Euro Manganese Inc.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

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, 2019

"Marco Romero"

President and Chief Executive Officer

"Pierre Massé"

Vice President Finance and 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, 2019 and 2018, 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, 2019 and 2018;
- 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 a summary of significant accounting policies.

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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Material uncertainty related to going concern

We draw attention to Note 1 in the consolidated financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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.

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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 an 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, 2019

Consolidated Statements of Financial Position

Euro Manganese Inc.
(expressed in Canadian dollars)

	Note	**September 30, 2019**	September 30, 2018
		$	$
ASSETS			
Current assets			
Cash		**4,084,694**	10,368,002
Prepaid expenses		**112,864**	124,326
Accounts receivable		**45,148**	162,549
		4,242,706	10,654,877
Non-current assets			
Exploration and evaluation assets	4	**1,249,086**	1,249,086
Property and equipment	5	**368,952**	369,110
Other assets	6	**232,794**	—
Option	6	**815,000**	—
Total assets		**6,908,538**	12,273,073
LIABILITIES			
Current liabilities			
Accounts payable		**581,722**	940,028
Due to related parties	9	**170,618**	320,639
Deferred consideration	7	**275,838**	275,236
		1,028,178	1,535,903
Non-current liabilities			
Deferred consideration	7	**—**	240,537
Total liabilities		**1,028,178**	1,776,440
EQUITY			
Share capital	8	**22,973,236**	19,972,416
Equity reserve		**2,182,856**	1,482,544
Deficit		**(19,275,732)**	(10,958,327)
Total equity		**5,880,360**	10,496,633
Total liabilities and shareholders' equity		**6,908,538**	12,273,073

Nature of operations and going concern (Note 1)

Approved on behalf of the Board of Directors on December 16, 2019

"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,	
	2019	2018
	$	$
Project evaluation expenses		
Engineering	**1,977,576**	1,854,448
Remuneration	**1,098,270**	683,450
Share-based compensation	**254,004**	216,043
Drilling, sampling and surveys	**212,214**	329,595
Metallurgical	**380,687**	277,209
Travel	**123,338**	233,241
Legal and professional fees	**370,366**	459,398
Geological	**215,060**	141,522
Market studies	**208,681**	142,961
Project management	**—**	146,619
Supplies and rentals	**107,019**	105,176
	4,947,215	4,589,662
Other expenses		
Remuneration	**1,305,466**	816,105
Share-based compensation	**493,630**	414,820
Total remuneration	**1,799,096**	1,230,925
Legal and professional fees	**252,690**	121,226
Investor relations	**274,728**	21,660
Product sales and marketing	**35,325**	27,213
Travel	**273,394**	122,457
Filing fees and compliance	**258,710**	127,142
Accretion expense	**60,065**	91,396
Office, general and administrative	**181,056**	107,494
Insurance	**102,991**	39,899
Office rent	**53,108**	28,942
Conferences	**55,354**	20,403
Depreciation	**23,673**	5,656
	3,370,190	1,944,413
Loss and comprehensive loss for the year	**8,317,405**	6,534,075
Weighted average number of common shares outstanding - basic and diluted	**172,002,914**	116,356,568
Basic and diluted loss per common share	**$0.05**	$0.06

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)**
	#	**$**	**$**	**$**	**$**
Balance at September 30, 2017	90,411,610	7,183,542	381,086	(4,424,252)	3,140,376
Shares and warrants issued for cash, net of expenses	62,750,000	11,462,746	474,345	—	11,937,091
Options exercised	50,000	9,250	(3,750)	—	5,500
Shares issued as payment of services	2,833,940	370,875	—	—	370,875
Shares issued as part of broker fees	2,964,050	646,003	—	—	646,003
Shares issued as deferred consideration repayment	1,500,000	300,000	—	—	300,000
Share-based compensation	—	—	630,863	—	630,863
Loss and comprehensive loss for the year	—	—	—	(6,534,075)	(6,534,075)
	70,097,990	12,788,874	1,101,458	(6,534,075)	7,356,257
Balance at September 30, 2018	**160,509,600**	**19,972,416**	**1,482,544**	**(10,958,327)**	**10,496,633**
Shares and warrants issued for cash, net of expenses	10,000,000	2,232,609	48,890	—	2,281,499
Warrants exercised	2,927,265	418,211	(96,212)	—	321,999
Shares issued as part of broker fees	200,000	50,000	—	—	50,000
Shares issued as repayment of deferred consideration	1,428,570	300,000	—	—	300,000
Share-based compensation	—	—	747,634	—	747,634
Loss and comprehensive loss for the year	—	—	—	(8,317,405)	(8,317,405)
	14,555,835	**3,000,820**	**700,312**	**(8,317,405)**	**(4,616,273)**
Balance at September 30, 2019	**175,065,435**	**22,973,236**	**2,182,856**	**(19,275,732)**	**5,880,360**

