

**EUROPEAN METALS CORP.**  
(AN EXPLORATION STAGE COMPANY)  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED**  
**DECEMBER 31, 2018 AND 2017**  
(EXPRESSED IN CANADIAN DOLLARS)  
**(AUDITED)**

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(AN EXPLORATION STAGE COMPANY)

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

The 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 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 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

April 12, 2019

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of European Metals Corp.

### Opinion

We have audited the consolidated financial statements of European Metals Corp. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and December 31, 2017, and the statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

### Emphasis of Matter

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss of \$101,292 for the year ended December 31, 2018 and has incurred cumulative losses from inception in the amount of \$19,771,172 at December 31, 2018. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about European Metals Corp.'s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### Other Information

Management is responsible for the other information. The other information comprises the Management Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is George G. Lovrics, CPA, CA.

*Stera & Lovrics LLP*

Toronto, Ontario  
April 12, 2019

Chartered Professional Accountants  
Licensed Public Accountants

(AN EXPLORATION STAGE COMPANY)

**Consolidated Statements of Financial Position**

(Expressed in Canadian Dollars)

(Audited)

	December 31, 2018	December 31, 2017
As at	\$	\$
<b>Assets</b>		
<b>Current assets</b>		
Cash	23,971	14,501
Sales tax recoverable	3,544	4,232
<b>Total current assets</b>	<b>27,515</b>	<b>18,733</b>
<b>Non-current assets</b>		
Equipment (Note 6)	-	873
<b>Total assets</b>	<b>27,515</b>	<b>19,606</b>
<b>Liabilities and Shareholders' Deficiency</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (Note 9)	1,049,491	890,290
<b>Total liabilities</b>	<b>1,049,491</b>	<b>890,290</b>
<b>Shareholders' Deficiency</b>		
Share capital (Note 8)	17,666,271	17,666,271
Shares to be issued (Note 8)	-	50,000
Warrant reserve	1,082,925	1,082,925
Contributed surplus	-	314,471
Deficit	(19,771,172)	(19,984,351)
<b>Total Shareholders' Deficiency</b>	<b>(1,021,976)</b>	<b>(870,684)</b>
<b>Total liabilities and shareholders' Deficiency</b>	<b>27,515</b>	<b>19,606</b>

**Nature of Operations and Going Concern (Note 1)****Subsequent events (Note 13)**

The accompanying notes are integral to these consolidated financial statements.

(AN EXPLORATION STAGE COMPANY)

**Consolidated Statements of Loss and Comprehensive Loss**

(Expressed in Canadian Dollars)

(Audited)

	For the years ended,	
	December 31, 2018	December 31, 2017
	\$	\$
<b>Expenses</b>		
Legal and audit	29,025	-
General and office administration	59,459	13,362
Consulting fees	(10,000)	10,000
Filing fees and dues	21,487	31,978
Amortization	872	272
Foreign exchange loss	449	-
Net loss and comprehensive loss for the year	(101,292)	(55,612)
Net loss and comprehensive loss per share	(0.00)	(0.00)
Weighted average number of shares outstanding	1,402,762,564	1,402,762,564

The accompanying notes are integral to these consolidated financial statements.

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**Consolidated Statements of Changes in Shareholders' Deficiency**

(Expressed in Canadian Dollars)

(Audited)

	Share Capital (#)	Share Capital (\$)	Shares to be Issued (\$)	Contributed surplus (\$)	Warrant Reserve (\$)	Deficit (\$)	Total Shareholder's Deficiency (\$)
Balance – December 31, 2016	1,402,762,564	17,666,271	50,000	610,321	1,082,925	(20,224,589)	(815,072)
Reallocation of contributed surplus	-	-	-	(295,850)	-	295,850	-
Loss for the year	-	-	-	-	-	(55,612)	(55,612)
Balance – December 31, 2017	1,402,762,564	17,666,271	50,000	314,471	1,082,925	(19,984,351)	(870,684)
<b>Balance – December 31, 2017</b>	<b>1,402,762,564</b>	<b>17,666,271</b>	<b>50,000</b>	<b>314,471</b>	<b>1,082,925</b>	<b>(19,984,351)</b>	<b>(870,684)</b>
Reallocation of contributed surplus	-	-	-	(314,471)	-	314,471	-
Reallocation of shares to be issued	-	-	(50,000)	-	-	-	(50,000)
Loss for the year	-	-	-	-	-	(101,292)	(101,292)
<b>Balance – December 31, 2018</b>	<b>1,402,762,564</b>	<b>17,666,271</b>	<b>-</b>	<b>-</b>	<b>1,082,925</b>	<b>(19,771,172)</b>	<b>(1,021,976)</b>

