the EPCS Option Agreement, the Company has the right to acquire a 100% interest in EPCS by making two additional instalments aggregating 126 million Czech Korunas (approximately $7.32 million) as follows:

a) an instalment of 42,000,000 Czech Koruna (approximately $2.44 million), within 60 days of final approval of the environmental impact assessment for the Chvaletice Manganese Project, but no later than three years after signing the EPCS Option Agreement. The three-year term may be extended under certain circumstances by up to one year; and

b) a final instalment of 84,000,000 Czech Koruna (approximately $4.88 million), due upon receipt of all development permits for the Chvaletice Manganese Project, but no later than five years after signing the EPCS Option Agreement.

The first payment made on October 17, 2018, is a derivative classified as FVTPL due to the following:

a) The option is for the acquisition of shares of EPCS rather than a non-monetary asset;

b) It does not meet any of the scope exceptions from recognition as a derivative under IFRS 9;

c) Control of the Company over EPCS is not present until the third option payment is made. The remaining two payments are dependent on the Board's approval and are not legally enforceable by the shareholder of EPCS.

There was no change in the fair value of the option in the period from the payment to December 31, 2018.

(expressed in Canadian dollars - unaudited)

7. Deferred Consideration

The deferred consideration relates to the Company's remaining share issuance commitment in connection with the acquisition of its exploration and evaluation assets (note 4). Movement in the deferred consideration during the three months ended December 31, 2018 and 2017 is as follows:

	Three months ended December 31,	
	2018	2017
	$	$
Balance, beginning of the year	**515,773**	724,377
Accretion during the period	**18,440**	25,898
Fair value of share consideration issued during the period	**—**	—
Balance, end of the period	**534,213**	750,275
Less: current portion	**(285,104)**	(285,104)
	249,109	465,171

At December 31, 2018, the Company has a commitment to issue common shares for a cumulative total value of $600,000. The two remaining $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 has agreed to settle such payment in cash.

8. Equity

a) Common shares

The Company has unlimited authorized common shares with no par value.

	Share price	Number of common shares	Share capital
	$		$
Balance at September 30, 2018		160,509,600	19,972,416
Shares issued pursuant to IPO in Canada			
Initial public offering	0.25	10,000,000	2,500,000
Less: Cash expenses paid			(414,223)
		10,000,000	2,085,777
Less: non-cash expenses:			
Issue costs accrued in prior period			245,722
Broker warrants issued			(98,890)
			2,232,609
Shares issued for broker fees	0.25	200,000	50,000
Balance at December 31, 2018		**170,709,600**	**22,255,025**

8. Equity (continued)

The following is a summary of shares issued during the three months ended December 31, 2018:

i) Shares issued for cash and broker fees:

On October 2, 2018, the Company completed its IPO on the TSX-V of 10,000,000 common shares at a price of $0.25 per share, for aggregate gross proceeds of $2,500,000. Fees payable to the Canadian agent included the corporate finance fee, plus 6% of the aggregate gross proceeds of the Canadian IPO in excess of $1,500,000, payable 1% or $10,000 in cash and 5% in fully paid common shares (200,000 shares valued at $50,000), and a warrant entitling the Canadian agent to purchase 10% of the common shares issued in excess of 6,000,000 common shares (400,000 shares) at an exercise price of $0.375 per share for a period of 36 months from the date of issue (the "Canadian Agent's Warrant").

ii) Escrowed securities

Upon the listing of the Company's CDIs and common shares on the ASX and TSXV, respectively, certain of its securities became subject to escrow. Specifically, under National Policy 46-201 Escrow for Initial Public Offerings ("NP 46-201"), 29,045,361 common shares and 5,600,000 options were subject to escrow and are scheduled to be released as follows: 25% on the listing date of October 2, 2018; and 25% after six, twelve and eighteen months. Under the TSX-V's Seed Sale Resale Restrictions ("SSRR"), 778,575 common shares and 225,000 options were subject to escrow and are scheduled to be released as follows: 20% on the listing date on October 2, 2018; and 20% after each of the next four months. Under the ASX Listing Rules, 25,522,290 common shares, 9,550,000 options and 8,684,015 warrants are to be escrowed for a period of up to two years from the ASX listing date of September 28, 2018.

As of the date of these consolidated financial statements, 7,261,341 common shares and 1,400,000 options have been released under NP 46-201, and all 778,575 common shares and all 225,000 options have been released under SSRR. Additionally, 858,777 common shares and 150,000 options have been released under the ASX Listing Rules.

