

**MANGANESE X ENERGY CORP.**

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**SIX MONTH-PERIOD ENDED SEPTEMBER 30, 2018 AND 2017**

**UNAUDITED**  
**(Expressed in Canadian dollars)**

**Contents**

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## **Notice of Disclosure of Non-auditor review of the Interim Financial Statements**

Pursuant to National Instrument 51-102, Part 4, subsection 4.3(3)(a) issued by the Canadian Securities Administrators, 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 consolidated financial statements of the Company for the interim periods ended September 30, 2018 and 2017 have been prepared in accordance with international accounting standards for interim financial reporting under IAS 34. The accompanying unaudited interim consolidated financial statements are the responsibility of the Company's management.

The Company's independent auditors, Wasserman Ramsay, Chartered Accountants, have not performed a review of these interim financial statements in accordance with the standards established for a review of interim financial statements by an entity's auditor.

November 30, 2018

*/s/ Martin Kepman*

Chief Executive Officer

**MANGANESE X ENERGY CORP.**  
**INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
(Unaudited, expressed in Canadian dollars)

As at,	September 30, 2018	March 31, 2018 (audited)
	\$	\$
<b>ASSETS</b>		
<b>Current assets</b>		
Cash & cash equivalents (note 6)	778 156	927 832
Cash - restricted flow-through funds (note 6)	167 000	262 700
Prepaid expenses	-	9 040
Sales taxes receivable	22 390	24 834
<b>Total assets</b>	<b>967 546</b>	<b>1 224 406</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 7)	53 194	93 633
<b>Total Liabilities</b>	<b>53 194</b>	<b>93 633</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (note 8)	8 939 897	8 713 584
Reserves	3 475 774	3 520 802
Deficit	(11 501 319)	(11 103 613)
<b>Total shareholders' equity</b>	<b>914 352</b>	<b>1 130 773</b>
<b>Total liabilities &amp; shareholders' equity</b>	<b>967 546</b>	<b>1 224 406</b>

Going concern (Note 2) and subsequent events (Note 18)

The Company's board of directors approved these interim consolidated financial statements on November 30, 2018.

APPROVED BY THE BOARD OF DIRECTOR

Signed "Martin Kepman" Director

Signed "Mark Billings", Director

The accompanying notes form an integral part of the interim consolidated financial statements

**MANGANESE X ENERGY CORP.**  
**INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE SIX-MONTH PERIOD ENDED SEPTEMBER 30, 2018 AND 2017**  
(Unaudited, expressed in Canadian dollars)

	SHARE CAPITAL		RESERVES	DEFICIT	TOTAL
	#	\$	\$	\$	\$
<b>Balance, as at March 31, 2017</b>	<b>45 193 497</b>	<b>7 413 947</b>	<b>3 476 551</b>	<b>(9 764 366)</b>	<b>1 126 132</b>
Net loss for the period	-	-	-	(481 247)	(481 247)
Balance, as at June 30, 2017	45 193 497	7 413 947	3 476 551	(10 245 613)	644 885
Acquisition of Houlton property	1 200 000	222 000	-	-	222 000
Stock options issued	-	-	54 829	-	54 829
Net loss for the period	-	-	-	(414 585)	(414 585)
<b>Balance, as at September 30, 2017</b>	<b>46 393 497</b>	<b>7 635 947</b>	<b>3 531 380</b>	<b>(10 660 198)</b>	<b>507 129</b>
Private placements	5 285 000	651 569	141 181	-	792 750
Stock options issued	-	-	5 465	-	5 465
Warrants exercised	1 572 117	277 647	(99 802)	-	177 845
Stock-options exercised	650 000	148 421	(57 422)	-	90 999
Net loss for the period	-	-	-	(443 415)	(443 415)
<b>Balance, as at March 31, 2018</b>	<b>53 900 614</b>	<b>8 713 584</b>	<b>3 520 802</b>	<b>(11 103 613)</b>	<b>1 130 773</b>
Shares cancellation	(23 000)	-	-	-	-
Warrants exercised	562 850	101 313	(45 028)	-	56 285
Net loss for the period	-	-	-	(49 423)	(49 423)
Balance, as at June 30, 2018	54 440 464	8 814 897	3 475 774	(11 153 036)	1 137 635
Acquisition of Peter Lake property	833 333	125 000	-	-	125 000
Net loss for the period	-	-	-	(348 283)	(348 283)
<b>Balance, as at September 30, 2018</b>	<b>55 273 797</b>	<b>8 939 897</b>	<b>3 475 774</b>	<b>(11 501 319)</b>	<b>914 352</b>

The accompanying notes form an integral part of the interim consolidated financial statements

**MANGANESE X ENERGY CORP.**  
**INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**  
**FOR THE SIX-MONTH PERIOD ENDED SEPTEMBER 30, 2018 AND 2017**  
(Unaudited, expressed in Canadian dollars)

