

**CANADIAN MANGANESE COMPANY INC.**

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**For the three and nine months ended September 30, 2022 and 2021**

*Unaudited*

**NOTICE OF NO AUDITOR REVIEW**

The accompanying unaudited condensed interim condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with standards established by CPA Canada for a review of interim financial statements by an entity's auditor.

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**For the three and nine months ended September 30, 2022 and 2021**

*Unaudited*

<b><i>INDEX</i></b>	<b><i>PAGE</i></b>
Condensed Interim Consolidated Statements of Financial Position	1
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss	2
Condensed Interim Consolidated Statements of Changes in Equity	3
Condensed Interim Consolidated Statements of Cash Flows	4
Notes to the Condensed Interim Consolidated Financial Statements	5-17

**CANADIAN MANGANESE COMPANY INC.****Condensed Interim Consolidated Statements of Financial Position****As at September 30, 2022***Unaudited*

Expressed in Canadian Dollars	Notes	September 30, 2022	December 31, 2021
Assets		\$	\$
<b>Current assets</b>			
Cash	8	1,730,162	6,002,675
Sales taxes receivable		157,147	125,418
Prepaid expenses		103,082	76,070
Total current assets		1,990,391	6,204,163
<b>Non-current assets</b>			
Exploration and evaluation assets	7	13,933,840	11,390,853
Total non-current assets		13,933,840	11,390,853
<b>Total assets</b>		15,924,231	17,595,016
<b>Equity and liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	9	541,229	839,747
Flow-through share premium liability	17	37,575	540,423
Total current liabilities		578,804	1,380,170
<b>Non-current liabilities</b>			
CEBA loan	20	-	40,000
Total non-current liabilities		-	40,000
<b>Total liabilities</b>		578,804	1,420,170
<b>Equity</b>			
Share capital	10	24,571,993	24,519,118
Warrants	11	795,130	795,130
Share-based payment reserve	14	1,949,400	1,605,799
Deficit		(16,128,140)	(14,958,609)
Equity attributable to equity holders of the Company		11,188,383	11,961,438
Non-controlling interest	15	4,157,044	4,213,408
<b>Total equity</b>		15,345,427	16,174,846
<b>Total equity and liabilities</b>		15,924,231	17,595,016

**COMMITMENTS AND CONTINGENCIES (Notes 7 and 17)**

The financial statements were approved by the Board of Directors on November 9, 2022 and signed on its behalf by:

Signed "John F. Kearney", Director

Signed "W. Matthew Allas", Director

See accompanying notes to the condensed interim consolidated financial statements

# CANADIAN MANGANESE COMPANY INC.

## Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

For the three and nine months ended September 30, 2022 and 2021

Unaudited

Expressed in Canadian Dollars	Notes	Three months ended September 30,		Nine months ended September 30,	
		2022	2021	2022	2021
				\$	\$
General and administrative expenses:					
Employment compensation		(127,898)	(125,223)	(376,609)	(210,245)
Share-based compensation	14	(90,336)	(194,814)	(396,476)	(498,564)
Legal fees		(1,280)	(29,075)	(62,100)	(57,950)
Audit fees		(21,093)	(41,236)	(89,218)	(51,236)
Administration costs		(40,113)	(49,329)	(161,741)	(95,260)
Investor relations		(98,474)	-	(274,516)	-
Corporate development		(49,264)	-	(212,131)	-
Exchange costs		(2,606)	-	(113,707)	-
Filing fees		(3,162)	(4,663)	(58,795)	(18,218)
Loss before other items		(434,226)	(444,340)	(1,745,293)	(931,473)
(Loss) recognised on Maximos acquisition		-	-	-	(12,284,235)
Property expense		-	-	(33,450)	-
Flow-through share premium reversal	17	78,173	-	502,848	-
CEBA loan forgiveness	20	-	-	10,000	-
Total other items		78,173	-	479,398	(12,284,235)
Total (loss) and comprehensive (loss) for the period		(356,053)	(444,340)	(1,265,895)	(13,215,708)
Net (loss) and comprehensive (loss) attributable to:					
Shareholders of the Company		(322,516)	(384,379)	(1,169,531)	(13,146,860)
Non-controlling interest	15	(33,537)	(59,961)	(96,364)	(68,848)
Total (loss) and comprehensive (loss) for the period		(356,053)	(444,340)	(1,265,895)	(13,215,708)
<b>(Loss) per share</b>					
Basic and diluted (loss) per share	6	(0.002)	(0.109)	(0.009)	(0.146)
<b>Weighted average number of common shares outstanding</b>					
Basic and diluted		145,085,341	144,714,580	144,803,917	107,385,281

