**CANADIAN MANGANESE COMPANY INC.**

**CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

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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 consolidated financial statements of Canadian Manganese Company Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2021 and 2020 and its consolidated financial performance and its consolidated 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 consolidated 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 consolidated 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.

### Other information

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

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, 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.

251 Consumers Road, Suite 800
Toronto, Ontario
M2J 4R3
mcgovernhurley.com
t. 416-496-1234

**Responsibilities of management and those charged with governance for the consolidated financial statements**

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

In preparing the consolidated 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 consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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.

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- 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated 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 29, 2022

## CANADIAN MANGANESE COMPANY INC.
### CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
### AS AT DECEMBER 31, 2021 AND 2020

| Expressed in Canadian Dollars | Notes | 2021 | 2020 |
|---|---|---|---|
| **Assets** | | $ | $ |
| | | | |
| **Current assets** | | | |
| Cash | **9** | 6,002,675 | 62,198 |
| Amounts receivable and prepaid expenses | **10** | 201,488 | 1,288 |
| Total current assets | | 6,204,163 | 63,486 |
| | | | |
| **Non-current assets** | | | |
| Exploration and evaluation assets | **7** | 11,390,853 | 4,662,321 |
| Total non-current assets | | 11,390,853 | 4,662,321 |
| **Total assets** | | 17,595,016 | 4,725,807 |
| | | | |
| **Liabilities and equity** | | | |
| | | | |
| **Current liabilities** | | | |
| Accounts payable and accrued liabilities | **11/19** | 839,747 | 221,979 |
| Advance from director | **19** | - | 100,000 |
| Flow-through share premium liability | **13/21** | 540,423 | - |
| Total current liabilities | | 1,380,170 | 321,979 |
| | | | |
| **Non-current liabilities** | | | |
| CEBA loan | **12/25** | 40,000 | - |
| Total non-current liabilities | | 40,000 | - |
| **Total liabilities** | | 1,420,170 | 321,979 |
| | | | |
| **Equity** | | | |
| Share capital | **13** | 24,519,118 | 5,668,449 |
| Warrants | **14** | 795,130 | - |
| Share-based payment reserve | **17** | 1,605,799 | - |
| Deficit | | (14,958,609) | (1,264,621) |
| Equity attributable to equity holders of the Company | | 11,961,438 | 4,403,828 |
| Non-controlling interest | **18** | 4,213,408 | - |
| **Total equity** | | 16,174,846 | 4,403,828 |
| **Total equity and liabilities** | | 17,595,016 | 4,725,807 |

**GOING CONCERN (Note 1)**
**COMMITMENTS AND CONTINGENCIES (Note 21)**
**SUBSEQUENT EVENTS (Note 25)**

The consolidated financial statements were approved by the Board of Directors on March 29, 2022 and signed on its behalf by:

Signed *"John F. Kearney"*, Director     Signed *"W. Matthew Allas"*, Director

See accompanying notes to the consolidated financial statements

## CANADIAN MANGANESE COMPANY INC.

### CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

### FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

| Expressed in Canadian Dollars | Notes | 2021<br>$ | 2020<br>$ |
|---|---|---|---|
| General and administrative expenses: | | | |
| Employment compensation | | (341,290) | (62,800) |
| Share-based compensation | 15/16 | (631,558) | - |
| Legal fees | | (285,788) | (3,459) |
| Audit fees | | (99,430) | (10,100) |
| Administration costs | | (133,898) | (35,444) |
| Investor relations | | (30,254) | (22,195) |
| Loss before other items | | (1,522,218) | (133,998) |
| Other items: | | | |
| (Loss) recognised on Maximos Acquisition | 4 | (12,101,069) | - |
| Mongoose RTO listing cost | 5 | (811,149) | - |
| Flow-through premium reversal | 13 | 162,512 | - |
| Gain on sale of equipment | | - | 8,000 |
| Total other items | | (12,749,706) | 8,000 |
| Total (loss) and comprehensive (loss) for the year | | (14,271,924) | (125,998) |
| Net (loss) and comprehensive (loss) attributable to: | | | |
| Shareholders of the Company | | (13,693,989) | (125,998) |
| Non-controlling interest | 18 | (577,935) | - |
| Total (loss) and comprehensive (loss) for the year | | (14,271,924) | (125,998) |
| **(Loss) per share** | | | |
| Basic and diluted (loss) per share | 6 | (0.117) | (0.002) |
| **Weighted average number of common shares outstanding** | | | |
| Basic and diluted | | 116,663,620 | 59,683,564 |

See accompanying notes to the consolidated financial statements

## CANADIAN MANGANESE COMPANY INC.

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

| Expressed in Canadian Dollars | Share Capital | Warrants | Share-based payment reserve | Deficit | Attributable to equity holders of the company | Non-Controlling Interest | Total |
|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ | $ |
| Balance as at December 31, 2019 | 5,668,449 | - | - | (1,138,623) | 4,529,826 | - | 4,529,826 |
| Net loss for the year | - | - | - | (125,998) | (125,998) | - | (125,998) |
| Balance as at December 31, 2020 | 5,668,449 | - | - | (1,264,621) | 4,403,828 | - | 4,403,828 |
| Proceeds from private placements | 6,203,176 | - | - | - | 6,203,176 | - | 6,203,176 |
| Less share issue costs | (281,309) | 52,221 | - | - | (229,088) | - | (229,088) |
| Less flow-through share premium liability | (500,000) | - | - | - | (500,000) | - | (500,000) |
| Acquisition of Maximos | 13,428,802 | - | - | - | 13,428,802 | - | 13,428,802 |
| Warrants issued in Maximos Acquisition | - | 742,909 | - | - | 742,909 | | 742,909 |
| Stock options issued in Maximos Acquisition | - | - | 974,241 | - | 974,241 | - | 974,241 |
| Recognition of Spark non-controlling interest | - | - | - | - | - | 2,868,770 | 2,868,770 |
| Restricted share units issued | - | - | 356,250 | - | 356,250 | - | 356,250 |
| Stock options issued | - | - | 275,308 | - | 275,308 | - | 275,308 |
| Increase in non-controlling interest in Mongoose RTO | - | - | - | - | - | 1,922,573 | 1,922,573 |
| Net loss for the year | - | - | - | (13,693,989) | (13,693,989) | (577,935) | (14,271,924) |
| Balance as at December 31, 2021 | 24,519,118 | 795,130 | 1,605,799 | (14,958,609) | 11,961,438 | 4,213,408 | 16,174,846 |