For the period ended September 30,	Three months ended		Six months ended	
	2018	2017	2018	2017
	\$	\$	\$	\$
<b>Revenues</b>	-	-	-	-
<b>Expenses</b>				
Bank charges	3	(207)	11	10
Exploration expenses (note 9)	226 584	317 451	238 123	623 855
Foreign exchange (gain) loss	729	(452)	1 699	2 420
Stock based compensation	-	54 829	-	54 829
Operating expenses	17 392	15 879	18 894	36 571
Professional and consulting fees	103 575	27 085	138 979	178 147
	<b>348 283</b>	414 585	<b>397 706</b>	895 832
<b>Net loss and comprehensive loss</b>	<b>(348 283)</b>	(414 585)	<b>(397 706)</b>	(895 832)
Loss per share - basic & diluted	<b>(0,006)</b>	(0,009)	<b>(0,007)</b>	(0,020)
Weighted average number of shares outstanding	<b>54 440 464</b>	45 193 497	<b>54 440 464</b>	45 193 497

The accompanying notes form an integral part of the interim consolidated financial statements

**MANGANESE X ENERGY CORP.**  
**INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE SIX-MONTH PERIOD ENDED SEPTEMBER 30, 2018 AND 2017**  
(Unaudited, expressed in Canadian dollars)

For the six-month periods ended,	September 30, 2018	September 30, 2017
	\$	\$
<b>Cash used in operating activities</b>		
Net loss for the period	(397 706)	(895 832)
<i>Adjustments for items not involving cash:</i>		
Stock based compensation	-	54 829
Issuance of shares for property acquisition	125 000	222 000
<i>Changes in non-cash working capital items:</i>		
Receivables and other	2 444	3 936
Prepaid expenses	9 040	125 169
Accounts payable and accrued liabilities	(40 439)	(59 589)
	<b>(301 661)</b>	<b>(549 487)</b>
<b>Cash used in investing activities</b>		
	-	-
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares (net)	56 285	-
	56 285	-
Increase (decrease) in cash and cash equivalents	(245 376)	(549 487)
Cash and cash equivalents, beginning of the period	1 190 532	1 018 286
<b>Cash and cash equivalents, end of the period</b>	<b>945 156</b>	<b>468 799</b>
<b>Supplemental information:</b>		
Cash & cash equivalents	778 156	268 799
Cash - restricted flow-through funds	167 000	200 000
<b>Cash and cash equivalents, end of the period</b>	<b>945 156</b>	<b>468 799</b>

The accompanying notes form an integral part of the interim consolidated financial statements

**MANGANESE X ENERGY CORP.**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**SIX-MONTH PERIOD ENDED SEPTEMBER 30, 2018 AND 2017**  
**(Unaudited, expressed in Canadian dollars)**

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**1. GENERAL INFORMATION**

Manganese X Energy Corp. ("Manganese" or the "Company") was incorporated as a private company by Certificate of Incorporation issued pursuant to the provisions of the British Columbia Business Corporation Act on December 4, 2007. On December 3, 2010, the Company changed its name from Numine to Sunset Cove Mining Inc. On December 1, 2016, the Company changed its name from Sunset Cove Mining Inc. to Manganese X Energy Corp. The principal activities of Manganese and its subsidiaries are to acquire and advance high potential mining prospects located in North America with the intent of supplying value added materials to the lithium ion battery and other alternative energy industries.

The Company's shares are listed under the symbol MN (formerly: SSM) on the TSX Venture Exchange. The registered office of the Company is located at 146 Bd. Brunswick, Pointe-Claire, Quebec, Canada.

These interim consolidated financial statements were approved and authorized for issuance by the Board of Directors of the Company on November 30, 2018.

**2. GOING CONCERN DISCLOSURE**

The business of mining exploration involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of exploration properties and the Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability to raise alternative financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs of the carrying values. Although Manganese has taken steps to verify title to the properties on which it is conducting exploration and has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements, aboriginal claims and non-compliance with regulatory requirements.

Several adverse conditions and events cast substantial doubt upon the validity of this assumption. Manganese is not currently generating any revenue from its operations. For the six-month period ended September 30, 2018, the Company recorded a net comprehensive loss of \$397,706 (September 30, 2017 – \$895,832), and had an accumulated deficit of \$11,501,319 (March 31, 2018 - \$11,103,613). The Company, at September 30, 2018, has a working capital of \$914,352 (March 31, 2018 – \$1,130,773).

Its ability to continue as a going concern is uncertain and is dependent upon its ability to fund its working capital, complete the development of its explorations, and eventually to generate positive cash flows from operations. Management plans to explore all alternatives possible, including joint ventures, debt and equity financings, and merger opportunities.

These interim consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption inappropriate, and these adjustments could be material.

**MANGANESE X ENERGY CORP.**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**SIX-MONTH PERIOD ENDED SEPTEMBER 30, 2018 AND 2017**  
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**3. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE WITH IAS 34**

***Statement of compliance***

These interim consolidated financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The management in accordance with IAS 34, Interim Financial Reporting, effective as of September 30, 2018, has prepared these interim consolidated financial statements of the Company.

In the opinion of management, all adjustments considered necessary for fair presentation have been included in these financial statements. Operating results for the six-month period ended September 30, 2018 may not be indicative of the results that may be expected for the year ending March 31, 2019.

The interim consolidated financial statement of the Company has been prepared using historical costs and fair values of certain items. Items measured at fair value include cash held in foreign currencies, warrants, and share based payments. Certain comparative figures have been reclassified to conform to the current year's presentation.

