EURO MANGANESE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022

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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 13, 2023

"Matthew James"	*"Martina Blahova"*
President and Chief Executive Officer	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, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

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

- the consolidated statements of financial position as at September 30, 2023 and 2022;
- 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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Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended September 30, 2023. 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.

Key audit matter	How our audit addressed the key audit matter
Assessment of impairment indicators of exploration and evaluation assets *Refer to note 3 – Significant accounting policies, estimates and judgments and note 4 – Exploration and evaluation assets, to the consolidated financial statements.* The carrying value of exploration and evaluation assets amounted to $6.8 million as at September 30, 2023. At each reporting period, management assesses exploration and evaluation assets to determine whether there are any indicators of impairment. 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. Management has determined that there were no impairment indicators present for the exploration and evaluation assets and as such, no impairment test was performed as at September 30, 2023. We considered this a key audit matter due to (i) the significance of the exploration and evaluation assets balance and (ii) the judgments made by	Our approach to addressing the matter included the following procedures, among others: • Evaluated the reasonableness of management's assessment of indicators of impairment related to exploration and evaluation assets, which included the following: – Obtained evidence to support (i) the right to explore the area and (ii) property licence expiration dates by reference to government registries. – Read Board of Directors' minutes and obtained budget approvals to evidence continued and planned substantive expenditure on further exploration for and evaluation of mineral resources in the specific area. – Assessed whether 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 of exploration and evaluation assets exceeds the recoverable amount, based on evidence obtained in other areas of the audit.

management in its assessment of indicators of impairment related to exploration and evaluation assets, which have resulted in a high degree of subjectivity in performing procedures related to these judgments applied by management.

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.

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 on the audit resulting in this independent auditor's report is Leonard Wadsworth.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
December 13, 2023

Consolidated Statements of Financial Position

Euro Manganese Inc.
(expressed in Canadian dollars)

	Note	**September 30, 2023**	September 30, 2022
		$	$
ASSETS			
Current assets			
Cash and cash equivalents		**7,649,711**	21,560,561
Prepaid expenses		**523,014**	447,215
Accounts receivable		**370,964**	186,267
		8,543,689	22,194,043
Non-current assets			
Exploration and evaluation assets	4	**6,773,544**	6,773,544
Property, plant and equipment	5	**8,385,293**	5,951,249
Other assets	6	**2,034,147**	1,041,134
Option	6	**4,215,881**	3,935,804
Total assets		**29,952,554**	39,895,774
LIABILITIES			
Current liabilities			
Accounts payable		**2,641,155**	1,778,308
Due to related parties	9	**38,914**	409,466
Liability for land deposits	6	**—**	77,636
Lease liability		**172,417**	174,780
		2,852,486	2,440,190
Non-current liabilities			
Lease liability		**—**	165,611
Total liabilities		**2,852,486**	2,605,801
EQUITY			
Share capital	8	**78,733,328**	78,298,364
Equity reserve		**9,023,890**	7,640,628
Deficit		**(60,657,150)**	(48,649,019)
Total shareholders' equity		**27,100,068**	37,289,973
Total liabilities and shareholders' equity		**29,952,554**	39,895,774

Events after the Reporting Period (Note 17)

Approved on behalf of the Board of Directors on December 13, 2023.

"Matthew James"	*"John Webster"*
Matthew James, Director	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)