See accompanying notes to the consolidated financial statements

**CANADIAN MANGANESE COMPANY INC.**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

| Expressed in Canadian Dollars | Notes | 2021 | 2020 |
|---|---|---|---|
| | | $ | $ |
| **Cash flows (used in) operating activities** | | | |
| (Loss) for the year | | (14,271,924) | (125,998) |
| Loss recognised on Maximos Acquisition | 4 | 12,101,069 | - |
| Mongoose RTO listing cost | 5 | 811,149 | - |
| Share-based compensation | 15/16 | 631,558 | - |
| Flow-through premium reversal | 13 | (162,512) | - |
| (Gain) on sale of equipment | | - | (8,000) |
| | | (890,660) | (133,998) |
| **Movements in working capital** | | | |
| Decrease/(increase) in amounts receivable | | 191,898 | (1,141) |
| (Decrease)/increase in amounts payable | | (375,568) | 97,486 |
| Net cash (used in) operating activities | | (1,074,330) | (37,653) |
| | | | |
| **Cash flows from (used in) investing activities** | | | |
| Investment in exploration and evaluation assets | 7 | (775,763) | (8,621) |
| Proceeds on sale of equipment | | - | 8,000 |
| Cash received in Maximos Acquisition | 4 | 688,596 | - |
| Cash received in Mongoose RTO | 5 | 751,885 | - |
| Net cash flows from (used in) investing activities | | 664,718 | (621) |
| | | | |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of shares | 13 | 6,103,176 | - |
| Share issue costs | 13 | (229,087) | - |
| Proceeds from Spark private placement | 5 | 476,000 | - |
| Advance from director | 13/19 | - | 100,000 |
| Net cash flows from financing activities | | 6,350,089 | 100,000 |
| | | | |
| Net increase in cash | | 5,940,477 | 61,726 |
| Cash at the beginning of the year | | 62,198 | 472 |
| Cash at the end of the year | | 6,002,675 | 62,198 |
| | | | |
| **Supplemental information:** | | $ | $ |
| Shares issued in Maximos Acquisition | 4/13 | 13,428,802 | - |
| Warrants issued in Maximos Acquisition | 4/14 | 742,909 | - |
| Stock options issued in Maximos Acquisition | 4/15 | 974,241 | - |
| Broker warrants issued in the Financing | 14 | 52,221 | - |
| Shares issued to settle debt | 13/19 | 100,000 | - |

See accompanying notes to the consolidated financial statements

## 1. NATURE OF OPERATIONS AND GOING CONCERN

Canadian Manganese Company Inc. (the "Company" or "Canadian Manganese") has interests in exploration and evaluation properties located in eastern Canada. Substantially all of the Company's efforts are devoted to advancing the development of its 100% owned Woodstock manganese project located in the Province of New Brunswick.

The Company was incorporated on June 13, 2011 under the laws of Canada. The address of the Company's registered head office is 55 University Ave., Suite 1805, Toronto, Ontario, M5J 2H7, Canada.

Effective April 30, 2021, the Company acquired 100% of Maximos Metals Corp. ("Maximos") and, thereby indirectly, Maximos' 53.1% subsidiary Spark Minerals Inc. ("Spark"). Effective November 10, 2021, Spark completed a reverse takeover ("RTO") transaction of Mongoose Mining Ltd. ("Mongoose"), in which the Company's 53.1% equity interest in Spark was exchanged for a 40.7% equity interest in Mongoose. Notwithstanding the Company holds less than a majority interest in Mongoose, the Company has determined that it controls Mongoose, due to its dominant equity interest and level of Board representation relative to any other shareholder or group of shareholders. Accordingly, the Company's consolidated financial statements for the year ended December 31, 2021 include consolidation of the accounts of subsidiaries Maximos and Spark commencing April 30, 2021 and subsidiary Mongoose (including Spark) commencing November 10, 2021. Refer to Notes 4 and 5.

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 consolidated 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 the next 12 months. Management believes it has sufficient working capital to support planned operations for at least the next 12 months. At December 31, 2021 the Company had not achieved profitable operations, had an accumulated deficit since inception and expects to incur further losses in the advancement of its exploration and evaluation properties. The Company will need to generate additional financial resources in order to advance and develop its exploration and evaluation properties and 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 ultimately be required to discontinue operations and exploration and evaluation activities and adjustments to the consolidated financial statements could be material.

The Company cannot accurately predict the impact the Covid-19 pandemic may have on its operations, including uncertainties relating to the duration of the pandemic, potential public health measures imposed by governmental authorities, and the impact on schedules and timelines for planned operations or exploration programs. In addition, this pandemic and related business interruptions may adversely affect the Company's 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.

## 2. BASIS OF PRESENTATION

These consolidated financial statements of the Company and its subsidiaries 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 consolidated financial statements have been prepared based upon the historical cost basis, with the exception of certain financial instruments measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except cash flow information.

These consolidated financial statements were approved by the Board of Directors of the Company on March 29, 2022.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) 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.

### (b) 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, 2021 and 2020.

### (c) 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.

### (d) Cash

Cash is comprised of deposits in a major Canadian bank.

### (e) 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 consolidated statements of income/(loss). Cash and amounts receivables are measured 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 consolidated statements of financial position with changes in fair value recognized in other income or expense in the consolidated statements of operations. The Company measures its investment in options of Harte Gold Corp. at FVPL (refer to Note 8).

**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.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (e) Financial instruments (continued)

**Financial assets (continued)**

**Subsequent measurement – FVOCI (continued)**
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 consolidated 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 consolidated statements of operations 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 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.

**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 measured at amortized cost include trade and other payables, liabilities held for distribution, and lease obligations. The Exchangeable Warrants were measured at FVPL. All financial liabilities are recognized initially at fair value and, in the case of long-term debt, net of directly attributable transaction costs.

**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 consolidated statements of operations. Accounts payable and accrued liabilities, advance from director and CEBA loan are measured at amortized cost.

**Subsequent measurement – financial liabilities at FVPL**
After initial recognition, financial liabilities measured at FVPL are carried at fair value in the consolidated statements of financial position with changes in fair value recognized in other income or expense in the consolidated statement of loss. The Company does not measure any financial liabilities at FVPL.

**Fair value measurements**
The Company measures fair value in accordance with IFRS 13 *Fair Value Measurement*, which provides a single source of fair value measurement guidance. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company has applied the framework for measuring fair value, which requires a fair value hierarchy to be applied to all fair value measurements.

All financial instruments recognized at fair value in the consolidated statements of financial position are classified into one of three levels in the fair value hierarchy as follows:

Level 1 — valuation based on quoted prices (unadjusted) observed in active markets for identical assets or liabilities.
Level 2 — valuation techniques based on inputs that are quoted prices of similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; inputs other than quoted prices used in a valuation model that are observable for that instrument; and inputs that are derived from or corroborated by observable market data by correlation or other means.
Level 3 — valuation techniques with significant unobservable market inputs.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (e) Financial instruments (continued)

**Financial liabilities (continued)**

**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 consolidated statements of loss.

### (f) Functional and presentation currencies
The Company's presentation currency is the Canadian dollar ("$"). The functional currency of the Company and its subsidiaries is the Canadian dollar. In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items denominated in foreign currencies are retranslated at the rates prevailing on the transaction dates. Foreign currency translation differences are recognized in the consolidated statement of loss.

