RECYCLICO BATTERY MATERIALS INC.

(Formerly American Manganese Inc.)

Consolidated Interim Financial Statements

Period ended January 31, 2023

(Unaudited - expressed in Canadian dollars)

NOTICE OF NO AUDITOR REVIEW OF
CONSOLIDATED INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 Part 4, subsections 4.3(3)(a), if an auditor has not performed a review of these consolidated interim financial statements, they must be accompanied by a notice indicating that these condensed consolidated interim financial statements have not been reviewed by an auditor.

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

RECYCLICO BATTERY MATERIALS INC.

(formerly American Manganese Inc.)
Consolidated Interim Statements of Financial Position
As at January 31, 2023 and July 31, 2022
(Expressed in Canadian dollars unless specifically indicated otherwise)

		January 31, 2023		July 31, 2022
Assets				
Current				
Cash (Note 4)	$	**21,135,946**	$	21,294,768
Restricted cash equivalents (Note 4)		**23,000**		23,000
Amounts receivable (Note 5)		**79,819**		204,805
Prepaid expenses and advances		**69,614**		98,085
		21,308,379		21,620,658
Non-current				
Reclamation deposits		**18,700**		18,700
Property, plant and equipment (Note 7)		**549,984**		-
Exploration and evaluation assets (Note 7)		**662,078**		647,194
Total assets	$	**22,539,141**	$	22,286,552
Liabilities				
Current				
Accounts payable and accrued liabilities (Note 5)	$	**209,446**	$	198,452
Equity				
Share capital (Note 8)		**54,278,062**		52,349,250
Share-based payments reserve (Note 8)		**23,057,270**		22,757,174
Warrants reserve (Note 8)		**11,845,895**		12,173,758
Deficit		**(66,851,532)**		(65,192,082)
Total equity		**22,329,695**		22,088,100
Total liabilities and equity	$	**22,539,141**	$	22,286,552

Nature and Continuance of Operations (Note 1)
Subsequent events (Note 14)

Approved on behalf of the Board of Directors and authorized for issue on April 3, 2023

Zarko Meseldzija Director *Paul Hildebrand* Director

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

RECYCLICO BATTERY MATERIALS INC.

(formerly American Manganese Inc.)
Consolidated Interim Statements of Comprehensive Loss
For the three and six-month period ended January 31, 2023, and 2022
(Expressed in Canadian dollars unless specifically indicated otherwise)

	Six months ended January 31		Three months ended January 31	
	2023	**2022**	**2023**	**2022**
Expenses				
Administration (Note 9)	$ 2,182,545	$ 8,524,119	$ 1,206,127	$ 4,181,838
Loss from operations	**(2,182,545)**	**(8,524,119)**	**(1,206,127)**	**(4,181,838)**
Finance income	437,037	15,648	351,949	15,599
Foreign exchange gain (loss)	24,786	31,776	(9,315)	28,033
Government grants received	61,272	204,803	55,557	38,884
Net loss and comprehensive loss for the period	**(1,659,450)**	**(8,271,892)**	**(807,936)**	**(4,099,322)**
Basic and diluted loss per share	**$ (0.007)**	**$ (0.035)**	**$ (0.003)**	**$ (0.017)**
Weighted average shares outstanding (basic and diluted)	**251,037,381**	**233,500,182**	**253,037,381**	**233,500,182**

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

RECYCLICO BATTERY MATERIALS INC.

(formerly American Manganese Inc.)
Consolidated Interim Statements of Changes in Equity
For the six-month period ended January 31, 2023, and 2022
(Expressed in Canadian dollars unless specifically indicated otherwise)