See accompanying notes to the condensed interim consolidated financial statements

**CANADIAN MANGANESE COMPANY INC.**
**Condensed Interim Consolidated Statements of Changes in Equity**
**For the nine months ended September 30, 2022 and 2021**
*Unaudited*

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, 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
Recognition of non-controlling interest	-	-	-	-	-	2,868,770	2,868,770
Warrants issued in Maximos acquisition	-	742,909	-	-	742,909	-	742,909
Stock options issued in Maximos acquisition	-	-	974,241	-	974,241	-	974,241
Restricted share units	-	-	330,000	-	330,000	-	330,000
Stock options	-	-	168,563	-	168,563	-	168,563
Total net loss for the period	-	-	-	(13,146,860)	(13,146,860)	(68,848)	(13,215,708)
Balance as at September 30, 2021	24,519,118	795,130	1,472,804	(14,411,481)	12,375,572	2,799,922	15,175,495
Restricted share units	-	-	26,250	-	26,250	-	26,250
Stock options	-	-	106,744	-	106,744	-	106,744
Increase in non-controlling interest in Mongoose RTO	-	-	-	-	-	1,922,573	1,922,573
Net loss for the period	-	-	-	(547,128)	(547,128)	(509,087)	(1,056,216)
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
Restricted share units	-	-	220,688	-	220,688	-	220,688
Restricted share units exercised	52,875	-	(52,875)	-	-	-	-
Stock options	-	-	175,788	-	175,788	-	175,788
Increase in non-controlling interest in Mongoose	-	-	-	-	-	40,000	40,000
Net loss for the period	-	-	-	(1,169,531)	(1,169,531)	(96,364)	(1,265,895)
Balance as at September 30, 2022	24,571,993	795,130	1,949,400	(16,128,140)	11,188,383	4,157,044	15,345,427

See accompanying notes to the condensed interim consolidated financial statements

# CANADIAN MANGANESE COMPANY INC.

## Condensed Interim Consolidated Statements of Cash Flows

For the nine months ended September 30, 2022 and 2021

Unaudited

Expressed in Canadian Dollars	Notes	Nine months ended September 30,	
		2022	2021
		\$	\$
<b>Cash flows (used in) operating activities</b>			
(Loss) for the period		(1,265,895)	(13,215,708)
Loss recognised on Maximos Acquisition		-	12,284,235
Share-based compensation	14	396,476	498,564
Flow-through share premium reversal	17	(502,848)	-
		(1,372,267)	(432,909)
<b>Movements in working capital</b>			
(Increase) in amounts receivable		(58,741)	(19,717)
(Decrease)/increase in amounts payable		(308,518)	19,316
Net cash (used in) operating activities		(1,739,526)	(433,310)
<b>Cash flows (used in)/provided by investing activities</b>			
Investment in exploration and evaluation assets	7	(2,502,987)	(114,089)
Cash received in Maximos Acquisition		-	305,075
Net cash flows (used in)/provided by investing activities		(2,502,987)	190,986
<b>Cash flows (used in) financing activities</b>			
Proceeds from issue of shares		-	6,103,176
Share issue costs		-	(229,087)
Repayment of CEBA loan	20	(30,000)	-
Net cash flows (used in)/provided by financing activities		(30,000)	5,874,089
Net (decrease)/increase in cash		(4,272,513)	5,631,765
Cash at beginning of the period		6,002,675	62,198
Cash at end of the period		1,730,162	5,693,963

See accompanying notes to the condensed interim consolidated financial statements

## **1. NATURE OF OPERATIONS AND GOING CONCERN**

Canadian Manganese Company Inc. (the "Company") 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.

