Euro Manganese Inc.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020

Contents

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of Euro Manganese Inc. (the "Company") were prepared by management in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. Management acknowledges responsibility for the preparation and presentation of the consolidated financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances. The significant accounting policies of the Company are summarized in Note 3 to these consolidated financial statements.

Management has established processes that are in place to provide management with sufficient knowledge to support its opinion that it has exercised reasonable diligence such that (i) the consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the consolidated financial statements and (ii) the consolidated financial statements fairly present in all material respects the financial condition, the results of operations and cash flows of the Company, as of the date and for the period presented by the consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

December 16, 2021

"Marco Romero"

President and Chief Executive Officer

"Martina Blahova"

Chief Financial Officer

Independent auditor's report

To the Shareholders of Euro Manganese Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Euro Manganese Inc. and its subsidiary (together, the Company) as at September 30, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited
The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at September 30, 2021 and 2020;
- the consolidated statements of loss and comprehensive loss for the years then ended;
- the consolidated statements of changes in shareholders' equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
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.

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Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis and the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report.

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 identified above 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.

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 to 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 the 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 judgment 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 risk 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Lana Kirk.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants

Vancouver, British Columbia
December 16, 2021

Consolidated Statements of Financial Position

Euro Manganese Inc.
(expressed in Canadian dollars)

	Note	**September 30, 2021**	September 30, 2020
		$	$
ASSETS			
Current assets			
Cash		**31,218,582**	2,730,739
Prepaid expenses		**364,894**	378,378
Accounts receivable		**179,334**	30,084
		31,762,810	3,139,201
Non-current assets			
Exploration and evaluation assets	4	**6,693,544**	1,249,086
Property, plant and equipment	5	**2,737,162**	364,688
Other assets	6	**507,598**	239,534
Option	6	**1,634,576**	815,000
Total assets		**43,335,690**	5,807,509
LIABILITIES			
Current liabilities			
Accounts payable		**854,884**	169,662
Due to related parties	9	**48,801**	20,717
Liability for land deposits	6	**82,152**	—
Lease liability		**122,674**	27,110
Liability for royalty buy back	4	**4,576,367**	—
		5,684,878	217,489
Non-current liabilities			
Lease liability		**165,484**	—
Government loan	7	**—**	40,000
Long term liability for land deposits	6	**82,152**	—
Total liabilities		**5,932,514**	257,489
EQUITY			
Share capital	8	**67,498,015**	28,608,578
Equity reserve		**5,096,807**	2,592,667
Deficit		**(35,191,646)**	(25,651,225)
Total equity		**37,403,176**	5,550,020
Total liabilities and shareholders' equity		**43,335,690**	5,807,509

Approved on behalf of the Board of Directors on December 16, 2021

"Marco Romero"
Marco Romero, Director

"John Webster"
John Webster, Director

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Loss and Comprehensive Loss

Euro Manganese Inc.
(expressed in Canadian dollars)

	Year ended September 30,	
	2021	2020
	$	$
Project evaluation expenses		
Engineering	**2,981,762**	1,663,702
Remuneration	**781,625**	943,624
Share-based compensation	**415,733**	138,104
Drilling, sampling and surveys	**133,460**	3,690
Metallurgical	**—**	41,408
Travel	**13,118**	63,782
Legal and professional fees	**373,581**	154,542
Geological	**121,894**	78,887
Market studies	**96,009**	83,043
Supplies and rentals	**33,292**	27,179
	4,950,474	3,197,961
Other expenses		
Remuneration	**1,532,023**	1,022,307
Share-based compensation	**417,721**	271,707
Total remuneration	**1,949,744**	1,294,014
Legal and professional fees	**751,928**	566,811
Investor relations	**605,627**	227,713
Product sales and marketing	**130,319**	284,033
Travel	**17,414**	83,906
Filing and compliance fees	**400,564**	293,209
Accretion expense	**20,718**	102,035
Office, general and administrative	**156,877**	91,054
Insurance	**119,088**	109,421
Conferences	**39,603**	27,813
Depreciation	**103,375**	71,928
Foreign exchange	**294,690**	25,595
	4,589,947	3,177,532
Loss and comprehensive loss for the year	**9,540,421**	6,375,493
Weighted average number of common shares outstanding - basic and diluted	**337,294,064**	190,921,092
Basic and diluted loss per common share	**$0.03**	$0.03

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Changes in Shareholders' Equity

Euro Manganese Inc.
(expressed in Canadian dollars)

		Attributable to equity shareholders of the Company				
		Share Capital	Share Capital	Equity Reserves	Deficit	Shareholders' Equity (Deficit)
	Note	#	$	$	$	$
Balance at September 30, 2019		175,065,435	22,973,236	2,182,856	(19,275,732)	5,880,360
Shares issued in private placement, net of expenses		72,818,494	4,543,278	—	—	4,543,278
Shares issued as payment of services		6,945,625	792,064	—	—	792,064
Shares issued as repayment of deferred consideration		3,333,333	300,000	—	—	300,000
Share-based compensation		—	—	409,811	—	409,811
Loss and comprehensive loss for the period		—	—	—	(6,375,493)	(6,375,493)
		83,097,452	5,635,342	409,811	(6,375,493)	(330,340)
Balance at September 30, 2020		**258,162,887**	**28,608,578**	**2,592,667**	**(25,651,225)**	**5,550,020**
Shares issued in private placement, net of expenses		110,444,445	37,822,210	—	—	37,822,210
Options exercised		3,119,333	869,404	(354,028)	—	515,376
Warrants exercised		5,756,750	2,448,595	(504,070)	—	1,944,525
Warrants issued in private placement		—	(2,250,772)	2,250,772	—	—
Deferred share consideration	8d)	—	—	278,012	—	278,012
Share-based compensation		—	—	833,454	—	833,454
Loss and comprehensive loss for the period		—	—	—	(9,540,421)	(9,540,421)
		119,320,528	**38,889,437**	**2,504,140**	**(9,540,421)**	**31,853,156**
Balance at September 30, 2021		**377,483,415**	**67,498,015**	**5,096,807**	**(35,191,646)**	**37,403,176**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows

Euro Manganese Inc.
(expressed in Canadian dollars)