### (g) Loss before other items
Loss before other items 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.

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

*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.

*Determination of control*
In assessing whether the Company controls an entity, management makes judgements related to the level of equity interest and Board representation in the entity by the Company relative to other shareholders. Refer to Note 5.

*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:

- 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

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 included in the statement of financial position would be written off to operations.

*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 judgements 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.

*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.

*Income, sales, withholding and other taxes*
The Company is subject to income, sales, withholding and other taxes. Significant judgement 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.

*Impairment of financial assets*
The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset at the reporting date with the risk of default at the date of initial recognition based on all information available, and reasonable and supportive forward-looking information. For amounts receivable, the Company applies the simplified approach as permitted by IFRS 9. The simplified approach to the recognition of expected losses does not require the Company to track the changes in credit risk; rather, the Company recognizes a loss allowance based on lifetime expected credit losses at each reporting date from the date of the trade receivable. Expected credit losses are measured as the difference in the present value of the contractual cash flows that are due to the Company under the contract, and the cash flows that the Company expects to receive.

The Company assesses all information available, including past due status, credit ratings, the existence of third-party insurance, and forward-looking macro-economic factors in the measurement of the expected credit losses associated with its assets carried at amortized cost. The Company measures expected credit loss by considering the risk of default over the contract period and incorporates forward-looking information into its measurement.

*Commitments and contingencies*
See Note 21.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (i) Loss per share

Basic loss per share is calculated using the weighted average number of common shares outstanding. Diluted loss per share assumes that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted income/loss per share calculation.

### (j) Income taxes

Current tax and deferred tax are recognized in net loss except to the extent that it relates to items recognized directly in equity or in other comprehensive loss.

Current tax is the expected taxes payable or receivable on the taxable income (loss) for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to taxes payable in respect of previous years.

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.

### (k) Adoption of New Accounting Policies

During the year ended December 31, 2021, the Company adopted a number of new accounting policies, IFRS standards, interpretations, amendments and improvements of existing standards. These new standards did not have any material impact on the Company's consolidated financial statements.

The new accounting policies adopted during the year ended December 31, 2021 are as follows:

*Basis of consolidation*

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to December 31 each year. Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date control is transferred to the Company and are de-consolidated from the date control ceases. The financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating inter-entity balances and transactions.

The results of subsidiaries acquired or disposed of are included in the consolidated statement of loss and comprehensive loss from the effective date of acquisition or up to the effective date of disposal, as appropriate. All intra-company transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Company's equity therein. The interests of non-controlling shareholders may be initially measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income/(loss) is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Company's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

When the Company loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of the retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. Amounts previously recognized in other comprehensive income/(loss) in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities are disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 *financial instruments* or, when applicable, the costs on initial recognition of an investment in an associate or jointly controlled entity.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (k) Adoption of New Accounting Policies (continued)

*Flow-through financing*
The Company finances a portion of its project exploration and development through the issuance of flow-through shares.

Under the terms of the flow-through common share issues, the tax attributes of the related expenditures are renounced to investors and deferred income tax expense and income tax liabilities are increased by the estimated income tax benefits renounced by the Company to the investors. On the date of issuance of the flow-through shares, the premium relating to the proceeds received in excess of the closing market price of the Company's common shares is allocated to liabilities. The premium liability is reduced pro-rata based on the percentage of flow-through expenditures renounced in comparison to renunciations required under the terms of the flow-through share agreement. The reduction to the premium liability in the period of renunciation is recognized through profit or loss.

Where the Company has unused tax benefits on loss carry forwards and tax pools in excess of book value available for deduction which have not been previously accounted for as deferred tax assets, the Company records a deferred tax asset to offset the increase in deferred tax liabilities resulting in an offsetting recovery of deferred income taxes being recognized through profit or loss in the reporting period.

*Government assistance*
Upon qualification for government mineral exploration assistance programs, recoverable amounts are offset against costs incurred when the Company has complied with the terms and conditions of the program and the recovery is reasonably assured.

Government grants whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets are recognized as a reduction of the non-current assets in the consolidated statement of financial position, and transferred to the consolidated statement of operations on a systematic and rational basis over the useful lives of the related assets. Other government grants are recognized as a reduction of the related expenses over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognized in the consolidated statement of loss in the period in which they become receivable.

The benefit of a government loan at a below market rate of interest is treated as a government grant measure at the difference between proceeds received and the fair value of the loan based on prevailing interest rates. A forgivable loan from the government is treated as a government grant when there is reasonable assurance that the terms for forgiveness of the loan are met.

*Share-based payments*
The Company follows the fair value method of accounting for stock option awards granted to employees, directors and consultants. The fair value of stock options is estimated by the Black-Scholes option pricing model with assumptions for risk-free interest rate, dividend yield, volatility of the expected market price of the Company's common shares and an expected life of the options. The number of stock option awards expected to vest are estimated using a forfeiture rate based on historical experience and future expectations.

Option-pricing models require the use of highly subjective estimates and assumptions including the expected share price volatility. Changes in the underlying assumptions can materially affect the fair value estimates and, therefore, existing models do not necessarily provide reliable measurement of the fair value of the Company's stock options.

The Company uses graded amortization which specifies that each vesting tranche must be accounted for as a separate arrangement with a unique fair value measurement. Each vesting tranche is subsequently amortized separately and in parallel from the grant date.

The Company uses a similar method of determining the fair value of warrants as that described for stock options above. As warrants issued by the Company vest immediately upon issuance, the full fair value of warrants is recognized as a share-based payment upon issuance.

Directors, employees and consultants of the Company may receive as compensation restricted share units (each, an "RSU") under the terms of the Company's RSU plan. The fair value of an RSU is recognized as a share-based payment expense with a corresponding charge to the share-based payment reserve account over the vesting period using the graded amortization method of recognition based on the grant date fair value of common shares of the Company.

The fair value of direct payments of shares in exchange for non-monetary consideration is determined by reference to the issue price of the Company's shares for cash consideration in recent transactions with arm's length parties.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (l) 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, 2022. 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.

IFRS 10 ‑ Consolidated Financial Statements ("IFRS 10") and IAS 28 ‑ Investments in Associates and Joint Ventures ("IAS 28") were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The effective date of these amendments is yet to be determined, however early adoption is permitted.

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.