The Company's common shares trade in Canadian dollars on the NEO Exchange under symbol CDMN. The Company's common shares also trade on the OTCQB Market in U.S. dollars under symbol CDMNF.

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. Effective February 9, 2022, Mongoose issued 200,000 common shares as consideration in a property acquisition, diluting the Company's equity interest to 40.5%. 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 condensed interim consolidated financial statements for the three and nine months ended September 30, 2022 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 condensed interim 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 September 30, 2022 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 condensed interim consolidated financial statements reflect the financial position, statement of loss and comprehensive loss, equity and cash flows related to assets and liabilities of the Company and entities controlled by the Company (its subsidiaries).

These condensed interim consolidated financial statements were prepared in accordance with International Accounting Standard 34, Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board on a basis consistent with the accounting policies disclosed in the annual consolidated financial statements of the Company for the year ended December 31, 2021. The accounting policies set out below were consistently applied to all periods presented, unless otherwise noted.

These condensed interim consolidated financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2021, prepared in accordance with IFRS.

These condensed interim consolidated financial statements have been prepared on a historical cost basis, except for those items carried at fair value. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting, except cash flow information.

## **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

These condensed interim consolidated financial statements were prepared on a basis consistent with the accounting policies disclosed in the annual consolidated financial statements of the Company for the year ended December 31, 2021, as set out in Note 3 thereof.

### **Basis of consolidation**

These condensed interim consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the reporting period are included in the consolidated statement of operations from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Company. All material intra-Company transactions, balances, income and expenses are eliminated on consolidation.

## **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 condensed interim 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 September 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 11 and 12.

The Company 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 was 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.



**CANADIAN MANGANESE COMPANY INC.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and nine months ended September 30, 2022 and 2021**  
Unaudited, expressed in Canadian dollars

**4. ACQUISITION OF MAXIMOS METALS CORP. (CONTINUED)**

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 10. The fair value of the options granted and warrants issued was estimated using the Black-Scholes option pricing model. Refer to Notes 11 and 12.

	Notes	\$
Estimated fair value of common shares	10	13,428,802
Estimated fair value of stock options	12	974,241
Estimated fair value of warrants	11	742,909
Total consideration paid		<u>15,145,952</u>

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

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 15.

**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.

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

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 was 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	<u>1,445,775</u>

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	<u>634,626</u>
Mongoose RTO listing cost	811,149
Total consideration paid	<u>1,445,775</u>

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.

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**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and nine months ended September 30, 2022 and 2021**  
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**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:

	September 30, 2022	Three months ended September 30, 2021	September 30, 2022	Nine months ended September 30, 2021
	\$	\$	\$	\$
<b>Numerator</b>				
Net (loss) attributable to Shareholders of the Company	(322,516)	(384,379)	(1,169,531)	(13,146,860)
(Loss) attributable to non-controlling interest	(33,537)	(59,961)	(96,364)	(68,848)
Total (loss) for the period	(356,053)	(444,340)	(1,265,895)	(13,215,708)
<b>Denominator</b>				
	<b>No. of Shares</b>	<b>No. of Shares</b>	<b>No. of Shares</b>	<b>No. of Shares</b>
Weighted average number of shares - basic and diluted	145,085,341	144,714,580	144,803,917	107,385,281
<b>(Loss) per share</b>				
Basic and diluted (loss) per share	(0.002)	(0.109)	(0.009)	(0.146)