	Note	Year ended September 30, 2021 $	2020 $
Operating activities			
Net loss for the year		**(9,540,421)**	(6,375,493)
Less non-cash transactions:			
Share-based compensation		**833,454**	409,811
Shares issued for services		**—**	535,368
Depreciation		**103,375**	71,928
Loss on disposal of fixed assets		**1,176**	—
Lease liability accretion		**20,718**	77,873
Accretion expense		**—**	24,162
Non-cash foreign exchange loss		**241,053**	—
Other income		**(9,651)**	(46,571)
		(8,350,296)	(5,302,922)
Changes in non-cash working capital items:			
Accounts payable		**682,290**	(412,060)
Accounts receivable		**(149,250)**	15,064
Prepaid expenses		**13,484**	34,485
Due to related parties		**28,084**	(149,901)
Cash used in operating activities		**(7,775,688)**	(5,815,334)
Financing activities			
Common shares issued for cash	8	**40,149,390**	4,543,278
Share issue costs paid	8	**(2,327,180)**	—
Share subscriptions received	8	**278,012**	—
Exercise of warrants	8	**1,944,525**	—
Exercise of stock options	8	**515,376**	—
Lease principal and interest payments		**(99,260)**	(111,289)
(Repayment of) Proceeds from government loan	8	**(30,000)**	40,000
Cash generated from financing activities		**40,430,863**	4,471,989
Investing activities			
Property & equipment acquisition	5	**(2,120,251)**	(4,317)
Proceeds from sale of equipment		**—**	447
Payment for royalty buy back	4	**(1,105,698)**	—
Option, deposit for land and land acquisition	5,6	**(941,383)**	(6,740)
Cash used in investing activities		**(4,167,332)**	(10,610)
Increase (decrease) in Cash		**28,487,843**	(1,353,955)
Cash - beginning of year		**2,730,739**	4,084,694
Cash - end of year		**31,218,582**	2,730,739

Supplemental cash flow information (Note 14)

The accompanying notes are an integral part of these consolidated financial statements.

1. Nature of Operations

Euro Manganese Inc. (the “Company”) was incorporated under the British Columbia Business Corporations Act on November 24, 2014. The Company’s common shares are traded on the TSX Venture Exchange ("TSX-V") and CHESS Depository Interests ("CDIs", with each CDI representing one common share) are traded on the Australia Securities Exchange ("ASX"), under the symbols "EMN.V" and "EMN.AX", respectively. On June 15, 2021, the Company's shares started trading on the OTC Best Market ("OTCQX") under the symbol "EUMNF". The Company is focused on the development of the Chvaletice deposit, which involves the re-processing of a readily leachable manganese deposit hosted in the tailings of a decommissioned mine in the Czech Republic (the “Chvaletice Manganese Project”), for the production of high-purity electrolytic manganese metal (“HPEMM”), high-purity manganese sulphate monohydrate (“HPMSM”) and other high-purity manganese products, principally for use in lithium-ion batteries.

The Company’s corporate offices are located at 700 West Pender Street, Suite 709, Vancouver, B.C., Canada, and its registered offices are located at Suite 1700, 666 Burrard Street, Vancouver, B.C., Canada.

These consolidated financial statements have been prepared on a going concern basis in accordance with International Financial Reporting Standards (“IFRS”), which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

The Company is an early-stage resource development company that does not own any properties with established reserves and has no operating revenues. Further, there is no assurance that the evaluation and acquisition activities executed or planned by the Company for the Chvaletice Manganese Project will result in the development of a profitable commercial operation. The Company will most likely continue to operate at a loss while the Company is evaluating the Chvaletice Manganese Project and planning its potential development.

The Company continues to actively monitor the impact of the COVID-19 pandemic, including the impact on economic activity and on the Chvaletice Manganese Project. Throughout the pandemic, the Company has taken a number of measures to safeguard the health of its employees while continuing to advance work related to the Project. The Company has experienced delays due to the COVID-19 pandemic, largely as a result of travel restrictions and supply chain disruptions. Despite the easing of certain travel restrictions and some improvement in the global economy during 2021, the duration of the pandemic and its impact on the Company’s ability to progress the development of its project remain uncertain, especially in light of the recent surge in COVID-19 cases in the Czech Republic. Additionally, while productivity has seen improvements in recent months in part due to widespread vaccinations, the COVID-19 Delta variant outbreaks and the newly-discovered Omicron variant may result in new or extended travel restrictions being implemented which could further impact the Project schedule.

2. Basis of Preparation

2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board. The accounting policies presented in Note 3 were consistently applied to all periods presented.

These consolidated financial statements were prepared by management and approved by the Board of Directors of the Company (the “Board”) on December 16, 2021.

2.2 Basis of measurement

These consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information. In addition, these consolidated financial statements have been prepared on the historical cost basis.

2. Basis of Preparation (continued)

2.3 Basis of consolidation

These consolidated financial statements incorporate the accounts of the Company and the entity controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The consolidated financial statements include the accounts of the Company's subsidiaries from the date of control commences until the date that control ceases. The financial statements of its wholly-owned subsidiary, Mangan Chvaletice s.r.o. ("Mangan"), are included in the consolidated financial statements for both periods presented. All significant intercompany transactions and balances have been eliminated.

3. Significant Accounting Policies, Estimates and Judgments

3.1 Foreign currency translation

The consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company and its subsidiary.

Transactions in foreign currencies are initially recorded in the Company's functional currency at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange prevailing at the end of each reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value is determined. All gains and losses on translation of these foreign currency transactions are included in profit or loss.

3.2 Mineral exploration and evaluation costs

Mineral exploration and evaluation costs include costs to acquire the rights to explore, geological studies, exploratory drilling and sampling, and directly attributable management costs.

Exploration and evaluation costs that are incurred prior to the Company obtaining a material legal interest in a property, are expensed in the period incurred. In addition, exploration and evaluation costs, other than direct acquisition costs, incurred prior to management establishing that the resource exists and that the costs can be economically recovered, are expensed in the period incurred.

Exploration and evaluation costs are capitalized as mineral interests when the technical feasibility and commercial viability of the extraction of a mineral resource of a property has been determined.

Therefore, prior to capitalizing such costs, management determines that the following conditions have been met:

a) There is a probable future benefit that will contribute to future cash inflows;
b) The Company can obtain the benefit and control access to it; and
c) The transaction or event giving rise to the benefit has already occurred.

Once the technical feasibility and commercial viability of a property has been determined, the exploration and evaluation assets are first tested for impairment, and then reclassified as a mineral project cost within property, plant and equipment.

