CANADIAN MANGANESE COMPANY INC.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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McGovern Hurley

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, 2022 and 2021, 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, 2022 and 2021, 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.

Material uncertainty related to going concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company had an accumulated deficit since inception. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that material uncertainties exist that cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter described in the Material uncertainty related to going concern section, we have determined that there were no additional key audit matters to communicate in our report.

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.

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.

- 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 27, 2023

CANADIAN MANGANESE COMPANY INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS AT DECEMBER 31, 2022 AND 2021

Expressed in Canadian Dollars	Notes	2022	2021
Assets		**$**	**$**
Current assets			
Cash	**9/17**	1,029,923	6,002,675
Sales taxes receivable		148,782	125,418
Prepaid expenses		38,629	76,070
Total current assets		1,217,334	6,204,163
Non-current assets			
Exploration and evaluation assets	**7**	14,434,958	11,390,853
Prepaid expenses		65,030	-
Lease	**8**	113,796	-
Total non-current assets		14,613,784	11,390,853
Total assets		15,831,118	17,595,016
Equity and liabilities			
Current liabilities			
Accounts payable and accrued liabilities	**10/18/19**	778,442	839,747
Current portion of lease obligation	**8**	54,272	-
Flow-through share premium liability	**20**	-	540,423
Total current liabilities		832,714	1,380,170
Non-current liabilities			
CEBA loan	**11**	-	40,000
Lease obligation	**8**	62,709	-
Total non-current liabilities		62,709	40,000
Total liabilities		895,423	1,420,170
Equity			
Share capital	**12**	24,571,993	24,519,118
Warrants	**13**	795,130	795,130
Share-based payment reserve	**16**	2,114,669	1,605,799
Deficit		(16,693,867)	(14,958,609)
Equity attributable to equity holders of the Company		10,787,925	11,961,438
Non-controlling interest	**17**	4,147,770	4,213,408
Total equity		14,935,695	16,174,846
Total equity and liabilities		15,831,118	17,595,016

GOING CONCERN (Note 1)

COMMITMENTS AND CONTINGENCIES (Note 7 and 20)

The consolidated financial statements were approved by the Board of Directors on March 27, 2023 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, 2022 AND 2021

Expressed in Canadian Dollars	Notes	2022	2021
		$	$
General and administrative expenses:			
Employment compensation	19	(524,609)	(341,290)
Share-based compensation	15/16/19	(561,745)	(631,558)
Legal fees		(79,112)	(285,788)
Audit fees		(110,218)	(99,430)
Lease depreciation	8	(50,070)	-
Administration costs		(157,856)	(133,898)
Investor relations		(413,975)	-
Corporate development		(272,375)	-
Exchange costs		(115,696)	-
Filing fees		(64,098)	(30,254)
(Loss) before other items		(2,349,754)	(1,522,218)
Property expense	7	(33,450)	-
Flow-through share premium reversal	20	540,423	162,512
Non-cash deemed interest expense	8	(8,115)	-
CEBA loan foregiveness	11	10,000	-
(Loss) recognised on Maximos acquisition	4	-	(12,101,069)
Mongoose RTO listing cost	5	-	(811,149)
Total other items		508,858	(12,749,706)
Total (loss) and comprehensive (loss) for the year		(1,840,896)	(14,271,924)
Net (loss) and comprehensive (loss) attributable to:			
Shareholders of the Company		(1,735,258)	(13,693,989)
Non-controlling interest	17	(105,638)	(577,935)
Total (loss) and comprehensive (loss) for the year		(1,840,896)	(14,271,924)
(Loss) per share			
Basic and diluted (loss) per share	6	(0.012)	(0.117)
Weighted average number of common shares outstanding			
Basic and diluted		144,947,470	116,663,620