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, 2019 $	2018 $
Operating activities			
Net loss for the year		**(8,317,405)**	(6,534,075)
Less non-cash transactions:			
Share-based compensation		**747,634**	630,863
Shares and warrants for services		**—**	277,771
Depreciation		**23,673**	5,656
Accretion expense	7	**60,065**	91,396
		(7,486,033)	(5,528,389)
Changes in non-cash working capital items:			
Accounts payable		**(126,772)**	377,649
Accounts receivable		**117,401**	(89,539)
Prepaid expenses		**11,462**	4,902
Due to related parties		**(135,833)**	237,719
		(133,742)	530,731
Cash used in operating activities		**(7,619,775)**	(4,997,658)
Financing activities			
Common shares issued for cash, net of expenses	8 (a)	**2,085,777**	12,865,239
Exercise of warrants		**321,999**	—
Exercise of stock options		**—**	5,500
Cash generated from financing activities		**2,407,776**	12,870,739
Investing activities			
Option and deposit for land	6	**(1,047,794)**	—
Property & equipment acquisition	5	**(23,515)**	(366,073)
Cash used in investing activities		**(1,071,309)**	(366,073)
(Decrease) increase in Cash		**(6,283,308)**	7,507,008
Cash - beginning of year		**10,368,002**	2,860,994
Cash - end of year		**4,084,694**	10,368,002
Non-cash transactions excluded from above:			
Common shares issued as payment for financing services		**(50,000)**	(682,426)
Share issue cost		**50,000**	682,426
Shares issued as payment of broker warrants			
Equity reserve		**48,890**	474,345
Share capital		**(48,890)**	(474,345)
Issue of employee warrants			
Equity Reserve		**—**	116,313
Share Capital		**—**	(116,313)
Exercise of broker warrants			
Equity Reserve		**96,212**	—
Share Capital		**(96,212)**	—
Repayment of deferred consideration commitment			
Share capital		**300,000**	300,000
Deferred share payment commitment		**(300,000)**	(300,000)

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

1. Nature of Operations and Going Concern

Euro Manganese Inc. (the “Company”) was incorporated under the British Columbia Business Corporations Act on November 24, 2014. The Company completed an initial public offering (“IPO”) of its shares on the Australia Securities Exchange ("ASX") on September 28, 2018, and completed an IPO on the TSX Venture Exchange ("TSX-V") on October 2, 2018. The Company’s common shares commenced trading on the TSX-V and CHESS Depository Interests ("CDIs", with each CDI representing one common share) started trading on the ASX on October 2, 2018, under the symbols "EMN.V" and "EMN.AX", respectively. The Company is focused on the evaluation and potential development of the Chvaletice deposit, which involves the re-processing of a manganese deposit hosted in historic mine tailings in the Czech Republic (the “Chvaletice Manganese Project”), for the production of high-purity electrolytic manganese metal (“HPEMM”) and high-purity manganese sulphate monohydrate (“HPMSM”).

The Company’s corporate offices are located at 1040 West Georgia Street, Suite 1500, 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. Several conditions discussed below and in Note 14 give rise to material uncertainties that may cast significant doubt on this assumption.

As an early stage resource development company, it does not own any properties with established reserves, has no operating revenues and is unable to self-finance its operations. 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 likely operate at a loss while the Company is evaluating the potential of the Chvaletice Manganese Project.