	Note	Year ended September 30, 2023 $	2022 $
Chvaletice Project evaluation expenses			
Engineering		**2,477,686**	2,518,262
Remuneration		**1,215,320**	1,584,963
Share-based compensation	8	**166,728**	488,518
Travel		**120,760**	102,628
Legal and professional fees		**418,767**	405,365
Market studies		**107,290**	221,465
Supplies and rentals		**690,479**	245,029
Geological		**—**	57,173
Metallurgical		**—**	47,939
		5,197,030	5,671,342
Other evaluation expenses			
Engineering		**169,801**	122,919
Legal and professional fees		**237,154**	291,209
Travel		**22,747**	56,538
Other income	7	**(48,005)**	(14,897)
		381,697	455,769
Other expenses			
Remuneration		**2,973,228**	2,493,515
Share-based compensation	8	**1,443,848**	2,252,709
Total remuneration		**4,417,076**	4,746,224
Legal and professional fees		**1,114,122**	808,931
Investor relations		**263,903**	372,239
Product sales and marketing		**87,289**	23,273
Travel		**293,983**	293,132
Filing and compliance fees		**301,023**	371,145
Office, general and administrative		**243,773**	157,294
Insurance		**231,673**	245,226
Conferences		**196,022**	118,966
Depreciation		**261,173**	191,129
Accretion expense		**25,157**	25,963
Interest income		**(635,066)**	(170,676)
Foreign exchange		**(370,724)**	147,416
		6,429,404	7,330,262
Loss and comprehensive loss for the year		**12,008,131**	13,457,373
Weighted average number of common shares outstanding - basic and diluted		**402,342,620**	392,682,285
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, 2021		377,483,415	67,498,015	5,096,807	(35,191,646)	37,403,176
Shares issued in private placement, net of expenses		17,800,000	8,244,257	—	—	8,244,257
Shares issued as a finder's fee		534,000	—	—	—	—
Shares issued to settle deferred share consideration		478,027	278,012	(278,012)	—	—
Deferred share consideration		—	—	80,606	—	80,606
Shares issued as partial consideration for royalty buy-back		4,820,109	2,278,080	—	—	2,278,080
Share-based compensation		—	—	2,741,227	—	2,741,227
Loss and comprehensive loss for the year		—	—	—	(13,457,373)	(13,457,373)
Balance at September 30, 2022		**401,115,551**	**78,298,364**	**7,640,628**	**(48,649,019)**	**37,289,973**
Options exercised	8	1,316,599	354,358	(146,708)	—	207,650
Shares issued to settle deferred share consideration	8	237,077	80,606	(80,606)	—	—
Share-based compensation		—	—	1,610,576	—	1,610,576
Loss and comprehensive loss for the year		—	—	—	(12,008,131)	(12,008,131)
Balance at September 30, 2023		**402,669,227**	**78,733,328**	**9,023,890**	**(60,657,150)**	**27,100,068**

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, 2023	2022
		$	$
Operating activities			
Net loss for the year		**(12,008,131)**	(13,457,373)
Less non-cash transactions:			
Share-based compensation		**1,610,576**	2,741,227
Depreciation		**261,173**	191,129
Lease liability accretion		**25,157**	25,963
Non-cash foreign exchange (gain) loss		**(313,231)**	16,329
Interest income		**(635,066)**	(170,676)
		(11,059,522)	(10,653,401)
Changes in non-cash working capital items:			
Accounts payable		**650,724**	722,056
Accounts receivable		**10,952**	(6,933)
Prepaid expenses		**(75,801)**	(82,321)
Due to related parties		**(370,552)**	360,665
Cash used in operating activities		**(10,844,199)**	(9,659,934)
Financing activities			
Common shares issued for cash	8	**—**	8,499,500
Share issue costs paid	8	**—**	(255,243)
Share subscriptions received	8	**—**	80,606
Exercise of stock options	8	**207,650**	—
Lease principal and interest payments		**(210,171)**	(195,594)
Cash (used in) generated from financing activities		**(2,521)**	8,129,269
Investing activities			
Property and equipment acquisition	5	**(2,467,219)**	(2,981,984)
Proceeds from sale of equipment	5	**1,464**	—
Payment for royalty buy back	4	**—**	(2,340,965)
Option, deposit for land and land acquisition		**(1,070,649)**	(2,916,916)
Interest received		**439,121**	170,676
Cash used in investing activities		**(3,097,283)**	(8,069,189)
Effect of exchange rate change on cash and cash equivalents		**33,153**	(58,167)
Decrease in Cash		**(13,910,850)**	(9,658,021)
Cash and cash equivalents - beginning of year		**21,560,561**	31,218,582
Cash and cash equivalents - end of year		**7,649,711**	21,560,561

Supplemental cash flow information (Note 14)

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

1. Nature of Operations and Liquidity Risk

The principal business and current focus of Euro Manganese Inc. (the "Company" or "EMN") is the development of the Chvaletice Manganese Project (the "Project"), in which the Company has a 100% ownership interest. The Project involves the re-processing of a readily leachable manganese deposit hosted in the tailings of a decommissioned mine in the Czech Republic. The Company has also started to progress an opportunity to develop a project to produce high-purity manganese products in Canada for the North American market. The Company's goal is to produce high-purity manganese products in an economically, socially and environmentally-sound manner, principally for use in lithium-ion batteries.