See accompanying notes to the consolidated financial statements

CANADIAN MANGANESE COMPANY INC.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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	-	-	356,250	-	356,250	-	356,250
Stock options	-	-	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
Restricted share units	-	-	333,500	-	333,500	-	333,500
Restricted share units exercised	52,875	-	(52,875)	-	-	-	-
Stock options	-	-	228,245	-	228,245	-	228,245
Increase in non-controlling interest in Mongoose	-	-	-	-	-	40,000	40,000
Net loss for the year	-	-	-	(1,735,258)	(1,735,258)	(105,638)	(1,840,896)
Balance as at December 31, 2022	24,571,993	795,130	2,114,669	(16,693,867)	10,787,925	4,147,770	14,935,695

See accompanying notes to the consolidated financial statements

CANADIAN MANGANESE COMPANY INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

Expressed in Canadian Dollars	Notes	2022 $	2021 $
Cash flows (used in) operating activities			
(Loss) for the year		(1,840,896)	(14,271,924)
Share-based compensation	16	561,745	631,558
Flow-through share premium reversal	19	(540,423)	(162,512)
Lease depreciation	8	50,070	-
Non-cash deemed interest expense	8	8,115	-
Loss recognised on Maximos Acquisition	4	-	12,101,069
Mongoose RTO listing cost	5	-	811,149
		(1,761,389)	(890,660)
Movements in working capital			
(Increase)/decrease in sales taxes receivable and prepaids		14,077	191,898
(Decrease) in amounts payable and accrued liabilities		(71,305)	(375,568)
Net cash (used in) operating activities		(1,818,617)	(1,074,330)
Cash flows (used in)/provided by investing activities			
Investment in exploration and evaluation assets	7	(3,004,105)	(775,763)
Prepaid exploration expenditures		(65,030)	-
Cash received in Maximos Acquisition	4	-	688,596
Cash received in Mongoose RTO	5	-	751,885
Net cash flows (used in)/provided by investing activities		(3,069,135)	664,718
Cash flows (used in)/provided by financing activities			
Proceeds from issue of shares	12	-	6,103,176
Share issue costs	12	-	(229,087)
Proceeds from Spark private placement	5	-	476,000
Lease payments	8	(55,000)	-
Repayment of CEBA loan	10	(30,000)	-
Net cash flows (used in)/provided by financing activities		(85,000)	6,350,089
Net (decrease)/increase in cash		(4,972,752)	5,940,477
Cash at beginning of the year		6,002,675	62,198
Cash at end of the year		1,029,923	6,002,675
Supplemental information:		$	$
Shares issued in Maximos Acquisition	4/12	-	13,428,802
Warrants issued in Maximos Acquisition	4/13	-	742,909
Stock options issued in Maximos Acquisition	4/14	-	974,241
Broker warrants issued in the Financing	13	-	52,221
Lease established	8	163,866	-
Change in accrued exploration and evaluation assets		(86,599)	223,811

See accompanying notes to the 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 consolidated financial statements for the years ended December 31, 2022 and 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 that 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. The Company anticipates completing a significant financing in the near term. Subject to completing such financing, Management believes it will have sufficient working capital to support planned operations for at least the next 12 months. At December 31, 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 complete its anticipated financing, obtain additional financial resources and/or achieve positive cash flows or profitability. If the Company is unable to obtain adequate financing, the Company may ultimately be required to curtail its operations and discontinue as a going concern. These material uncertainties cast significant doubt about the Company's ability to continue as a going concern. If the going concern assumption were not appropriate, adjustments would be necessary to the carrying values of the assets and liabilities, reported revenues and expenses, and statement of financial position classifications in these consolidated financial statements. Such adjustments could be material.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). 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.

(b) Exploration and evaluation assets

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

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

(c) Rehabilitation provisions

The Company will record a liability for the estimated future costs associated with legal and constructive obligations relating to the reclamation and closure of its exploration assets. This amount is initially recorded at its discounted present value with subsequent annual recognition of an accretion expense on the discounted liability. An equivalent amount is recorded as an increase to exploration assets and amortized over the useful life of these assets. Management is currently not aware of any existing significant legal or constructive obligations relating to the reclamation of its exploration and evaluation assets and therefore no such liability has been recorded at December 31, 2022 and 2021.