In many cases, a particular holder, or particular common share, option or warrant, is subject to escrow under one or more of NP 46-201, SSRR and ASX Listing Rules. If a holder of these securities is subject to one or more of these escrow regimes, the particular security will not be released from escrow until the release schedule for all regimes have been met.

b) Share options

The Company has a rolling share-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 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. A continuity summary of the stock options granted and outstanding under the Plan for the three months ended December 31, 2018 and the year ended September 30, 2018, is presented below:

(expressed in Canadian dollars - unaudited)

8. Equity (continued)

	December 31, 2018		September 30, 2018	
	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	**12,525,000**	**0.15**	7,250,000	0.10
Options granted	**—**	**—**	5,725,000	0.20
Options exercised	**—**	**—**	(50,000)	0.11
Options expired	**—**	**—**	(149,995)	0.09
Options forfeited	**—**	**—**	(250,005)	0.10
Balance, end of the period	**12,525,000**	**0.15**	12,525,000	0.15

During the three months ended December 31, 2018 the Company recorded share-based compensation expense of $115,214 (three months ended December 31, 2017 - $68,025) of which $40,425 has been allocated to project expenses (three months ended December 31, 2017 - $17,405) and $74,789 to administrative expenses (three months ended December 31, 2017 - $50,620).

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

Options outstanding & exercisable			**Options exercisable**	
Exercise price ($/Share)	Number of share options	Weighted average remaining contractual life (years)	Number of share options outstanding	Weighted average remaining contractual life (years)
0.08	1,625,000	7.4	1,625,000	7.4
0.10	1,775,000	8.2	1,249,965	8.1
0.11	4,100,000	8.8	2,733,310	8.8
0.20	3,725,000	9.1	1,241,620	9.1
0.25	1,300,000	9.6	433,333	9.6
0.15	12,525,000	8.7	7,283,228	8.5

c) Warrants

	December 31, 2018		September 30, 2018	
	Number of warrants	**Weighted-average exercise price**	Number of warrants	Weighted-average exercise price
		$		$
Outstanding, beginning of the period	5,784,015	0.20	2,927,265	0.11
Issued	2,900,000	0.38	2,856,750	0.30
Exercised	—	—	—	—
Expired	—	—	—	—
Outstanding, end of the period	8,684,015	0.26	5,784,015	0.20

(expressed in Canadian dollars - unaudited)

8. Equity (continued)

As at December 31, 2018, the following warrants were outstanding:

Expiry date	**Weighted average exercise price**	**Number of warrants**	**Weighted average remaining contractual life (years)**
June 16, 2019	0.11	2,042,895	0.5
June 30, 2019	0.11	292,250	0.5
July 31, 2019	0.11	417,295	0.6
August 18, 2019	0.11	174,825	0.6
February 28, 2021	0.30	2,856,750	2.2
October 1, 2021	0.38	2,900,000	2.8
	0.26	8,684,015	1.8

On October 2, 2018, in connection with the IPO in Australia and Canada, the Company issued warrants entitling the Australian and Canadian agents to purchase 2,500,000 and 400,000 common shares, respectively, at $0.375 per share. Based on Black-Scholes pricing model using a risk-free rate of 2.19%, an expected life of 3.0 years, an annualized volatility of 90% (based on volatility assumptions of comparable companies), a dividend rate of nil, and a share price of $0.25, these warrants were assigned an estimated total value of $354,466.

9. 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 compensation

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 the Vice President, Corporate Development and Corporate Secretary, and the Vice President, Project Development.

During the three months ended December 31, 2018, and 2017, the Company incurred the following expenses to officers or directors of the Company or companies with common directors:

	Three months ended December 31,	
	2018	2017
	$	$
Salaries and consulting fees payable to officers of the Company	**374,428**	308,144
Directors and officers' stock-based compensation	**73,714**	44,881
	448,142	353,025

b) Related party transactions during the three months ended December 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 months ended December 31, 2018, PRK's legal fees charged to the Company totaled $35,717 (2017 - $26,806).

(expressed in Canadian dollars - unaudited)

9. Related Party Transactions (continued)

c) The balances payable to related parties at the period ends were as follows:

	December 31, 2018	September 30, 2018
	$	$
Salaries and consulting fees from officers of the Company	**41,114**	64,895
Fees provided by a legal firm associated with a director of the Company	**14,074**	237,246
Outstanding payable due to officers and directors of the Company	**5,181**	18,498
	60,369	320,639

These transactions were incurred in the normal course of operations.

10. Fair Value Measurement of Financial Instruments

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3: Inputs that are not based on observable market data.

The fair values of the Company's cash, accounts receivable, account payable and due to related parties approximate carrying values, which are the amounts recorded on the consolidated statement of financial position due to their short-term nature. There are no financial instruments classified as at fair value through profit or loss, or as at fair value through other comprehensive income using Level 1 inputs.

The first option payment pursuant to the EPCS Option Agreement (note 6) is a derivative. It is a financial instrument measured at fair value through profit and loss using Level 3 inputs as there is no observable market data available. The option was initially recognized at fair value which equaled the initial cash payment of $815,000 as stipulated in the EPCS Option Agreement. No factors affecting the fair value of the EPCS Option in the time from the initial recognition to the period end were identified.

There were no transfers between the levels of the fair value hierarchy in the three months ended December 31, 2018.

11. 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 and property and equipment are in the Czech Republic.