The capitalized costs of a producing mineral project are amortized on a unit-of-production basis over the estimated ore reserves of the project. Costs incurred after a project is placed into production that increase production volumes or extend the life of the project are capitalized.

3. Significant Accounting Policies, Estimates and Judgments (continued)

Proceeds from the sale of properties or projects, or cash proceeds received from option payments, are recorded as a reduction of the cost of the related mineral interest.

3.3 Impairment of non-financial assets

At each financial position reporting date, the carrying amounts of the Company's non-current non-financial assets are reviewed to determine whether there is any indication that those assets are impaired. If any indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment. The recoverable amount is the higher of fair value less costs of disposal and the value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arms-length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the prevailing market assessment of the time-value of money and the risks specific to the asset. Future cash flows are based on forecast estimates of production, product prices, and operating, capital, and reclamation costs.

Assumptions underlying future cash flow estimates are subject to risks and uncertainties. Any differences between assumptions used and actual market conditions and the Company's performance, could have a material effect on the Company's financial position and results of operations.

Impairment is normally assessed at the level of cash generating units, which are identified as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the statement of comprehensive loss for the period.

When an impairment loss reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, provided such revised estimate may not exceed the carrying amount of the asset prior to the recognition of impairment losses recorded in previous periods. A reversal of an impairment loss is recognized immediately in the statement of comprehensive loss.

3.4 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The carrying amount of a replaced asset is derecognized when replaced. Information technology hardware and software, and equipment and furniture are amortized on a straight-line basis over three years. Land is not depreciated.

The Company allocates the amount initially recognized in respect of an item of property, plant and equipment to its significant parts and separately depreciates each such part. Residual values, method of amortization, and useful lives of the assets are reviewed annually and adjusted if appropriate. Gains and losses on disposals of property, plant and equipment are determined by comparing the proceeds with the carrying amount of the asset and are included as part of other gains and losses in the statement of comprehensive loss.

3.5 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value. There were no cash equivalents at September 30, 2021, and 2020.

3. Significant Accounting Policies, Estimates and Judgments (continued)

3.6 Share and warrant based compensation

a) Options **-** Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of equity instruments issued. If it is determined the fair value of the goods and services cannot be reliably measured and are recorded at the date of the goods or services are received. The corresponding amount is recorded to the option reserves.

   The fair value of the options is determined using the Black-Scholes Option Pricing Model or when they are issued in settlement of compensation, measured at the fair value of the services rendered. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest (Note 8(b)).

b) Warrants - Warrant-issued payments as part of financing efforts are measured, at the time of issue, at the fair value of the services rendered, or, if the value of the services rendered is not determinable, using the Black-Scholes Option Pricing Model.

3.7 Income taxes

Income tax comprises current and deferred tax. Income tax is recognized in the statement of comprehensive loss except to the extent that it relates to items recognized directly in equity, in which case the income tax is also recognized directly in equity.

Current tax is the expected tax payable or recoverable on the taxable income for the period, using tax rates enacted or substantially enacted at the end of the reporting period.

In general, deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantially enacted at the statement of financial position date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets will be recovered.
Deferred tax assets and liabilities, where recognized, are presented as non-current.

3.8 Financial instruments

The Company’s financial instruments consist of cash, receivables, accounts payable, due to related parties and liabilities for royalty buy back and land deposits. Cash and receivables are classified as loans and receivables. Accounts payable, due to related parties and liabilities for royalty buy back and land deposits are classified as other financial liabilities.

i) Classification

Classification of financial instruments is determined at initial recognition.

A financial asset is classified as measured at: amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification. Payments made to date to purchase the shares of E.P. Chvaletice s.r.o. ("EPCS") are classified as FVTPL (Note 6). The Company's cash and accounts receivable are classified as measured at amortized cost.

3. Significant Accounting Policies, Estimates and Judgments (continued)

A financial liability is measured at amortized cost, unless it is required to be measured at FVTPL such as instruments held for trading or derivatives, or the Company opted to measure the liability as FVTPL. The Company's accounts payable, due to related parties and liabilities for royalty buy back and land deposits are classified as measured at amortized cost.

ii) Measurement

Financial assets and liabilities at FVTPL - Financial assets and liabilities at FVTPL are initially recognized at fair value and transaction costs are expensed in the consolidated statement of income. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets or liabilities held at FVTPL are included in the consolidated statement of loss in the period in which they arise. Where the Company has opted to designate a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive income ("OCI").

Financial assets at FVOCI - Investments in equity instruments at FVOCI are initially recognized at fair value plus transaction costs. Subsequently, they are measured at fair value, with gains and losses arising from changes from initial recognition recognized in OCI.

Financial assets and liabilities at amortized cost - Financial assets and liabilities at amortized cost are initially recognized at fair value, and subsequently carried at amortized cost less any impairment.

iii) Impairment of financial assets

An expected credit loss ("ECL") model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments.

The application of the simplified approach to measuring the ECL, uses a lifetime expected loss allowance for all trade receivables. This has no impact on the carrying amounts of the Company's financial assets given the accounts receivable are mostly taxes receivable and therefore outside of scope of IFRS 9.

iv) Derecognition

Financial assets are derecognized when the investments mature or are sold, and substantially all the risks and rewards of ownership have been transferred. A financial liability is derecognized when the obligation under the liability is discharged, canceled or expired. Gains and losses on derecognition are recognized within finance income and finance costs, respectively. Gains or losses on financial assets classified as FVOCI remain within accumulated OCI.

v) Fair value of financial instruments

The fair values of quoted investments are based on current prices. If the market for a financial asset is not active, the Company establishes fair value by using valuation techniques. These include the use of recent arm’s length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the financial asset’s specific circumstances.

3. Significant Accounting Policies, Estimates and Judgments (continued)

3.9 Leases

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- The contract involves the use of an identified asset - this may be specified explicitly or implicitly and should be physically distinct or represent substantially all the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

- The Company has the right to obtain substantially all the economic benefits from use of the asset throughout the period of use; and

- The Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

The Company recognizes a right-of-use ("ROU") asset and a lease liability at the lease commencement date. The ROU asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The ROU assets are subsequently depreciated to the earlier of the end of the useful life of the ROU asset or the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits. The ROU asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date discounted by the interest rate implicit in the lease or, if that rate cannot be readily determined, the incremental borrowing rate. The lease liability is subsequently measured at amortized cost using the effective interest method.