EMN was incorporated under the British Columbia Business Corporations Act on November 24, 2014. 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 666 Burrard Street, Suite 1700, Vancouver, B.C., Canada. The Company’s common shares are traded on the TSX Venture Exchange ("TSX-V") and on the OTC Best Market ("OTCQX") under the symbols "EMN.V" and "EUMNF", respectively. CHESS Depositary Interests ("CDIs", with each CDI representing one common share) are traded on the Australia Securities Exchange ("ASX") under the symbol "EMN.AX".

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 is expected to operate at a loss while the Company is developing the Chvaletice Manganese Project.

These consolidated financial statements have been prepared on a going concern basis in accordance with International Financial Reporting Standards, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company’s ability to continue as a going concern beyond the next 12 months will be dependent upon its ability to obtain additional financing for its general operating expenses and the development of its projects. Although the Company has been successful in the past in obtaining financing (Note 17(b)), there is no assurance that the Company will be able to obtain adequate financing in the future or that such financing will be on terms favorable to the Company.

2. Basis of Preparation

2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"). 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 13, 2023.

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 Exploration and evaluation costs

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

Exploration and evaluation expenditures with the exception of acquisition costs, are charged to profit or loss in the period in which they are incurred. Acquisition costs are capitalized to exploration and evaluation assets and classified as non-current. Costs related to the acquisition of mineral properties are capitalized on a property-by-property basis until such a time as the property is placed in production, sold, abandoned or determined to be impaired.

Once it is probable that future economic benefits will flow to the Company, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment. The following criteria are used to assess the economic recoverability and probability of future economic benefits:

(i) Viability: a Proven and/or Probable Mineral Reserve has been established that demonstrates a positive financial return; and
(ii) Authorizations: necessary permits, access to critical resources and environmental programs exist or are reasonably obtainable.

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. Significant Accounting Policies, Estimates and Judgments (continued)

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 does not exceed the carrying value of the asset less depreciation that would have been recorded had the asset not been impaired. 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. Assets in the course of construction are capitalized as construction in progress. On completion, the cost of construction is transferred to the appropriate category of property, plant and equipment and depreciation commences when the asset is available for its intended use. 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.

Amounts received from selling items produced while preparing the asset for its intended use are not deducted from the cost of property, plant and equipment. Instead, amounts received are recognized as sales proceeds and the related cost is recognized in the statement of profit or loss.

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

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.

3.6 Share and warrant based compensation

Where equity-settled share-based payments are granted to employees, the fair value of the payments is measured using the Black-Scholes or other option pricing models, at the date of grant, and expensed over the vesting period using the graded vesting method. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of equity instruments that eventually vest. Charges for options that are forfeited before vesting are reversed from equity reserves (Note 8(b)).

Where equity-settled share-based payments are granted to non-employees, they are measured at the fair value of the goods or services received. However, if the value of goods or services received in exchange for the share-based payments cannot be reliably estimated, they are measured using the Black-Scholes option pricing model.

All equity-settled share-based payments are reflected in equity reserves, until exercised. Upon exercise, shares are issued and the amount reflected in equity reserves is credited to share capital, together with any consideration received.

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 only to the extent where it is probable that the future taxable profits or capital gains of the relevant entity or group of entities in a particular jurisdiction will be available, against which the assets can be utilized. Deferred tax assets and liabilities, where recognized, are presented as non-current.

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

3.8 Financial instruments

The Company’s financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable, due to related parties, and liabilities for land deposits.

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(a)). The Company's cash and cash equivalents and accounts receivable are classified as measured at amortized cost.

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 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 loss. 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 *Financial instruments* ("IFRS 9").

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

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.

3.9 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.

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

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.

3.11 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.

3.12 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 disturbances are initially recognized and recorded as a provision based on estimated future cash flows discounted at a risk-free rate. These asset retirement obligations are adjusted at each reporting period for changes to factors including the expected amount of cash flows required to discharge the liability, the timing of such cash flows and the discount rate.