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Readers should refer to the March 31, 2018 annual audited consolidated financial statements for the accounting policies used in the preparation of these interim consolidated financial statements. The IASB continues to amend and add to current IFRS standards and interpretations with several projects underway.

Accordingly, the accounting policies adopted by the Company for the Company's IFRS annual consolidated financial statements will be determined as at March 31, 2019. In the event that accounting policies adopted at March 31, 2019 differ materially from the accounting policies used in the preparation of these Financial Statements, these Financial Statements will be restated to retrospectively account for the application of those policies adopted at March 31, 2019.

***Basis of consolidation***

The subsidiaries are fully consolidated from the date of acquisition and continue to be consolidated until the date control over the subsidiary's ceases. The interim consolidated financial statements of the Company include the accounts of its 100% wholly owned subsidiaries, 7712898 Canada Inc. located in Canada. Minera Manganese Del Peru SAC (“Minera”) located in Peru was disposed during this period. All significant inter-company transactions and balances have been eliminated upon consolidation.

***Functional and presentation currency***

The presentation and functional currency of the Company is the Canadian dollar.

*Foreign operations* – Assets and liabilities of foreign operations whose functional currency is other than the Canadian dollar are translated into Canadian dollars using exchange rates in effect at period-end. Revenues and expenses, as well as cash flows, are translated using the average exchange rates for the period. Translation gains or losses are recognized in OCI.

**MANGANESE X ENERGY CORP.**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**SIX-MONTH PERIOD ENDED SEPTEMBER 30, 2018 AND 2017**  
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**5. ACCOUNTING PRONOUNCEMENTS**

***Accounting standard issued for adoption in future periods***

The following standards have been issued but are not yet effective. The Company is assessing the impact of this new standard, but does not expect it to have a significant impact on the consolidated financial statements.

- In July 2014, the IASB published IFRS 9 to replace IAS 39 Financial Instruments: Recognition and Measurement (IAS 39). The improvements introduced by IFRS 9 include a logical model for financial asset classification and measurement, a single, forward-looking 'expected loss' impairment model based on expected credit losses, and a substantially-reformed approach to hedge accounting. This standard applies to fiscal years beginning on or after January 1, 2018; early adoption is permitted. The Company intends to adopt IFRS 9 in its financial statements for the annual period beginning on March 1, 2018 and does not expect the adoption of IFRS 9 to have a material effect on its consolidated financial statements based on its current holding of financial instruments.
- On January 13, 2016, the International Accounting Standards Board published a new standard, IFRS 16, Leases, eliminating the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Under the new standard, a lease becomes an on-balance sheet liability that attracts interest, together with a new right-of-use asset. There are optional exemptions for short-term leases and leases of low value items. In addition, lessees will recognize a frontloaded pattern of expense for most leases, even when cash rentals are constant. IFRS 16 replaces existing leases guidance including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases—Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted. The Company intends to adopt IFRS 16 in its financial statements for the annual period beginning on March 1, 2019 and does not expect the adoption of IFRS 16 to have a material effect on its consolidated financial statements.

**6. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents are as follows:

	<b>September 30, 2018</b>	March 31, 2018
	\$	(audited) \$
Cash Canadian banks	<b>778 156</b>	927 832
Cash Canadian in-trust banks	<b>167 000</b>	262 700
	<b>902 801</b>	1 190 532

The Company raised in total \$1,192,965 in flow-through funds. Of this amount, \$167,000 remains restricted to be spend on Canadian Exploration Expenditures as at September 30, 2018.

**MANGANESE X ENERGY CORP.**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
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**7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Trade payables as at September 30, 2018 are \$53,194 (March 31, 2018 - \$93,633). Accounts payable includes an amount of \$12,025 (March 31, 2018 - \$10,887) due to related parties (see Note 10).

**8. SHARE CAPITAL**

**A Authorized share capital:**

An unlimited number common share, without par value:

**B1 Common Shares Issued**

- a) On September 16, 2016, Manganese announced that the TSX Venture Exchange has accepted for filing the documentation with respect to a previously announced private placement for the Issuance of 15,500,000 Units of the Company at \$0.05 on a post-consolidated basis (with each Unit being comprised of one (1) common share and one half (1/2) warrant), with each whole warrant giving the warrant-holder the right to purchase one (1) common share for \$0.10 for a period of three (3) years from the date of closing. The warrants expire on July 15, 2019. There is a statutory hold period on the Units, which expires on November 16, 2016, being four months and a day from closing. First Republic Capital Corporation acted as Agent for the Company and received 1,424,000 post-consolidation broker warrants, entitling them to purchase up to 1,424,000 Units at a price of \$0.05 per Unit, and Canaccord Genuity received 126,000 post-consolidation broker warrants entitling them to purchase up to 126,000 Units at a price of \$0.05 per Unit. The broker warrants expire on July 15, 2018. The gross proceeds of this financing, being \$775,000, will be used for general corporate purposes and the development of the Company's projects, in particular, the Houlton Woodstock Manganese project as announced on June 28, 2016.