IFRS 3 ‑ Business Combinations ("IFRS 3") was amended. The amendments introduce new exceptions to the recognition and measurement principles in IFRS 3 to ensure that the update in references to the revised conceptual framework does not change which assets and liabilities qualify for recognition in a business combination. An acquirer should apply the definition of a liability in IAS 37 ‑ rather than the definition in the Conceptual Framework ‑ to determine whether a present obligation exists at the acquisition date as a result of past events. For a levy in the scope of IFRIC 21, the acquirer should apply the criteria in IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. In addition, the amendments clarify that the acquirer should not recognize a contingent asset at the acquisition date. 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

## 4. ACQUISITION OF MAXIMOS METALS CORP.

The Company's acquisition of 100% of Maximos (the "Maximos Acquisition") was completed by way of a share exchange and three-cornered amalgamation effective April 30, 2021 (the "Acquisition Date"). The amalgamated subsidiary is legally named "Technology Metals Inc.", however these consolidated financial statements refer to the entity by its more familiar pre-amalgamation name, "Maximos".

To complete the Maximos Acquisition, the Company issued 59,683,564 common shares directly to shareholders of Maximos on the basis of 0.55562527 of a Canadian Manganese common share for each common share of Maximos, and Maximos was amalgamated with a wholly-owned subsidiary of the Company. Indirectly, the Company acquired Maximos' 53.1% subsidiary Spark as part of the Maximos Acquisition. Refer to Notes 1 and 5.

In connection with the Maximos Acquisition, the Company granted 5,278,440 options in replacement of 9,500,000 previously granted options of Maximos, with each replacement option exercisable into a common share of the Company at $0.18 per share until June 30, 2025. Additionally, the Company issued 4,445,003 warrants in replacement of 8,000,000 previously issued warrants of Maximos, with each replacement warrant exercisable into a common share of the Company at $0.18 per share until March 17, 2024. Refer to Notes 14 and 15.

The Company has elected to apply the Concentration Test under IFRS 3 Business Combinations to assess the nature of and determine the accounting treatment of the Maximos Acquisition. Substantially all of the fair value of the assets acquired in the Maximos Acquisition is concentrated in a single identifiable asset or group of similar identifiable assets, being exploration and evaluation assets. Therefore, the Concentration Test is met and the Maximos Acquisition was determined to be an acquisition of assets, under the scope of IFRS 2 Share-Based Payments, rather than a Business Combination.

The fair value of the Company's common shares issued as consideration in the Maximos Acquisition was estimated at $0.225 per share based on the issue price of shares in the Financing, which closed immediately before the Maximos Acquisition. Refer to Note 13. The fair value of the options granted and warrants issued was estimated using the Black-Scholes option pricing model. Refer to Notes 14 and 15.

| | Notes | $ |
|---|---|---|
| Estimated fair value of common shares | 13 | 13,428,802 |
| Estimated fair value of stock options | 15 | 974,241 |
| Estimated fair value of warrants | 14 | 742,909 |
| Total consideration paid | | 15,145,952 |

The fair value of consideration paid by the Company has been allocated to the estimated fair value of assets acquired and liabilities assumed as at the Acquisition Date, based on management's best estimates, after taking into account all available information at that time, on the following basis:

| | $ |
|---|---|
| Cash | 688,596 |
| Amounts receivable | 369,590 |
| Exploration and evaluation assets | 5,952,769 |
| Amounts payable and accrued liabilities | (1,097,302) |
| Non-controlling interest | (2,868,770) |
| Total of net assets acquired | 3,044,883 |
| Loss recognised on acquisition | 12,101,069 |
| Total consideration paid | 15,145,952 |

Exploration and evaluation assets above represent the Cobequid Highlands property held by Spark at the Acquisition Date. The exploration and evaluation assets held by Maximos were recorded at a nominal value. Refer to Note 7.

Non-controlling interest represents the 46.9% equity share in Spark not controlled by Maximos at the Acquisition Date. Refer to Note 18.

Expressed in Canadian dollars

## 5. SPARK REVERSE-TAKEOVER OF MONGOOSE

On March 17, 2021, prior to the Maximos Acquisition, Spark entered into a definitive share exchange agreement with Mongoose, which set out the intent of the parties for Spark to complete a reverse-takeover transaction of Mongoose (the "Mongoose RTO"), a company listed on the Canadian Securities Exchange under symbol MNG. The principal intention of the Mongoose RTO, from the perspective of Spark, was to obtain a public listing for Spark shareholders. The principal terms of the Mongoose RTO, which closed on November 10, 2021, are summarized below.

On a pre-Mongoose RTO basis, Spark had 24,500,000 common shares issued and outstanding. Concurrent with closing the Mongoose RTO, Spark completed a private placement of 1,904,000 common shares at $0.25 per share for gross proceeds of $476,000.

On a pre-Mongoose RTO basis, Mongoose had 9,403,000 pre-consolidation common shares issued and outstanding. Concurrent with closing the Mongoose RTO, Mongoose completed (i) a consolidation of its pre-consolidation common shares outstanding on a 1 for 2.85 basis, resulting in 3,299,294 post-consolidation common shares; (ii) a private placement of 1,747,001 flow through common shares (post-consolidation) at $0.30 per share for gross proceeds of $524,100; (iii) issued 500,000 common shares (post-consolidation) at a deemed issue price of $0.25 per share as a finder fee in connection with the Mongoose RTO; and (iv) issued 26,404,000 common shares (post-consolidation) to Spark shareholders on a one-for-one basis to effect the Mongoose RTO.

Following completion of the Mongoose RTO, Mongoose is the resulting issuer and legally owns 100% of Spark, however Mongoose itself is controlled by the former shareholders of Spark, and the business carried on by Mongoose is the previous business of Spark.

In connection with the Mongoose RTO, 325,544 options of the resulting issuer were issued to former option holders of Mongoose and 360,000 options of the resulting issuer were issued to former option holders of Spark in replacement of options previously outstanding by each company. Additionally, 102,737 warrants of the resulting issuer were granted to former warrant holders of Mongoose and 2,500,000 warrants of the resulting issuer were granted to former warrant holders of Spark in replacement of warrants previously outstanding by each company. Refer to Note 18.

Immediately after closing of the RTO, there were 31,950,295 common shares outstanding of Mongoose, of which 26,404,000 shares were held by the former shareholders of Spark (representing approximately 82.6% of the outstanding shares of Mongoose). Accordingly, the transaction has been accounted for as a reverse-takeover transaction whereby Spark is deemed to have been the acquirer for accounting purposes. The Mongoose RTO was accounted for under IFRS 2 Share-Based Payments, as Mongoose did not meet the definition of a business under IFRS 3. Accordingly, the fair value of the purchase consideration was accounted for as the fair value of the equity instruments deemed to be issued by Spark to complete the Mongoose RTO.

Based on the capital structure of the resulting issuer, the incremental net effect of the Mongoose RTO was the economic equivalent of Spark issuing 5,546,295 common shares, 325,544 options and 102,737 warrants as consideration to complete the transaction. The excess of the fair value of this consideration over the fair value of the net assets of Mongoose acquired is considered a transaction cost of completing the Mongoose RTO.