	Number of shares (Note 8)		Share capital (Note 8)		Share-based payments reserve (Note 8)		Warrants reserve (Note 8)		Deficit (Note 9)		Total equity
Balance, July 31, 2021	**217,918,443**	**$**	**39,202,150**	**$**	**17,153,390**	**$**	**4,422,363**	**$**	**(53,879,482)**	**$**	**6,898,421**
Share-based payments	-		-		5,949,790		-		-		5,949,790
Issued pursuant to private placements	20,000,000		20,000,000		-		-		-		20,000,000
Cost of share issuance	-		(1,972,819)		-		128,968		-		(1,843,851)
Warrants issued with private placement	-		(1,039,026)		-		1,039,026		-		-
Issued pursuant to options exercised	3,135,300		1,156,692		(557,685)		-		-		599,007
Issued pursuant to warrants exercised	3,840,287		1,312,434		-		(443,759)		-		868,675
Net loss for the period	-		-		-		-		(8,271,892)		(8,271,892)
Balance, January 31, 2022	**244,894,030**	**$**	**58,659,431**	**$**	**22,545,495**	**$**	**5,146,598**	**$**	**(62,151,374)**	**$**	**24,200,150**
Share-based payments					**241,594**						**241,594**
Issued pursuant to private placements											**-**
Cost of share issuance			**(679,328)**				**679,328**				**-**
Warrants issued with private placement			**(6,350,711)**				**6,350,711**				**-**
Issued pursuant to options exercised	**210,000**		**81,515**		**(29,915)**						**51,600**
Issued pursuant to warrants exercised	**3,142,317**		**638,343**				**(2,879)**				**635,464**
Net loss for the period									**(3,040,708)**		**(3,040,708)**
Balance, July 31, 2022	**248,246,347**	**$**	**52,349,250**	**$**	**22,757,174**	**$**	**12,173,758**	**$**	**(65,192,082)**	**$**	**22,088,100**
Share-based payments	-		-		331,420		-		-		331,420
Issued pursuant to private placements	-		-		-		-		-		-
Cost of share issuance	-		-		-		-		-		-
Warrants issued with private placement	-		-		-		-		-		-
Issued pursuant to options exercised	150,000		67,324		(31,324)		-		-		36,000
Issued pursuant to warrants exercised	5,112,080		1,861,488		-		(327,863)		-		1,533,625
Net loss for the period	-		-		-		-		(1,659,450)		(1,659,450)
Balance January 31, 2023	**253,508,427**	**$**	**54,278,062**	**$**	**23,057,270**	**$**	**11,845,895**	**$**	**(66,851,532)**	**$**	**22,329,695**

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

RECYCLICO BATTERY MATERIALS INC.

Consolidated Interim Statements of Cash Flows
For the six-month period ended January 31, 2023, and 2022
(Expressed in Canadian dollars unless specifically indicated otherwise)

	2023	2022
Cash flows from (used in) operating activities		
Net loss for the period	$ (1,659,450)	$ (8,271,892)
Add items not affecting cash		
Share-based payments	331,420	5,949,790
Net changes in non-cash working capital items related to operations:		
Amounts receivable	124,986	8,054
Due from related parties	-	-
Prepaid expenses	28,472	(32,863)
Project advances	-	745,000
Accounts payable and accrued liabilities	10,995	(511,828)
Net cash used in operating activities	(1,163,578)	(2,113,739)
Cash flows used in investing activities		
Reclamation deposits, net	-	(4,700)
Property, plant and equipment	(549,984)	
Exploration and evaluation expenditures	(14,884)	(102,770)
Net cash used in investing activities	(564,868)	(107,470)
Cash flows from financing activities		
Net proceeds from issuance of shares	1,569,624	19,623,830
Net cash from financing activities	1,569,624	19,623,830
Increase in cash and cash equivalents	(158,822)	17,402,621
Cash and cash equivalents, beginning of period	21,317,768	5,928,644
Cash and cash equivalents, end of period	$ 21,158,946	$ 23,331,265

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

(Expressed in Canadian dollars unless specifically indicated otherwise)

1. Nature and Continuance of Operations

RecycLiCo Battery Materials Inc (formerly American Manganese Inc.) (the "Company") was incorporated under the laws of British Columbia on July 8, 1987, and is a publicly-traded company with its shares listed on the TSX Venture Exchange trading under the symbol "AMY". The Company is principally engaged in research and development of recycling battery cathode waste in lithium-ion batteries and the acquisition, exploration and development of interests in mineral resource projects in British Columbia, Canada and Arizona, USA. To date, the Company has not generated any revenues and is considered to be in the exploration stage.

The address of the Company's corporate office and principal place of business is Unit 2 – 17942 55th Avenue, Surrey, British Columbia, Canada, V3S 6C8.

These consolidated interim financial statements comprise the financial statements of the Company and its wholly-owned subsidiary, Rocher Manganese Inc. ("RMI"), incorporated in the state of Arizona, USA.

The business of exploring and developing mineral resource properties involves a high degree of risk, and there can be no assurance that planned exploration and development programs will result in profitable mining operations. The recoverability of amounts shown for capitalized exploration and development costs is dependent on the ability of the Company to obtain necessary financing to complete the development and future profitable production or, alternatively, upon disposition of such properties at a profit. Changes in future conditions could require material write-downs of the carrying values of exploration and evaluation interests.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and may be affected by undetected defects.

Management estimates that the Company will have adequate funds to meet its current corporate, administrative and other obligations for the forthcoming 12-month period. The Company has financed its exploration and research and development activities and operations through equity issuances and expects to continue to do so to the extent such instruments are issuable under terms acceptable to the Company and until such time as its operations provide positive cash flows. However, while, the Company has been successful in raising financing in the past, there is no guarantee that it will be able to do so in the future.

As of January 31, 2023, and July 31, 2022, the Company reported the following:

		January 31, 2023		**July 31, 2022**
Comprehensive loss for the year	$	(1,659,450)	$	(11,312,600)
Deficit	$	(66,851,532)	$	(65,192,082)
Working capital	$	21,098,933	$	21,422,206

These factors indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue operating as a going concern. If the going concern assumption is not appropriate for these financial statements, then potentially material adjustments may be necessary to the

1. Nature and Continuance of Operations (continued)

carrying values of assets and liabilities, the reported expenses and the statement of financial position classifications used.