The fair value of the 7,750,000 Unit warrants at issue date was \$249,538, as calculated using a relative fair value method based on the Black-Scholes option pricing model with the following assumptions: 36 months expected average life; share price of \$0.05; 130% expected volatility; risk free interest rate of 0.51%; and an expected dividend yield of 0%. Volatility is calculated based on the changes in historical stock prices over the expected life of the warrants. The fair value of the 1,550,000 Unit broker warrants at issue date was \$49,898, as calculated using a relative fair value method based on the Black-Scholes option pricing model with the following assumptions: 24 months expected average life; share price of \$0.05; 130% expected volatility; risk free interest rate of 0.51%; and an expected dividend yield of 0%. Volatility is calculated based on the changes in historical stock prices over the expected life of the warrants.

- b) The TSX Venture Exchange also approved during that quarter the settlement of various debts of the Company with certain officers, directors and long-term suppliers. Pursuant to various agreements entered with such creditors, the Company obtained the agreement of the creditors that they reduce their debt from \$905,992.46 to \$95,000 and then further settled the outstanding debt by the issuance of 1,900,000 Units with each Unit being comprised of one (1) common share and one half (1/2) warrant, with each whole warrant giving the warrant holder the right to purchase one (1) common share for \$0.10 until July 15, 2019.

The fair value of the 950,000 warrants at issue date was \$24,380, as calculated using a relative fair value method based on the Black-Scholes option pricing model with the following assumptions: 24 months expected average life; share price of \$0.05; 130% expected volatility; risk free interest rate of 0.51%; and an expected dividend yield of 0%. Volatility is calculated based on the changes in historical stock prices over the expected life of the warrants.

**MANGANESE X ENERGY CORP.**  
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- c) On November 30, 2016, the Company announced that the TSX Venture Exchange has accepted the filing documentation relating to the Company's agreement to earn a 100% interest, from Globex Mining Enterprises Inc. (GMX-TSX, G1M-Frankfurt, GLBXF-OTCQX International), in the Houlton Woodstock Manganese Property located in Carleton County, in the Province of New Brunswick. The Company has issued 1,200,000 common shares (see note 10) to the vendors and the finder's fee common shares immediately. All securities issued by the Company in connection with the transaction are subject to a statutory four-month hold period.
- d) In connection with the Company's effort to restructure, the Company has also negotiated debt settlement agreements with various creditors. \$147,665 of outstanding debts were extinguished through the issuance of 295,331 shares at a deemed price of \$0.50 per share. The common shares issued were subject to a four-month hold period.
- e) On January 25, 2017, Manganese announced the closing of a private placement with the issuance of 4,387,000 Units of the Company at \$0.15 for gross proceeds of \$658,050.00 and 2,106,667 flow-through shares at a price of \$0.15 per FT shares for gross proceeds of \$316,000.05. With each Unit being comprised of one (1) common share and one (1) warrant, with each whole warrant giving the warrant-holder the right to purchase one (1) common share for \$0.25 for a period of two (2) years from the date of closing. The warrants expire on January 25, 2019. There is a statutory hold period on the Units, which expires on November 25, 2017, being four months from closing. First Republic Capital Corporation acted as Agent for the Company and received a cash fee representing 10% of the gross proceeds raised in the financing and 438,700 broker warrants, entitling them to purchase up to 438,700 Units at a price of \$0.15 per Unit or per Common Shares. The broker warrants expire on January 25, 2019. The total gross proceeds of this financing, being \$974,050.05, will be used for general corporate purposes and the development of the Company's projects, in particular, the Houlton Woodstock Manganese project as announced on June 28, 2016.

The fair value of the 4,387,000 Unit warrants at issue date was \$393,771, as calculated using a relative fair value method based on the Black-Scholes option pricing model with the following assumptions: 24 months expected average life; share price of \$0.16; 130% expected volatility; risk free interest rate of 0.51%; and an expected dividend yield of 0%. Volatility is calculated based on the changes in historical stock prices over the expected life of the warrants. The fair value of the 1,088,067 Unit broker warrants at issue date was \$97,663, as calculated using a relative fair value method based on the Black-Scholes option pricing model with the following assumptions: 24 months expected average life; share price of \$0.16; 130% expected volatility; risk free interest rate of 0.51%; and an expected dividend yield of 0%. Volatility is calculated based on the changes in historical stock prices over the expected life of the warrants.

- f) On February 23, 2017, Manganese announced the closing of a private placement with the issuance of 3,000,000 flow-through shares at a price of \$0.15 per FT shares for gross proceeds of \$450,000.00. First Republic Capital Corporation acted as Agent for the Company and received a cash fee representing 10% of the gross proceeds raised in the financing and 300,000 broker warrants, entitling them to purchase up to 300,000 Common Shares at \$0.15. The broker warrants expire on February 23, 2019. The total gross proceeds of this financing, will be used for the development of the Company's projects, in particular, the Houlton Woodstock Manganese project as announced on June 28, 2016.

The fair value of the 300,000 broker warrants at issue date was \$45,505, as calculated using a relative fair value method based on the Black-Scholes option pricing model with the following assumptions: 24 months expected average life; share price of \$0.15; 130% expected volatility; risk free interest rate of 0.51%; and an expected dividend yield of 0%. Volatility is calculated based on the changes in historical stock prices over the expected life of the warrants.

