EUROPEAN METALS CORP.

(AN EXPLORATION STAGE COMPANY)

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIODS ENDED

SEPTEMBER 30, 2016 AND SEPTEMBER 30, 2015

(UNAUDITED)

(EXPRESSED IN CANADIAN DOLLARS)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying interim consolidated financial statements of European Metals Corp. have been prepared by, and are the responsibility of the Company's management.

The interim consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and reflect management's best estimates and judgments based on information currently available. In the opinion of management, the accounting practices utilized are appropriate in the circumstances and the interim consolidated financial statements fairly reflect the financial position and results of operations of the Company within reasonable limits of materiality.

Management has developed and maintains a system of internal controls to obtain reasonable assurance that the Company's assets are safeguarded, transactions are authorized, and financial information is reliable. All internal control systems have inherent limitations, including the possibility of circumvention and overriding of controls, and therefore, can provide only reasonable assurance as to financial statement reliability and the safeguarding of assets.

The Board of Directors is responsible for ensuring management fulfills its responsibilities. The Audit Committee meets with the Company's management and external auditors to discuss the results of the audit and to review the interim consolidated financial statements prior to the Audit Committee's submission to the Board of Directors for approval. The Audit Committee also reviews the quarterly financial statements and recommends them for approval to the Board of Directors, reviews with management the Company's systems of internal control, and approves the scope of the external auditors' audit and non-audit work. The Audit Committee is composed entirely of directors not involved in the daily operations of the Company who are thus considered to be free from any relationship that could interfere with their exercise of independent judgment as a Committee member.

Signed by

"Vicki Rosenthal"

Vicki Rosenthal

Chief Executive Officer

December 20, 2016

NOTICE TO READER

REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

(AN EXPLORATION STAGE COMPANY)

Interim Consolidated Statements of Financial Position (Unaudited)

(Expressed in Canadian Dollars)

	Note	September 30, 2016 $	December 31, 2015 $
ASSETS			
Current assets:			
Marketable securities	5	25,500	10,500
Prepaid and sundry receivables	6	20	7,061
Total current assets		25,520	17,561
Non-current assets:			
Equipment	7	2,492	2,789
Total non-current assets		2,492	2,789
Total assets		28,012	20,350
Liabilities and Equity			
Current liabilities:			
Bank overdraft		26,020	247
Loans payable	12	54,053	39,596
Accounts payable and accrued liabilities	10	827,760	833,464
		907,833	873,307
Equity:			
Share Capital	9	17,666,271	17,666,271
Shares to be issued		50,000	50,000
Warrant reserve	9	1,082,925	1,082,925
Contributed surplus		610,321	610,321
Deficit		(20,289,338)	(20,262,967)
Total deficiency		(879,821)	(853,450)
Total liabilities and equity		28,012	20,350

Nature of Operations and Going Concern (Note 1)
Subsequent events (Note 15)

The accompanying notes are integral to these interim consolidated financial statements

(AN EXPLORATION STAGE COMPANY)

Interim Consolidated Statements of Loss and Comprehensive Loss (Unaudited)

(Expressed in Canadian Dollars)

	Three months ended September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015
EXPENSES				
Consulting fees	2,500	31,850	7,500	156,882
Shareholder communications	452	7,154	5,675	10,498
General and office administration	2,548	7,693	8,184	19,701
Fees	1,500	1,500	4,713	7,171
Insurance	-	(14,782)	-	3,929
Legal and audit	5,000	6,250	15,000	18,750
Amortization	100	24	299	403
Total Expenses	12,100	39,689	41,371	217,334
Net loss before the undernoted	(12,100)	(39,689)	(41,371)	(217,334)
Gain on sale of investments	7,500	-	15,000	9,226
Net loss and comprehensive loss for the perid before income taxes	(4,600)	(39,689)	(26,371)	(208,108)
Net loss and comprehensive loss for the attributable to:				
Owners of the parent	(4,600)	(39,689)	(26,371)	(208,108)
	(4,600)	(39,689)	(26,371)	(208,108)
Weighted average number of outstanding common shares	1,392,762,564	1,392,762,564	1,392,762,564	1,392,762,564
Loss per common share	(0.000003)	(0.00003)	(0.00002)	(0.00015)

The accompanying notes are integral to these interim consolidated financial statements

(AN EXPLORATION STAGE COMPANY)

Interim Consolidated Statement of Changes in Equity
(Unaudited)

(Expressed in Canadian Dollars)