At September 30, 2019, the Company’s equity totaled $5,880,360 (2018 - $10,496,633) and working capital totaled $3,214,528 (2018 - $9,118,974), including cash of $4,084,694 (2018 - $10,368,002). The loss for the year was $8,317,405 (2018 - $6,534,075) while cash used in operating activities was $7,619,775 (2018 - $4,997,658). These capital resources are not expected to provide sufficient working capital to fund its corporate and committed project development costs for at least twelve months from the date of these financial statements.

Additional funding will be required for further evaluation and development work including the completion of feasibility studies, environmental studies, permitting, as well as the potential future construction of infrastructure and facilities for the Chvaletice Manganese Project. The ability of the Company to arrange such equity or other financing in the future will depend principally upon prevailing market conditions and the performance of the Company. Such additional funding may not be available when needed, if at all, or be available on terms favorable to the Company. Failure to obtain such additional financing could result in delay or indefinite postponement of further evaluation and development of the Company’s principal property and could result in material adjustments to the carrying values of assets.

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, except for IFRS 9 *Financial instruments*, which was adopted on October 1, 2018; however, the adoption did not have any impact on the comparative period (Note 3.8).

These consolidated financial statements were prepared by management and approved by the Board of Directors of the Company (the “Board”) on December 16, 2019.

2. Basis of Preparation (continued)

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.

2.3 Basis of consolidation

These consolidated financial statements incorporate the accounts of the Company and the entities 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 identifying that the Mineral Resource of a property has economic potential, are expensed in the period incurred.

Exploration and evaluation costs are capitalized as mineral interests when a mineral resource of a property is identified as having economic potential. This can be determined based on a completed feasibility study and management's decision to proceed with the development of the project. A mineral resource is considered to have economic potential when it is expected that documented resources can be legally and economically developed considering long-term metal prices.

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.

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

Once the technical 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 and carried at cost until it is placed into commercial production, sold, abandoned or determined by management to be impaired.

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.

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 and equipment

Property 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. IT hardware and software, and equipment and furniture are amortized on a declining balance basis at an annual rate of 30%. Land is not depreciated.

The Company allocates the amount initially recognized in respect of an item of property 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 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. 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. There were no cash equivalents at September 30, 2019, and 2018.

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 to employees or 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

IFRS 9 is effective for annual periods beginning on or after January 1, 2018, and sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial instruments: recognition and measurement ("IAS 39"). IFRS 9, for the most part, retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 financial assets categories of held to maturity, loans and receivables and available for sale. IFRS 9 allows for exemption from restating prior periods in respect to the standard's classification and measurement requirements. The Company chose to apply this exemption upon initial adoption; however, the adoption had no impact on the comparative period's financial statements. The accounting policy for financial instruments adopted on October 1, 2018, is as follows:

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

The Company's financial instruments consist of cash, receivables, due from related parties, accounts payable, deferred consideration and due to related parties. Cash, receivables, and due from related parties are classified as loans and receivables. Accounts payable, due to related parties and deferred consideration 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. The Company's first option payment for the shares of E.P. Chvaletice s.r.o. ("EPCS") is classified as FVTPL (Note 6). The Company's cash 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 deferred consideration 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, which uses a lifetime expected loss allowance for all trade receivables, had no impact on the carrying amounts of the Company's financial assets on the transition date given the accounts receivable are mostly taxes receivable and therefore outside of scope of 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.

The accounting policy applied under IAS 39 during the year ended September 30, 2018 was as follows:

The Company's financial instruments consist of cash, receivables, due from related parties, accounts payable, deferred consideration and due to related parties. Cash, receivables, and due from related parties are designated as loans and receivables. Accounts payable, due to related parties and deferred consideration are classified as other financial liabilities.

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories:

Fair value through profit or loss ("FVTPL") - This category includes derivatives, or assets incurred mainly for the purpose of selling or repurchasing them in the near term. The assets are measured at fair value with gains and losses recognized in the consolidated statement of loss.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. The assets in this category are measured at amortized cost using the effective interest rate method.