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- g) On April 21, 2017, for the Houlton Woodstock Manganese Property located in Carleton County, in the Province of New Brunswick, the Company has issued 1,200,000 common shares (see note 9) to the vendors and the finder's fee common shares as per the option agreement. The shares were issued during the quarter ended December 31, 2017.
- h) On February 20, 2018, Manganese announced the closing of a private placement with the issuance of 5,285,000 Units of the Company at \$0.15 for gross proceeds of \$792,750. With each Unit being comprised of one (1) common share and one (1) warrant, with each whole warrant giving the warrant-holder the right to purchase one (1) common share for \$0.25 expiring on February 20, 2020. There is a statutory hold period on the Units, which expires on June 20, 2018, being four months from closing. The total gross proceeds of this financing will be used for exploration, growth, research and development, marketing, and general working capital.
- The fair value of the 5,285,000 Unit warrants at issue date was \$141,181, as calculated using a Black-Scholes option pricing model with the following assumptions: 24 months expected average life; share price of \$0.15; 60% expected volatility; risk free interest rate of 0.51%; and an expected dividend yield of 0%. Volatility is calculated based on the changes in historical stock prices over the expected life of the warrants.
- i) A total of 1,572,117 warrants (March 31, 2017 - 6,662,204 warrants) were exercised during the year ended March 31, 2018, the Company issued 1,572,117 (March 31, 2017 - 6,662,204) common shares for warrants exercised.
- j) A total of 650,000 stock options (March 31, 2017 - Nil) were exercised during the year ended March 31, 2018, the Company issued 650,000 (March 31, 2017 - Nil) common shares for stock options exercised.
- k) By resolution of the board of directors of the Company, a total of 23,000 common shares were cancelled and returned to Treasury as of April 18, 2018 and issued from Treasury on April 10, 2018.
- l) A total of 562,850 warrants were exercised during the quarter ended June 30, 2018, the Company issued 562,850 common shares for warrants exercised.
- m) On September 12, 2018, for the Peter Lake Copper-Nickel-Cobalt Property located in the Province of Québec, the Company has issued 833,333 common shares (see note 9) to the vendors and the finder's fee common shares as per the option agreement. The shares were issued during the quarter ended September 30, 2018.

## **B2 Share Consolidation**

At the Company's annual general meeting on April 21, 2016, the shareholders approved the consolidation of its common shares based on one (1) new common share for every ten (10) previously issued common shares. The consolidation was completed in the March 31, 2017 fiscal year.

**MANGANESE X ENERGY CORP.**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**SIX-MONTH PERIOD ENDED SEPTEMBER 30, 2018 AND 2017**  
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**C Share purchase warrants**

The movement in the number of warrants (post consolidation) outstanding and their weighted average exercise prices are as follows:

	Warrants #	Weighted average exercise price \$
<b>Balance - March 31, 2016</b>	<b>11 501 299</b>	<b>0,03</b>
Warrants Expired	(2 970 000)	(0,10)
<i>Total pre-consolidation</i>	<i>8 531 299</i>	<i>0,01</i>
Consolidation 10:1	(7 678 170)	-
Private Placement	7 750 000	0,10
Private Placement	4 387 000	0,25
Private Placement	2 325 000	0,05
Private Placement	1 388 067	0,15
Settlement of debts	950 000	0,10
Warrants exercised	(6 662 204)	-
<b>Balance - March 31, 2017</b>	<b>10 990 992</b>	<b>0,15</b>
Private Placement	5 285 000	0,25
Warrants exercised	(1 572 117)	-
<b>Balance - March 31, 2018</b>	<b>14 703 875</b>	<b>0,20</b>
Warrants exercised	(562 850)	-
Balance - June 30, 2018	14 141 025	0,20
Warrants Expired	(150 400)	0,05
<b>Balance - September 30, 2018</b>	<b>13 990 625</b>	<b>0,21</b>

As at September 30, 2018, the outstanding share purchase warrants were as follows:

Exercise price	Number outstanding and exercisable	Weighted average remaining contractual life (years)	Expiry dates
\$0,25	4 387 000	0,3	January 2019
\$0,15	632 300	0,3	January 2019
\$0,15	300 000	0,4	February 2019
\$0,10	3 386 325	0,8	July 2019
\$0,25	5 285 000	1,4	February 2020
	<b>13 990 625</b>	<b>0,6</b>	

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(Unaudited, expressed in Canadian dollars)

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**D Stock options**

The Company has a stock option plan under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. Under the plan, the exercise price of each option equals the market price of the Company's stock, less an applicable discount, as calculated on the date of grant. The options can be granted for a maximum term of 5 years and vest at the discretion of the board of directors. The option activity, under the share option plan and information concerning outstanding and exercisable options is as follows:

	<b>No. of Options Vested</b>	<b>Weighted Average Exercise Price (\$)</b>
<b>Balance – March 31, 2016</b>	<b>286 000</b>	<b>1,50</b>
Expired	(286 000)	1,50
Issuance	1 550 000	0,15
Issuance	300 000	0,18
Issuance	400 000	0,21
Issuance	500 000	0,22
Issuance	1 000 000	0,16
<b>Balance – March 31, 2017</b>	<b>3 750 000</b>	<b>0,17</b>
Cancelled	(500 000)	0,22
Issuance	975 000	0,10
Issuance	950 000	0,20
Exercised	(650 000)	0,10
<b>Balance – March 31, 2018</b>	<b>4 525 000</b>	<b>0,16</b>
No transaction	-	-
<b>Balance – September 30, 2018</b>	<b>4 525 000</b>	<b>0,16</b>

The fair value of the 1,350,000 stock options at the issue date (September 29, 2016) was \$39,204, calculated using the Black-Scholes option pricing model with the following assumptions: 36 months expected average life; share price of \$0.05; 130% expected volatility; risk free interest rate of 0.51%; and an expected dividend yield of 0%. Volatility is calculated based on the changes in historical stock prices over the expected life of the warrants.