The accompanying notes are integral to these consolidated financial statements.



(AN EXPLORATION STAGE COMPANY)

**Consolidated Statements of Cash Flows**

(Expressed in Canadian Dollars)

(Audited)

	December 31, 2018 \$	December 31, 2017 \$
<b>For the years ended,</b>		
<b>Cash flows provided by (used in) operating activities</b>		
Net loss and comprehensive loss for the year	(101,292)	(55,612)
Adjustments for items not involving cash:		
Amortization	872	272
	(100,420)	(55,340)
Changes in non-cash working capital items:		
Decrease (increase) in sales tax recoverable	689	(4,232)
Increase in accounts payable and accrued liabilities	109,201	39,615
Net cash provided by (used in) operating activities	9,470	(19,957)
Change in cash	9,470	(19,957)
Cash, beginning	14,501	34,458
<b>Cash, ending</b>	<b>23,971</b>	14,501

The accompanying notes are integral to these consolidated financial statements.

(AN EXPLORATION STAGE COMPANY)

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

(Expressed in Canadian Dollars)

(Audited)

### 1. NATURE OF OPERATIONS AND GOING CONCERN

#### a) Nature of operations

European Metals Corp., the (“Company”, “EMC”) 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 Suite 810 - 789 West Pender Street, Vancouver, British Columbia V6C 1H2, Canada.

The shares of EMC are listed on the Canadian Stock Exchange (the “CSE”) under the symbol “ECU” and on the Frankfurt stock exchange under the symbol “MNTCF”. A cease trade order imposed by the CSE has been revoked. The Company is currently seeking a qualifying property and trading will commence trading once a qualifying property has been approved by the CSE.

As at December 31, 2018, the Company has not generated any revenues from operations. The Company has realized net loss of \$101,292 for the current period (2017 – \$55,612), and a working capital deficit of \$971,976 (2017 - \$871,557) and an accumulated deficit of \$19,771,172 (2017 - \$19,984,351). 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 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 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 its properties.

Longer term, the Company may pursue opportunities to raise additional capital through equity markets; however, there can be no assurance it will be able to raise funds in the future. The ultimate ability of the Company to remain a going concern and complete exploration and development of properties, if properties are proven successful, is dependent upon successfully raising additional capital.

These consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets, liabilities and reported expenses should the Company be unable to continue as a going concern. These adjustments could be material.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### 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 year ended December 31, 2018.

The Board of Directors approved these consolidated financial statements on April 12, 2019.

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### **Notes to the Consolidated Financial Statements**

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#### **Basis of Presentation**

These consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information. In addition, these consolidated financial statements have been prepared on the historical-cost basis, except for the revaluation of certain financial assets and financial liabilities to fair value.

#### **Basis of Consolidation**

The 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.

The results of subsidiaries acquired or disposed of during the years presented are included in the consolidated statement of loss and comprehensive loss from the effective date of acquisition and up to the effective date of disposal, as appropriate. All intercompany transactions, balances, income and expenses are eliminated upon consolidation.

#### **Functional and presentation currency**

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

#### **Use of estimates and judgements**

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

1. Critical judgements exercised by management in applying accounting policies that have the most significant effect on the amounts presented in these consolidated financial statements are as follows:
  - Functional currency – The assessment of the Company’s functional currency and the functional currency of its subsidiaries involves judgment regarding the primary economic environment the Company and its wholly-owned subsidiary operates in.
  - Going concern – The assessment of the Company’s ability to continue as a going concern involves judgement regarding future funding available for its operations and working capital requirements as discussed in note 1.
2. Critical accounting estimates
  - Income taxes and recoverability of potential deferred tax assets

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

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Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

### **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 Black-Scholes input assumption's including the future volatility of the stock price, expected dividend yield, and expected life. Such judgements and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

### **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.

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 years ended December 31, 2018 and 2017, there were no exploration and evaluation assets.