The asset retirement obligation is also accreted to full value over time through periodic charges to profit or loss. The amount of the asset retirement obligation initially recognized is capitalized as part of the related asset's carrying value. The method of depreciation follows that of the underlying asset. As at September 30, 2023 and 2022, the Company does not have any asset retirement obligations.

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

3.14 Recent accounting pronouncements

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

Amendments to IAS 12 *Income Taxes* ("IAS 12")*:* 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. The Company plans to adopt this amendment beginning October 1, 2023.

3.15 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 impairment indicators 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 impairment indicators present as defined in IFRS 6 for the exploration and evaluation assets and as such, no impairment test was performed at September 30, 2023.

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(a)).

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 the 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. The Licenses and the Preliminary Mining Permit are valid until May 31, 2026.

The acquisition of Mangan included the grant of a 1.2% net smelter royalty interest ("NSR"). 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, on or before January 31, 2022, by a combination of cash and up to 50% in common shares. On January 31, 2022, the Company completed the royalty buy back by issuing 4,820,109 common shares at a price of $0.47262 per common share valued at $2,278,080 (USD1,800,000) and paid USD1,800,000 ($2,340,965) in cash. In connection with the royalty buy back transaction, the Company incurred $20,000 and $80,000 in transaction costs in the years ended September 30, 2021 and 2022, respectively.

The total carrying value of the Company’s exploration and evaluation assets of $6,773,544 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. The exploration and evaluation assets will be tested for impairment and then reclassified to mineral property and development assets within property, plant and equipment, once the Company has secured access to all required land parcels for the Chvaletice Manganese Project, has obtained certain agreements with customers confirming the economic viability and secured all necessary permits.

(expressed in Canadian dollars)

5. Property, Plant and Equipment

	September 30, 2023				
	Demonstration plant under construction	**Equipment**	**Land**	**Lease assets**	**Total**
	$	**$**	**$**	**$**	**$**
Cost					
October 1, 2022	5,216,357	144,334	333,331	586,094	6,280,116
Additions	2,641,156	38,188	—	17,337	2,696,681
Disposals	—	(3,312)	—	—	(3,312)
September 30, 2023	**7,857,513**	**179,210**	**333,331**	**603,431**	**8,973,485**
Accumulated depreciation					
October 1, 2022	—	(100,454)	—	(228,413)	(328,867)
Additions	—	(27,725)	—	(233,448)	(261,173)
Disposals	—	1,848	—	—	1,848
September 30, 2023	**—**	**(126,331)**	**—**	**(461,861)**	**(588,192)**
Net Book Value					
October 1, 2022	5,216,357	43,880	333,331	357,681	5,951,249
September 30, 2023	**7,857,513**	**52,879**	**333,331**	**141,570**	**8,385,293**

	September 30, 2022				
	Demonstration plant under construction	Equipment	Land	Lease assets	Total
	$	$	$	$	$
Cost					
October 1, 2021	2,064,835	112,503	333,331	364,231	2,874,900
Additions	3,151,522	31,831	—	221,863	3,405,216
September 30, 2022	5,216,357	144,334	333,331	586,094	6,280,116
Accumulated depreciation					
October 1, 2021	—	(79,306)	—	(58,432)	(137,738)
Additions	—	(21,148)	—	(169,981)	(191,129)
September 30, 2022	—	(100,454)	—	(228,413)	(328,867)
Net Book Value					
October 1, 2021	2,064,835	33,197	333,331	305,799	2,737,162
September 30, 2022	5,216,357	43,880	333,331	357,681	5,951,249

(expressed in Canadian dollars)

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) pursuant to an option agreement for the purchase of a 100% interest in EP Chvaletice s.r.o. ("EPCS") dated August 13, 2018. 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 terms of the subsequent option payments by one year and made a payment of 14 million Czech Koruna ($819,576) to EPCS.

On August 10, 2022, the Company made the third option payment of 42 million Czech Koruna ($2,304,402) together with the fee for the extension of 2.1 million Czech Koruna ($115,220).