The fair value of the 5,546,295 common shares of Spark deemed to have been issued as consideration in connection with the Mongoose RTO was estimated based on the concurrent Spark financing issue price of $0.25 per share. The fair value of 325,544 options of Spark and 102,737 warrants of Spark deemed to have been issued as consideration in connection with the Mongoose RTO was estimated using the Black-Scholes option pricing model using the following assumptions: a share price of $0.25; an expected volatility of 124%; a risk-free interest rate of 1.07%; an exercise price of $0.285; an estimated remaining life of 2.31 years; and a dividend yield of 0%.

The estimated fair value of the above consideration deemed paid by Spark in the Mongoose RTO is summarized in the following table:

| | $ |
|---|---:|
| Value of common shares issued | 1,386,575 |
| Value of stock options | 57,700 |
| Value of warrants | 1,500 |
| Total fair value of consideration | 1,445,775 |

Expressed in Canadian dollars

## 5. SPARK REVERSE-TAKEOVER OF MONGOOSE (CONTINUED)

The fair value of consideration deemed paid by Spark has been allocated to the estimated fair value of assets acquired and liabilities assumed of Mongoose as at the closing date, based on management's best estimates, after taking into account all available information at that time, on the following basis:

| | $ |
|---|---|
| Cash | 227,785 |
| Cash - Mongoose financing proceeds | 524,100 |
| Amounts receivable and prepaid expenses | 21,709 |
| Exploration and evaluation asset | 1 |
| Amounts payable and accrued liabilities | (51,619) |
| Flow-through share premium liability | (87,350) |
| Total of net assets acquired | 634,626 |
| Mongoose RTO listing cost | 811,149 |
| Total consideration paid | 1,445,775 |

No value was allocated to Mongoose's exploration and evaluation asset as the resulting issuer does not intend to pursue any work on the property and intends to terminate the option on the property. The $811,149 excess of the consideration paid over net assets acquired, along with legal fees of $135,884, have been expensed in the Consolidated Statement of Loss and Comprehensive Loss.

Upon completion of the Mongoose RTO, the Company exchanged its 53.1% interest in Spark (represented by 13,006,993 shares of Spark's 24,500,000 shares outstanding on a pre-Mongoose RTO basis) for a 40.7% interest in Mongoose (represented by 13,006,993 shares of Mongoose's 31,950,295 shares outstanding on a post-Mongoose RTO basis).

Notwithstanding the Company holds less than a majority interest in Mongoose (on a post-Mongoose RTO basis), the Company has determined that it controls Mongoose, due to its dominant equity interest and level of Board representation relative to any other shareholder or group of shareholders.

## 6. LOSS PER SHARE

Basic loss per share is computed by dividing the loss after taxation for the period available to ordinary shareholders by the weighted average number of common shares outstanding during the period. Diluted loss per share is computed by dividing the loss after taxation for the period by the weighted average number of common shares outstanding, adjusted for the effect of all potential dilutive common shares that were outstanding during the period. Basic and diluted losses per share are the same for the reporting periods as the exercise of convertible instruments would decrease loss per share. The computation for basic and diluted loss per share is as follows:

| | 2021<br>**$** | 2020<br>**$** |
|---|---|---|
| **Numerator** | | |
| Net (loss) attributable to shareholders of the Company | (13,693,989) | (125,998) |
| (Loss) attributable to non-controlling interest | (577,935) | - |
| Total (loss) for the year | (14,271,924) | (125,998) |
| **Denominator** | **No. of Shares** | **No. of Shares** |
| Weighted average number of shares - basic and diluted | 116,663,620 | 59,683,564 |
| **(Loss) per share** | | |
| Basic and diluted (loss) per share | (0.117) | (0.002) |

Expressed in Canadian dollars

## 7. EXPLORATION AND EVALUATION ASSETS

| | Woodstock manganese property | Maximos nickel property | Mongoose Cobequid IOCG property | Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Balance, December 31, 2019 | 4,653,700 | - | - | 4,653,700 |
| Additions: | | | | |
| Project management | 8,621 | - | - | 8,621 |
| Balance, December 31, 2020 | 4,662,321 | - | - | 4,662,321 |
| Additions: | | | | |
| Property acquisitions | - | 1 | 5,952,768 | 5,952,769 |
| Drilling | 193,585 | - | 120,910 | 314,494 |
| Geological | 137,315 | - | 78,989 | 216,304 |
| Technical consulting | 10,800 | - | - | 10,800 |
| Consultations | 77,550 | - | - | 77,550 |
| Economic studies | 133,926 | - | - | 133,926 |
| Supplies | 13,280 | - | 1,245 | 14,526 |
| Claims registration | 6,160 | - | - | 6,160 |
| Project management | 2,003 | - | - | 2,003 |
| | 574,619 | 1 | 6,153,912 | 6,728,532 |
| Balance, December 31, 2021 | 5,236,940 | 1 | 6,153,912 | 11,390,853 |

The Company holds a 100% interest in the Woodstock manganese property located near 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. Substantially all of the Company's efforts are devoted to advancing the development of the Woodstock manganese project.

In connection with the Maximos Acquisition (refer to Note 4), the Company acquired interests in certain exploration and evaluation assets held by Maximos. These acquired exploration and evaluation assets consist primarily of nickel-copper-cobalt exploration properties located in northwestern Labrador. The Maximos exploration and evaluation assets have been recorded at a nominal value as the Company has no immediate plans for the ongoing exploration and evaluation of these assets.

In connection with the Maximos Acquisition, the Company also indirectly acquired the Cobequid Highlands property held by Spark (subsequently held by Mongoose, following the Mongoose RTO), consisting of mineral exploration licences in Nova Scotia with potential for iron oxide-copper-gold ("IOCG") mineralization. Refer to Notes 4 and 5.

All exploration and evaluation assets are carried at cost less any applicable impairment provision.

The realisation of the exploration and evaluation assets is dependent on the successful discovery, development of economic mineral resources, including the ability to raise funds 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.

## 8. TECHNICAL SERVICES AGREEMENTS

Through its wholly-owned subsidiary Maximos, the Company is party to various technical services agreements. In each agreement Maximos has completed its provision of technical data and has no future commitments or obligations to fulfill.

In each of these technical services agreements Maximos provided interpretive technical data using a proprietary 2D Nanospectra geophysical surveying tool licensed by Maximos under a long term exclusive licensing agreement. The Company's interest in this licensing agreement has been recorded at a nominal value as significant uncertainty exists relating to future economic returns associated with the licensed technology.

Maximos entered into a technical services agreement in 2019 with Xcell Security House and Finance S.A. ("Xcell") relating to certain mineral properties in Guinea whereby Maximos was granted a 10% carried interest in a cooperative venture relating to the properties. The Company's interest in this technical services agreement was recorded at a nominal fair value upon completion of the Maximos Acquisition, as significant uncertainty exists concerning the potential future economic success of these endeavours.