	Number of shares outstanding		Share Capital		Warrant Reserve		Shares to be issued		Contributed Surplus		Deficit		Total Equity (deficiency) attributable to European Metals Corp.		Non-controlling interest		Total Equity
Balance at January 31, 2015	**1,402,762,564**	**$**	**17,666,271**	**$**	**1,082,925**	**$**	**50,000**	**$**	**610,321**	**$**	**(20,004,802)**	**$**	**(595,285)**		**(29,784)**	**$**	**(625,069)**
Net loss for the period	-		-		-				-		(208,108)		(208,108)		-		(208,108)
Balance at September 30, 2015	**1,402,762,564**	**$**	**17,666,271**	**$**	**1,082,925**	**$**	**50,000**	**$**	**610,321**	**$**	**(20,212,910)**	**$**	**(803,393)**	**$**	**(29,784)**	**$**	**(833,177)**
Non-controlling interest	-		-		-		-		-		(29,784)		(29,784)		29,784		-
Net loss for the period	-		-		-		-		-		(20,273)		(20,273)		-		(20,273)
Balance at December 31, 2015	**1,402,762,564**	**$**	**17,666,271**	**$**	**1,082,925**	**$**	**50,000**	**$**	**610,321**	**$**	**(20,262,967)**	**$**	**(853,450)**	**$**	**-**	**$**	**(853,450)**
Net loss for the period	-		-		-		-		-		(26,371)		(26,371)				(26,371)
Balance at September 30, 2016	**1,402,762,564**	**$**	**17,666,271**	**$**	**1,082,925**	**$**	**50,000**	**$**	**610,321**	**$**	**(20,289,338)**	**$**	**(879,821)**	**$**	**-**	**$**	**(879,821)**

The accompanying notes are integral to these interim consolidated financial statements

(AN EXPLORATION STAGE COMPANY)

Interim Consolidated Statement of Cash Flows
(Unaudited)
(Expressed in Canadian Dollars)

	Nine months ended September 30, 2016	Nine months ended September 30, 2015
	$	**$**
CASH (USED IN) PROVIDED BY		
Operating activities		
Net loss and comprehensive loss for the period	(26,371)	(208,108)
Adjustment for :		
Amortization	299	647
Gain on sale of investments	(15,000)	(9,226)
	(41,072)	(216,687)
Net change in non-cash working capital		
Changes in operating assets and operating liabilities:		
(Increase)decrease in prepaid and sundry receivables	7,041	58,894
Increase(decrease) in accounts payable and accrued liabilities	(6,199)	141,556
Cash flows from operating activities	(40,230)	(16,237)
Cash flows from investing activities		
Proceeds from sale of investments	-	11,550
Cash flows from investing activities	-	11,550
Cash flows from financing activities		
Loans payable	14,457	-
Cash flows from financing activities	14,457	-
Net change in cash and cash equivalents	(25,773)	(4,687)
Cash and cash equivalents, beginning of period	(247)	10,903
Cash and cash equivalents, end of period	(26,020)	6,216

The accompanying notes are integral to these interim consolidated financial statements

(AN EXPLORATION STAGE COMPANY)
For the three and nine months ended September 30, 2016 and September 30, 2015
(Unaudited)
(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

a) Nature of operations

European Metals Corp. is in the exploration stage and engaged principally in the acquisition and exploration of mineral properties in Ontario. The address of the head office is at 131 Bloor Street West, Suite 606, Toronto, Ontario, M5S 3L7.

These interim consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at September 30, 2016 the Company has not generated any revenues from operations. The Company has incurred a net loss of $26,371 for the nine months ended September 30, 2016 (September 30, 2015 - $208,108), and a working capital deficit of $856,293 (December 31, 2015 - $855,746) and an accumulated deficit of $879,821 (December 31, 2015 - $853,450) attributable to the owners of the parent. The Company's operations have been primarily funded from equity financings which are dependent upon many external factors and may be difficult to impossible to secure or raise when required. The Company will continue to require additional funding to maintain its ongoing levels of operations and administration, retire its indebtedness as they come due, and meet any property maintenance payments for the next fiscal year. The current funds available to the company are not sufficient to explore the existing projects and to complete the development of its projects. While the Company has been successful in securing financings in the past, there can be no assurance that it will be able to do so in the future.

These interim consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business operations for the foreseeable future. Realization values may be substantially different from carrying values as shown and these interim consolidated financial statements do not give effect to the adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. The Company's assets may also be subject to increases in taxes and royalties, renegotiation of contracts, currency exchange fluctuations and restrictions, and political uncertainty. The Company's ability to continue as a going concern is dependent upon the ability of the company to obtain the necessary financing to develop properties

These interim consolidated financial statements of the Company for the nine months ended September 30, 2016 were authorized for issuance by the board of Directors of the Company on December 20, 2016.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), effective for the Company's reporting for the nine months ended September 30, 2016.

(a) Basis of presentation

These unaudited condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by IASB and interpretations issued by IFRIC.

The policies applied in these consolidated financial statements are based on IFRS issued and outstanding as of December 20, 2016, the date the Board of Directors approved the statements. These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments that have been measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of presentation (continued)

The same accounting policies and methods of computation are followed in these unaudited condensed interim financial statements as compared with the most recent annual financial statements as at and for the year ended December 31, 2015, except as noted below. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year ending December 31, 2016 could result in restatement of these unaudited condensed interim financial statements.

i) Income taxes and recoverability of potential deferred tax assets

In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers whether relevant tax planning opportunities are within the Company's control, are feasible and are within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets or liabilities recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

ii) Share-based payments

Management determines costs for share-based payments using the Black-Scholes option pricing model. The fair value of the market-based and performance-based share awards are determined at the date of grant and incorporates certain input assumptions including the future volatility of the stock price, expected dividend yield, and expected life. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

c) Principles of Consolidation

The interim consolidated financial statements include the accounts of European Metals Corp. (the "Company") and its wholly owned subsidiaries Mantis Explorations Inc., Mantis Explorations Ltd., Avenue Bancorp Ltd., and University Avenue Management Ltd. On consolidation, all intercompany transactions and balances have been eliminated.