**CANADIAN MANGANESE COMPANY INC.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and nine months ended September 30, 2022 and 2021**  
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**7. EXPLORATION AND EVALUATION ASSETS**

	Woodstock manganese property \$	Maximos nickel property \$	Mongoose properties \$	Total \$
Balance, December 31, 2020	4,662,321	-	-	4,662,321
Additions:				
Property acquisitions	-	1	-	1
Drilling	7,171	-	49,902	57,073
Geological	30,410	-	69,256	99,666
Consultations	40,000	-	-	40,000
Economic studies	35,070	-	-	35,070
Claims registration	108	-	-	108
Project management	1,438	-	-	1,438
	114,197	1	119,158	233,356
Balance, September 30, 2021	4,776,518	1	119,158	4,895,677
Additions:				
Property acquisitions	-	-	5,952,768	5,952,768
Drilling	186,414	-	71,007	257,421
Geological	106,905	-	9,734	116,639
Technical consulting	10,800	-	-	10,800
Consultations	37,550	-	-	37,550
Economic studies	98,856	-	-	98,856
Supplies	13,280	-	1,245	14,526
Claims registration	6,052	-	-	6,052
Project management	565	-	-	565
	460,422	-	6,034,754	6,495,176
Balance, December 31, 2021	5,236,940	1	6,153,912	11,390,853
Additions:				
Property acquisitions	-	-	40,000	40,000
Drilling	1,087,031	-	277,958	1,364,989
Geological	476,990	-	250,027	727,017
Technical consulting	170,721	-	14,211	184,932
Consultations	90,000	-	-	90,000
Economic studies	130,388	-	-	130,388
Claims registration	180	-	8,197	8,377
Project management	6,188	-	24,096	30,285
Government grants	-	-	(33,000)	(33,000)
	1,961,498	-	581,489	2,542,987
Balance, September 30, 2022	7,198,438	1	6,735,401	13,933,840

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.

**CANADIAN MANGANESE COMPANY INC.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and nine months ended September 30, 2022 and 2021**  
Unaudited, expressed in Canadian dollars

**7. EXPLORATION AND EVALUATION ASSETS (CONTINUED)**

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. CASH**

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

**9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	September 30, 2022	December 31, 2021
	\$	\$
Trade payables	482,121	779,389
Accrued liabilities	48,750	50,000
Amounts due to related parties (Note 16)	10,358	10,358
	<u>541,229</u>	<u>839,747</u>

**10. SHARE CAPITAL**

**Authorized**

Unlimited number of common shares

**Issued**

	Shares	Amount
	#	\$
Balance at December 31, 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 transaction 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 September 30, 2021 and December 31, 2021	144,714,580	24,519,118
Restricted share units exercised	315,000	52,875
Balance at September 30, 2022	<u>145,029,580</u>	<u>24,571,993</u>

During 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 16.

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 flow-through share premium liability.

Finder fees of \$229,087 in cash were incurred 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.

## 10. SHARE CAPITAL (CONTINUED)

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.

On April 5, 2022, 120,000 RSUs were exchanged for 120,000 common shares of the Company. On April 13, 2022, 75,000 RSUs were exchanged for 75,000 common shares of the Company. On September 30, 2022, 120,000 RSUs were exchanged for 120,000 common shares of the Company.

## 11. WARRANTS

The following warrants were outstanding at September 30, 2022:

	Number of warrants outstanding at September 30, 2022	Weighted average Exercise Price \$	Expiry Date
Balance, December 31, 2020	-	-	
Warrants issued (Note 4)	4,445,003	0.18	March 17, 2024
Broker warrants issued	333,333	0.27	April 29, 2024
Balance, September 30, 2021, December 31, 2021 and September 30, 2022	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.

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.