Expressed in Canadian dollars

## 8. TECHNICAL SERVICES AGREEMENTS (CONTINUED)

Maximos entered into a technical services agreement in 2019 with Harte Gold Corp. ("Harte"), relating to Harte's Sugar Zone property in Ontario under which Maximos was granted 1,000,000 Harte options, exercisable at $0.27 per Harte share until July 4, 2024, vesting upon achievement by Harte of certain milestones. As at December 31, 2021, 50,000 of these options had vested. The Company's interest in this technical services agreement, including the vested options, was recorded at a nominal value upon completion of the Maximos Acquisition, as significant uncertainty exists that additional milestones will be met by Harte. Furthermore, Harte entered creditor protection proceedings under the Companies' Creditors Arrangements Act on December 7, 2021, following which, among other things, the previously issued and outstanding common shares of Harte were delisted from the Toronto Stock Exchange.

Maximos entered into a technical services agreement in 2019 with Excellon Resources Inc. ("Excellon") relating to certain mineral properties in Mexico under which Maximos can earn up to 785,000 restricted share units of Excellon with an expiry date of December 15, 2022 with vesting dates based on specified milestones. The Company's interest in this technical services agreement was recorded at a nominal value upon completion of the Maximos Acquisition as none of these milestones had yet been met and significant uncertainty exists that additional milestones will be met.

## 9. CASH

Cash comprises cash balances held at a major Canadian bank for purposes of meeting short-term cash commitments.

## 10. AMOUNTS RECEIVABLE AND PREPAID EXPENSES

| | 2021 | 2020 |
|---|---|---|
| | $ | $ |
| Sales taxes receivable | 125,418 | 1,288 |
| Prepaid expenses | 76,070 | - |
| | 201,488 | 1,288 |

## 11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | 2021 | 2020 |
|---|---|---|
| | $ | $ |
| Trade payables | 779,389 | 1,848 |
| Accrued liabilities | 50,000 | 19,928 |
| Amounts due to related parties (Note 19) | 10,358 | 200,203 |
| | 839,747 | 221,979 |

## 12. LONG TERM DEBT

On May 1, 2020, Maximos received a loan in the principal amount of $40,000 under the Canada Emergency Business Account ("CEBA") program launched by the Government of Canada as a Covid-19 pandemic relief measure. The CEBA loan is unsecured and non-interest bearing during an initial term ending December 31, 2023. On January 19, 2022, Maximos repaid the full balance of the CEBA loan less a $10,000 forgivable portion. Refer to Note 25.

## 13. SHARE CAPITAL

**Authorized**
Unlimited number of common shares

| **Issued** | Shares | Amount |
|---|---|---|
| | # | $ |
| Balance at December 31, 2019 and 2020 | 59,683,564 | 5,668,449 |
| Shares issued in Financing on April 29, 2021 | 17,544,447 | 3,947,500 |
| Flow-through shares issued in Financing on April 29, 2021 | 6,666,666 | 2,000,000 |
| Shares issued in Maximos Acquisition on April 30, 2021 | 59,683,564 | 13,428,802 |
| Shares issued in Financing on June 21, 2021 | 1,136,339 | 255,676 |
| Less share issue costs | - | (281,309) |
| Less flow-through share premium liability | - | (500,000) |
| Balance at December 31, 2021 | 144,714,580 | 24,519,118 |

Expressed in Canadian dollars

### 13. SHARE CAPITAL (CONTINUED)

During the year ended December 31, 2021, the Company completed a non-brokered equity private placement of common shares and flow-through common shares (collectively, the "Financing").

In the first closing of the Financing on April 29, 2021, the Company issued 17,544,447 common shares at a price of $0.225 per share for gross proceeds of $3,947,500 and 6,666,666 flow-through shares at a price of $0.30 per flow-through share for gross proceeds of $2,000,000. The first closing included issuance of 444,444 common shares to John F. Kearney, a director, as full settlement of a $100,000 advance received by the Company in 2020. Refer to Note 19.

In the second closing of the Financing on June 21, 2021, the Company issued an additional 1,136,339 common shares at a price of $0.225 per share for gross proceeds of $255,676.

The flow-through shares in the Financing were issued at a premium of $0.075 per share relative to the issue price of non-flow-through shares in the Financing. The aggregate premium of $500,000 was recognized as a liability at the time of issuance, and of this $102,916 was subsequently reversed and recorded as other income in the statement of operations upon its renunciation effective December 31, 2021. Refer to Note 21.

Finder fees of $229,087 in cash were paid and 333,333 broker warrants were issued in connection with the Financing. Each broker warrant entitles the holder to purchase one common share of the Company at $0.27 per share until April 29, 2024. Refer to Note 14.

In connection with the Maximos Acquisition, the Company issued 59,683,564 common shares effective April 30, 2021 to shareholders of Maximos in a share exchange on the basis of 0.55562527 of a common share of the Company for each common share of Maximos. Refer to Note 4.

### 14. WARRANTS

The following table summarizes warrant activity during the years ended December 31, 2021 and 2020:

| | Number of warrants outstanding at December 31, 2021 | Weighted average Exercise Price | Expiry Date |
|---|---|---|---|
| | | $ | |
| Balance, December 31, 2019 and 2020 | - | - | |
| Warrants issued (Note 4) | 4,445,003 | 0.18 | March 17, 2024 |
| Broker warrants issued | 333,333 | 0.27 | April 29, 2024 |
| Balance, December 31, 2021 | 4,778,336 | 0.19 | |

In connection with the Maximos Acquisition, 4,445,003 warrants of the Company were issued in replacement of 8,000,000 previously issued warrants of Maximos, with each replacement warrant being exercisable into a common share of the Company at $0.18 per share until March 17, 2024.

The issue date fair value of these replacement warrants was calculated at $742,909, which has been recorded to the purchase price of Maximos. Refer to Note 4. The following assumptions were used in calculating the fair value of warrants issued, using the Black-Scholes option pricing model: expected dividend yield of 0%, expected volatility of 124%, risk-free interest rate of 0.93%, share price of $0.225 and an expected life of 2.9 years.

In connection with the Financing, 333,333 broker warrants were issued as a finder fee to an arm's-length party. Each broker warrant is exercisable into a common share of the Company at $0.27 per share until April 29, 2024. Refer to Note 13.

The issue date fair value of these broker warrants was calculated at $52,221, which has been recorded to share issue costs. The following assumptions were used in calculating the fair value of warrants granted, using the Black-Scholes option pricing model: expected dividend yield of 0%, expected volatility of 124%, risk-free interest rate of 0.93%, share price of $0.225 and an expected life of 3 years.

