CANADIAN MANGANESE COMPANY INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND DECEMBER 31, 2019

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McGovern Hurley

Audit. Tax. Advisory.

Independent Auditor's Report

To the Shareholders of Canadian Manganese Company Inc.

Opinion

We have audited the financial statements of Canadian Manganese Company Inc. (the "Company"), which comprise the statements of financial position as at December 31, 2020 and 2019, and the statements of loss and comprehensive loss, statements of changes in equity and statements of cash flows for the years then ended, and notes to the 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, 2020 and 2019 and its financial performance and its cash flows for the years 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. 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.

Material uncertainty related to going concern

We draw attention to Note 2 in the financial statements, which indicates that the Company's current liabilities exceeded its current assets as at December 31, 2020. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that material uncertainties exist that cast significant doubt on the Company'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 Management's 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 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.

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We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. 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 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 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 judgement 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 risks 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 of the audit resulting in this independent auditor's report is Koko Yamamoto.

McGovern Hurley LLP

McGovern Hurley LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
March 12, 2021

CANADIAN MANGANESE COMPANY INC.
STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31, 2020 AND 2019

Expressed in Canadian Dollars	Notes	2020	2019
Assets		**$**	**$**
Current assets			
Cash and cash equivalents		62,198	472
Amounts receivable		1,288	147
Total current assets		63,486	619
Non-current assets			
Exploration and evaluation assets	**5**	4,662,321	4,653,700
Total non-current assets		4,662,321	4,653,700
Total assets		4,725,807	4,654,319
Equity and liabilities			
Current liabilities			
Amounts payable	**4/7**	221,979	124,493
Advance from director	**4/6**	100,000	-
Total current liabilities		321,979	124,493
Shareholder's Equity			
Share capital	**8**	5,668,449	5,668,449
Deficit		(1,264,621)	(1,138,623)
Total shareholder's equity		4,403,828	4,529,826
Total shareholder's equity and liabilities		4,725,807	4,654,319

COMMITMENTS AND CONTINGENCIES (Notes 2, 5 and 9)

The financial statements were approved by the Board of Directors on March 12, 2021 and signed on its behalf by:

Signed "John F. Kearney" , Director   Signed "Danesh K. Varma" , Director

See accompanying notes to the financial statements

CANADIAN MANGANESE COMPANY INC.

STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

FOR THE YEARS ENDED DECEMBER 31,

Expressed in Canadian Dollars	**2020**	**2019**
	$	**$**
General and administrative expenses:		
Professional fees	76,359	66,606
Salaries	5,240	5,308
Shareholders and investors expense	22,195	19,184
Office expenses	30,204	26,203
Loss before other items	133,998	117,301
Other items:		
Gain on sale of equipment	(8,000)	-
Total loss and comprehensive loss for the year	125,998	117,301
Loss per share		
Basic and diluted	(0.002)	(0.007)
Weighted average common share outstanding		
- Basic and diluted	59,683,564	17,627,321

See accompanying notes to the financial statements

CANADIAN MANGANESE COMPANY INC.
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

Expressed in Canadian Dollars	Share Capital	Deficit	Owner's net investment	Total
	$	$	$	$
Balance as at December 31, 2018	-	-	4,642,127	4,642,127
Transfers to and from Owner, net	-	-	5,000	5,000
Reorganization (Note 2 and 8)	5,668,449	(1,021,322)	(4,647,127)	-
Total net loss for the year	-	(117,301)	-	(117,301)
Balance as at December 31, 2019	5,668,449	(1,138,623)	-	4,529,826
Total net loss for the year	-	(125,998)	-	(125,998)
Balance as at December 31, 2020	5,668,449	(1,264,621)	-	4,403,828

See accompanying notes to the financial statements

CANADIAN MANGANESE COMPANY INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

Expressed in Canadian Dollars	**Notes**	**2020**	**2019**
		$	**$**
Cash flow from operating activities			
Loss for the year		(125,998)	(117,301)
Adjustment for gain on sale of equipment		(8,000)	-
		(133,998)	(117,301)
Movements in working capital			
(Decrease) in amounts receivables		(1,141)	(35)
Increase in amounts payables		97,486	124,493
Cash used in operating activities		(37,653)	7,157
Cash flows from investing activities			
Investment in exploration and evaluation assets		(8,621)	(16,367)
Proceeds on sale of equipment		8,000	-
Net cash flows from/(used in) investing activities		(621)	(16,367)
Cash flows from financing activities			
Transfer to/from owner		-	5,000
Advance from director		100,000	-
Net cash flows from financing activities		100,000	5,000
Net (decrease)/increase in cash		61,726	(4,210)
Cash at the beginning of the year		472	4,682
Cash at the end of the year		62,198	472