Held to maturity investments - This category includes non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company intends to hold to maturity. These assets are measured at amortized cost using the effective interest rate method. Any changes to the carrying amount of the investment, including impairment losses, are recognized in statement of loss and comprehensive loss.

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are measured at fair value with gains and losses recognized in other comprehensive income or loss, except for impairment losses. Interest calculated using the effective interest method and foreign exchange gains and losses on monetary items are recognized in the consolidated statement of loss.

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

Fair value through profit and loss - This category comprises derivatives or liabilities acquired or incurred principally for the purpose of selling or re-purchasing in the near term. The fair value changes are recognized in the consolidated statement of loss.

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

Other financial liabilities - Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating the accretion charge over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability.

3.9 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.

3.10 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, 2019 and 2018, the Company does not have any decommissioning obligations.

3.12 Recent accounting pronouncements

The Company has not applied the following pronouncements that have been issued but are not yet effective:

IFRS 16 - *Leases* ("IFRS 16") - The new standard on lease accounting was issued on January 13, 2016 and replaces the current guidance in IAS 17 *Lease Accounting*. The new standard results in substantially all lessee leases being recorded on the consolidated statement of financial position. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted.

The Company will adopt IFRS 16 for the annual reporting period beginning on October 1, 2019, using the modified retrospective approach with measurement of the right-of-use asset at an amount equal to the lease liability. The Company will apply the following practical expedients on initial application:

- apply IFRS 16 only to contracts that were previously identified as leases; and
- not recognize leases for which the underlying asset is of low value or considered to be a short-term lease.

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

The assessment of non-cancellable operating lease commitments for office space and office equipment in Canada and the Czech Republic indicates that our arrangements will meet the definition of a lease under IFRS 16 and will result in the recognition of a right-of-use asset and a corresponding liability in respect of these leases at October 1, 2019 in the amount of approximately $98,000. The Company does not expect a material impact to the Consolidated Statements of Comprehensive Loss or the Consolidated Statements of Cash Flows; however, compared with the existing accounting for operating leases, the classification of expenses and cash flows will be impacted.

3.13 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 impairment in respect of exploration and evaluation assets. 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 on the status of each project, future plans towards finding commercial reserves and whether future economic benefits are likely either from exploitation or future sale or whether activities have not reached a stage that permits a reasonable assessment of the existence of reserves. 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.

b) As part of the acquisition of Mangan on May 13, 2016, the Company discounted the $1.2 million future deferred share consideration at an annual rate of 15%, which represented an estimate of the Company’s borrowing rate at the time of the acquisition. The deferred consideration balance is accreted at an annual rate of 15% over the remaining repayment period and the resulting increase is recorded as an annual accretion charge in the statement of loss and comprehensive loss.

c) Significant estimation was involved in determining the fair value of shares issued by the Company prior to being publicly traded on October 2, 2018. Reference was made to the most recent share price negotiated with arms-length third parties when estimating the fair value of shares issued.

d) In addition, the Company applied significant judgment in determining the fair value of the first option payment pursuant to an option agreement with EPCS ("EPCS Option Agreement") and its classification as financial instrument at FVTPL (Note 6).

(expressed in Canadian dollars)

4. Exploration and Evaluation Assets

The Company was formed with the objective of evaluating, acquiring, developing and operating the Chvaletice Manganese Project as an HPEMM and HPMSM project. The Company holds two exploration licenses for the Chvaletice Manganese Project (the “Licenses”), both expiring May 31, 2023. On April 17, 2018, with effect from April 28, 2018, the Company was 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, valid until April 30, 2023, 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 mining at the Chvaletice Manganese Project.

The acquisition of Mangan included granting a 1.2% net smelter royalty interest and the issue, over a four-year period, of common shares of the Company in five equal tranches, each valued at $300,000 (see Note 7). The carrying value of the Company’s exploration and evaluation assets of $1,249,086 represents 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.