### **Financial instruments recorded at fair value:**

Financial instruments recorded at fair value on the 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).

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### **Notes to the Consolidated Financial Statements**

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#### **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.

#### **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%; 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 and computer 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.

#### **Share-based payment transactions**

The fair value of stock options granted to employees and non-employees is recognized as an expense over the vesting period with a corresponding increase in shareholders' equity. An individual is classified as an employee when the

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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.

### **Decommissioning liability**

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the Company's exploration and evaluation activities. Discount rates using a pre-tax rate that reflects the risk and the time value of money are used to calculate the net present value. These costs are charged against profit or loss as exploration and evaluation expenditures and 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. The Company has no restoration, rehabilitation and environment costs as at December 31, 2018 and December 31, 2017.

### **Provisions**

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The Company has no material provisions at December 31, 2018 and December 31, 2017.

### **Share Capital**

#### **Common Shares**

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

#### **Income Tax**

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss, except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized with regards to the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

Deferred taxes are recognized as income or expense in profit or loss, except to the extent that tax arises from transactions recognized in equity. Therefore, when deferred taxes relate to equity items, a backwards tracing is necessary to determine the adjustment to taxes (e.g. change in tax rates and change in valuation allowance) that should be recorded in equity. For this purpose, the accounting policy of the Company is to first allocate changes in valuation allowance to capital losses due to share issuance costs before non-capital losses carryforwards.

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Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

### **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 year.

### **Related Party Transactions**

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

### **Segment Reporting**

The Company determined that it had only one operating segment, i.e. the mining exploration.

### **Adoption of Accounting Policies**

Several amendments to existing accounting standards became effective January 1, 2018:

#### ***IFRS 15 Revenue from Contracts with Customers***

IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers. As the Company does not have any revenue from customers, this change had no impact on the financial statements.

#### ***IFRS 9 Financial instruments***

The Company adopted all of the requirements of IFRS 9 Financial Instruments (“IFRS 9”) as of January 1, 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 utilize a revised model for recognition and measurement of financial instruments and a single, forward-looking “expected loss” impairment model. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, so the Company’s accounting policy with respect to financial liabilities is unchanged. As a result of the adoption of IFRS 9, management has changed its accounting policy for financial assets retrospectively, for assets that continued to be recognized at the date of initial application.

The change did not impact the carrying value of any financial assets or financial liabilities on the transition date.

The following is the Company’s new accounting policy for financial instruments under IFRS 9:

#### **Classification**

The Company classifies its financial instruments in the following categories: at fair value through profit and loss (“FVTPL”), at fair value through other comprehensive income (loss) (“FVTOCI”) or at amortized cost. The Company



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### Notes to the Consolidated Financial Statements

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determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The adoption of IFRS 9 resulted in no impact to the opening accumulated deficit nor to the opening balance of accumulated comprehensive income on January 1, 2018.

#### Measurement

##### *Financial assets and liabilities at amortized cost*

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

##### *Financial assets and liabilities at FVTPL*

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of comprehensive loss in the period in which they arise.

##### *Impairment of financial assets at amortized cost*

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve-month expected credit losses. The Company shall recognize in the consolidated statements of comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

#### Derecognition

##### *Financial assets*

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the consolidated statements of comprehensive loss.

### New Standards and Interpretations Not Yet Adopted

The Company will be required to adopt the following standards and amendments issued by the IASB, as described below.

Applicable to the Company's annual period beginning on January 1, 2019:

#### **IFRS 16 Leases**

IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17 Leases.



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The Company has not early-adopted this standard and is currently assessing the impact that the standard will have on the consolidated financial statements.