The fair value of the 200,000 stock options at the issue date (November 30, 2016) was \$19,653, as calculated using a relative fair value method based on the Black-Scholes option pricing model with the following assumptions: 36 months expected average life; share price of \$0.135; 130% expected volatility; risk free interest rate of 0.51%; and an expected dividend yield of 0%. Volatility is calculated based on the changes in historical stock prices over the expected life of the warrants.

The fair value of the 300,000 stock options at the issue date (January 25, 2017) was \$37,448, as calculated using a relative fair value method based on the Black-Scholes option pricing model with the following assumptions: 36 months expected average life; share price of \$0.18; 130% expected volatility; risk free interest rate of 0.51%; and an expected dividend yield of 0%. Volatility is calculated based on the changes in historical stock prices over the expected life of the warrants.

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The fair value of the 400,000 stock options at the issue date (February 23, 2017) was \$64,052, calculated using the Black-Scholes option pricing model with the following assumptions: 36 months expected average life; share price of \$0.21; 130% expected volatility; risk free interest rate of 0.51%; and an expected dividend yield of 0%. Volatility is calculated based on the changes in historical stock prices over the expected life of the warrants.

The fair value of the 500,000 stock options at the issue date (March 2, 2017) was \$55,950, calculated using the Black-Scholes option pricing model with the following assumptions: 36 months expected average life; share price of \$0.215; 130% expected volatility; risk free interest rate of 0.51%; and an expected dividend yield of 0%. Volatility is calculated based on the changes in historical stock prices over the expected life of the warrants.

The fair value of the 1,000,000 stock options at the issue date (March 31, 2017) was \$114,971, calculated using the Black-Scholes option pricing model with the following assumptions: 36 months expected average life; share price of \$0.155; 130% expected volatility; risk free interest rate of 0.51%; and an expected dividend yield of 0%. Volatility is calculated based on the changes in historical stock prices over the expected life of the warrants.

The fair value of the 1,000,000 stock options at the issue date (March 31, 2017) was \$114,971, calculated using the Black-Scholes option pricing model with the following assumptions: 36 months expected average life; share price of \$0.155; 130% expected volatility; risk free interest rate of 0.51%; and an expected dividend yield of 0%. Volatility is calculated based on the changes in historical stock prices over the expected life of the warrants.

The fair value of the 975,000 stock options at the issue date (September 6, 2017) was \$26,075, calculated using the Black-Scholes option pricing model with the following assumptions: 24 months expected average life; share price of \$0.09; 60% expected volatility; risk free interest rate of 0.51%; and an expected dividend yield of 0%. Volatility is calculated based on the changes in historical stock prices over the expected life of the warrants.

The fair value of the 950,000 stock options at the issue date (March 09, 2018) was \$34,219, calculated using the Black-Scholes option pricing model with the following assumptions: 24 months expected average life; share price of \$0.15; 60% expected volatility; risk free interest rate of 0.51%; and an expected dividend yield of 0%. Volatility is calculated based on the changes in historical stock prices over the expected life of the warrants.

The weighted average fair value of options granted in the year ended March 31, 2018 was \$0.03.

As at September 30, 2018 stock option issued and outstanding are as follows:

Options granted and exercisable	Weighted Average Exercise Price (\$)	Expiry dates
1 050 000	0,15	September 2019
825 000	0,10	September 2019
200 000	0,15	November 2019
300 000	0,18	January 2020
400 000	0,21	February 2020
800 000	0,16	March 2020
950 000	0,20	March 2020
<b>4 525 000</b>	<b>0,16</b>	

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**9. EXPLORATION PROPERTIES**

Mineral exploration and evaluation expenses on the properties may be subject to exploration and/or mining restrictions. At the date of this report, management is not aware of any restrictions to its exploration activities.

***Houlton Woodstock Manganese Property***

On June 28, 2016, the Company announced that it will be entering into an option agreement with Globex Mining Enterprises. The Company having met certain conditions of a previously concluded agreement announced the conclusion of an option agreement for a manganese property in the province of New Brunswick. Pursuant to the agreement, it had agreed to issue up to 4 million shares of its share capital and pay up to \$200,000 in order to acquire a 100% interest in the property, details as follows:

- i) Pay \$200,000 in cash to the vendor as follows: \$100,000 on or before the 5th day after TSX-Venture Exchange acceptance of the Option agreement and \$100,000 on or before the date that is 12 months from the Effective date of the option agreement. The cash payments are a firm obligation and must be made even in the event the Company chooses not to complete the option agreement.
- ii) Issue 4,000,000 post consolidation shares as follows: 1,000,000 shares on or before the 5th day after TSX-Venture Exchange acceptance of the Option agreement; a further 1,000,000 shares on or before the 1st anniversary of the Effective date of the option agreement (these first two share issuances are a firm commitment); and a further 2,000,000 shares on or before the 2nd anniversary of the Effective date of the option agreement.
- iii) Spend \$1,000,000 in exploration expenditures on the property as follows: \$500,000 on or before the 1st anniversary of the Effective date of option agreement and an additional \$500,000 on or before the 2nd anniversary of the on or before the 2nd anniversary of the Effective date of the option agreement.