d) Business Combinations

Business combinations are accounted for using the acquisition method of accounting. The cost of an acquisition is measured as cash paid and the fair value of other assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. The acquired identifiable assets and liabilities assumed, including contingent liabilities, are measured at their fair values at the date of acquisition. Associated transaction costs are expensed when incurred.

e) Financial Instruments

Financial assets:

All financial assets are recognized and derecognized on the trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the time frame established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Financial Instruments (continued)

Financial assets are classified into the following categories: financial assets 'at fair value through profit or loss' ["FVTPL"], 'held-to-maturity investments', 'available-for-sale' financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial liabilities:

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Other financial liabilities:

Other financial liabilities including borrowings are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest costs over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or [where appropriate] to the net carrying amount on initial recognition.

De-recognition of financial liabilities:

The Company derecognizes financial liabilities when the obligations are discharged, cancelled or expired.

The Company's financial instruments consist of the following:

Financial assets:		Classification:
Cash Marketable securities		FVTPL FVTPL
Prepaid and sundry receivables		Receivables
Financial liabilities:		Classification:
Accounts payable and accrued liabilities		Other financial liabilities

Impairment of financial assets:

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been negatively impacted. Evidence of impairment could include: significant financial difficulty of the issuer or counterparty; or default or delinquency in interest or principal payments; or the likelihood that the borrower will enter bankruptcy or financial reorganization.

The carrying amount of financial assets is reduced by any impairment loss directly for all financial assets with the exception of accounts or loan receivable, where the carrying amount is reduced through the use of an allowance account. When an accounts or loan receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

(Expressed in Canadian Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Financial Instruments (continued)

Financial instruments recorded at fair value:

Financial instruments recorded at fair value on the interim consolidated statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels: Level 1 - valuation based on quoted prices [unadjusted] in active markets for identical assets or liabilities; Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly [i.e. as prices] or indirectly [i.e. derived from prices]; and Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data [unobservable inputs]. As of September 30, 2016, cash was classified as Level 1 on the interim consolidated balance sheet.

The following table illustrates the classification of the Company's financial instruments within the fair value hierarchy as at September 30, 2016 and December 31, 2015:

	Financial assets at fair value as at September 30, 2016			
	Level 1	**Level 2**	**Level 3**	**Total**
Marketable securities	$ 25,500	$ -	$ -	$ 25,500

	Financial assets at fair value as at December 31, 2015			
	Level 1	**Level 2**	**Level 3**	**Total**
Marketable securities	$ 10,500	$ -	$ -	$ 10,500

f) Impairment of non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its non-financial assets with finite lives to determine whether there is any indication that those assets have suffered an impairment loss. Where such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The recoverable amount is the higher of an asset's fair value less cost to sell or its value in use. In addition, long-lived assets that are not amortized are subject to an annual impairment assessment. The Company has assessed its assets and has determined that there is no impairment of its non-financial assets.

g) Equipment

Equipment is carried at cost, less accumulated depreciation and accumulated impairment losses. The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Equipment is amortized using the declining-balance method using the following rates: Furniture and fixtures - 20%; Mining equipment - 30% and Computer equipment – 30%.

The Company compares the carrying value of equipment to estimated net recoverable amounts, based on estimated future cash flows, to determine whether there is any indication of impairment whenever events or circumstances warrant. An asset's residual value, useful life and depreciation method are reviewed, and adjusted if appropriate, on an annual basis.

An item of equipment is de-recognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss in the statements of comprehensive income or loss.

Where an item of equipment consists of major components with different useful lives, the components are accounted for as separate items of property, plant and equipment. Expenditures incurred to replace a component of an item of equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Exploration and Evaluation Assets

The Company is in the exploration stage with respect to its investment in mineral properties. Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures are recognized and capitalized on a property by property basis. Such costs include, but are not exclusive to, geological, geophysical studies, exploratory drilling and sampling. The aggregate costs related to abandoned mineral properties are charged to operations at the time of any abandonment or when it has been determined that there is evidence of a permanent impairment. An impairment charge relating to a mineral property is subsequently reversed when new exploration results or actual or potential proceeds on sale or farmout of the property result in a revised estimate of the recoverable amount but only to the extent that this does not exceed the original carrying value of the property that would have resulted if no impairment had been recognized.

The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development of the properties, and on future production or proceeds of disposition.

The Company recognizes in income costs recovered on mineral properties when amounts received or receivable are in excess of the carrying amount.

All capitalized exploration and evaluation expenditure is monitored for indications of impairment. Where a potential impairment is indicated, assessments are performed for each area of interest. To the extent that exploration expenditure is not expected to be recovered, it is charged to the results of operations.

Exploration areas where reserves have been discovered, but require major capital expenditure before production can begin, are continually evaluated to ensure that commercial quantities of reserves exist or to ensure that additional exploration work is underway as planned.

i) Provisions

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The Company had no material provisions at September 30, 2016 and December 31, 2015.

j) Share based payment transactions

The fair value of share options granted to employees is recognized as an expense over the vesting period with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company.

The fair value is measured at the grant date and recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option-pricing model, taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a future tax asset will be recovered, it provides a valuation allowance against that excess.