Lease payments included in the measurement of the lease liability comprise: fixed payments; variable lease payments that depend on an index or a rate; amounts expected to be payable under any residual value guarantee, and the exercise price under any purchase option that the Company would be reasonably certain to exercise; lease payments in any optional renewal period if the Company is reasonably certain to exercise an extension option; and penalties for any early termination of a lease unless the Company is reasonably certain not to terminate early.

The Company elected not to recognize ROU assets and lease liabilities for short-term leases that have a lease term of twelve months or less and leases of low-value assets. The lease payments associated with these leases are charged directly to the statement of loss on a straight-line basis over the lease term.

3.10 Related party transactions

Parties are related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities. A transaction is a related party transaction when there is a transfer of resources or obligations between related parties.

3. Significant Accounting Policies, Estimates and Judgments (continued)

3.10 Loss per share

Basic loss per share is calculated using the weighted average number of common shares outstanding during the period. Diluted loss per share is calculated giving effect to the potential dilution that would occur if securities or other contracts to issue common shares were exercised or converted to common shares using the treasury stock method. If the Company incurs a net loss in a fiscal period, basic and diluted loss per share are the same.

3.11 Asset Retirement Obligation

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development and ongoing production of a mineral interest by or on behalf of the Company. Costs for restoration of site damage which is created on an ongoing basis during exploration and evaluation are provided for at their net present values and charged against profits in the period such exploration and evaluation occurs. Discount rates using a risk-free rate that reflects the time value of money are used to calculate the net present value. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. As at September 30, 2021 and 2020, the Company does not have any asset retirement obligations.

3.12 Accounting for government grants and disclosure of government assistance

A forgivable loan is treated as a government grant when there is reasonable assurance that the entity will meet the terms for forgiveness of the loan. The benefit of a government loan at a below-market rate of interest is treated as a government grant which is recognized and measured in accordance with IFRS 9 *Financial instruments*. The benefit of the below-market rate of interest is the difference between the initial carrying value of the loan, discounted over the term of the loan using the incremental borrowing rate for the Company, and the proceeds received.

3.13 Recent accounting pronouncements

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB were issued but not yet adopted by the Company. The Company is currently assessing the impact of the following pronouncements on the consolidated financial statements:

Amendments to IAS 16 *Property, Plant and Equipment* ("IAS 16"): Proceeds before Intended Use prohibits deducting from the cost of property, plant and equipment amounts received from selling items produced while preparing the asset for its intended use. Instead, amounts received will be recognized as sales proceeds and the related cost in profit or loss. The effective date of the amendment is for annual periods beginning on or after January 1, 2022. The amendment must be applied retrospectively to certain items of property.

Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement*, IFRS 7 *Financial Instruments: Disclosures*, IFRS 4 *Insurance Contracts* and IFRS 16 *Leases*) with amendments that address issues that might affect financial reporting related to financial instruments and hedge accounting resulting from the reform of an interest rate benchmark, including its replacement with alternative benchmark rates. The amendments are effective for annual periods beginning on or after January 1, 2021 and are to be applied retrospectively.

Amendments to IAS 12 *Income Taxes:* Deferred Tax related to Assets and Liabilities arising from a Single Transaction clarifies the accounting for deferred tax on transactions such as leases and decommissioning obligations by removing the initial recognition exemption for transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. The amendments are effective for annual periods beginning on or after January 1, 2023.

3. Significant Accounting Policies, Estimates and Judgments (continued)

3.14 Critical Estimates and Judgments

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. The estimates and the underlying assumptions are based on the judgment of management, including historical experience and other factors that management believes to be reasonable under the circumstances.

The estimates and underlying assumptions are reviewed on an ongoing basis. A revision to an accounting estimate is recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both the current and future periods.

The following are critical judgments and estimates that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the financial statements:

a) Management is required to assess exploration and evaluation assets for impairment at each period end. The triggering events are defined in IFRS 6 Exploration for and Evaluation of Mineral Resources ("IFRS 6"). In making the assessment, management is required to make judgments as to whether impairment indicators exist when assessing the following factors: the period during which the entity has the right to explore in the specific area has expired during the year or will expire in the near future, substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned, sufficient data exists to support that extracting the resources will not be technically feasible or commercially viable and facts and circumstances suggest that the carrying amount exceeds the recoverable amount. The nature of exploration and evaluation activity is such that only a small proportion of projects are ultimately successful, and some assets are likely to become impaired in future periods.

   Management has determined that there were no triggering events present as defined in IFRS 6 for the exploration and evaluation assets and as such, no impairment test was performed at September 30, 2021 and 2020.

b) The Company applied significant judgment in determining the fair value of the option payments made pursuant to an option agreement with EPCS ("EPCS Option Agreement") and their classification as a financial instrument at FVTPL (Note 6), including the impact of the COVID-19 pandemic on the Company and the Project.

4. Exploration and Evaluation Assets

The Company holds two exploration licenses for the Chvaletice Manganese Project (the “Licenses”). The Company was also issued a Preliminary Mining Permit by the Czech Ministry of Environment, referred to by the Ministry as the prior consent of the establishment of the Mining Lease District (the "Preliminary Mining Permit"). The Preliminary Mining Permit covers the areas included in Licenses and secures the Company's rights for the entire deposit. The Preliminary Mining Permit forms one of the prerequisites for the application for the establishment of the Mining Lease District and represents one of the key steps towards final permitting for the Project. The establishment of the Mining Lease District, the application for the final Mining Permit, and applications for permits relating to the construction of infrastructure required for the Project, are required prior to operation at the Chvaletice Manganese Project. At September 30, 2021, the Licenses and the Preliminary Mining Permit were both valid until May 31, 2026.

The acquisition of Mangan included the grant of a 1.2% net smelter royalty interest ("NSR") and the issue, over a four-year period, of common shares of the Company in five equal tranches, each valued at $300,000.

(expressed in Canadian dollars)

4. Exploration and Evaluation Assets (continued)

On May 31, 2021, the Company entered into royalty termination agreements with the original owners of Mangan to purchase and extinguish the NSR in the Chvaletice Manganese Project for an aggregate consideration of USD4,500,000 ($5,424,458), payable in two instalments: 20% in cash, amounting to USD900,000 ($1,085,698) which was paid May 31, 2021; and 80%, amounting to USD3,600,000 ($4,338,760), on or before January 31, 2022, by a combination of cash and up to 50% in common shares, at the sole option of the Company, based on a price per share equal to the 20-day volume weighted average price on the TSX-V prior to the date of issuance. The Company also incurred $20,000 in transaction costs. The liability for the royalty buy back increased to $4,576,367 at September 30, 2021 due to the movement in the foreign exchange rate.