The Company made the first cash payment deposit of \$100,000 on April 28, 2016 and a final cash payment of \$100,000 on February 3, 2017. As at March 31, 2018, a total of 2,400,000 shares were issued as per the option agreement including 400,000 shares as finder's fees common shares (see note 8). The Company made the first share payment of 1 million shares on December 4<sup>th</sup> 2016 and an additional second share payment of 1 million shares on April 22, 2017.

***Peter Lake Copper-Nickel-Cobalt Property***

The Company announces on August 23, 2018, that it has signed a Property Option Agreement (the "Agreement") with a group in Québec. (the "Vendors"). The Vendors will continue to assist the Company by managing the exploration program guided by their significant knowledge of the Property. Pursuant to the terms of the Agreement, the Company has the option to acquire a 100% interest in the Property, set forth as follows:

- i) The Company will pay to the vendors, on signing of the agreement, \$10,000 cash and issue \$25,000 in common shares (20 day closing average exchange price).
- ii) On Exchange approval, the Company will pay to the vendors, \$15,000 cash and issue \$100,000 in common shares (20 day closing average exchange price) and issue 500,000 warrants at a price of \$0.25 for two years (with a four-month holding period).

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- iii) The Company will incur exploration expenditures of \$150,000 on the property on or before December 31, 2018 to earn a 40% interest in the property.
- iv) On December 31, 2019, Manganese will issue to the vendors \$100,000 in common shares (20 day closing average exchange price); and incur during 2019 a further \$250,000 in exploration expenditures to earn a 100% interest in the Property.
- v) An aggregate net smelter royalty ("NSR") of 2% shall be payable to the Vendors on all metals produced from the Property. The Company shall have the right at any time to buy back one percent (1%) of the NSR from the Vendors for one million dollars (\$1,000,000).

The Company made the first cash payment deposit of \$35,000 during the second quarter ended September 30, 2018. As at September 30, 2018, a total of 833,333 common shares were issued as per the option agreement at a value of \$0.15 each for a total value \$125,000 (see note 8).

**10. RELATED PARTY TRANSACTIONS AND BALANCES**

In addition to share issuances, transactions with related parties were as follows:

<b>For the three-month period ended September 30,</b>	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Consulting fees paid to a company controlled by an officer	<b>19 500</b>	19 500
Management fees paid to officers	<b>12 350</b>	17 992
	<b>31 850</b>	37 492

<b>For the six-month period ended September 30,</b>	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Consulting fees paid to a company controlled by an officer	<b>39 000</b>	39 000
Management fees paid to officers	<b>24 375</b>	36 567
	<b>63 375</b>	75 567

In addition to the above the following related party transactions also took place during the year. Legal fees of \$25,000 (September 30, 2017 - \$53,704) were paid or accrued to a legal firm in which the Company's Secretary is a partner. Geological Consulting fees in the amount of \$5,000 (September 30, 2017 - \$10,000) were paid to a director and are included under exploration expenses.

Amounts payable to related parties included in the non-current liabilities and in the accounts payable and accrued liabilities were as follows:

<b>Included in the accounts payable and accrued liabilities</b>	<b>September 30, 2018</b>	<b>March 31, 2018</b>
	<b>\$</b>	<b>(audited)</b>
	<b>\$</b>	<b>\$</b>
Consulting fees due to a company controlled by an officer	<b>6 500</b>	1 724
Management fees paid to officers	<b>5 525</b>	9 163
	<b>12 025</b>	10 887

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**11. EARNINGS PER SHARE (“EPS”)**

*(a) Basic EPS*

Basic EPS is computed by dividing net loss for a period by the weighted average number of common shares outstanding during that period.

*(b) Diluted EPS*

Diluted EPS is computed by dividing net loss for a period by the diluted number of common shares. Diluted common shares includes the effects of instruments, such as share options, which could cause the number of common shares outstanding to increase.

The Company reported net losses for the periods ended September 30, 2018 and 2017; the Company has accordingly presented basic and diluted EPS, which are the same, on a single line in the statements of comprehensive loss. Diluted loss per share did not include the effect of share purchase options and warrants as they were anti-dilutive

**12. SEGMENTATION INFORMATION**

The Company operates in one reportable operating segment, being the acquisition and exploration of mineral property interests and in Canada only since the disposal of its subsidiary in Peru in the prior fiscal year.

**13. DISPOSAL OF SUBSIDIARY**

During the year ended March 31, 2017, the Company changed its focus from exploration in Peru to acquiring and advancing high potential mining prospects located in North America. As a result, the Company disposed of its Peruvian subsidiary to an arm’s length party for a nominal amount. As a result, the Company recognized a gain on disposal of \$345,390 with the intent of supplying value added materials to the lithium ion battery and other alternative energy industries.