## 12. 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.

**CANADIAN MANGANESE COMPANY INC.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and nine months ended September 30, 2022 and 2021**  
Unaudited, expressed in Canadian dollars

**12. STOCK OPTIONS (CONTINUED)**

The following table summarizes the stock options outstanding at September 30, 2022:

	Number of Options Granted at September 30, 2022	Number of Options Exercisable at September 30, 2022	Estimated Grant Date Fair Value	Exercise Price	Expiry Date
			\$	\$	
Balance, December 31, 2020 and September 30, 2021	-	-	-		
Stock options granted	5,278,440	5,278,440	974,241	0.18	June 30, 2025
Stock options granted	2,650,000	1,656,250	494,554	0.25	June 30, 2026
Balance, December 31, 2021	7,928,440	6,934,690	1,468,795		
Stock options granted	300,000	37,500	59,350	0.25	June 30, 2026
Balance, September 30, 2022	8,228,440	6,972,190	1,528,146	0.21	

Effective April 30, 2021, as partial consideration for the Maximos Acquisition (Note 4), 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 vested on June 30, 2022. The grant date fair value of the replacement options was estimated at \$974,241.

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.

Effective June 30, 2022, 300,000 options were granted to directors 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 \$59,350.

The options outstanding at September 30, 2022 have a weighted average remaining life of 3.25 years.

**13. RESTRICTED SHARE UNITS**

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, a total of 1,700,000 RSUs were granted to directors, officers, management, employees and consultants pursuant to the RSU Plan. Of these, 1,350,000 RSUs vested immediately and 350,000 RSUs vested 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 on June 30, 2021, as they fully vested on the 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 16.

Effective March 31, 2022, 240,000 RSUs were granted to a consultant, 120,000 of which vested immediately, and 120,000 of which vested on June 30, 2022, all of which had an expiry date of December 31, 2024. The Company recorded \$36,000 to share-based compensation and share-based payment reserve in connection with these RSUs, using the grant date market value of \$0.15 per share.

Effective June 30, 2022, a total of 845,000 RSUs were granted to directors, officers, management and a consultant pursuant to the RSU Plan. Of these, 422,500 RSUs vested immediately and 422,500 RSUs will vest on December 31, 2022. All the RSUs granted expire on December 31, 2025. Up to September 30, 2022, the Company recorded \$158,437 to share-based compensation and share-based payment reserve in connection with these RSUs, using the grant date market value of \$0.25 per share.

**CANADIAN MANGANESE COMPANY INC.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and nine months ended September 30, 2022 and 2021**  
Unaudited, expressed in Canadian dollars

**13. RESTRICTED SHARE UNITS (CONTINUED)**

Effective September 30, 2022, a total of 178,572 RSUs were granted to directors and officers pursuant to the RSU Plan. These 178,572 RSUs will vest on December 31, 2022. All the RSUs granted expire on December 31, 2025. The grant date market value was \$0.168 per share.

On April 5, 2022, 120,000 RSUs were exchanged for 120,000 common shares of the Company. On April 13, 2022, 75,000 RSUs were exchanged for 75,000 common shares of the Company. On June 30, 2022, 120,000 RSUs were exchanged for 120,000 common shares of the Company.

The following table sets out the terms of RSUs granted and outstanding as at September 30, 2022:

RSU Terms				
Number	Grant Date	Vesting Date	Commencement of Payout Election Period	Expiry Date
1,275,000	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
422,500	30-Jun-22	30-Jun-22	01-Jan-24	31-Dec-25
422,500	30-Jun-22	31-Dec-22	01-Jan-24	31-Dec-25
178,572	30-Sep-22	31-Dec-22	01-Jan-24	31-Dec-25
2,648,572				

The following table summarizes the RSU activity for the nine months ended September 30, 2022:

	Number of RSU outstanding at September 30, 2022
Balance, December 31, 2020	-
RSU granted	1,700,000
Balance, September 30, 2021 and December 31, 2021	1,700,000
RSU exercised	(315,000)
RSU granted	1,263,572
Balance, September 30, 2022	2,648,572

**14. SHARE-BASED PAYMENT RESERVE**

The following table sets out the share-based payment reserve activity for the nine months ended September 30, 2022:

	\$
Balance, December 31, 2020	-
Stock options	1,142,804
Restricted share units	330,000
Balance, September 30, 2021	1,472,804
Stock options	106,745
Restricted share units	26,250
Balance, December 31, 2021	1,605,799
Stock options	175,788
Restricted share units exercised	(52,875)
Restricted share units	220,688
Balance, September 30, 2022	1,949,400

Refer to Notes 12 and 13.