The total carrying value of the Company's exploration and evaluation assets of $6,693,544 also includes the fair value of the initial share consideration following the acquisition date of Mangan on May 13, 2016, as well as the discounted value of the deferred share consideration, as determined by the Company on the acquisition date, totaling $1,249,086. The deferred consideration was fully settled on May 13, 2020.

5. Property, Plant and Equipment

	September 30, 2021				
	Assets under construction [a]	**Equipment**	**Land**	**Lease assets [b]**	**Total**
	$	**$**	**$**	**$**	**$**
Cost					
October 1, 2020	—	85,755	318,729	50,665	455,149
Additions	2,064,835	33,357	14,602	364,231	2,477,025
Disposals	—	(6,609)		(50,665)	(57,274)
September 30, 2021	**2,064,835**	**112,503**	**333,331**	**364,231**	**2,874,900**
Accumulated depreciation					
October 1, 2020	—	(58,080)	—	(32,381)	(90,461)
Additions	—	(26,659)	—	(76,716)	(103,375)
Disposals	—	5,433		50,665	56,098
September 30, 2021	**—**	**(79,306)**	**—**	**(58,432)**	**(137,738)**
Net Book Value					
October 1, 2020	—	27,675	318,729	18,284	364,688
September 30, 2021	**2,064,835**	**33,197**	**333,331**	**305,799**	**2,737,162**

[a] Represents demonstration plant under construction.
[b] Includes head office lease in Canada and lease of premises for the demonstration plant in the Czech Republic, expiring in December 2023 and August 2023, respectively. The weighted average incremental borrowing rate for lease liabilities at recognition was 8%.

(expressed in Canadian dollars)

5. Property Plant and Equipment (continued)

	September 30, 2020			
	Equipment	Land	Lease assets	Total
	$	$	$	$
Cost				
October 1, 2019	82,447	318,729	—	401,176
Adoption of IFRS 16	—	—	97,781	97,781
Additions	4,317	—	4,827	9,144
Disposals and adjustments	(1,009)	—	(51,943)	(52,952)
September 30, 2020	85,755	318,729	50,665	455,149
Accumulated depreciation				
October 1, 2019	(32,224)	—	—	(32,224)
Additions	(26,417)	—	(45,511)	(71,928)
Disposals	561	—	13,130	13,691
September 30, 2020	(58,080)	—	(32,381)	(90,461)
Net Book Value				
October 1, 2019	50,223	318,729	—	368,952
September 30, 2020	27,675	318,729	18,284	364,688

6. EPCS Option and Other Assets

a) Option

On October 17, 2018, the Company, through its Czech subsidiary, Mangan, made the first option payment of 14 million Czech Koruna ($815,000) as stipulated in an option agreement for the purchase of a 100% interest in EP Chvaletice s.r.o. ("EPCS") dated on August 13, 2018 ("EPCS Option Agreement"). EPCS is a Czech operating company whose principal asset is a large parcel of industrial zoned land adjacent to the Chvaletice Manganese Project, where the Company proposes to develop its high-purity manganese processing facility. On August 13, 2021, the Company exercised the option to extend the payment term of the following instalments by one year. As part of this extension, the Company made a payment of 14 million Czech Koruna ($819,576) to EPCS, which represents a portion of the final instalment. The fee for the extension is 2,100,000 Czech Koruna (approximately $121,472), payable together with the deferred instalment in 2022.

Pursuant to the EPCS Option Agreement, the Company, after exercising the option to extend the payment terms, has the right to acquire a 100% interest in EPCS by making two additional instalments aggregating 112 million Czech Koruna (approximately $6.48 million) as follows:

i) an instalment of 42,000,000 Czech Koruna (approximately $2.43 million at September 30, 2021), due within 60 days of final approval of the environmental impact assessment for the Chvaletice Manganese Project, but no later than on August 13, 2022, four years after signing the EPCS Option Agreement, which was extended from three years following the extension described above.

(expressed in Canadian dollars)

6. EPCS Option and Other Assets (continued)

ii) a final instalment of 70,000,000 Czech Koruna (approximately $4.05 million at September 30, 2021), due upon receipt of all development permits for the Chvaletice Manganese Project, but no later than five years after signing the EPCS Option Agreement.

The first and second payments made on October 17, 2018, and August 13, 2021, respectively, are derivatives classified as FVTPL due to the following:

i) The option is for the acquisition of shares of EPCS rather than a non-monetary asset;

ii) It does not meet any of the scope exceptions from recognition as a derivative asset under IFRS 9 *Financial Instruments*;

iii) Control of the Company over EPCS is not present until the last option payment is made. The remaining two payments are dependent on the Board's approval and are not legally enforceable by the shareholder of EPCS.

For the year ended September 30, 2021, the fair value of the option increased by the $819,576 payment made to the EPCS on August 13, 2021. There were no other changes in the fair value of the option in the year ended September 30, 2020.

b) Other assets

Other assets, representing additional land purchases and land option agreements, are as follows:

		September 30,	
		2021	2020
		$	$
Miscellaneous land parcels and second railway switch (plant area)	a)	**227,667**	227,667
Land for buffer zone and infrastructure corridor (tailings area)	b)	**11,867**	11,867
Additional land and rail spur extension (plant area)	c)	**268,064**	—
Balance at September 30, 2021		**507,598**	239,534

a) On February 7, 2019, the Company signed an amendment to the EPCS Option Agreement (the “Amendment”), funding, through EPCS, the purchase of several land parcels adjacent to the land owned by EPCS, and thus increasing the Option Agreement value by 3,500,000 Czech Koruna ($203,220). Pursuant to the Amendment, in the event that EPCS is not ultimately acquired under the EPCS Option Agreement, the ownership of these land parcels will be transferred to Mangan at no additional cost. The Company also incurred transaction costs of $24,447.

b) On May 11, 2019, the Company signed a purchase contract with the Municipality of Trnavka for a 2.96-hectare parcel of land adjacent to the Chvaletice Manganese Project tailings, on which the Company plans to construct a visual and acoustic barrier between Trnavka and the Chvaletice Manganese Project tailings. The first payment, representing 10% of the total amount, 202,699 Czech Koruna ($11,867) was paid on May 20, 2019. Subsequent payments are based on permitting milestones over the period to March 2029.