**14. CAPITAL MANAGEMENT**

The Company considers its capital structure to include net residual equity of all assets, less liabilities. The Company currently manages its capital structure and makes adjustments to it, based on cash resources expected to be available to the Company, in order to support the planned exploration and development of mineral property interests. Management has not established a quantitative capital structure. Capital needs are reviewed on a regular basis by management relative to the stage of development of the business entity.

The Company currently is dependent on externally provided equity financing to fund its future exploration activities. In order to carry out planned exploration and development and fund administrative costs, the Company will allocate its existing capital and plans to raise additional amounts as needed through equity and related party advances if available management reviews the capital management approach on an ongoing basis and believes that this approach is reasonable for the current state of the markets and exploration industry.

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The Company and its subsidiary are not subject to any capital requirements imposed by a lending institution or regulatory body, other than of the TSX Venture Exchange (“TSXV”) which requires adequate working capital or financial resources of the greater of (i) \$50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months. As of September 30, 2018, the Company may not be compliant with the policies of the TSXV. The impact of this violation is not known and is ultimately dependent on the discretion of the TSXV.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the years.

## **15. FINANCIAL INSTRUMENTS**

At September 30, 2018, the Company's financial instruments include cash and cash equivalents, other receivable, related party receivables, accounts payable and loan payable for which there are no differences in the carrying values and fair values, due to their short-term nature. The types of risk exposures are detailed below.

The Company is required to classify fair value measurements using a hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy is as follows:

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

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 – inputs for the asset or liability that are not based on observable market data.

Cash and cash equivalents are measured using Level 1 inputs. The warrant liability is measured using Level 2 inputs.

## **16. FINANCIAL RISK FACTORS**

The Company's activities expose it to a variety of financial risks: market risk (including currency risk and cash flow and fair value interest rate risk); credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of the financial market and seeks to minimize potential adverse effects on the Company's financial performance. The Company does not use derivative financial instruments to hedge these risks.

### ***Market risk***

*Foreign exchange risk*; the Company's subsidiaries are exposed to financial risks that arise from fluctuations in foreign exchange rates and the degree of volatility of these rates. The Company realized a substantial portion of its operations in Peruvian Nuevo Soles (“PNS”) and U.S. currency before the disposal of its Peruvian's subsidiary. The Company does not hold derivative financial instruments to manage the fluctuation of exchange rate risk. There are no accounts that are exposed to foreign exchange volatility as at September 30, 2018. The company recorded a foreign exchange loss of \$729 related to its foreign operations for the six-month period September 30, 2018.

*Cash flow and fair value interest rate risk*: the Company is expose to fluctuation in its future cash flows arising from changes in interest rates through its variable rate financial assets and liabilities. Other liabilities negotiated at a fixed rate expose the Company to fair value interest rate risk. The Company does not hold any interest-bearing debt.

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*Commodity price risk:* while the value of the Company's core mineral resource is related to the price of precious metals, the Company currently does not have any operating mines and hence does not have any hedging or other commodity-based risks in respect of its operational activities. Precious metal prices have historically fluctuated widely and are affected by numerous factors outside of the Company's control, including, but not limited to, industrial and retail demand, central bank lending, forward sales by producers and speculators, levels of worldwide production, short-term changes in supply and demand because of speculative hedging activities, and certain other factors. Adverse movements in the prices of precious metals may also negatively affect the Company's ability to raise capital and meet its financial commitments.

**Credit risk**

Credit risk arises from cash with banks and financial institutions. The Company reduces this risk by dealing with creditworthy financial institutions. Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is subject to concentrations of credit risk through cash, and receivables.

**Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuance. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments. The liquidity risk for the Company is considered high.

**17. SUBSEQUENT EVENTS**

- On October 11, 2018, the Company announced that on October 9th 2018 the board of directors approved the purchase of 750,000 shares by way of a private placement at \$1 a share. This represents ownership of 15% of Mountain Spring Oil and Gas Limited ("MSOG") by the Company. Subsequent to this event Manganese was given the opportunity to purchase additional shares into MSOG.
- The Company announced a non-brokered non-commissioned private placement financing to raise up to \$400,000 (the "Offering"). The Offering consists of 2 million flow-through shares ("FT Shares") at a price of \$0.20 per share to raise aggregate proceeds of up to \$400,000. It is currently anticipated that certain principals and insiders of the Company may participate in the Offering. Completion of the Offering is subject to certain conditions including, but not limited to, the receipt of all necessary approvals, including the approval of the Exchange and the securities regulatory authorities. There can be no assurance that the Offering will be completed, whether in whole or in part. All securities issued by the Company in connection with the Offering will be subject to a statutory four month hold period. Proceeds from the Offering will be used for exploration in our Peter Lake property as well as our Battery Hill property.
- On October 18, 2018, the Company announced that Manganese has agreed in principal to purchase an additional 500,000 shares by way of a private placement at \$1 a share upon board of directors' approval. This could potentially represent an additional ownership of 10% of Mountain Spring Oil and Gas Limited ("MSOG") by Manganese X amounting to a grand total of 1,250,000 shares or 25% ownership of MSOG.
- On November 19, 2018 The Company announced that it has closed on a tranche of a non-brokered private placement financing of flow-through shares for gross proceeds of up to \$200,000 through issuance of 1,000,000 flow-through shares in the share capital of the Company at \$0.20 per Share. The terms of the Offering remain the same as disclosed in the Company's news release dated October 18, 2018.