Pursuant to the EPCS Option Agreement, the Company had the right to acquire a 100% interest in EPCS by making the final option payment of 70 million Czech Koruna (approximately $4.09 million at September 30, 2023), due upon receipt of all development permits for the Chvaletice Manganese Project, but no later than August 13, 2023. Following an amendment to the EPCS Option Agreement dated November 29, 2023, the final payment was split into two instalments. The first instalment of 20 million Czech Koruna ($1.2 million) was paid on November 29, 2023. The Company can complete the acquisition of EPCS by paying the final instalment of 50 million Czech Koruna (approximately $2.92 million at September 30, 2023), no later than December 31, 2023. The extension fee in the amendment is 1 million Czech Koruna (approximately $60,000).

The first, second, and third option payments made on October 17, 2018, August 13, 2021, and August 10, 2022, respectively, are a derivative 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 EPCS is not present until the last option payment is made. The remaining payment is dependent on the Board's approval and is not legally enforceable by the shareholder of EPCS.

At September 30, 2023, the option was revalued at $4,215,881, resulting in $280,077 of foreign exchange gain. There was no other change in the fair value of the option in the year ended September 30, 2023.

b) Other assets

Other assets, representing deposits for additional land purchases and payments under land option agreements, are as follows:

		September 30,	
		2023	2022
		$	$
Miscellaneous land parcels and second railway switch (plant area)	i)	**227,667**	227,667
Land for buffer zone and infrastructure corridor (tailings area)	ii)	**28,951**	28,951
Additional land and rail spur extension (plant area)	iii)	**268,064**	268,064
Additional land parcels for residue storage facility (tailings area)	iv)	**1,096,770**	516,452
Land parcel within the Port of Bécancour	v)	**412,695**	—
		2,034,147	1,041,134

6. EPCS Option and Other Assets (continued)

i) 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 capitalized transaction costs of $24,447.

ii) 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 totaling 1,824,291 Czech Koruna (approximately $106,000) are based on permitting milestones over the period to March 2029. On April 13, 2022, following the rezoning approval for mining use of the land area under the jurisdiction of the Trnavka Municipality, on which 85% of the Chvaletice Manganese Project's tailings are located, the Company made the second payment of 304,409 Czech Koruna ($17,038) to the Municipality of Trnavka.

iii) On December 18, 2020, the Company paid the first instalment of $86,373 pursuant to an agreement with Sprava Nemovitosti Kirchdorfer CZ s.r.o. to acquire a parcel of land, including a rail spur extension that provides additional room and flexibility for the Chvaletice commercial plant layout. The cost of the land is 18,739,125 Czech Koruna (approximately $1.1 million) and is to be paid in five annual instalments of approximately $80,000, followed by the remaining balance of approximately $700,000 in the final year. To date, the Company made the first three payments under the agreement and capitalized transaction costs of $20,834. In October 2023, the Company paid the fourth annual instalment.

iv) On June 7, 2022, the Company signed an agreement with a private landowner to acquire several land parcels. These land parcels are adjacent to the tailings area and provide additional room and flexibility for the Chvaletice residue storage facility layout. The total cost of the land is 54,327,751 Czech Koruna (approximately $3.0 million). The first instalment of $516,452 was paid in June 2022. The second instalment of $580,318 was paid in January 2023 and the remaining amount of approximately $2,207,000 is to be paid in January 2024.

v) On December 16, 2022, the Company entered into an option agreement with The Société du parc industriel et portuaire de Bécancour ("SPIPB"), a Québec state enterprise and owner of a 15-hectare land parcel within Bécancour (the "Bécancour Option Agreement") where the Company proposes to establish its North American facilities. The Bécancour Option Agreement allows the Company to exclusively access the land parcel and conduct due diligence thereon over a maximum term of 21 months, during which the Company has the opportunity to purchase the site. The Bécancour Option Agreement provides that the Company pay $45,855 per month for this option, whereas these option payments shall be deducted from the final purchase price of $9,171,200. As at September 30, 2023, the Company has made nine payments aggregating $412,695.

7. Government Grant

In August 2022, the Company was approved to receive advisory services and up to $165,000 ($61,752 received in total to September 30, 2023, of which $48,005 was received in the twelve months ended September 30, 2023) from National Research Council of Canada's Industrial Research Assistance Program ("IRAP"). The funding supports the initiative the Company is undertaking with Nano One Materials Corp., the Metal direct to Cathode Active Material process, as well as the evaluation of the manganese metal by-product from the battery black mass recycling. The funding covers a portion of the internal and external labour costs in relation to these projects. The grant income is recorded separately on the income statement.