5. Property and Equipment

	September 30, 2019		
	Equipment	**Land**	**Total**
	$	**$**	**$**
Cost			
October 1, 2018	58,932	318,729	377,661
Additions	23,515	—	23,515
September 30, 2019	**82,447**	**318,729**	**401,176**
Accumulated depreciation			
October 1, 2018	(8,551)	—	(8,551)
Additions	(23,673)	—	(23,673)
September 30, 2019	**(32,224)**	**—**	**(32,224)**
Net Book Value			
October 1, 2018	50,381	318,729	369,110
September 30, 2019	**50,223**	**318,729**	**368,952**

(expressed in Canadian dollars)

5. Property and Equipment (continued)

	September 30, 2018		
	Equipment	Land	Total
	$	$	$
Cost			
October 1, 2017	11,588	—	11,588
Additions	47,344	318,729 [a]	366,073
September 30, 2018	58,932	318,729	377,661
Accumulated depreciation			
October 1, 2017	(2,895)	—	(2,895)
Additions	(5,656)	—	(5,656)
September 30, 2018	(8,551)	—	(8,551)
Net Book Value			
October 1, 2017	8,693	—	8,693
September 30, 2018	50,381	318,729	369,110

[a] In November 2017, the Company acquired land near the Chvaletice Manganese Project area.

6. EPCS Options and Other Assets

EPCS Option

On October 17, 2018, the Company, through its Czech subsidiary Mangan, made the first option payment of 14 million Czech Korunas ($815,000) as stipulated in the EPCS Option Agreement for the purchase of a 100% interest in EPCS dated on 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.

Pursuant to the EPCS Option Agreement, the Company has the right to acquire a 100% interest in EPCS by making two additional instalments aggregating 126 million Czech Koruna (approximately $7.32 million) as follows:

a) an instalment of 42,000,000 Czech Koruna (approximately $2.35 million at September 30, 2019), within 60 days of final approval of the environmental impact assessment ("EIA") for the Chvaletice Manganese Project, but no later than three years after signing the EPCS Option Agreement. The three-year term may be extended under certain circumstances by up to one year; and

b) a final instalment of 84,000,000 Czech Koruna (approximately $4.69 million at September 30, 2019), 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 payment made on October 17, 2018, is a derivative classified as FVTPL due to the following:

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

b) It does not meet any of the scope exceptions from recognition as a derivative under IFRS 9;

c) Control of the Company over EPCS is not present until the third 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.

(expressed in Canadian dollars)

6. EPCS Option and Other Assets (continued)

There was no change in the fair value of the option in the period from the payment to September 30, 2019.

Deposits for Land

On February 7, 2019, the Company signed an amendment to the 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 Option Agreement, the ownership of these land parcels will be transferred to Mangan at no additional cost. As at September 30, 2019, the amount was paid to EPCS. The payment and the related transaction costs of $17,707 were classified as a deposit for land under other non-current assets.

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 Project tailings, on which the Company plans to construct an infrastructure corridor, as well as a visual and acoustic barrier between Trnavka and the Project tailings. The total amount of 2,026,990 Czech Koruna (approximately $120,000) will be paid in four installments, based on the EIA and permitting milestones. The first payment, representing 10% of the total amount, 202,699 Czech Koruna ($11,867) was paid on May 20, 2019.

7. Deferred Consideration

The deferred consideration relates to the Company’s remaining share issuance commitment in connection with the acquisition of its exploration and evaluation assets (Note 4). Movement in the deferred consideration during the year is as follows:

	Year ended September 30,	
	2019	2018
	$	$
Balance, beginning of the year	**515,773**	724,377
Accretion during the year	**60,065**	91,396
Fair value of share consideration issued during the year	**(300,000)**	(300,000)
Balance, end of the year	**275,838**	515,773
Less: current portion	**(275,838)**	(275,236)
	—	240,537

On May 13, 2019, and May 9, 2018, the Company issued a total of 1,428,570 and 1,500,000 shares at $0.21 and $0.20 per share, respectively, as repayments of $300,000 in deferred consideration.