(l) Restoration, rehabilitation and environmental obligations

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. Discount rates using a pretax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either a unit-of-production or the straight-line method as appropriate. 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. Costs for restoration of subsequent site damage that is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses.

As at September 30, 2016 and December 31, 2015 the Company has no material restoration, rehabilitation and environmental costs as the disturbance to date is minimal.

m) Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all options outstanding that may add to the total number of common shares.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n) Significant accounting judgments and estimates

The preparation of these interim consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These interim consolidated financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the interim consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates

Significant assumptions about the future, that management has made, could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made. These relate to, but are not limited to, the following:

i) Impairment of exploration and evaluation assets

While assessing whether any indications of impairment exist for exploration and evaluation assets, consideration is given to both external and internal sources of information. Information the Company considers includes changes in the market, economic and legal environment in which the Company operates that are not within its control that could affect the recoverable amount of exploration and evaluation assets.

Internal sources of information include the manner in which the assets are being used or are expected to be used and indications of expected economic performance of the assets. Estimates include but are not limited to estimates of the discounted future cash flows expected to be derived from the Company's properties, costs to sell the properties and the appropriate discount rate.

Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable mineral reserves and mineral resources and/or adverse current economics can result in a write-down of the carrying amounts of the Company's exploration and evaluation assets. For the nine months ended September 30, 2016 and the year ended December 31, 2015, there were no exploration and evaluation assets.

ii) Income taxes and recoverability of potential deferred tax assets

In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers whether relevant tax planning opportunities are within the Company's control, are feasible and are within management's ability to implement.

Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets or liabilities recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n) Significant accounting judgments and estimates (continued)

iii) Share-based payments

Management determines costs for share-based payments using the Black-Scholes option pricing model. The fair value of the market-based and performance-based share awards are determined at the date of grant and incorporates certain input assumptions including the future volatility of the stock price, expected dividend yield, and expected life. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

iv) Provision for income taxes

Provisions for income taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax related matters is different from the amounts that were originally recorded, such differences will affect the tax provisions in the period in which such determination is made.

v) Categorization of financial assets and liabilities

The categorization of financial assets and liabilities is an accounting policy that requires management to make judgements or assessments.

o) New standards not yet adopted and interpretations issued but not yet effective.

IFRS 9 – Financial Instruments ("IFRS 9") was issued by the IASB in July 2014 and will replace IAS 39 – Financial Instruments: Recognition and Measurement. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Final amendments released in July 2014 also introduced a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

3. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company considers its capital to be a deficit, comprising share capital, reserves and deficit which at September 30, 2016 totalled $879,821 (December 31, 2015 totalled $853,450) attributable to the owners of the parent. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may issue new shares, and acquire or dispose of assets to adjust the amount of cash and cash equivalents.

4. PROPERTY AND FINANCIAL RISK FACTORS

The Company is exposed to property risk and a variety of financial risks: credit risk, liquidity risk and market risk [including interest rate and foreign exchange rate risks] as explained below. Risk management is carried out by the Company's management team with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

(a) Property risk

The Company was mainly dependent upon the Berehaven project and the prior mineral properties which were held by the Company, being the Cree Lake, Orphan Mine and the East Lingman Lake properties. If no additional major mineral exploration properties are acquired by the Company, any adverse development affecting this project would have a material adverse effect on the Company's financial condition and results of operations. (see Note 8)

(b) Financial risk

Credit risk

The Company's credit risk is primarily attributable to cash and prepaid expenses. The Company has no significant concentration of credit risk arising from operations. Cash has been invested with reputable financial institutions, from which management believes the risk of loss to be minimal.

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company’s liquidity and operating results may be adversely affected if the Company’s access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or as a result of conditions specific to the Company. As at September 30, 2016 the Company was overdrawn at the bank by $26,020 to settle current liabilities of $881,813 (December 31, 2015, the Company was overdrawn at the bank by $247 to settle current liabilities of $873,553). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

(i) Interest rate risk

The Company has no cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the creditworthiness of its banks.

(ii) Foreign currency risk

The Company's functional and reporting currency is the Canadian dollar and major purchases are transacted in Canadian dollars.

(c) Sensitivity analysis

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a twelve month period:

(i) Cash is subject to floating interest rates. The Company has no variable debt and receives low interest rates on its cash balances. As such, the Company does not have significant interest rate risk.

(Expressed in Canadian Dollars)

5. CASH AND MARKETABLE SECURITIES

(a) Cash and cash equivalents

The cash and cash equivalents are comprised as follows:

	September 30, 2016	December 31, 2015
	$	$
Cash-overdraft	(26,020)	(247)
Total	(26,020)	**(**247**)**

A Term Deposit was held as security by the Company's bankers against the corporate credit card in 2014, which had a revolving balance. The Term Deposit was used to repay the outstanding balance on the corporate credit card in 2015.

(b) Marketable securities consist of shares held as follows:

Security held	**September 30, 2016**		**December 31, 2015**	
	Cost	Market value	Cost	Market Value
	$	$	$	$
Signature Resources Limited	6,000	25,500	6,000	10,500

6. SUNDRY RECEIVABLES

There are no significant Sundry Receivables at September 30, 2016.