(expressed in Canadian dollars)

8. Equity

a) Common shares

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

During the year ended September 30, 2023, 1,316,599 stock options were exercised for proceeds to the Company of $207,650.

On February 22, 2021, the Company entered into an agreement with EIT InnoEnergy, securing their support for the Chvaletice Manganese Project. In connection with their support, EIT InnoEnergy was to invest €250,000 over three instalments that would go towards the Chvaletice 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, on January 6, 2022, the Company issued 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 two instalment tranches. The third instalment tranche of €62,500 ($80,606) was made on August 26, 2022, and 237,077 common shares at the price of $0.34 per share were issued on January 5, 2023 in connection with the final instalment.

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. 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 at the date of the grant.

Current outstanding options have an expiry date of ten years and vest over a period of 36 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. Additionally, 9,000,000 options granted to the President and CEO of the Company include market conditions and non-market performance vesting conditions. The performance vesting conditions are based on achieving project development milestones and the price-vesting thresholds are based on a daily volume weighted average share price of the Company. A continuity summary of the share options granted and outstanding under the Plan for the year ended September 30, 2023 and 2022, is presented below:

				Year ended September 30,
		2023		2022
	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	**35,312,664**	**0.40**	18,970,998	0.23
Options granted	**5,118,251**	**0.48**	16,800,000	0.58
Options exercised	**(1,316,599)**	**0.16**	—	—
Options expired	**(566,732)**	**0.60**	(325,000)	0.12
Options forfeited	**(50,000)**	**0.58**	(133,334)	0.60
Balance, end of the year	**38,497,584**	**0.41**	35,312,664	0.40

During the year ended September 30, 2023, the Company recorded share-based compensation expense of $1,610,576 (2022 - $2,741,227) of which $166,728 has been allocated to project expenses (2022 - $488,518) and $1,443,848 to administrative expenses (2022 - $2,252,709).

(expressed in Canadian dollars)

8. Equity (continued)

The balance of options outstanding and exercisable at September 30, 2023, is as follows:

	Options outstanding & exercisable		Options exercisable	
Exercise price ($ per share)	Number of share options	Weighted average remaining contractual life (years)	Number of share options	Weighted average remaining contractual life (years)
0.08	1,150,000	2.6	1,150,000	2.6
0.10	900,000	3.5	900,000	3.5
0.11	6,137,667	5.8	6,137,667	5.8
0.13	500,000	7.0	500,000	7.0
0.20	2,500,000	4.4	2,500,000	4.4
0.25	1,450,000	5.2	1,450,000	5.2
0.28	1,841,666	5.4	1,841,666	5.4
0.48	5,768,251	9.5	216,666	8.6
0.59	500,000	7.7	500,000	7.7
0.58	15,950,000	8.2	3,633,327	8.2
0.61	1,800,000	7.5	900,000	7.5
0.41	38,497,584	7.2	19,729,326	5.9

Option pricing models require the input of 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. The selection of alternative assumptions could have a material impact on the estimated fair value of the options.

In the years ended September 30, 2023 and 2022, the Company applied the Black-Scholes option pricing model to determine the value of 5,118,251 and 13,800,000 stock options, respectively. These stock options were granted to employees, including directors, and non-employees and valued on the date of grant using the following weighted-average assumptions:

	Year ended September 30,	
	2023	2022
Risk free rate	**2.93 %**	0.99 %
Expected life (years)	**9.0**	7.9
Annualized volatility	**90 %**	90 %
Dividend yield	**— %**	— %
Option exercise price	**$0.48**	$0.58
Grant date fair value	**$0.15**	$0.31

The weighted average fair value of 3,000,000 share options granted in the year ended September 30, 2022, which include market conditions for vesting, was estimated to be $0.32 per share option. To determine the fair value of these options on the grant date, the Company used the Monte Carlo Simulation Method with the following assumptions: risk free interest rate of 1.920%, expected life of 10.0 years, annualized volatility of 90%, dividend and forfeiture rates at nil%, and option exercise price of $0.58 per share option.