(expressed in Canadian dollars)

6. EPCS Option and Other Assets (continued)

c) On December 18, 2020, the Company paid the first installment of $86,373 pursuant to the agreement with Sprava Nemovitosti Kirchdorfer CZ s.r.o. to acquire a 49,971 m² parcel of land, including a rail spur extension that provides additional room and flexibility for the proposed Chvaletice commercial plant layout. The cost of the land is CZK 18,739,125 (approximately $1.1 million) and is to be paid in five annual installments of approximately $80,000, followed by the remaining balance of approximately $700,000 in the final year. The Company has the option to terminate the contract after the third installment in October 2022. During the year, the Company recognized a liability for the two payments due in October 2021 and 2022 in the total amount of $160,857, which increased to $164,304 at September 30, 2021 due to the change in the foreign exchange rate. The Company also incurred transaction costs of $20,834.

7. Government loan

On April 23, 2020, the Company received, through its Canadian banking institution, $40,000 from the Canada Emergency Business Account, which provides support for Canadian business during COVID-19 pandemic. The loan was interest-free until December 31, 2022, after which it would convert into a three-year loan with an interest rate of 5% per annum. If 75% of the principal was repaid before December 31, 2022, the remainder of the loan would be forgiven. The loan proceeds received approximated the fair value. Accordingly, the loan was recorded at its nominal value. The Company repaid the loan on April 6, 2021, with a gain on repayment of $10,000.

8. Equity

a) Common shares

The Company has unlimited authorized common shares with no par value.

	Share price $		Number of common shares	Share capital $
Balance at October 1, 2020			258,162,887	28,608,578
Shares issued in private placements				
	0.19	(a)	60,000,000	11,339,829
	0.45		444,445	200,000
	0.58	(b)	50,000,000	28,609,561
Less: Cash expenses paid				(2,327,180)
			110,444,445	37,822,210
Add:				
Options exercised	0.17		3,119,333	515,376
Broker warrants exercised	0.34		5,756,750	1,944,525
Total shares issued for cash			119,320,528	40,282,111
Less: non-cash expenses:				
Broker warrants issued				(2,250,772)
Add:				
Non-cash value of exercised options				354,028
Non-cash value of exercised broker warrants				504,070
Balance at September 30, 2021			377,483,415	67,498,015

[a] Includes 58,066,754 CDIs issued for AUD0.20 per CDI.
[b] All 50,000,000 CDIs were issued for AUD0.60 per CDI.

(expressed in Canadian dollars)

8. Equity (continued)

The following is a summary of shares issued during the year ended September 30, 2021:

During the three months ended December 31, 2020, the Company completed a two-tranche brokered private placement of 1,933,246 common shares and 58,066,754 CDIs, at a price of $0.19 per common share or AUD0.20 per CDI, respectively for aggregate gross proceeds of $11,339,829 ("Offering A"). Fees payable in cash by the Company in connection with Offering A consisted of AUD571,568 ($547,990) to the lead manager and bookrunner and $119,557 to the Company's financial advisor. Additionally, the lead manager was issued 6,000,000 broker warrants exercisable any time on or prior to December 16, 2023, with one-half of such broker warrants having an exercise price of $0.30 per share and one-half of such broker warrants having an exercise price of $0.35 per share.

On January 7, 2021, the Company closed a non-brokered private placement consisting of 444,445 common shares at a price of $0.45 per common share for proceeds of $200,000.

On March 30, 2021, and May 10, 2021, the Company completed the first and second tranches, respectively, of a two-tranche brokered private placement of 50,000,000 CDIs, at a price of AUD0.60 per CDI for aggregate gross proceeds of AUD30,000,000 ($28,609,561) ("Offering B"). Fees payable in cash by the Company in connection with Offering B consisted of AUD1,470,930 ($1,403,060) to the lead manager and bookrunner and $27,995 to the Company's financial advisor. Additionally, the lead manager was issued 2,500,000 broker warrants having an exercise price of $0.58 per share and exercisable any time on or prior to May 10, 2023.

The Company incurred additional share issue costs of $228,578 in connection with the private placements.

b) Share options

The Company has a rolling share-based compensation plan (the “Plan”) allowing for the reservation of a maximum 10% of the common shares issued and outstanding at any given time for issuance under the Plan. Under the Plan, all share options are granted at the discretion of the Company’s Board of Directors. The term of any option granted may not exceed ten years and the exercise price may not be less than the market value of the Company shares.

Current outstanding options have an expiry date of ten years and vest over a period of 24 months, except for 900,000 options granted to certain officers of the Company which vest in 5 years from the date of grant and 350,000 options granted to a consultant, vesting one-third on the date of grant and one-third on each of the four- and eight-month anniversaries of the date of grant. A continuity summary of the share options granted and outstanding under the Plan for the year ended September 30, 2021 and 2020 is presented below:

	Year ended September 30,			
		2021		2020
	Number of share options	**Weighted average exercise price ($/per share)**	Number of share options	Weighted average exercise price ($/per share)
Balance, beginning of the year	**19,725,000**	0.16	15,500,000	0.17
Options granted during the year	**2,850,000**	0.59	4,800,000	0.12
Options exercised during the year	**(3,119,333)**	0.17	—	—
Options expired	**(300,002)**	0.28	(575,000)	0.10
Options forfeited	**(184,667)**	0.20	—	—
Balance, end of the year	**18,970,998**	0.23	19,725,000	0.16

(expressed in Canadian dollars)

8. Equity (continued)

During the year ended September 30, 2021 the Company recorded share-based compensation expense of $833,454 (2020 - $409,811) of which $415,733 has been allocated to project expenses (2020 - $138,104) and $417,721 to administrative expenses (2020 - $271,707). During the year ended September 30, 2021, the weighted average share price on the dates when the share options were exercised, was $0.54 per share.