At September 30, 2019, the Company has a commitment to issue common shares for a total value of $300,000 due on May 13, 2020. The number of shares to be issued will be based on the value of the Company’s shares at the time of issuance, which is defined to be the 20-trading day weighted average of the Company’s share price. Pursuant to an amending agreement between the Company and Mangan’s founding shareholders dated June 15, 2018, the terms of the remaining obligations were modified to (i) limit the minimum deemed value of the shares to be issued so as not to be less than $0.05 per share; (ii) provide the Company with an option to settle the obligation in cash rather than shares; and (iii) require the obligation to be settled in cash in the event that the remaining share issuance results in a deemed value of below $0.05 per share.

(expressed in Canadian dollars)

8. Equity

a) Common shares

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

Issued and outstanding shares at September 30, 2019, were as follows:

	Share price	Number of common shares	Share capital
	$		$
Balance at October 1, 2018 [a]		160,509,600	19,972,416
Shares issued pursuant to IPO in Canada			
Initial public offering	0.25	10,000,000	2,500,000
Less: Cash expenses paid			(414,223)
Exercise of broker warrants (Note 8c)	0.11	2,927,265	321,999
		12,927,265	2,407,776
Less: non-cash expenses:			
Issue costs accrued in prior period			245,722
Broker warrants exercised			96,212
Broker warrants issued			(98,890)
			2,650,820
Shares issued for broker fees	0.25	200,000	50,000
Shares issued for deferred consideration (Note 7)	0.21	1,428,570	300,000
Balance at September 30, 2019		**175,065,435**	**22,973,236**

[a] Includes the proceeds from the Australian IPO which was completed on September 28, 2018.

The following is a summary of shares issued during the year ended September 30, 2019:

i) Shares issued for cash and broker fees:

On October 2, 2018, the Company completed its IPO on the TSX-V of 10,000,000 common shares at a price of $0.25 per share, for aggregate gross proceeds of $2,500,000. Fees payable to the Canadian agent included the corporate finance fee; plus 6% of the aggregate gross proceeds of the Canadian IPO in excess of $1,500,000, payable 1% or $10,000 in cash and 5% in fully paid common shares (200,000 shares valued at $50,000), and a warrant entitling the Canadian agent to purchase 400,000 shares at an exercise price of $0.375 per share for a period of 36 months from the date of issue (the "Canadian Agent's Warrant").

ii) Escrowed securities

Upon the listing of the Company's CDIs and common shares on the ASX and TSXV, respectively, certain of its securities became subject to escrow. Specifically, under National Policy 46-201 Escrow for Initial Public Offerings ("NP 46-201"), 29,045,361 common shares and 6,400,000 options became subject to escrow. Under the TSX-V's Seed Sale Resale Restrictions ("SSRR"), 778,575 common shares and 225,000 options became subject to escrow. Under the ASX Listing Rules, 25,522,290 common shares, 9,550,000 options and 8,684,015 warrants became subject to escrow.

(expressed in Canadian dollars)

8. Equity (continued)

In many cases, a particular holder, or particular common share, option or warrant, will be subject to escrow under one or more of NP 46-201, SSRR and ASX Listing Rules. In such cases, the particular security will not be released from escrow until the release schedule for all regimes have been met. Accordingly, as at September 30, 2019, the following securities remain subject to escrow and are scheduled to be released as follows:

	Common shares	**Options**	**Warrants**
October 2, 2019	2,093,631	406,250	
April 2, 2020	1,874,466	406,250	—
September 28, 2020	25,770,569	7,175,000	5,756,750
	29,738,666	**7,987,500**	**5,756,750**

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 stock 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 or, if the Company's shares are not traded on a stock exchange, the share value equal to the Company's most recent arm's length equity financing share price.