### 3. CAPITAL RISK MANAGEMENT

The Company includes equity, comprising issued share capital and deficit, in the definition of capital, which as at December 31, 2018 totaled Deficit \$971,976 (2017 - \$870,684).

The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund its exploration commitments. To secure the additional capital necessary to continue with the exploration of mineral properties, the Company may attempt to raise additional funds through the issuance of debt or equity. The Company is not subject to any capital requirements imposed by a lending institution.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company may manage its capital structure by issuing new shares and adjusting capital spending. The capital structure is reviewed by management and the Board of Directors on an ongoing basis.

There were no changes in the Company's process, policies and approach to capital management during the years ended December 31, 2018 and December 31, 2017.

### 4. FINANCIAL INSTRUMENTS AND RISK FACTORS

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate risk, foreign currency risk and price risk).

(i) Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and amounts receivable. Cash is held with a Canadian chartered bank, from which management believes the risk of loss to be minimal.

Amounts receivable consists of sales tax receivable from government authorities in Canada. Amounts receivable are in good standing as of December 31, 2018. Management believes that the credit risk with respect to these amounts receivable is minimal.

(ii) 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 its access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or matters specific to the Company. The Company generates cash flow primarily from its financing activities. As at December 31, 2018, the Company had cash and cash equivalents of \$23,971, (2017 - \$14,501) to settle trade accounts payable and accrued liabilities of \$999,491 (2017 - \$890,290), the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as liquidity. As discussed in Note 1, the Company's ability to continually meet its obligations and carry out its planned exploration activities is uncertain and dependent upon the continued financial support of its shareholders and securing additional financing. Management is continuing in its efforts to secure a financing and believes it will be successful.

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## (iii) Market risk

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

## (iv) Financial risk

## Interest rate risk

The Company has cash and cash equivalent balances and no variable interest-bearing debt. The Company's current policy is to invest excess cash in guaranteed investment certificates issued by a Canadian chartered bank with which it keeps its bank accounts. The Company periodically monitors the investments it makes and is satisfied with the creditworthiness of its Canadian chartered bank. The Company bears non-interest bearing loans from an arms length party for \$152,440, which are included in accounts payable. The loans are non-interest bearing and due on demand and are not subject to interest rate risk.

## Foreign currency risk

The Company's functional and presentation currency is the Canadian dollar and major purchases are transacted in Canadian dollars. The Company at the present time does not have any foreign currency balances subject to foreign currency risk.

## (v) 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:

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

**5. FAIR VALUE MEASUREMENTS**

Assets and liabilities measured at fair value on a recurring basis and categories of financial instruments are as follows:

## a) Assets and liabilities measured at fair value on a recurring basis:

	Level 1 \$	Level 2 \$	Level 3 \$	Aggregate fair value \$
As at December 31, 2018				
Cash	23,971	-	-	23,971
As at December 31, 2017				
Cash	14,501	-	-	14,501

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## b) Categories of financial instruments:

	December 31, 2018	December 31, 2017
	\$	\$
Financial assets		
Cash	23,971	14,501
Sales tax receivable	3,544	4,232
	27,515	18,733
Financial liabilities		
Accounts payable and accrued liabilities	999,491	890,290
	999,491	890,290

The Company has not offset financial assets with financial liabilities. The carrying value of the Company's sales tax receivable, accounts payable and other liabilities approximates fair value due to their short-term maturity.

**6. EQUIPMENT**

			December 31, 2018	December 31, 2017
	Cost	Accumulated amortization	Net	Net
	\$	\$	\$	\$
Furniture's and fixtures	13,471	13,471	-	562
Computer equipment	35,473	35,473	-	311
	48,944	48,944	-	873

**7. EXPLORATION AND EVALUATION ASSETS**

The Company continues to monitor its projects that were acquired in prior years for which a full impairment charge has been provided.

**8. SHARE CAPITAL****(a) Authorized**

Unlimited number of common shares.

**(b) Issued**

During the year ended December 31, 2018 and 2017, the Company did not issue any common shares.

During the year ended December 31, 2018, the Company reclassified \$50,000 from obligation to issue shares to accounts payable.