(d) Impairment of non-financial assets

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

(e) Cash

Cash is comprised of deposits in a major Canadian bank.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments

Financial assets

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

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

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

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

After initial measurement, investments measured at FVOCI are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive loss in the 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 lease obligation. The accounts payable and accrued liabilities, and CEBA loan 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (continued)

Financial liabilities (continued)

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, lease obligation 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.

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.

(g) 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.

(h) Flow-through financing
The Company finances a portion of its project exploration and evaluation 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) 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.

(j) 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 Company intends to settle RSUs with the issuance of Company's shares.

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.

(k) 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 other items relating to exploration assets and financial assets during the financial statement reporting period.

(l) 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Discount rate used in adoption of IFRS 16
The determination of the Company's lease liabilities, right-of-use assets, and net investment in leases depends on certain assumptions, which include the selection of the discount rate. The discount rate is set by reference to the Company's incremental borrowing rate. Significant assumptions are required to be made when determining which borrowing rates to apply in this determination. Changes in the assumptions used may have a significant effect on the Company's consolidated financial statements.

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 20.

(m) 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, RSUs 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 loss per share calculation.

(n) 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Leases

IFRS 16 states that upon lease commencement a lessee recognises a right-of-use asset and a lease liability. The right-of-use asset is initially measured at the amount of the liability plus any initial direct costs. After lease commencement, the right-of-use asset is measured at cost less accumulated depreciation and accumulated impairment.

The lease liability is initially measured at the present value of lease payments to be paid subsequent to the commencement date of the lease, discounted either at the interest rate implicit in the lease or the Company's incremental borrowing rate. The lease payments measured in the initial lease liability include payments for an optional renewal period, if any, if the Company is reasonably certain that it will exercise a renewal extension option. The liability is measured at amortized cost using the effective interest method and will be remeasured when there is a change in either the future lease payments or assessment of whether an extension or other option will be exercised. The lease liability is subsequently adjusted for lease payments and interest on the obligation. Interest expense on the lease obligation is included in the consolidated statement of loss.

The Company has elected not to recognize right-of-use assets and lease liabilities for leases with a lease term of less than 12 months and low value assets and recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term, as permitted by IFRS 16.

(p) Adoption of New Accounting Policies

During the year ended December 31, 2022, the Company adopted IFRS 16, Leases, which resulted in the recognition of a right-of-use asset and lease obligation (refer to Note 8). Other new standards did not have any material impact on the Company’s consolidated financial statements.

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.

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.

(q) 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, 2023. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IAS 1 – In February 2021, the IASB issued ‘Disclosure of Accounting Policies’ with amendments that are intended to help preparers in deciding which accounting policies to disclose in their financial statements. The amendments are effective for year ends beginning on or after January 1, 2023.

IAS 8 – In February 2021, the IASB issued ‘Definition of Accounting Estimates’ to help entities distinguish between accounting policies and accounting estimates. The amendments are effective for year ends beginning on or after January 1, 2023.

IAS 12 – In May 2021, the IASB issued ‘Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction’ that clarifies how entities account for deferred tax on transactions such as leases and decommissioning obligations. The amendments are effective for year ends beginning on or after January 1, 2023.

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.

Expressed in Canadian dollars

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) New standards and interpretations not yet adopted (continued)

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.

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 the Company's 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 13 and 14.

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 12. The fair value of the options granted and warrants issued was estimated using the Black-Scholes option pricing model. Refer to Notes 13 and 14.

	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.

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 17.