(expressed in Canadian dollars)

8. Equity (continued)

c) Warrants

	Year ended September 30,			
		2023		2022
	Number of warrants	**Weighted-average exercise price**	Number of warrants	Weighted-average exercise price
		$		$
Outstanding, beginning of the year	**8,500,000**	**0.40**	8,500,000	0.40
Expired	**(2,500,000)**	**0.58**	—	—
Outstanding, end of the year	**6,000,000**	**0.33**	8,500,000	0.40

As at September 30, 2023, 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	0.2
December 16, 2023	0.35	3,000,000	0.2
	0.33	6,000,000	0.2

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 and the Company's officers, 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, President and Chief Executive Officer, Chief Financial Officer, Vice President, Commercial, Vice President, Corporate Development and Corporate Secretary, Vice President, Operations, and the Managing Director of the Company's Czech subsidiary. During the years ended September 30, 2023 and 2022, the Company incurred the following compensation expenses to key management of the Company and director fees:

	Year ended September 30,	
	2023	2022
	$	$
Salaries and fees	**2,379,749**	2,162,807
Share-based compensation	**1,314,075**	2,051,389
	3,693,824	4,214,196

(expressed in Canadian dollars)

9. Related Party Transactions (continued)

b) The balances payable to key management and other related parties at the period ends were as follows:

	September 30, 2023	2022
	$	$
Salaries and fees payable	**35,904**	378,373
Outstanding payables due to directors and officers	**3,010**	31,093
	38,914	409,466

The salaries and fees payable at both year ends include a salary and bonuses owing to the Managing Director of Mangan. Other amounts payable to officers and directors represent the reimbursement of office and travel related expenses. 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

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

The fair values of the Company's cash and cash equivalents, accounts receivable, accounts payable, due to related parties, and land deposits approximate carrying values recorded on the consolidated statements of financial position due to their short-term nature.

The payments made pursuant to the EPCS Option Agreement (Note 6(a)) are a derivative asset. 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 under the EPCS Option Agreement. The option increased by $819,576 on August 13, 2021, with the second option payment. The option further increased by $2,419,622 on August 10, 2022, with the third option payment. At September 30, 2023, the Company revalued the option at $4,215,881, taking into consideration the recent transactions related to land purchases in the area and the foreign exchange rate movement between the Czech Koruna and the Canadian dollar. There were no transfers between the levels of the fair value hierarchy in the year ended September 30, 2023.

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 and cash equivalents. Management believes that the credit risk with respect to these instruments is remote as they primarily consist of amounts on deposit with a major financial institution.

At September 30, 2023 and 2022, the Company's maximum exposure to credit risk was its cash and cash equivalents balance of $7,649,711 and $21,560,561, 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, 2023, the maturity of accounts payable and the due to related parties balances are under one year. Subsequent to the year end, the Company entered into a financing agreement (Note 17(b)).

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.

Interest rate risk

Interest rate risk is the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has interest-bearing assets in relation to cash in savings accounts and GIC's carried at fixed interest rates, invested with major Canadian and Czech banks.

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.

12. Segmented Information

The Company has one operating segment, the development of the Chvaletice Manganese Project in the Czech Republic.

(expressed in Canadian dollars)

13. Commitments

At September 30, 2023, 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 lease payments [1]	528,333	240,820	287,513
Land acquisition payments [2]	2,077,678	2,077,678	—
Operating expenditure commitments	461,863	456,413	5,450
Total contractual obligations	3,067,874	2,774,911	292,963

[1] The Company has signed a non-cancellable office lease, with the option to sublet the premises, that will commence in 2024.
[2] Land acquisition payments related to land parcels described in Note 6(b)(iv).

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

The Company and the Municipality of Chvaletice, being the land owners, signed a land access agreement via rental of the land to the Company until the earlier of a 40-year period or upon remediation of the land. The annual rental effective as of July 1, 2022 is 7.46 million Czech Koruna (approximately $420,000), adjusted for inflation based on the average annual Czech consumer price index for the 12 months of the previous calendar year.

14. Supplemental Cash Flow Information

Non-cash financing and investing transactions in the year ended September 30, 2023 and 2022, were as follows:

	Year ended September 30,	
	2023	2022
	$	$
Capital expenditures included in accounts payable	**212,123**	201,367
Shares issued for deferred equity commitment	**80,606**	278,012
Shares issued to settle the royalty buy back	**—**	2,278,080
Transfer of reserves on exercise of share options	**146,708**	—

(expressed in Canadian dollars)

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 of one year 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.