See accompanying notes to the financial statements

1. BASIS OF PRESENTATION AND COMPANY REORGANISATION

These financial statements reflect the financial position, statement of loss and comprehensive loss, equity and cash flows related to assets and liabilities of Canadian Manganese Company Inc. (the "Company" or "Canadian Manganese"). The Company was incorporated on June 13, 2011 under the laws of Canada. The Company's head office is located at 55 University Ave., Toronto, Ontario, M5J 2H7.

On October 28, 2019, in connection with the capitalization of intercompany debt, 54,683,564 common shares of the Company were issued to Buchans Resources Limited ("Buchans") (the Company's sole shareholder at that time), resulting in a total of 59,683,564 common shares outstanding, all of which were held by Buchans.

On October 28, 2019, the Company entered into an agreement with Buchans and Minco Exploration Limited ("Minco") to effect a plan of arrangement (the "Plan of Arrangement" or "Arrangement") involving a group reorganisation whereby Buchans agreed to distribute to its shareholders, pro rata, all of the shares of the Company, and exchangeable warrants entitling shareholders to receive shares of Minco Exploration or additional shares of Buchans, at the option of the warrant holder.

On December 31, 2019, Buchans filed articles of arrangement to implement the Plan of Arrangement, which had been approved by Buchans shareholders on December 10, 2019, and by the Ontario Superior Court of Justice on December 19, 2019, and Buchans distributed all its 59,683,564 shares of the Company to Buchans shareholders, on the basis of one share of Canadian Manganese for each share of Buchans held.

The financial statements have been prepared applying principles in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The policies set out below were consistently applied to all the periods presented, unless otherwise noted.

These financial statements have been prepared based upon the historical cost amounts and prepared on an accrual basis, with the exception of cash flow information. The statements of loss and comprehensive loss for the year ended December 31, 2019 reflect all expenses and other income directly attributable to the Canadian Manganese Net Assets and Buchans' general and administrative expenses incurred in that year, as these expenditures were shared by the Canadian Manganese Net Assets. In some instances, certain expenses were not allocated as they would have related directly to Buchans. All inter-entity balances and transactions have been eliminated. The statement of financial position at December 31, 2019 reflect the implementation of the Arrangement on that date. These financial statements may not be indicative of Canadian Manganese financial performance and do not necessarily reflect what its financial position, results of operations, and cash flows would have been had Canadian Manganese operated as an independent entity during the year ended December 31, 2019.

The financial statements were approved by the Board of Directors of Canadian Manganese on March 12, 2021.

2. NATURE OF OPERATIONS AND GOING CONCERN

The Company has interests in exploration and evaluation properties located in New Brunswick. Substantially all of the Company's efforts are devoted to financing and developing these properties.

There has been no determination whether the Company's interests in its properties contain mineral resources which are economically recoverable. There is no assurance that the Company's existing permits will be renewed or that new permits that have been applied for will be granted. Major expenditures are required to locate and establish mineral deposits, to develop metallurgical processes and to construct mining and processing facilities at a particular site. The Company's exploration operations are subject to government legislation, policies and controls relating to prospecting, development, production, environmental protection, mining taxes and labour standards. In order for the Company to carry out its exploration and evaluation activities, the Company is required to hold certain permits.

These financial statements are prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Several conditions discussed below create a material uncertainty and cast significant doubt about the Company's ability to continue as a going concern.

The Company's continued existence is dependent upon its ability to obtain necessary financing to continue exploration and evaluation of its mineral assets and to complete development and future profitable production or upon proceeds from disposition. At December 31, 2020, the Company had a working capital deficiency, had not achieved profitable operations, had an accumulated deficit since inception and expects to incur further losses in the development of its business. The Company will need to generate additional financial resources in order to fund its planned exploration programs (see Note 5). There is a risk that additional financing will not be available to the Company on a timely basis or on acceptable terms. There are no assurances that the Company will continue to obtain additional financial resources and/or achieve positive cash flows or profitability. If the Company is unable to obtain adequate additional financing, the Company may be required to discontinue operations and exploration activities.