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 outstanding stock options, RSUs and warrants is anti-dilutive, and is therefore excluded. The computation for basic and diluted loss per share is as follows:

	2022 **$**	2021 **$**
Numerator		
Net (loss) attributable to Shareholders of the Company	(1,735,258)	(13,693,989)
Denominator	**No. of Shares**	**No. of Shares**
Weighted average number of shares - basic and diluted	144,947,470	116,663,620
(Loss) per share		
Basic and diluted (loss) per share	(0.012)	(0.117)

Expressed in Canadian dollars

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	5,952,768	5,952,769
Drilling	193,585	-	120,910	314,495
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	14,525
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
Property acquisitions	-	-	40,000	40,000
Drilling	1,151,923	-	435,873	1,587,796
Geological	561,310	-	312,157	873,467
Technical consulting	218,354	-	25,411	243,765
Consultations	125,000	-	-	125,000
Economic studies	149,922	-	-	149,922
Claims registration	7,140	-	9,377	16,517
Project management	6,189	-	34,449	40,638
Government grants	-	-	(33,000)	(33,000)
	2,219,838	-	824,267	3,044,105
Balance, December 31, 2022	7,456,778	1	6,978,179	14,434,958

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.

Mineral license renewal fees of $33,450 relating to the Maximos nickel property were expensed in 2022. Mineral license renewal fees are not capitalized.

Expressed in Canadian dollars

8. LEASE

On February 1, 2022, the Company entered into an office services agreement granting the right to use the Company's head office premises, which right expires on January 31, 2025.

In accordance with IFRS 16, the Company recorded a lease asset at the outset of the agreement, recognizing the Company's access for the three year period in the amount of $163,866 and a corresponding lease liability in the amount of $163,866. During the period ended December 31, 2022, the Company recognized a non-cash depreciation expense in the amount of $50,070 and recognized a deemed non-cash interest expense in the amount of $8,115.

	December 31, 2022	December 31, 2021
	$	$
Opening balance	-	-
Lease asset recognized	163,866	-
Accumulated depreciation	(50,070)	-
Net book value at December 31, 2022	113,796	-

Lease Obligations:		
	$	$
Opening balance	-	-
Lease liability recognized on February 1, 2022	163,866	-
Lease payments	(55,000)	-
Interest expense	8,115	-
Net lease obligations at December 31, 2022	116,981	-

	$	$
Within one year	54,272	-
Between one and two years	62,709	-
Net lease obligations at December 31, 2022	116,981	-

9. CASH

Cash comprises cash balances held at a major Canadian bank for purposes of meeting short-term cash commitments. Refer to Note 17.

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2022	December 31, 2021
	$	$
Trade payables	675,209	779,389
Accrued liabilities	78,750	50,000
Amounts due to related parties (Note 18)	24,483	10,358
	778,442	839,747

11. 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 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.

Expressed in Canadian dollars

12. 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	17,544,447	3,947,500
Flow-through shares issued in Financing	6,666,666	2,000,000
Shares issued in Maximos transaction	59,683,564	13,428,802
Shares issued in Financing	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
Shares issued upon exercise of restricted share units	315,000	52,875
Balance at December 31, 2022	145,029,580	24,571,993

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 18.

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.

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.

13. WARRANTS

The following table summarizes warrant activity during the years ended December 31, 2022 and 2021.

	Number of warrants outstanding	Exercise Price	Expiry Date
		$	
Balance, December 31, 2020	-	-	
Warrants issued (Note 4)	4,445,003	0.18	March 17, 2024
Broker warrants issued (Note 12)	333,333	0.27	April 29, 2024
Balance, December 31, 2021 and 2022	4,778,336		

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.

Expressed in Canadian dollars

13. WARRANTS (CONTINUED)

The issue date fair value of these replacement warrants was calculated at $742,909, which was 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 12.

The issue date fair value of these broker warrants was calculated at $52,221, which was 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.

14. 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.

As at December 31, 2022, the Company had the following outstanding stock options.