7. EQUIPMENT

			September 30 2016	December 31 2015
	Cost	Accumulated Amortization	Net	Net
Furniture and fixtures	$ 13,471	12,730	$ 741	$ 933
Computer Equipment	39,843	39,240	603	708
Mining Equipment	14,082	12,934	1,148	1,148
	$67,396	**64,905**	**$ 2,492**	**$ 2,789**

8. EXPLORATION AND EVALUATION ASSETS

The mineral property acquisition costs and direct exploration expenditures are capitalized as incurred. If a property is abandoned or continued exploration is not deemed appropriate in the foreseeable future, the related costs and expenditures are written down.

8. EXPLORATION AND EVALUATION ASSETS (continued)

(1) Berehaven Copper Property

On August 1, 2014 the Company entered into a letter of intent to enter into an option agreement to acquire an 80% interest in the historically producing Berehaven Copper Mines located in the Allihies mining district, County Cork, Ireland. Pursuant to the letter of intent, the Company was to acquire the interest from Westcork Copper Mining Company, Limited ("Westcork").

Completion of acquisition

On September 9, 2014 the Company completed its acquisition of the above option agreement for an 80% interest in the Berehaven Copper Mines, for consideration of 300 million shares at a price of $0.05 per common share in the Company (issued) and work commitments of $250,000 on or before February 1, 2015 (see subsequent event note 15(b)) and $2,000,000 on or before March 31, 2016. The Company has recorded an impairment of $15,004,520 for its Berehaven property for the year ended December 31, 2014. This impairment was based on identified indicators of impairment that resulted from a downturn in the junior mining exploration sector, in particular, unfavourable changes in the property or project economics, inability to raise financing necessary to continue exploration or development of the property and significant decreases in the current or expected future prices of mineral resources. A further significant factor was the curtailment of exploration activities for an indefinite period due to lack of finances.

In March 2015, the Company received an extension to October 1, 2015 for the agreement for the option to acquire an 80% interest in the Berehaven Copper Mines located in the Allihies Mining District, County Cork, Ireland, for the performance of the work commitment of $250,000 that was to have been completed, originally, on or before February 1, 2015. Except for the amendment proposed herein, all provisions in the Option Agreement shall remain in full force and effect. In February 2016 the Company chose to terminate the option on the property.

(2) Other Projects

The Company no longer owns the following properties that were acquired in prior years for which a full impairment charge has been provided. These projects are summarized as follows:

(i) The East Lingman Lake Gold Property

Option agreement

On October 25, 2012, European Metals Corp. (Formerly as Mantis Mineral Corp.)("EMC") announced that it had entered into an option agreement (the "agreement") to acquire a 100% registered undivided interest in the East Lingman Lake gold property consisting of twelve (12) staked claims, totalling 538.3-hectares and located in the Kenora district, province of Ontario, approximately 325-kilometers north of the Town of Red Lake. The twelve (12) staked claims surround the Lingman Lake gold property.

In November 2013, the Company entered into an option agreement to grant an option to acquire a 100% registered undivided interest in the East Lingman Lake to Signature Resources Ltd. (SGU: TSX-V) ("Signature"). In order to acquire the option currently held by the Company, Signature agreed to pay $127,500 or the number of common shares in the capital of SGU equal to $127,500, each such common share at an attributed value of $0.085 or such value allowable under the TSXV Exchange policies on or before June 30, 2014.

As stated above payment would be made on June 30, 2014, the Company had agreed to an extension for the receipt of these shares to December 31, 2015.The Company has recorded an impairment of $257,300 in prior years.

The Company agreed to an extension to the Option agreement to June 30, 2016 and subsequently to July 5, 2016 at which time 1,500,000 shares were issued by Signature Resources Ltd.("SGU") at a deemed price of $0.085 per share equalling $127,500 satisfying the terms of the option agreement. At that date SGU acquired all of the right, title and interest in the property. These shares were not available to the Company until November 4, 2016, in accordance with regulatory hold periods.

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8. EXPLORATION AND EVALUATION ASSETS (continued)

(2) Other Projects (continued)

(ii) The Orphan Mine Property

The Company acquired in 2007, 100% interest in the mineral rights in the former Orphan Gold mine. In November 2007, the Company acquired the surface rights for the property, additionally; the Company increased its land holdings at the Orphan mine project by staking five contiguous claims totalling 1,280-hectares, located 3,000-meters north east of EMC's Orphan mine.

On September 30, 2014 an agreement to sell this property to an arm's length third party was completed. The sale price consisted of the following:

(i) on closing, 983,500 common shares in Signature Resources Ltd. with a value of $0.015 per share (received) for a total value of $14,753. An impairment to the value of the project of $1,780,890 had been recorded in prior years; the $14,753 received has been recorded as a recovery against these expenses.

(ii) on or before eighteen months (18) months following the closing date, at the purchaser's sole election:

(a) the transfer of an aggregate of a further one million (1,000,000) common shares of Signature Resources ltd.
(b) cash payment of fifty thousand dollars ($50,000).

See subsequent event Note 15 (a).

(iii) Cree Lake Property

On October 4, 2012 the Company entered into an arm's length binding letter of intent with Elcora Resources Corp. ("Elcora") for the right to acquire a 51% undivided interest in the 100% owned Cree Lake Gold Property located in Swayze Township, Ontario, consisting of 18 mining claims covering approximately 3904 hectares, which claims are subject to a 1.5% net smelter return royalty ("NSR") on mining claim numbers 4203295, 4203275, 4203296, 4209811.