Expressed in Canadian dollars

## 15. STOCK OPTIONS

Shareholders of the Company have approved a stock option plan for directors, officers, management, employees and other persons who perform ongoing services for the Company or any of its subsidiaries. The purpose of the plan is to attract, retain and motivate these parties by providing them with the opportunity, through stock options, to acquire a proprietary interest in the Company and to benefit from its growth.

The maximum number of common shares reserved for issuance upon the exercise of options is not to exceed 10% of the total number of common shares outstanding immediately prior to such an issuance. The maximum number of common shares reserved for issuance to any one participant upon the exercise of options is not to exceed 5% of the total number of common shares outstanding immediately prior to such an issuance. The options are non-assignable and may be granted for a term not exceeding ten years. The exercise price of the options is fixed by the board of directors at the market price of the shares at the time of grant, subject to all applicable regulatory requirements.

The following table summarizes stock option activity for the years ended December 31, 2021 and 2020:

| | Number of Options Granted at December 31, 2021 | Number of Options Exercisable at December 31, 2021 | Estimated Grant Date Fair Value | Exercise Price | Expiry Date |
|---|---|---|---|---|---|
| | | | $ | $ | |
| Balance, December 31, 2019 and 2020 | - | - | - | | |
| Stock options granted (Note 4) | 5,278,440 | 3,518,960 | 974,241 | 0.18 | June 30, 2025 |
| Stock options granted | 2,650,000 | 331,250 | 494,554 | 0.25 | June 30, 2026 |
| Balance, December 31, 2021 | 7,928,440 | 3,850,210 | 1,468,795 | 0.20 | |

Effective April 30, 2021, as partial consideration for the Maximos Acquisition, 5,278,440 options of the Company were granted in replacement of 9,500,000 previously granted options of Maximos, with each replacement option exercisable into a common share of the Company at $0.18 per share until June 30, 2025. One-third of the replacement options vested on the grant date, one-third vested on June 30, 2021, and the remaining one-third will vest on June 30, 2022.

The grant date fair value of the replacement options was estimated at $974,241 using the Black-Scholes option pricing model with the following assumptions: share price of $0.225, expected dividend yield of 0%; expected volatility of 124%; risk free interest rate of 0.93% and expected life of 4.17 year.

Effective June 30, 2021, 2,650,000 options were granted to directors, officers and service providers of the Company, with each such option exercisable into a common share of the Company at $0.25 per share until June 30, 2026, vesting quarterly over a period of two years. The grant date fair value of these options was estimated at $494,554 using the Black-Scholes option pricing model with the following assumptions: share price of $0.225, expected dividend yield of 0%; expected volatility of 124%; risk free interest rate of 0.93% and expected life of 5 years.

The options outstanding at December 31, 2021 have a weighted average remaining life of 3.9 years.

## 16. RESTRICTED SHARE UNIT PLAN

On June 24, 2021, shareholders of the Company approved a Restricted Share Unit Plan (the “RSU Plan”) under which the Company may issue up to 3% of its issued capital (on a rolling basis) as Restricted Share Units (each, an “RSU”) to eligible directors, officers, employees and consultants.

The RSU Plan was adopted to provide remuneration and long-term incentives to the Company’s directors, executives, employees and service providers, while preserving the Company’s cash, and to align the interests of such persons with the long term interests of shareholders. Upon vesting, each RSU entitles the grantee the right to receive, during the payout election period, after deduction of any applicable taxes and other required source deductions, one fully paid common share of the Company, or the then equivalent value in cash, at the Company’s discretion.

Effective June 30, 2021, the Board of Directors approved the grant of a total of 1,700,000 RSUs to directors, officers, management, employees and consultants pursuant to the RSU Plan. Of these, 1,350,000 RSUs vested immediately and 350,000 RSUs will vest on March 31, 2022. All the RSUs granted expire on December 31, 2024.

1,350,000 RSUs granted effective June 30, 2021 were fully recognized as share-based compensation and share-based payment reserve during the year ended December 31, 2021, as they fully vested on grant date. The Company recorded $303,750 to share-based compensation and share-based payment reserve in connection with these RSUs, using the grant date fair value of $0.225 per share, based on the issue price in the Financing. Refer to Note 17.

Expressed in Canadian dollars

## 16. RESTRICTED SHARE UNIT PLAN (CONTINUED)

The share-based compensation expense and share based reserve relating to the 350,000 RSUs granted effective June 30, 2021 but not yet vested are recognized in ensuing periods using the graded vesting method of recognition based on the grant date fair value of common shares of the Company.

The following table sets out the terms of RSUs granted as at December 31, 2021:

| RSU Terms | | | | |
|---|---|---|---|---|
| Number | Grant Date | Vesting Date | Commencement of Payout Election Period | Expiry Date |
| 1,350,000 | 30-Jun-21 | 30-Jun-21 | 01-Apr-22 | 31-Dec-24 |
| 350,000 | 30-Jun-21 | 31-Mar-22 | 01-Jan-23 | 31-Dec-24 |
| 1,700,000 | | | | 31-Dec-24 |

## 17. SHARE-BASED PAYMENT RESERVE

The following table sets out the share-based payment reserve activity for the years ended December 31, 2021 and 2020:

| | $ |
|---|---|
| Balance, December 31, 2019 and 2020 | - |
| Stock options granted | 1,249,549 |
| RSUs granted | 356,250 |
| Balance, December 31, 2021 | 1,605,799 |

Refer to Notes 15 and 16.

## 18. NON-CONTROLLING INTEREST

As at April 30, 2021, when the Company acquired Maximos, Maximos' controlling interest in Spark was 53.1%. On November 10, 2021, Spark completed the Mongoose RTO, in which Maximos' 53.1% equity interest in Spark was exchanged for a 40.7% equity interest in Mongoose.

Non-controlling interest ("NCI") represents the 46.9% equity share in Spark not controlled by the Company for the period April 30, 2021 to November 10, 2021 and the 59.3% of Mongoose not controlled by the Company for the period November 10, 2021 to December 31, 2021.

On the initial recognition date, NCI was measured as the proportionate share of the respective subsidiary's equity not controlled by the Company. In ensuing periods, adjustments were made to the carrying amount representing the NCI's proportionate share of changes to the respective subsidiary's equity.

As at December 31, 2021, Mongoose had the following options issued and outstanding: (i) 325,544 options exercisable at $0.285 per Mongoose share until November 17, 2024; and (ii) 360,000 options exercisable at $0.025 per Mongoose share until September 30, 2025.

As at December 31, 2021, Mongoose had the following warrants issued and outstanding: 2,500,000 Mongoose warrants exercisable at $0.25 per share until December 31, 2023.