Number of Options Outstanding	Number of Options Exercisable	Exercise Price	Expiry Date
		$	
5,278,440	5,278,440	0.18	June 30, 2025
2,950,000	2,062,500	0.25	June 30, 2026
8,228,440	7,340,940		

The following table summarizes stock option activity for the years ended December 31, 2022 and 2021.

	Number of options Outstanding	Estimated Grant Date Fair Value	Exercise Price	Expiry Date
		$	$	
Balance, December 31, 2020				
Stock options granted (Note 4)	5,278,440	974,241	0.18	June 30, 2025
Stock options granted	2,650,000	494,554	0.25	June 30, 2026
Balance, December 31, 2021	7,928,440	1,468,795		
Stock options granted	300,000	59,350	0.25	June 30, 2026
Balance, December 31, 2022	8,228,440	1,528,145		

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. The following assumptions were used in calculating the fair value of options 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 4.17 years.

14. STOCK OPTIONS (CONTINUED)

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. The following assumptions were used in calculating the fair value of options 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 5 years.

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 following assumptions were used in calculating the fair value of options 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 $0.25 and an expected life of 4 years.

The options outstanding at December 31, 2022 have a weighted average remaining life of 3 years.

15. 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, 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 2021 in connection with these RSUs, using the grant date fair value of $0.225 per share, based on the issue price in the Financing.

The Company recorded $52,500 to share-based compensation and share-based reserve in 2021 and $26,250 to share-based compensation in 2022 related to the 350,000 RSUs granted on June 30, 2021 that did not vest until March 31, 2022, using the grant date fair value of $0.225 per share.

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 2022 in connection with these RSUs, using the grant date market value of $0.15 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.

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 vested on December 31, 2022. All the RSUs granted expire on December 31, 2025. The Company recorded $211,250 to share-based compensation and share-based payment reserve in 2022 in connection with these RSUs, using the grant date market value of $0.25 per share.

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 vested on December 31, 2022. All the RSUs granted expire on December 31, 2025. The Company recorded $30,000 to share-based compensation and share-based reserve in 2022 in connection with these RSUs, using the grant date market value of $0.168 per share.

Effective December 31, 2022, a total of 192,306 RSUs were granted to directors and officers pursuant to the RSU Plan. These 192,306 RSUs vested on December 31, 2022. All the RSUs granted expire on December 31, 2025. The Company recorded $30,000 to share-based compensation and share-based reserve in 2022 in connection with these RSUs, using the grant date market value of $0.156 per share.

Expressed in Canadian dollars

15. RESTRICTED SHARE UNIT PLAN (CONTINUED)

The following table sets out the terms of RSUs granted as at December 31, 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
192,306	31-Dec-22	31-Dec-22	01-Jan-24	31-Dec-25
2,840,878				

The following table summarizes the RSU activity for the years ended December 31, 2022 and 2021.

	Number of RSUs outstanding
Balance, December 31, 2020	-
RSU granted	1,700,000
Balance, December 31, 2021	1,700,000
RSU exercised	(315,000)
RSU granted	1,455,878
Balance, December 31, 2022	2,840,878

16. SHARE-BASED PAYMENT RESERVE

The following table sets out the share-based payment reserve activity for the years ended December 31, 2022 and 2021.

	$
Balance, December 31, 2020	-
Stock options	1,249,549
Restricted share units	356,250
Balance, December 31, 2021	1,605,799
Stock options	228,245
Restricted share units exercised	(52,875)
Restricted share units	333,500
Balance, December 31, 2022	2,114,669

Refer to Notes 14 and 15.

17. NON-CONTROLLING INTEREST

As at December 31, 2022, non-controlling interest (“NCI”) represents the 59.5% equity interest (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 December 31, 2022, Mongoose had the following options issued and outstanding: (i) 325,544 options exercisable at $0.285 per Mongoose share until November 28, 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 December 31, 2022, Mongoose had the following warrants issued and outstanding: 2,500,000 warrants exercisable at $0.25 per share until December 30, 2023.