16. Income Taxes

A reconciliation of the income tax recoveries at the statutory tax rate of 27% (2022 - 27%) is as follows:

		September 30,
	2023	2022
	$	$
Loss for the year	**(12,008,131)**	(13,457,373)
Expected income tax recovery	**(3,242,195)**	(3,633,491)
Non-deductible expenses and other	**498,826**	759,665
Effect of foreign tax rates and tax rate changes	**846,329**	1,385,080
Effect of deductible temporary difference not recognized	**1,897,040**	1,488,746
Income tax recovery	**—**	—

(expressed in Canadian dollars)

16. Income Taxes (continued)

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,
	2023	2022
	$	$
Equipment	**46,142**	36,234
Exploration and evaluation assets	**5,374,006**	4,566,103
Share issuance costs	**1,110,925**	934,204
Tax operating losses	**7,405,382**	5,119,654
	13,936,455	10,656,195
Unrecognized deferred income tax assets	**(13,936,455)**	(10,656,195)
Deferred income tax assets	**—**	—

At September 30, 2023, 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 2024 and 2043.

At September 30, 2023	$
Canada	25,138,200
Czech Republic	8,233,300
Tax operating losses	33,371,500

17. Events after the Reporting Period

a) On October 30, 2023, the Company signed the CEZ Lease Agreement granting it access to approximately 60% of the reserves in the Project's tailings area, including for mining infrastructure and tailings transportation. Together with the land access agreement with the Municipality of Chvaletice, the CEZ Lease Agreement secures access to approximately 85% of the total reserves of the Project. Pursuant to the CEZ Lease Agreement, land access has been granted for the life of the Project and during the subsequent period in which reclamation and revitalization of the premises is to take place, in return for a royalty on the Project's gross sales. During the period in which Project is expected to have project finance debt (the "Debt Period"), estimated to be seven years, the royalty will operate on a sliding scale from 0.2% to 1.8%, dependent on the average prices received for the Project's high-purity manganese products. Post the Debt Period, the royalty will be 1.8% of gross sales from the Project. Additionally, the CEZ Lease Agreement also requires the Company to pay, commencing in 2027, a minimum rent of CZK 625,000 per calendar quarter (approximately $37,000), adjusted annually commencing in 2028, based on inflation during the immediately preceding year.

b) On November 28, 2023, the Company signed definitive agreements with OMRF (BK) LLC ("Orion"), which is managed by the Orion Resource Partners Group, for US$100 million in financing (the "Funding Package") to advance the development of the Project. The US$100 million Funding is split into two US$50 million components: (a) a US$50 million loan facility convertible into a 1.29-1.65% royalty on Project revenues (the "Convertible Loan Facility"), with US$20 million received upon closing on November 29, 2023, and an additional US$30 million to be received upon meeting milestones; and (b) and receipt of US$50 million in exchange for a 1.93-2.47% royalty on Project revenues following a final investment decision by the Company's Board of Directors and other conditions precedents typical for this type of financing (the "Royalty Financing").

17. Events after the Reporting Period (continued)

The Convertible Loan Facility bears interest at 12% per annum, payable quarterly, and has an initial maturity of 36 months, which may be extended by Orion up to an additional 36 months. Orion may convert the Convertible Loan Facility into the royalty at any time, while Company may force conversion into the royalty upon a successful completion test of the Project's commercial plant. The converted royalty and the royalty under to the Royalty Financing are for the life of the Project.

In connection with the Funding Package, Orion has been granted comprehensive security over the assets and rights of the Project. Conditions precedent to the US$30 million tranche of the Convertible Loan Facility include completion of offtake agreements for 40% of the Project's high-purity manganese production for the first five years of production and securing a strategic investor. Covenants and events of default include customary covenants and undertakings and events of default for a secured financing of this nature, including, but not limited to, completion of key commercial agreements, securing a strategic investor, and completion of various technical milestones aligned with the Company's progress to final investment decision.

In connection with the Funding Package, Orion have been granted an off-take option of between 20-22.5% of the Project's high-purity manganese total production for a term of 10 years from first delivery, matching the commercial terms of the Company's sales. Such right is exercisable until the Company signs 60% of the total Project offtake.