Current outstanding options have an expiry date of ten years and vest over a period of 24 months. A continuity summary of the stock options granted and outstanding under the Plan for the year ended September 30, 2019 and 2018 is presented below:

	Year ended			
	September 30, 2019		September 30, 2018	
	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	**12,525,000**	**0.15**	7,250,000	0.10
Options granted during the year	**3,275,000**	**0.27**	5,725,000	0.20
Options exercised during the year	**—**	**—**	(50,000)	0.11
Options expired	**(200,000)**	**0.25**	(149,995)	0.09
Options forfeited	**(100,000)**	**0.25**	(250,005)	0.10
Balance, end of the year	**15,500,000**	**0.17**	12,525,000	0.15

During the year ended September 30, 2019 the Company recorded share-based compensation expense of $747,634 (2018 - $630,863) of which $254,004 has been allocated to project expenses (2018 - $216,043) and $493,630 to administrative expenses (2018 - $414,820).

(expressed in Canadian dollars)

8. Equity (continued)

The balance of options outstanding and exercisable at September 30, 2019, is as follows:

	Options outstanding & exercisable		Options exercisable [a]	
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	1,625,000	6.6	1,625,000	6.6
0.10	1,775,000	7.4	1,775,000	7.4
0.11	4,100,000	8.0	3,866,660	8.0
0.20	3,725,000	8.4	2,483,295	8.4
0.25	1,550,000	9.2	849,999	9.1
0.28	2,725,000	9.4	908,326	9.4
0.17	15,500,000	8.2	11,508,280	8.0

[a] Certain options are subject to escrow (Note 8 a) ii)).

The weighted-average fair value of share options granted in the year ended September 30, 2019, was estimated to be $0.21 per share option.

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 year ended September 30, 2019 and 2018, 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,	
	2019	2018
Risk free rate	**1.74%**	2.20%
Expected life (years)	**9.0**	9.0
Annualized volatility	**90%**	67%
Dividend rate	**—%**	—%
Forfeiture rate	**—%**	—%
Option exercise price	**$0.27**	$0.19
Grant date fair value	**$0.21**	$0.14

(expressed in Canadian dollars)

8. Equity (continued)

c) Warrants

	September 30, 2019		September 30, 2018	
	Number of warrants	**Weighted-average exercise price**	Number of warrants	Weighted-average exercise price
		$		$
Outstanding, beginning of the year	5,784,015	0.20	2,927,265	0.11
Issued	2,900,000	0.38	2,856,750	0.30
Exercised	(2,927,265)	0.11	—	—
Expired	—	—	—	—
Outstanding, end of the year	5,756,750	0.34	5,784,015	0.20

As at September 30, 2019, the following warrants were outstanding:

Expiry date	**Weighted average exercise price**	**Number of warrants**	**Weighted average remaining contractual life (years)**
February 28, 2021	0.30	2,856,750	1.4
October 1, 2021	0.38	2,900,000	2.0
	0.34	5,756,750	1.7

On October 2, 2018, in connection with the IPO in Australia and Canada, the Company issued warrants entitling the Australian and Canadian agents to purchase 2,500,000 and 400,000 common shares, respectively, at $0.375 per share. Based on Black-Scholes pricing model using a risk-free rate of 2.19%, 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 $0.25, these warrants were assigned an estimated total value of $354,466.

On June 14, 2019 and July 25, 2019, Cannaccord Genuity Corp. exercised 2,335,145 and 592,120 warrants, respectively, which were issued between June 16, 2017 and August 18, 2017, for their services as an agent in a private offering, and purchased in total 2,927,265 common shares at $0.11 per share. These common shares remain subject to escrow until September 28, 2020.

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 and 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 of directors and the Chief Executive Officer, Chief Financial Officer, the Managing Director of the Company's Czech subsidiary, Vice President, Corporate Development and Corporate Secretary and the Vice President, Project Development.

(expressed in Canadian dollars)

9. Related Party Transactions (continued)

During the year ended September 30, 2019, and 2018, the Company incurred the following expenses to officers or directors of the Company or companies with common directors:

	Year ended September 30,	
	2019	2018
	$	$
Salaries and consulting fees payable to directors and officers	**1,512,566**	1,269,954
Directors and officers' stock-based compensation	**475,038**	406,158
	1,987,604	1,676,112

b) Related party transactions during the year

A Company's director is associated with PRK Partners s.r.o. ("PRK"), a legal firm based in the Czech Republic. During the year ended September 30, 2019, PRK's legal fees charged to the Company totaled $226,935 (2018 - $468,540).