As at December 31, 2022, Mongoose had cash of $85,207 (2021 - $1,128,794).

Expressed in Canadian dollars

18. RELATED PARTY TRANSACTIONS

Information concerning the subsidiaries of the Company at December 31, 2022 and 2021 is set out below.

Subsidiary	% held by the Company at December 31, 2022	% held by the Company at December 31, 2021	Jurisdiction of incorporation
Technology Metals Inc. (Maximos)	100% directly	100% directly	Canada
Mongoose Mining Ltd. (owned by Technology Metals Inc.)	40.5% indirectly	40.7% indirectly	Ontario
Spark Minerals Inc. (owned 100% by Mongoose)	40.5% indirectly	40.7% indirectly	Nova Scotia

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

During the year ended December 31, 2022, the Company paid or accrued $167,000 (2021 - $117,333) to related parties, including a $60,000 management fee (2021 - $60,000) to Energold Minerals Limited ("Energold"), a company controlled by John F. Kearney, a director; a $50,000 management fee (2021 - $33,333) to 2348035 Ontario Corp., a company controlled by W. Matthew Allas, an officer; and $57,000 in rent (2021 - $24,000) 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 December 31, 2022 is $18,833 (2021 - $4,708) payable to 2348035 Ontario Corp. and $5,650 payable to Energold (2021 - $5,650). These amounts are unsecured, non-interest bearing and due on demand. See also Notes 19 and 20.

19. COMPENSATION OF KEY MANAGEMENT PERSONNEL

The remuneration of directors and other key management personnel (i) during the years ended December 31, 2022 and 2021 was as follows:

		Year ended December 31, 2022		Year ended December 31, 2021
Short-term compensation (ii)	$	488,000	$	297,667
Share based compensation (iii)		468,567		498,415
	$	956,567	$	796,082

(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, 2022, $16,667 (2021 - $9,167) of short-term compensation remained payable to key management personnel. These amounts are unsecured, non-interest bearing and due on demand. See also Note 20.

20. 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. The Company was in compliance with the ongoing conditional listing capital requirements of the NEO Exchange throughout 2022.

Expressed in Canadian dollars

20. COMMITMENTS AND CONTINGENCIES (CONTINUED)

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, the Company 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, 2022, the full commitment had been met. The Company 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, 2022, the full commitment had been met. 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.

At December 31, 2022, the Company was party to certain management agreements. Minimum commitments under the agreements are in aggregate $562,000 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.

21. INCOME TAXES

a) Provision for Income Taxes

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2021 - 26.5%) to he effective tax rate is as follows:

	2022 $	2021 $
Canadian statutory rate	26.50%	26.50%
Loss before income taxes	(1,840,896)	(14,271,924)
Expected income tax recovery based on statutory rate	(488,000)	(3,782,000)
Adjustments to expected income tax benefit:		
Share-based compensation	149,000	167,000
Flow-through renunciation	616,000	69,000
Other expenses not deductible for tax purposes	-	3,389,000
Change in benefit of tax assets not recognized	(277,000)	157,000
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:

	2022 $	2021 $
Recognized deferred tax assets and liabilities		
Non-capital loss carry-forwards	1,206,000	327,000
Mineral Property costs	(1,206,000)	(327,000)
Deferred income tax liability	-	-

Expressed in Canadian dollars

21. INCOME TAXES (CONTINUED)

Deferred income tax assets have not been recognized in respect of the following deductible temporary differences:

	2022	2021
	$	$
Unrecognized deferred tax assets		
Non-capital loss carry-forwards	5,185,000	4,836,000
Share issue costs	298,000	415,000
Mineral Property costs	830,000	879,000
Deferred income tax liability	6,313,000	6,130,000

The non-capital loss carry-forwards expire from 2031 to 2042. 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.

22. 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, lease obligation and CEBA loan 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.

23. 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, 2022 and 2021.