2. NATURE OF OPERATIONS AND GOING CONCERN (CONTINUED)

The Company's operations could be significantly adversely affected by the effects of the global spread of the contagious coronavirus causing the outbreak of COVID-19 respiratory disease, which was declared a pandemic by the World Health Organization in March 2020. The Company has followed the instructions and advice of Federal and Provincial health authorities, as well as industry-wide best practice guidelines, and has limited travel and field activities to help control the spread of COVID-19 and protect local communities. The Company cannot accurately predict the impact the COVID-19 pandemic will have on its operations, including uncertainties relating to the duration of the pandemic, the ultimate severity of the disease, the duration of travel and quarantine restrictions imposed by governmental authorities, and the impact on schedules and timelines for planned operations or exploration programs. In addition, this widespread health crisis and related business lockdowns have adversely affected the economies and financial markets of many countries, resulting in an economic downturn that could affect the Company's operations and ability to finance its planned operations.

Although the Company has taken steps to verify title to properties in which it has an interest in accordance with industry standards for the current stage of development of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements, social licensing requirements, unregistered prior agreements, unregistered claims, aboriginal claims and non-compliance with regulatory requirements. The Company's properties may also be subject to increases in taxes and royalties, renegotiating contracts and political uncertainty.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Relationship with Buchans

As at December 31, 2019 a group reorganisation was completed, Buchans' net investment in Canadian Manganese was shown as owner's net investment in the statement of changes in equity. Changes in owner's net investment include transfers to and from Buchans.

(b) Exploration and evaluation assets

Exploration expenditure relates to the search for economic mineral deposits. Evaluation expenditure arises from a detailed assessment of mineral deposits that have been identified as having economic potential. The costs of exploration properties and leases, which include the cost of acquiring prospective properties and exploration rights and costs incurred in exploration and evaluation activities, are capitalised as part of exploration and evaluation assets.

Exploration and evaluation costs are capitalised as an intangible asset until technical feasibility and commercial viability of a mineral deposit, when the capitalised exploration costs are re-classed to property, plant and equipment. Exploration costs include an allocation of administration and salary costs (including share-based payments) as determined by management, where they relate to specific projects. Prior to reclassification to property, plant and equipment, exploration and evaluation assets are assessed for impairment and any impairment loss recognised immediately in the statement of (loss)/income.

(c) Rehabilitation provisions

The Company will record a liability for the estimated future costs associated with legal and constructive obligations relating to the reclamation and closure of its exploration assets. This amount is initially recorded at its discounted present value with subsequent annual recognition of an accretion expense on the discounted liability. An equivalent amount is recorded as an increase to exploration assets and amortized over the useful life of these assets. Management is currently not aware of any existing significant legal or constructive obligations relating to the reclamation of its interest in exploration assets and therefore no such liability has been recorded at December 31, 2020 and 2019.

(d) Impairment of non-financial assets

At the end of each reporting period, non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly. Any impairment is recognized in loss.

(e) Cash

Cash is comprised of cash on hand, deposits in banks and highly liquid investments having original terms to maturity of 90 days or less when acquired.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments

Financial assets

Initial recognition and measurement
Non-derivative financial assets within the scope of IFRS 9 are classified and measured as “financial assets at fair value”, as either fair value through profit and loss (“FVPL”) or fair value through other comprehensive income (“FVOCI”), or “financial assets at amortized costs”, as appropriate. The Company determines the classification of financial assets at the time of initial recognition based on the Company’s business model and the contractual terms of the cash flows.

All financial assets are recognized initially at fair value plus, in the case of financial assets not at FVPL, directly attributable transaction costs on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Subsequent measurement – financial assets at amortized cost
After initial recognition, financial assets measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate (“EIR”) method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the statements of loss. The Company measures its cash and trade and other receivables at amortized cost.

Subsequent measurement – FVPL
Financial assets measured at FVPL include financial assets management intends to sell in the short term and any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship. Financial assets measured at FVPL are carried at fair value in the statements of financial position with changes in fair value recognized in other income or expense in the statements of loss. The Company does not measure any financial assets at FVPL.

Subsequent measurement – FVOCI
Financial assets measured at FVOCI are non-derivative financial assets that are not held for trading and the Company has made an irrevocable election at the time of initial recognition to measure the assets at FVOCI. The Company does not measure any financial assets at FVOCI.

After initial measurement, investments measured at FVOCI are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive loss in the statements of comprehensive loss. When the investment is sold, the cumulative gain or loss remains in accumulated other comprehensive loss and is not reclassified to profit or loss.