On January 8, 2014 The Company agreed to amend the option agreement that was entered into in December 2012 with Elcora. The cash payment that would have been due on or before December 31, 2013 for $25,000 was deleted and added was that the consideration for entering into the original agreement would be changed to 400,000 shares of Elcora to be received on or before January 31, 2014. The original agreement stated that the payment of 600,000 shares of Elcora would be made on December 31, 2014.

In early 2015, Elcora notified the Company that it would be terminating the option.

On June 19, 2015 an agreement to sell this property to an arm's length third party was completed. The sale price consisted of the following: on closing, 300,000 common shares in Signature Resources Ltd. with a value of $0.02 per share (received) for a total value of $6,000. An impairment to the value of the project of $804,171 had been recorded in prior years; the $6,000 received has been recorded as a recovery against these expenses.

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9. SHARE CAPITAL

(a) Authorized

Unlimited number of common shares

(b) Issued

	Number of shares #	Amount $
Balance of issued shares at January 1, 2015	1,392,762,564	17,666,271
Balance of issued shares at September 30, 2015	1,392,762,564	17,666,271
Balance of issued shares at December 31, 2015	1,392,762,564	17,666,271
Balance of issued shares at September 30, 2016	1,392,762,564	17,666,271
Shares to be issued	10,000,000	50,000
Balance at September 30 , 2016 and December 31, 2015	**1,402,762,564**	**17,716,271**

$50,000 was received in 2014 for 10,000,000 shares yet to be issued.

(c) Warrants

	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
	September 30	September 30	December 31	December 31
	2016	2016	2015	2015
	#	$	#	$
Outstanding ,beginning of the period	704,958,200	0.05	704,958,200	0.05
Granted during the period	-	-	-	-
Cancelled or expired during the period	-	-	-	-
Outstanding, end of the period	704,958,200	0.05	704,958,200	0.05

Expiry date	Exercise price $	Number of warrants outstanding and exercisable #	Black Scholes value $
February-19	0.05	700,972,200	1,069,221
March-19	0.05	3,986,000	13,704
Balance, December 31, 2015		704,958,200	1,082,925
Balance, September 30, 2016		704,958,200	1,082,925

The warrants are valued using the Black-Scholes option pricing model with the following assumptions:
Term - 5 years; Volatility – 138%; Interest rate – 1.63%; Dividend yield – Nil.

No warrants were exercised in this period.

(Expressed in Canadian Dollars)

9. SHARE CAPITAL (continued)

(d) Stock options

European Metals Options may be granted under the European Metals Plan only to directors, officers, employees and other service providers subject to the rules and regulations of applicable regulatory authorities and any Canadian stock exchange upon which the European Metals shares may be listed or may trade from time to time. The number of European Metals shares reserved for issue to any one person pursuant to the European Metals Plan within any one year period may not exceed 5% of the issued and outstanding European Metals Shares. The maximum number of European Metals shares which may be reserved for issuance to insiders under the European Metals Plan, any other employer stock option plans or options for services, shall be 10% of the total number of European Metals shares issued and outstanding at the time of the grant (on a non-diluted basis). The maximum number of European Metals options which may be granted to any one consultant under the European Metals Plan, any other employer stock options plans or options for services, within any 12 month period, must not exceed 2% of the total number of European Metals shares issued and outstanding at the time of the grant (on a non-diluted basis). The maximum number of European Metals options which may be granted to investor relations persons under the European Metals Plan, any other employer stock options plans or options for services, within any 12 month period must not exceed, in the aggregate, 2% of the total number of European Metals shares issued and outstanding at the time of the grant (on a non-diluted basis). The exercise price of European Metals options issued under the European Metals Plan may not be less than the fair market value of the European Metals shares at the time the option is granted, subject to any discounts permitted by applicable legislative and regulatory requirements.

The Company applies the fair value method of accounting for all stock-based compensation awards.

The following table summarizes information about stock options outstanding and exercisable at September 30, 2016 and December 31, 2015:

	September 30 , 2016			December 31 , 2015		
	Number of options outstanding	Weighted Average Exercise Price	Fair Value of Options	Number of options outstanding	Weighted Average Exercise Price	Fair Value of Options
		$	$		$	$
Balance at the beginning of the period	66,500,000	0.005	314,471	66,600,000	0.005	317,861
Expired during the period (i)	-	-	-	(100,000)	(0.05)	(3,390)
Outstanding, end of the period	66,500,000	0.005	314,471	66,500,000	0.005	314,471

(i) 100,000 stock options expired during the 2015.

Weighted Average Remaining Contractual Life	Fair Value of Options	Number of options and exercisable options	Exercise price	Expiry Date
Years	$	#	$	
2.21	314,471	66,500,000	0.005	November 18,2018
2.21	314,471	66,500,000	0.005	

10. LOSS PER COMMON SHARE

Loss per common share has been calculated based on the weighted average number of common shares outstanding during the period of 1,392,762,564 shares. Fully diluted loss per common share has not been provided for the period ended September 30, 2016 as the effect would be anti–dilutive.