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

	September 30,	
	2019	2018
	$	$
Salaries and consulting fees from directors and officers	**71,414**	64,895
Fees provided by a legal firm associated with a director	**48,329**	237,246
Outstanding payable due to directors and officers	**50,875**	18,498
	170,618	320,639

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, accounts receivable, accounts payable and due to related parties approximate carrying values, which are the amounts recorded on the consolidated statement of financial position due to their short-term nature.

The first option payment pursuant to the EPCS Option Agreement (Note 6) is 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. No factors affecting the fair value of the EPCS Option in the time from the initial recognition to the period end were identified.

10. Fair Value Measurement of Financial Instruments (continued)

There were no transfers between the levels of the fair value hierarchy in the year ended September 30, 2019.

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

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, 2019 and 2018, the Company's maximum exposure to credit risk was its cash balance of $4,084,694 and $10,368,002, 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, 2019, the maturity of accounts payable and due to related parties balances is under one year.

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.

<u>Foreign currency risk</u>

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.

<u>Price risk</u>

The Company is exposed to price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of resources, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

(expressed in Canadian dollars)

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 and equipment are in the Czech Republic.

13. Commitments

The following is a maturity profile of financial liabilities and operating and capital commitments presenting undiscounted cash flows at September 30, 2019:

		Payments due by period			
	Total	Less than one year	1 - 2 years	2 - 3 years	After 3 years
	$	$	$	$	$
Minimum office lease payments (1)	161,820	106,646	52,208	2,373	593
Operating expenditure commitments (2)	503,743	503,743	—	—	—
Total contractual obligations	665,563	610,389	52,208	2,373	593

(1) The Company has three non-cancellable operating office leases expiring within two to four years.
(2) Operating expenditure commitments relate mostly to the exploration and evaluation work on the Chvaletice Manganese Project.

In the year ended September 30, 2019, the Company paid $117,472 for office operating leases (2018 : $68,482).

Other commitments include:

a) The Company's obligation to issue common shares in satisfaction of the remaining deferred consideration relating to Mangan's Acquisition (Note 7).

b) 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, in one case, a severance equivalent of one year's salary. Further, upon a change of control, as defined in their employment agreements, certain executives are entitled to lump sum payments of between eighteen and twenty-four months of their base salaries. Total maximum commitment upon change of control would amount to $1.9 million.

   Following termination without cause, certain executive officers are also entitled to up to 12-month written notice of termination, a severance equivalent up to one-year salary or, two-year salary if the officer's employment is terminated or unilaterally changed within six months of a Company's change of control.

c) In connection with the acquisition of Mangan, the Chvaletice Manganese Project is subject to a 1.2% net smelter royalty interest. Mangan has a right of first refusal on the sale of all or a part of the royalties held by Mangan's founding shareholders and has 90 calendar days to match any bona fide and binding offer accepted by any of the royalty holders.

(expressed in Canadian dollars)

14. 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 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.

15. Income Taxes

A reconciliation of the income tax recoveries at the statutory tax rate of 27% (2018 - 27%) is as follows:

	September 30,	
	2019	2018
	$	$
Loss for the year	**(8,317,405)**	(6,534,075)
Expected income tax recovery	**(2,245,699)**	(1,764,200)
Non-deductible expenses and other	**204,150**	201,735
Effect of foreign tax rates and tax rate changes	**603,011**	568,908
Effect of deductible temporary difference not recognized	**1,438,538**	993,557
Income tax recovery	**—**	—

(expressed in Canadian dollars)

15. 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,	
	2019	2018
	$	$
Equipment	**18,526**	13,542
Exploration and evaluation assets	**1,840,739**	1,139,862
Tax operating losses	**8,345,200**	3,283,500
	10,204,465	4,436,904
Unrecognized deferred income tax assets	**(10,204,465)**	(4,436,904)
Deferred income tax assets	**—**	—

At September 30, 2019, 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 2039.

At September 30, 2019	**$**
Canada	5,430,500
Czech Republic	2,914,700
Tax operating losses	**8,345,200**