Dividends from such investments are recognized in other income in the statements of loss when the right to receive payments is established.

Derecognition
A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or the Company no longer retains substantially all the risks and rewards of ownership.

Impairment of financial assets
The Company’s only financial assets subject to impairment are amounts receivable, which are measured at amortized cost. The Company has elected to apply the simplified approach to impairment as permitted by IFRS 9, which requires the expected lifetime loss to be recognized at the time of initial recognition of the receivable. To measure estimated credit losses, accounts receivable have been grouped based on shared credit risk characteristics, including the number of days past due. An impairment loss is reversed in subsequent periods if the amount of the expected loss decreases and the decrease can be objectively related to an event occurring after the initial impairment was recognized.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (continued)

Financial liabilities

Initial recognition and measurement
Financial liabilities are measured at amortized cost, unless they are required to be measured at FVPL as is the case for held for trading or derivative instruments, or the Company has opted to measure the financial liability at FVPL. The Company's financial liabilities include amounts payable and advance from director. All financial liabilities are recognized initially at fair value.

Subsequent measurement – financial liabilities at amortized cost
After initial recognition, financial liabilities measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in finance cost in the statements of loss. The Company measures its amounts payable and advance from director at amortized cost.

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires with any associated gain or loss recognized in other income or expense in the statements of loss.

(g) Operating loss
Operating loss comprises general administrative costs incurred by the Company, which are not specific to exploration and evaluation projects, and all impairment charges relating to exploration assets and financial assets during the financial statement reporting period. Operating loss is stated before change in fair value of investments.

(h) Critical accounting judgements and key sources of estimation uncertainty

Preparation of financial statements
The preparation of financial statements requires management to make judgments related to the allocation of assets, liabilities and expenses. The actual results for the year ended December 31, 2019 may differ from the results presented had the Company existed in its reorganised form for the financial statement reporting periods presented. See Note 1.

Critical accounting judgements
In the process of applying the Company's accounting policies above, management has identified the judgemental areas that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations), which are dealt with below.

Key sources of estimation uncertainty
Preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported for assets and liabilities as at the statement of financial position date and the amounts reported for revenues and expenses during the period. The nature of estimation means that actual outcomes could differ from those estimates. Differences between management's assumptions, including economic assumptions such as metal prices and market conditions, could have a material effect in the future on the Company's financial position and results of operation.

Exploration and evaluation assets
The assessment of whether general administration costs and salary costs are capitalised or expensed involves judgement. Management considers the nature of each cost incurred and whether it is deemed appropriate to capitalise it within exploration assets. Costs which can be demonstrated as project related are included within exploration assets. Exploration assets relate to prospecting, exploration and related expenditure in Canada. The Company's exploration activities are subject to a number of significant and potential risks including:

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Critical accounting judgements and key sources of estimation uncertainty (continued)

Exploration and evaluation assets (continued)

- exploration, development and operating risk
- no assurance of production
- factors beyond the Company's control
- failure to obtain additional financing
- insurance and uninsured risks
- environmental risks and hazards
- government regulation and permitting delays
- infrastructure availability
- price volatility of publicly traded securities
- fluctuating metal prices

The recoverability of these exploration and evaluation assets is dependent on the discovery and successful development of economic reserves, including the ability to raise financing to develop future projects. Should this prove unsuccessful, the value of exploration and evaluation assets included in the statement of financial position would be written off to loss.

Mineral resource estimates
Mineral resources are estimated in accordance with Canadian Institute of Mining, Metallurgy and Petroleum Standards on Mineral Resources and Reserves, Definitions and Guidelines and disclosed in accordance with National Instrument 43-101, "Standards of Disclosure for Mineral Projects", issued by the Canadian Securities Administrators. There are numerous uncertainties inherent in estimating mineral reserves and mineral resources, including many factors beyond the Company's control. Such estimation is a subjective process, and the accuracy of any mineral reserve or mineral resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation.

Impairment of exploration and evaluation assets
The assessment of exploration and evaluation assets for any indications of impairment involves judgement. If an indication of impairment exists, a formal estimate of recoverable amount is performed and an impairment loss recognised to the extent that carrying amount exceeds recoverable amount. Recoverable amount is estimated as the higher of fair value less costs to sell and value in use. The assessment requires judgement as to the likely future commerciality of the asset and when such commerciality should be determined; future revenues, capital and operating costs and the discount rate to be applied to such revenues and costs.