11. COMMITMENTS

Contracts

On March 14, 2014, the amalgamated entity entered into three contracts as follows:

(a) A consulting contract with the Chief Executive Officer ("CEO") engaged from the date of amalgamation for $5,000 per month payable in equal value of common shares, for one year from March 14, 2014, subject to a four month regulatory hold and regulatory approval. Although the CEO resigned on August 1, 2014, the contract remained in effect until its completion in March 2015.

(b) A consulting contract with the former Chairman and Chief Executive for $10,000 per month payable in equal value of common shares, subject to a four month regulatory hold and regulatory approval. The contract was terminated effective September 30, 2015.

(c) In August 2014, a consulting contract with the current Chairman and CEO/CFO for services rendered based on the current value for services that is appropriate on the circumstances to be paid in cash when available.

12. LOANS PAYABLE

Loans payable are due on demand with no specific terms of repayment.

13. RELATED PARTY TRANSACTIONS

(a) Related parties include the Board of Directors, officers, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions. Related party transactions conducted in the normal course of operations are measured at the exchange value (the amount established and agreed to by the related parties).

The Company incurred the following related party expenses during the period ended September 30, 2016 and December 31, 2015:

Included in accounts payable is an amount of $443,914 (2015 - $443,914) owing to the former Chairman and Chief Executive Officer of the Company for wages earned in prior years and current year's consulting fees amounting to $90,000 which were accrued for 2015.

An amount of $6,042 (2015 - $3,811) is included in loans payable owing to the current Chairman and Chief Executive Officer.

These transactions are in the normal course of operations and are measured at the exchange amounts, which are the amounts of consideration established and agreed to by the parties.

(b) In accordance with IAS 24, key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company. The remuneration of directors and key management of the Company was as follows:

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13. RELATED PARTY TRANSACTIONS (continued)

	Nine months ended September 30, 2016	Year ended December 31, 2015
		$
Consulting fees (i)	-	90,000
Consulting fees (ii)	7,500	36,000
Consulting fees (iii)	-	15,000

(i) Former Chairman and Chief Executive Officer
(ii) Current Chairman and Chief Executive Officer/Chief Financial Officer
(iii) Former Chairman and Chief Executive Officer- resigned August 1, 2014

14. INCOME TAXES

The Company has reported non-capital losses available for deduction of approximately $8,715,000. These losses, if not utilized will expire as follows:

Year	$
2026	1,427,000
2027	1,057,000
2028	793,000
2029	910,000
2030	972,000
2031	38,000
2032	179,000
2033	1,269,000
2034	1,900,000
2035	170,000
	8,715,000

In addition, the Company has available capital losses of $127,042 for deduction against future capital gains. This loss may be carried forward indefinitely.

Significant components of the Company's deferred tax assets and liabilities, after applying enacted corporate income tax rates, are as follows:

The Company has recorded a full valuation allowance for all of its deferred income taxes because management believes that the deferred income tax assets in respect of such losses are not, more likely than not, to be realized in the carry-forward period.

The reconciliation of income tax provision computed by applying the basic combined Federal and Provincial income tax rate aggregating 26.50% (2014 – 26.50%) to loss before income taxes, is as follows:

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14. INCOME TAXES (continued)

	2015	2014
Statutory tax rate	26.50%	26.50%
		$
Expected income tax recovery	(60,521)	(4,461,727)
Non-deductible expenses	28,627	4,919
Share issue expenses deductible	(9,664)	(9,664)
Exploration and evaluation expenses	(1,590)	3,909
Impairment of evaluation and exploration assets	-	3,976,198
Tax benefits not recognized	43,148	486,365
Income tax recovery	-	-

	$	$
Non-capital loss carry forwards	2,309,475	2,751,295
Net capital losses	16,833	16,833
Exploration and evaluation assets	1,745,079	1,746,669
Capital assets	17,024	17,024
Share issue costs	25,477	35,141
Unrecognized deferred income tax assets	4,113,888	4,566,962

15. SUBSEQUENT EVENTS

(a) The Orphan Mine Property

The Company agreed to an extension, to the terms of the Option agreement, to March 31, 2017 which was to close on March 31, 2016.

(b) Eurogas transaction (continued)

Eurogas transaction

The Company("EMC") announced that it had signed a non-binding letter of intent ("LOI") which sets out the proposed terms and conditions of a transaction (the "Transaction") whereby EMC will acquire approximately 78% of the issued and outstanding shares of EuroGas AG, a private Swiss company in the business of mining and oil and gas exploration and development ("EuroGas"), from ZB Capital AG, a private Swiss company and the majority shareholder of EuroGas ("ZBC").

Overview of EuroGas
EuroGas was incorporated in the Swiss canton of Zurich on August 12, 2009 and currently has three wholly owned subsidiaries as well as a number of directly-held assets.

The first subsidiary, EuroGas Silver & Gold Inc. ("ESG"), is a Nevada corporation that owns approximately 150 gold/silver claims in the Banner Mining District, located 60 miles east of Boise, Idaho, USA, as well as an option to purchase an interest in the Banner Silver Mine from a private Montana, USA corporation. ESG has completed extensive preparatory work on the claims since it acquired them in 2011 and plans to undertake an ambitious exploration program on the property in the spring of 2016.