**(c) Warrants**

The following is a summary of the Company's warrant activity:

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	Number of Warrants #	Weighted average exercise price \$
Balance, December 31, 2016 and December 31, 2017	704,958,200	0.05
Issued	-	-
<b>Balance, December 31, 2018</b>	<b>704,958,200</b>	<b>0.05</b>

Warrants at December 31, 2018 were as follows:

Expiry date	Number of warrants outstanding(#)	Weighted average remaining term (years)	Weighted average exercise price (\$)
February 2019	700,972,200	0.09	0.05
March 2019	3,986,000	-	0.05
Total	704,958,200	0.09	0.05

**(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 December 31, 2018 and December 31, 2017:

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	Number of options #	Weighted average exercise price \$
Balance, December 31, 2016 and December 31, 2017	66,500,000	0.05
Expired	(66,500,000)	(0.05)
<b>Balance, December 31, 2018</b>	<b>-</b>	<b>-</b>

During the period ended December 31, 2018, 66,500,000 stock options with an exercise price of \$0.05 expired. The Company reclassified contributed surplus of \$314,471 to accumulated deficit.

**9. ACCOUNTS PAYABLE**

The accounts payable are comprised as follows:

	December 31, 2018 \$	December 31, 2017 \$
Accounts payable and accrued liabilities	820,876	217,775
Accounts payable (related parties – Note 11)	10,014	453,914
Accounts payable (related parties – discontinued operations)	218,601	218,601
	<b>1,049,491</b>	<b>890,290</b>

**10. COMMITMENTS**

## Contracts

There is a consulting contract with the current Chairman and CEO/CFO for services rendered based on the current value for services that is appropriate in the circumstances to be paid in cash when available. This contract is to be renewed annually unless circumstances indicate otherwise.

**11. 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 had the following related party expenses during the period ended December 31, 2018:

Included in accounts payable is an amount of \$10,014 (2017 - \$10,000) owing to the Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”).

Also included in accounts payable for 2017 was \$443,914 payable to the former Chairman and Chief Executive Officer of the Company.

- (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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	December 31, 2018	December 31, 2017
	\$	\$
Accounting fees to the CEO and CFO	5,000	10,000
Rent fees to the CEO and CFO	4,000	-
Consulting fees to the CEO and CFO	5,000	-
Legal fees to a director of the Company	19,800	-
	33,800	10,000

One of the non-executive directors is also legal counsel to the Company and receives fees for his services.

As of December 31, 2018 and December 31, 2017, the Company owes no money to executives of the Company for unpaid salaries and wages. A significant amount of the work required by the Company is undertaken on a contract basis by unrelated highly qualified companies and individuals.

Non-executive directors also participate in the Company's stock option program.

**12. PROVISION FOR INCOME TAXES**

The income tax recovery varies from the amounts that would be computed applying the basic federal and provincial income tax rate aggregating 26.5% (2017 - 26.5% to loss before income taxes as shown below:

	2018	2017
	\$	\$
Expected income tax (recovery)	(26,869)	(14,737)
Share issue expenses	(6,149)	(9,664)
Non-deductible expenses	231	72
Tax benefit not recognized	32,787	24,329
Income tax recovery	-	-

Significant components of the Company's unrecognized deferred income tax assets are approximated as follows:

	2018	2017
	\$	\$
Non-capital losses carried forward	2,399,266	2,366,185
Net capital losses	17,141	17,141
Exploration and evaluation assets	1,711,292	1,711,291
Share issued costs	-	6,149
Capital assets	17,024	17,024
	4,144,723	4,117,790
Unrecognized deferred tax assets	(4,144,723)	(4,117,790)
	-	-

The deferred income tax assets have not been recognized above as it is not probable that future taxable profit will be available against which the Company can utilize benefits therefrom.

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**12. PROVISION FOR INCOME TAXES**

The Company has reported non capital losses available for deduction of approximately \$9,053,000. These losses, if not utilized will expire as follows:

Year	Amount \$
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
2036	122,000
2037	92,000
2038	124,000
	9,053,000

**13. SUBSEQUENT EVENTS**

Subsequent to year end, 704,958,200 warrants expired.