Income, value added, withholding and other taxes
The Company is subject to income, sales, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, sales, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

Estimation of rehabilitation provisions and asset retirement obligations and the timing of expenditure
The estimated future costs associated with legal and constructive obligations relating to the reclamation, rehabilitation and closure of exploration assets are updated annually during the life of a project to reflect known developments, (e.g. revisions to cost estimates and to the estimated lives of operations), and are subject to review at regular intervals. Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at fair value. Fair value is estimated based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Income taxes

Income tax expense is comprised of current and deferred income tax. Current and deferred income taxes are recognized in net loss except to the extent that they relate to a business combination, or to items recognized directly in equity or other comprehensive income.

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred income tax assets also result from unused loss carry forwards, resource related pools and other deductions. 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.

(i) Changes in Accounting Policies

During the year ended December 31, 2020, the Company adopted a number of new IFRS standards, interpretations, amendments and improvements of existing standards. These included IAS 1 and IFRS 3. These new standards and changes did not have any material impact on the Company's financial statements.

(j) New standards and interpretations not yet adopted

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 1, 2021. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IAS 1 – Presentation of Financial Statements ("IAS 1") was amended in January 2020 to provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments clarify that the classification of liabilities as current or noncurrent is based solely on a company's right to defer settlement at the reporting date. The right needs to be unconditional and must have substance. The amendments also clarify that the transfer of a company's own equity instruments is regarded as settlement of a liability, unless it results from the exercise of a conversion option meeting the definition of an equity instrument. The amendments are effective for annual periods beginning on January 1, 2023.

IAS 37 – Provisions, Contingent Liabilities, and Contingent Assets ("IAS 37") was amended. The amendments clarify that when assessing if a contract is onerous, the cost of fulfilling the contract includes all costs that relate directly to the contract – i.e. a full-cost approach. Such costs include both the incremental costs of the contract (i.e. costs a company would avoid if it did not have the contract) and an allocation of other direct costs incurred on activities required to fulfill the contract – e.g. contract management and supervision, or depreciation of equipment used in fulfilling the contract. The amendments are effective for annual periods beginning on January 1, 2022.

IAS 16 – Property, Plant and Equipment ("IAS 16") was amended. The amendments introduce new guidance, such that the proceeds from selling items before the related property, plant and equipment is available for its intended use can no longer be deducted from the cost. Instead, such proceeds are to be recognized in profit or loss, together with the costs of producing those items. The amendments are effective for annual periods beginning on January 1, 2022.

Expressed in Canadian dollars, unless noted and per share amounts

4. RELATED PARTY TRANSACTIONS

No fees were paid by the Company to directors for their services as directors of the Company in the years ended December 31, 2020 and 2019.

During the year ended December 31, 2020, the Company paid or accrued $96,246 to related parties, which include: $33,012 in respect of office costs and an allocation of administrative services payable to Buchans, $60,000 in respect of management fees payable to Energold Minerals Limited, a company controlled by John F. Kearney; and $3,234 in respect of legal fees payable to Steenberglaw Professional Services, a corporation controlled by Neil Steenberg, secretary of the Company.

Included in accounts payable and accrued liabilities at December 31, 2020 is $200,914 payable to related parties including $140,203 payable to Buchans (2019 - $109,191) and $60,711 in respect of the management fees and legal fees disclosed above. These amounts are unsecured, non-interest bearing and due on demand.

During the year ended December 31, 2020, the Company received an advance of $10,000 from Buchans and also received an advance from a director in the amount of $100,000, which remains outstanding as of year end. The amount is unsecured, non-interest bearing and due on demand.

See also Note 6 and 7.

5. EXPLORATION AND EVALUATION EXPENDITURES ASSETS

The Company holds a 100% interest in the Woodstock manganese project located northwest of the town of Woodstock, in west-central New Brunswick. A portion of the property is subject to a 1% gross sales royalty upon commencement of commercial production, with the Company retaining certain rights to buy back one half of the royalty.

All exploration and evaluation assets are carried at cost less any applicable impairment provision. No impairment provision was recognized at December 31, 2020 and 2019.

The realisation of the exploration and evaluation assets is dependent on the successful discovery, development of economic mineral resources, including the ability to raise finance to develop the projects. Should this prove unsuccessful the value included in the statement of financial position would be impaired. By its nature there is inherent uncertainty in the realisation of the exploration and evaluation assets.