## **15. NON-CONTROLLING INTEREST**

As at September 30, 2022, non-controlling interest ("NCI") represents the 59.5% equity interest (December 31, 2021 - 59.3%) of Mongoose not controlled by the Company.

Effective February 9, 2022, Mongoose issued 200,000 shares at a deemed issue price of \$0.20 per share for total consideration of \$40,000 in exchange for the Mt. Thom Project in Nova Scotia, increasing NCI from 59.3% to 59.5%.

As at September 30, 2022, Mongoose had the following options issued and outstanding: (i) 325,544 options exercisable at \$0.285 per Mongoose share until November 17, 2024; (ii) 360,000 options exercisable at \$0.05 per Mongoose share until September 30, 2025; and (iii) 900,000 options exercisable at \$0.30 per Mongoose share until June 1, 2027.

As at September 30, 2022, Mongoose had the following warrants issued and outstanding: 2,500,000 warrants exercisable at \$0.25 per share until December 31, 2023.

## **16. RELATED PARTY TRANSACTIONS**

Information concerning the subsidiaries of the Company at September 30, 2022 is set out below.

Subsidiary	% Held by the Company	Jurisdiction of incorporation
Technology Metals Inc. (Maximos)	100% directly	Canada
Mongoose Mining Ltd. (owned 40.5% by Technology Metals Inc.)	40.5% indirectly	British Columbia
Spark Minerals Inc. (owned 100% by Mongoose)	40.5% indirectly	Nova Scotia

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

During the nine months ended September 30, 2022, the Company paid or accrued \$124,500 to related parties, including a \$45,000 management fee (September 30, 2021 - \$45,000) to Energold Minerals Limited ("Energold"), a company controlled by John F. Kearney, a director; a \$37,500 management fee (September 30, 2021 - \$20,833) to 2348035 Ontario Corp., a company controlled by W. Matthew Allas, an officer; and \$42,000 in rent (September 30, 2021 - \$18,000) to Buchans Resources Limited ("Buchans"), a company in which directors John F. Kearney and Danesh Varma serve as directors and officers.

Included in accounts payable and accrued liabilities at September 30, 2022 is \$4,708 (December 31, 2021 - \$4,708) payable to 2348035 Ontario Corp. and \$5,650 payable to Energold (December 31, 2021 - \$5,650). These amounts are unsecured, non-interest bearing and due on demand.

## **17. COMMITMENTS AND CONTINGENCIES**

The Company's exploration and evaluation 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.

On January 31, 2022, the Company's common shares commenced trading on the NEO Exchange. Effective commencement of trading, the Company is 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.

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 September 30, 2022, \$225,452 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.

## **17. COMMITMENTS AND CONTINGENCIES (CONTINUED)**

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 September 30, 2022, 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 condensed interim consolidated financial statements.

## **18. 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, accounts payable and accrued liabilities and advance from director on the statements of financial position approximate fair value because of the limited term of these instruments.

### **Interest rate risk**

At September 30, 2022, all of the Company's cash is deposited in bank accounts with a major Canadian bank.

### **Credit risk**

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

### **Commodity price risk**

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

### **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, explore and advance its exploration assets. The capital structure of the Company consists of shareholders' equity.

**19. 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 nine months ended September 30, 2022. The Company is not subject to externally imposed capital requirements, other than as described in Note 17.

**20. CEBA LOAN**

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 was 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.