The balance of options outstanding and exercisable at September 30, 2021, is as follows:

	Options outstanding & exercisable		**Options exercisable**	
Exercise price ($/Share)	Number of share options	Weighted average remaining contractual life (years)	Number of share options	Weighted average remaining contractual life (years)
0.08	1,425,000	4.6	1,425,000	4.6
0.10	1,075,000	5.5	1,075,000	5.5
0.11	6,687,667	7.7	5,405,003	7.4
0.13	500,000	9.0	333,334	9.0
0.20	2,925,000	6.4	2,925,000	6.4
0.25	1,466,667	7.2	1,416,667	7.2
0.28	2,041,664	7.4	2,041,664	7.4
0.59	500,000	9.7	166,668	9.7
0.61	2,350,000	9.5	600,003	9.5
0.23	18,970,998	7.4	15,388,339	6.9

Option pricing models require the input of highly subjective assumptions. The expected life of the options considered such factors as the average length of time similar option grants in the past have remained outstanding prior to exercise and the vesting period of the grants. Volatility was estimated based on volatility assumptions of comparable companies. Changes in the subjective input assumptions can materially affect the estimated fair value of the options.

In the years ended September 30, 2021 and 2020, the Company applied the fair value-based method of accounting to determine the value of stock options granted to employees, including directors, and non-employees on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions:

	Year ended September 30,	
	2021	2020
Risk free rate	**0.16 %**	0.21 %
Expected life (years)	**9.0**	9.0
Annualized volatility	**90 %**	90 %
Dividend rate	**— %**	— %
Forfeiture rate	**— %**	— %
Option exercise price	**$0.59**	$0.12
Grant date fair value	**$0.49**	$0.08

(expressed in Canadian dollars)

8. Equity (continued)

c) Warrants

	September 30, 2021		September 30, 2020	
	Number of warrants	**Weighted-average exercise price**	Number of warrants	Weighted-average exercise price
		$		$
Outstanding, beginning of the year	5,756,750	0.34	5,756,750	0.34
Issued	8,500,000	0.40	—	—
Exercised	(5,756,750)	0.34	—	—
Outstanding, end of the year	8,500,000	0.40	5,756,750	0.34

As at September 30, 2021, the following warrants were outstanding:

Expiry date	**Weighted average exercise price**	**Number of warrants**	**Weighted average remaining contractual life (years)**
December 16, 2023	0.30	3,000,000	2.2
December 16, 2023	0.35	3,000,000	2.2
May 10, 2023	0.58	2,500,000	1.6
	0.40	8,500,000	2.0

In connection with Offering A, the Company issued Broker Warrants exercisable anytime prior to December 16, 2023, with one-half of such Broker Warrants having an exercise price of $0.30 per share and one-half of such Broker Warrants having an exercise price of $0.35 per share. Based on Black-Scholes pricing model using a risk-free rate of 0.32%, an expected life of 3.0 years, an annualized volatility of 90% (based on volatility assumptions of comparable companies), a dividend rate of nil, and a share price of $0.445 (share price on the date of special general meeting approving the issue of the warrants), these warrants were assigned an estimated total value of $1,666,414.

In connection with Offering B, the Company issued Broker Warrants having an exercise price of $0.58 per share and exercisable anytime prior to May 10, 2023. Based on Black-Scholes pricing model using a risk-free rate of 0.28%, an expected life of 2 years, an annualized volatility of 90%, a dividend rate of nil, and a share price of $0.52 (share price on the date of special general meeting approving the issue of the warrants), these warrants were assigned an estimated total value of $584,358.

d) Deferred share consideration

On February 22, 2021, the Company entered into an agreement with EIT InnoEnergy, a Knowledge and Innovation Community supported by the European Institute of Innovation and Technology, securing their support for the Chvaletice Manganese Project. In connection with their support, EIT InnoEnergy will invest €250,000 over three installments that will go towards ongoing work on a detailed feasibility study and demonstration plant. The first and second investment tranches of €62,500 ($92,850) and €125,000 ($185,162) were advanced on March 24, 2021 and July 26, 2021, respectively. Accordingly, the Company will issue 147,380 and 330,647 common shares to EIT InnoEnergy at the price of $0.63 and $0.56 per share, respectively, in connection with the first and second installment tranches, with such common shares expected to be issued in early January 2022. The third installment tranche of €62,500 is expected to be made in the first calendar quarter of 2022 and common shares related to that instalment are expected to be issued in early January 2023.

(expressed in Canadian dollars)

9. Related Party Transactions

Transactions between the Company and its subsidiary have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Company and other related parties are disclosed below. Related parties include the Board of Directors, officers and advisory board, close family members and enterprises that are controlled by these individuals as well as certain consultants performing similar functions.

a) Key management compensation

Key management personnel include the Board of Directors, President and Chief Executive Officer, Chief Financial Officer, Vice President, Corporate Development and Corporate Secretary, Vice President, Operations, Chief Technology Officer and the Managing Director of the Company's Czech subsidiary. During the years ended September 30, 2021, and 2020, the Company incurred the following expenses to officers or directors of the Company or companies with common directors:

	Year ended September 30,	
	2021	2020
	$	$
Salaries and fees	**1,787,234**	1,160,479
Share-based compensation	**192,908**	243,663
	1,980,142	1,404,142

b) Related party transactions during the year

Fees provided by PRK Partners s.r.o. ("PRK"), a legal firm associated with a former director and a former advisory board member, for the year ended September 30, 2021 amounted to $27,757 (2020 - $149,519). Fees paid to the advisory board members for the year ended September 30, 2021 amounted to $25,000 (2020 - $9,314).

c) The balances payable to related parties at the period ends were as follows:

	September 30,	
	2021	2020
	$	$
Salaries and fees payable to directors and officers	**33,803**	16,158
Fees provided by a legal firm associated with a director	—	576
Outstanding payables due to directors and officers	**14,998**	3,983
	48,801	20,717

These transactions were incurred in the normal course of operations.

10. Fair Value Measurement of Financial Instruments

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

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

Level 2: Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

10. Fair Value Measurement of Financial Instruments (continued)

Level 3: Inputs that are not based on observable market data.

The fair values of the Company's cash, accounts receivable, accounts payable, due to related parties, liabilities for royalty buy back and land deposits approximate carrying values, which are the amounts recorded on the consolidated statement of financial position due to their short-term nature.

The option payments pursuant to the EPCS Option Agreement (Note 6) are a derivative. It is a financial instrument measured at fair value through profit and loss using Level 3 inputs as there is no observable market data available. The option was initially recognized at fair value which equaled the initial cash payment of $815,000 as stipulated in the EPCS Option Agreement and increased by $819,576 on August 13, 2021 representing the second payment under the EPCS Option Agreement. No factors affecting the fair value of the EPCS Option in the time from the initial recognition to the period end were identified. Factors that were considered in this assessment were: compliance with EPCS Option Agreement, changes in intended land use, demand for high purity manganese products and price development, project progress and changes in local economy and legislation.