6. ADVANCE FROM DIRECTOR

During the year ended December 31, 2020, the Company received an advance in the amount of $100,000 from a director to fund working capital expenses. The advance is unsecured, non-interest bearing and repayable on demand.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2020	December 31, 2019
	$	$
Trade creditors and accruals	21,065	15,303
Amounts due to related parties (Note 4)	200,914	109,191
	221,979	124,493

8. SHARE CAPITAL

Authorized
Unlimited number of common shares

Issued	Shares	Amount
	#	$
Balance at December 31, 2018	5,000,000	544,004
Shares issued in capitalization of inter-company debt	54,683,564	5,124,445
Balance at December 31, 2019 and 2020	59,683,564	5,668,449

On October 28, 2019, in connection with the capitalization of intercompany debt, 54,683,564 common shares of the Company were issued to Buchans, resulting in a total of 59,683,564 common shares outstanding at that date, all of which were held by Buchans.

Expressed in Canadian dollars, unless noted and per share amounts

8. SHARE CAPITAL (CONTINUED)

On December 31, 2019, Buchans filed Articles of Arrangement to implement the Plan of Arrangement and the 59,683,564 shares of the Company were distributed to Buchans shareholders, on the basis of one share of Canadian Manganese for each share of Buchans held. On implementation of the Arrangement, the Company allocated the Owner's net investment within equity to share capital and deficit.

9. COMMITMENTS AND CONTINGENCIES

The Company's mining and exploration activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

10. INCOME TAXES

a) Provision for Income Taxes

Major items causing the Company's effective income tax rate to differ from the Canadian statutory rate were as follows:

	2020 **$**	2019 $
Canadian statutory rate	26.50%	26.50%
Loss before income taxes	(125,998)	(117,301)
Expected income tax recovery based on statutory rate	(33,000)	(31,000)
Adjustments to expected income tax benefit:		
Non-deductible items and other		
Change in benefit of tax assets not recognized	33,000	31,000
Income tax expense	-	-

b) Deferred Income Taxes

Deferred income tax assets have not been recognized in respect of the following deductible temporary differences as their recoverability is not considered probable:

	2020 **$**	2019 $
Non-capital loss carry-forwards - Canada	1,278,000	1,148,000

The losses in Canada expire within 20 years from 2022 to 2040.

11. FINANCIAL INSTRUMENTS

The Company's risk exposures and the impact on the Company's financial instruments are summarized below. There have been no changes in the risks, objectives, policies and procedures during the financial statement reporting periods.

Fair value
The carrying amounts for cash, amounts receivable, amounts payable, and advance from director on the statements of financial position approximate fair value because of the limited term of these instruments.

Interest rate risk
The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by major banks with a credit rating of at least BBB-. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. The Company has no interest-bearing debt.

Credit risk
Credit risk is the risk that a client or vendor will be unable to pay or receive any amounts owed or owing by the Company. Management's assessment of the Company's risk is low as it is primarily attributable to funds held in banks.

Commodity price risk
The ability of the Company to develop its properties and the future profitability of the Company is directly related to the market price of certain minerals and metals, particularly manganese.

11. FINANCIAL INSTRUMENTS (CONTINUED)

Fair Value Hierarchy and Liquidity Risk Disclosure
The fair value hierarchy has the following levels: (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1); (b) 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) (Level 2); and (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3). At December 31, 2020 and 2019, the Company had no financial instruments measured at fair value.

Liquidity Risk
The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

Market Risk
Market risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will significantly fluctuate because of changes in market prices.

Capital Risk
The Company manages its capital to ensure that there are adequate capital resources for the Company to maintain and explore its exploration assets. The capital structure of the Company consists of shareholders' equity.

12. CAPITAL MANAGEMENT

The capital of the Company consists primarily of its shareholders' equity.

The Company's objective when managing capital is to maintain adequate levels of funding, done primarily through equity financing, to support the exploration, development and exploration of mineral properties and maintain the necessary corporate and administrative functions to facilitate these activities. Future financings are dependent on market conditions and there can be no assurance the Company will be able to raise funds in the future. All equity financings require the approval of the Board of Directors.

The Company invests all capital that is surplus to its immediate operational needs in short term, highly-liquid financial instruments, such as short term guaranteed investment certificates, held with a major Canadian financial institution.

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 significant changes to the Company's approach to capital management during the years ended December 31, 2020 and 2019. The Company is not subject to externally imposed capital requirements.