Expressed in Canadian dollars

## 19. RELATED PARTY TRANSACTIONS

Information concerning the subsidiaries of the Company at December 31, 2021 is set out below.

| Subsidiary | % Held by the Company | Jurisdiction of incorporation |
|---|---|---|
| Technology Metals Inc. (Maximos) | 100% directly | Canada |
| Mongoose Mining Ltd.<br>(owned 40.7% by Technology Metals Inc.) | 40.7% indirectly | British Columbia |
| Spark Minerals Inc.<br>(owned 100% by Mongoose) | 40.7% indirectly | Nova Scotia |

Transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed.

The Company did not have any subsidiaries during the year ended December 31, 2020.

During the year ended December 31, 2021, the Company paid or accrued $117,333 to related parties, including a $60,000 management fee (December 31, 2020 - $60,000) to Energold Minerals Limited ("Energold"), a company controlled by John F. Kearney, a director; a $33,333 management fee (December 31, 2020 - $Nil) to 2348035 Ontario Corp., a company controlled by W. Matthew Allas, an officer and director; and $24,000 in rent (December 31, 2020 - $24,000) to Buchans Resources Limited ("Buchans"), a company in which directors John F. Kearney and Danesh Varma serve as directors and officers.

During the year ended December 31, 2020, the Company received an advance in the amount of $100,000 from John F. Kearney, a director, to fund working capital expenses. The advance was settled in full in April 2021 as part of the Financing. Refer to Note 13.

Included in accounts payable and accrued liabilities at December 31, 2021 are $Nil payable to Buchans (2020 - $140,203) for administrative services; $4,708 payable to 2348035 Ontario Corp. (2020 - $Nil) for management services, and $5,650 payable to Energold (2020 - $60,000) for administrative and management services. These amounts are unsecured, non-interest bearing and due on demand.

## 20. COMPENSATION OF KEY MANAGEMENT PERSONNEL

The remuneration of directors and other key management personnel (i) during the years ended December 31, 2021 and 2020 was as follows:

| | | Year ended December 31, 2021 | | Year ended December 31, 2020 |
|---|---|---|---|---|
| Short-term compensation (ii) | $ | 297,667 | $ | 72,000 |
| Share based compensation (iii) | | 498,415 | | - |
| | $ | 796,082 | $ | 72,000 |

(i) In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.
(ii) Short-term compensation includes cash based salaries, bonuses and allowances, employment benefits and directors' fees.
(iii) Share based compensation includes stock option and RSU expense recognized during the period.

As at December 31, 2021, $Nil (2020 - $72,000) of short-term compensation remained payable to key management personnel.

Expressed in Canadian dollars

## 21. 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.

During the year ended December 31, 2021, Canadian Manganese issued flow-through shares for aggregate subscription proceeds of $2,000,000 with a commitment to incur the proceeds on eligible Canadian exploration expenditures prior to December 31, 2022. At December 31, 2021, $1,588,337 of the commitment had not yet been incurred. Canadian Manganese provided subscribers with indemnification for any tax liability that may arise if the Company is found to have not incurred the eligible Canadian exploration expenditures as required in accordance with the flow-through subscription agreements.

During the year ended December 31, 2021, Mongoose issued flow-through shares for aggregate subscription proceeds of $524,100 with a commitment to incur the proceeds on eligible Canadian exploration expenditures prior to December 31, 2022. At December 31, 2021, $524,100 of the commitment had not yet been incurred. Mongoose provided subscribers with indemnification for any tax liability that may arise if Mongoose is found to have not incurred the eligible Canadian exploration expenditures as required in accordance with the flow-through subscription agreements. In addition, Spark has a remaining flow-through commitment of $239,000 as at December 31, 2021.

The Covid-19 pandemic has resulted in governments worldwide enacting emergency measures to combat the spread of the various novel strains of coronavirus. These emergency measures, which have included the implementation of travel bans and mandated quarantine periods, have caused material disruption to businesses globally. The impact of the Covid-19 pandemic on the Company has been minimal to date, however the Company cannot accurately predict the impact it may have on its future operations and/or the ability of others to meet their obligations with the Company.

At December 31, 2021, the Company was party to certain management agreements. Minimum commitments under the agreements are in aggregate $412,000 in the next year. These agreements also provide for payments of up to an aggregate of $1,000,000 in the event of a change of control. As such an event has not occurred, the contingent payments have not been accrued for in these consolidated financial statements.

## 22. INCOME TAXES

a) Provision for Income Taxes

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2020 - 26.5%) to the effective tax rate is as follows:

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| Canadian statutory rate | 26.50% | 26.50% |
| Loss before income taxes | (14,271,924) | (125,998) |
| Expected income tax recovery based on statutory rate | (3,782,000) | (33,000) |
| Adjustments to expected income tax benefit: | | |
| Share-based compensation | 167,000 | - |
| Flow-through renunciation | 69,000 | - |
| Other expenses not deductible for tax purposes | 3,389,000 | |
| Change in benefit of tax assets not recognized | 157,000 | 33,000 |
| Deferred income tax provision (recovery) | - | - |

b) Deferred Income Taxes

Deferred taxes are as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities:

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| Recognized deferred tax assets and liabilities | | |
| Non-capital loss carry-forwards | 327,000 | - |
| Mineral Property costs | (327,000) | - |
| Deferred income tax liability | - | - |

Expressed in Canadian dollars

## 22. INCOME TAXES (CONTINUED)

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| Unrecognized deferred tax assets | | |
| Non-capital loss carry-forwards | 4,836,000 | 1,278,000 |
| Share issue costs | 415,000 | - |
| Mineral Property costs | 879,000 | - |
| Deferred income tax liability | 6,130,000 | 1,278,000 |

The tax losses expire from 2031 to 2041. The other temporary differences do not expire under current legislation.

Deferred tax assets have not been recognized in respect of these items because it is not probably that future taxable profit will be available against which the Company can use the benefits.

## 23. 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 accrued liabilities, and advance from director on the consolidated 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 maintain its cash in accounts at a major Canadian bank. The Company 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 bank accounts.

**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.

**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). During the periods presented, the Company did not have any material financial instruments measured at fair value that require classification within the fair value hierarchy.

**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.

## 24. 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.

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, 2021 and 2020. The Company is not subject to externally imposed capital requirements other than as described in Note 25.

## 25. SUBSEQUENT EVENTS

On January 19, 2022, the Company repaid $30,000 of the principal balance of the CEBA loan, and, pursuant to the early repayment terms of the loan, recorded $10,000 loan foregiveness on the remaining balance. Refer to Note 12.

On January 31, 2022, the Company's common shares commenced trading on the NEO Exchange under the trading symbol CDMN. Effective commencement of trading, the Company will be subject to ongoing conditional listing capital requirements of the NEO Exchange, which require the Company to meet at least one of the following criteria: (i) maintain shareholders' equity of at least $2,500,000; (ii) report annual net income from continuing operations of at least $375,000; (iii) maintain a market value of the Company's listed shares of at least $25,000,000; or (iv) report assets and annual revenue of at least $25,000,000 each.