There were no transfers between the levels of the fair value hierarchy in the year ended September 30, 2021.

11. Financial Risk Management

a) Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash. Management believes that the credit risk concentration with respect to these instruments is remote as they primarily consist of amounts on deposit with a major financial institution.

At September 30, 2021 and 2020, the Company's maximum exposure to credit risk was its cash balance of $31,218,582 and $2,730,739, respectively.

b) Liquidity risk

Liquidity risk is the risk that the Company will incur difficulties meeting its financial obligations as they are due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking harm to the Company's reputation (Note 1). At September 30, 2021, the maturity of accounts payable, due to related parties balances, liability for royalty buy back and half of the liability for land deposits is under one year. The remaining half of the liability for land deposits is due in under two years.

c) Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates and price risk.

<u>Interest rate risk</u>

The Company has cash balances and no interest-bearing debt. The Company invests a portion of its cash in an interest-bearing account with a major Canadian bank.

(expressed in Canadian dollars)

11. Financial Risk Management (continued)

Foreign currency risk

Currency risk is the risk that the fair values or future cash flows of the Company's financial instruments will fluctuate because of changes in foreign currency rates. The Company's financial instruments are exposed to currency risk where those instruments are denominated in currencies that are not the functional currency of the entity that holds them. Exchange gains and losses in these situations impact earnings. At September 30, 2021, a 10% fluctuation in the $/USD would result in an approximate increase/decrease of $450,000 in net loss due to the change in the royalty buy back liability.

12. Segmented Information

The Company's operations are all conducted in one segment, the exploration and development of exploration and evaluation assets. The Company's exploration and evaluation assets and property, plant and equipment are in the Czech Republic.

13. Commitments

At September 30, 2021, the Company was committed to make the minimum annual cash payments, as follows:

		Payments due by period	
	Total	Less than one year	1 - 2 years
	$	$	$
Minimum office lease payments [1]	7,496	5,657	1,839
Operating expenditure commitments [2]	43,355	43,355	—
Total contractual obligations	50,851	49,012	1,839

[1] The Company has one non-cancellable operating office leases expiring within two years.

[2] Operating expenditure commitments relate to the evaluation work on the Chvaletice Manganese Project.

In addition to the commitments disclosed above, the Company has entered into various agreements related to the feasibility study and the demonstration plant. These contracts can be canceled by the Company upon notice without penalty, subject to the costs incurred up to and in respect of the cancellation.

The Company has entered into employment agreements with its executive officers in which the individuals are entitled to a combination of base salary, extended benefits, specified milestones payments, and may be eligible for annual performance-based bonus as determined by the Board in its sole discretion. Following termination without cause, executive officers are also entitled to 12-month written notice or pay in lieu of notice of termination equivalent to 12 months' salary. Further, upon a change of control, as defined in their employment agreements, certain executives are entitled to lump sum payments of twenty-four months of their base salaries. Total maximum commitment upon change of control would amount to $1.5 million.

The Company agreed to acquire a right-of-way for a period of 30 years having an annual rental of CZK 60,000 (approximately $3,000).

(expressed in Canadian dollars)

14. Supplemental Cash Flow Information

Non-cash financing and investing transactions in the year ended September 30, 2021 and 2020 were as follows:

	Year ended September 30,	
	2021	2020
	$	$
Shares issued in private placement as settlement of payable	**—**	300,000
Transfer of reserves on exercise of share options	**354,028**	—
Fair value of broker warrants issued from private placement	**2,250,772**	—
Transfer of reserves on exercise of broker warrants	**504,070**	—
Recognition of liability for land deposits	**160,857**	—
Repayment of deferred consideration commitment	**—**	300,000
Recognition of liability for royalty buy back	**4,338,760**	—

15. Management of Capital

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, to pursue suitable business opportunities and to maintain a flexible capital structure for its projects for the benefit of its stakeholders. As the Company is in the evaluation stage and has not achieved commercial operations from its projects, its principal source of funds is from the issuance of common shares. Further information related to liquidity risk is disclosed in Note 1 and 11.

In the management of capital, the Company includes the components of equity. The Company manages and adjusts its capital structure considering changes in economic conditions and the risk characteristics of the underlying assets. To maintain and adjust the capital structure, the Company may attempt to issue new shares, enter joint venture property arrangements, acquire or dispose of assets or adjust the amount of cash and cash equivalents and investments.

To facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary, depending on various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board.

The Company's investment policy is to invest its cash in high-quality, highly liquid short-term interest-bearing investments with maturities or three months or less from the original date of acquisition, selected with regards to the expected timing of expenditures from continuing operations.

The Company is uncertain as to whether its current capital resources will be sufficient to carry on its evaluation and development plans and operations through its current operating period and, accordingly, management is reviewing the timing and scope of current evaluation plans and is also pursuing other financing alternatives to fund the Company's operations. The Company is not currently subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management in the period.

(expressed in Canadian dollars)

16. Income Taxes

A reconciliation of the income tax recoveries at the statutory tax rate of 27% (2020 - 27%) is as follows:

	September 30, 2021	2020
	$	$
Loss for the year	**(9,540,421)**	(6,375,493)
Expected income tax recovery	**(2,575,914)**	(1,721,383)
Non-deductible expenses and other	**225,279**	146,570
Effect of foreign tax rates and tax rate changes	**625,170**	403,692
Effect of deductible temporary difference not recognized	**1,725,465**	1,171,121
Income tax recovery	**—**	—

The Company has not recognized any deferred tax assets as realization is not probable. The significant components of the Company's deferred tax assets are as follows:

	September 30, 2021	2020
	$	$
Equipment	**27,969**	19,346
Exploration and evaluation assets	**3,353,712**	2,249,657
Share issuance costs	**666,394**	402,540
Tax operating losses	**3,654,449**	2,784,381
	7,702,524	5,455,924
Unrecognized deferred income tax assets	**(7,702,524)**	(5,455,924)
Deferred income tax assets	**—**	—

At September 30, 2021, the Company had the following estimated tax operating losses available to reduce future taxable income, including losses for which deferred tax assets are not recognized as listed in the table above. Losses expire at various dates and amounts between 2022 and 2040.

At September 30, 2021	$
Canada	13,255,300
Czech Republic	3,904,800
Tax operating losses	17,160,100