15. SUBSEQUENT EVENTS (continued)

(b) Eurogas transaction (continued)

The second subsidiary, EuroGas GmbH Austria, is an Austrian corporation that serves as the administration company for EuroGas and owns a 33% interest in Rozmin s.r.o., a Slovakian mining company ("Rozmin"), which in turn formerly owned the exploration rights to the Gemerská Poloma soapstone talc mineral deposit in Roznava, Slovak Republic. These rights were revoked by the Slovak government in 2005, and EuroGas is currently involved in an arbitration case at the International Centre for Settlement of Investment Disputes (ICSID) against the Slovak Republic (No. ARB/14/14) under a pair of bilateral investment treaties to recover damages arising from this revocation The potential award has been estimated at over $200 million, and EuroGas is in the process of obtaining an independent evaluation report from KPMG LLP and Wardell Armstrong International to support this figure.

The initial request for arbitration was filed against the Slovak Republic by EuroGas and Belmont Resources Inc., a British Columbia corporation with its shares listed for trading on the TSX Venture Exchange, as the owners of an aggregate 90% interest in Rozmin, on June 25, 2014, and the unlawfulness of the government's actions has repeatedly been confirmed in a series of Slovakian internal court decisions.

The third EuroGas subsidiary, EuroGas Minerals Ukraine, is a Ukrainian corporation that holds rights and options to enter into several existing oil and gas joint ventures in western Ukraine. It is also in the process of carrying out an exploration program for gold, silver, uranium, rare earths, chromium spinel and related materials on a property in central Ukraine.
In addition, EuroGas holds the rights to various gold mining claims in the Yukon Territory, Canada, including a 33% interest in a placer gold mining operation.

<u>The Transaction</u>
The Transaction will take the form of a contractual share exchange pursuant to which EMC will acquire 100% of the EuroGas shares held by ZBC in exchange for the issuance to ZBC of units of the Company (each, an "EMC Unit") on a 1:1 basis. Upon the completion of the Transaction, EuroGas will become a majority-owned subsidiary of the Company.

It is expected that the Transaction will be treated as a reverse takeover within the meaning of applicable Canadian securities laws and be considered a fundamental change under the policies of the Canadian Securities Exchange (the "CSE"). As a result, it will be necessary for the Company to obtain regulatory approval from the CSE as well as approval from EMC's shareholders.

The material terms of the LOI include:

(a) On or prior to the closing date of the Transaction (the "Closing Date"), EMC will consolidate its outstanding share capital on the basis of one (1) new common share (each, an "EMC Share") for every 10 old EMC Shares (the "Consolidation");

(b) At the closing, EMC will allot and issue 721,250,000 post-Consolidation EMC Units to ZBC, with each EMC Unit consisting of one EMC Share and three-quarters of a warrant to purchase one EMC Share, with each whole warrant exercisable at a price of $0.05 per EMC Share for a period of 12 months, $0.075 per EMC Share for the next 12 months, and $0.10 per EMC Share for a period of 12 months thereafter;

(c) On or prior to the Closing Date, EMC will enter into binding debt settlement agreements and releases with certain of its creditors in form and substance satisfactory to EuroGas (the "Debt Settlement"), with the result that the accounts payable and accrued liabilities of EMC will be no greater than $150,000 at the closing;

15. SUBSEQUENT EVENTS (continued)

(b) Eurogas transaction (continued)

(d) EuroGas will assign to the holders of EMC Shares as of December 8, 2015 and in proportion to their ownership of EMC Shares, the right to receive an aggregate of US$5,000,000 in cash from any award received by EuroGas in connection with the arbitration proceeding described above;

(e) On or prior to the Closing Date, EMC will appoint two nominees of EuroGas to its board of directors, with an additional director agreed upon by the parties to be appointed on the Closing Date; and

(f) Upon the completion of the Transaction and subject to the approval of the CSE, a finder's fee of a maximum of 46,250,000 post-Consolidation EMC Shares will be payable to an arm's length third party.

The Company and EuroGas will use their reasonable best efforts to complete due diligence by January 8, 2016 and enter into a mutually satisfactory definitive agreement with ZBC (the "Definitive Agreement") to reflect the complete terms of the Transaction by January 29, 2016. The LOI may be terminated by either EMC or EuroGas as a result of unsatisfactory due diligence results or if the Definitive Agreement is not executed on or before January 29, 2016.

The completion of the Transaction is subject to various conditions, including:

(a) The completion by each of EMC and EuroGas of their due diligence investigation of the other party;
(b) The delivery by EuroGas to EMC of engineering reports on its oil and gas properties in accordance with National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities*;
(c) The delivery by EuroGas to EMC of audited financial statements of EuroGas for those fiscal periods required under applicable securities laws or the policies of the CSE;
(d) The completion of the Consolidation and the Debt Settlement;
(e) EuroGas, EMC and ZBC obtaining all required directors, regulatory, shareholder and third party approvals; and
(f) If necessary, the receipt by EMC of a valuation and fairness opinion in respect of the Transaction that is satisfactory to EMC, which opinion has not been subsequently withdrawn.

Following the successful negotiation of the Definitive Agreement and subject to regulatory and shareholder approval, the Transaction is expected to close on December 31, 2016.

(c) Listing on the Canadian Stock Exchange ("CSE")

The Company was de-listed from trading on the CSE on May 5, 2016 due to a failure to comply with regulatory filing deadlines. The Company is in the process of addressing the issues that gave rise to this action.