2. Basis of Presentation

a) Statement of compliance

These consolidated interim financial statements were authorized for issue by the Board of Directors on April 3, 2023 and have been prepared in accordance with and in full compliance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

These consolidated interim financial statements are stated in Canadian dollars and were prepared under the historical cost convention, except for share-based payment transactions (Note 8(e)).

b) Functional and presentation currency

These consolidated interim financial statements are presented in Canadian dollars, which is the parent Company's functional currency, and the currency of the primary economic environment in which the entity operates (the "functional currency"). Prior to July 31, 2020, the functional currency of the Company's subsidiary, RMI, was the United States dollar ("USD"). The accounts of the subsidiary are translated to the Canadian dollar for reporting purposes.

Effective July 31, 2020, the Company has assessed the current functional currency of RMI to be the Canadian dollar. Accordingly, the Company now recognizes in current income its foreign exchange translation gains and losses.

Refer also to Note 3(b).

c) Critical accounting estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities and contingent liabilities as at the date of the consolidated financial statements, and the reported amount of revenues and expenses during the reporting period. Estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Key sources of estimation uncertainty

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the consolidated financial statements are as follows:

2. Basis of Presentation (continued)

c) Critical accounting estimates and judgments (continued)

(i) Measurement and recoverability of the carrying value of exploration and evaluation assets

The Company makes certain estimates and assumptions regarding the recoverability of the carrying values of exploration and evaluation assets. These assumptions are changed when conditions exist that indicate the carrying value may be impaired, at which time an impairment loss is recorded.

Management is required to review the carrying value of its exploration and evaluation assets for potential impairment.

Evaluating the recoverability during the exploration and evaluation phase requires judgments in determining whether future economic benefits from future exploitation, sale or otherwise are likely. Evaluation may be more complex where activities have not yet reached a stage which permits a reasonable assessment of the existence of reserves or resources.

As such, it requires management to make certain estimates and assumptions about future events or circumstances including, but not limited to, the interpretation of geological, geophysical and seismic data, the Company's financial ability to continue exploration and evaluation activities and the impact of the current and future mining processes for potential reserves.

The determination of historical costs applicable to the carrying value of residual exploration property interests, subsequent to their partial impairment or abandonment, is subject to significant estimation uncertainty.

Critical judgments in applying accounting policies

Significant judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are as follows:

(i) Going Concern

The assessment of the Company's ability to execute its strategy by funding future working capital requirements requires judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, such as expectations of future events that are believed to be reasonable under the circumstances (see Note 1).

2. Basis of Presentation (continued)

c) Critical accounting estimates and judgments (continued)

(ii) Economic recoverability and probability of future economic benefits of exploration, evaluation and development costs

Management has determined that exploratory drilling, evaluation, development and related costs incurred which have been capitalized are not known to be currently impaired. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefit including geologic information, scoping and feasibility studies, accessible facilities, existing permits and life of mine plans.

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently, to all periods presented in these consolidated financial statements and have been applied consistently by the Company and its subsidiary.

a) Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned and controlled subsidiary as described in Note 1. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of the subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases. All inter-company transactions and balances have been eliminated upon consolidation.

b) Foreign currency

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities not denominated in the functional currency of an entity are recognized in the consolidated statements of comprehensive loss.

c) Cash and cash equivalents

Cash and cash equivalents include short-term investments that are readily convertible into cash with original maturities of three months or less.

3. Significant Accounting Policies (continued)

d) Reclamation deposits

The Company maintains cash deposits, as required by regulatory bodies, as assurance for the funding of decommissioning costs. These funds are restricted to that purpose and are not available to the Company until the reclamation obligations have been fulfilled, and are therefore classified as long-term assets.

e) Research and development

Expenditures on research activities undertaken to develop a hydrometallurgical process to extract and recover high purity manganese from lower grade domestic resources within North American are expensed as incurred. Development expenditures, including all costs incurred to apply for and receive patents, are expensed in the period incurred unless the technology or project meets certain strict accounting criteria for deferral and amortization. No development expenditures have met the criteria for deferral to date.

f) Government assistance

The Company is in receipt of funding from the National Research Council of Canadian Industrial Research Assistance Program (“NRC-IRAP”) to continue the research and development of its hydrometallurgical process and from the US Defense Logistics Agency ("DLA") for research, assessment and evaluation of the Company's patented electrolytic manganese recovery process. Funds received under the NRC-IRAP program and from the DLA are recognized as government grant income in the consolidated statements of comprehensive loss.

The Company is eligible for a refundable tax credit related to eligible exploration expenditures conducted in certain regions of British Columbia. The refundable mining exploration tax credits are recorded as government assistance against exploration and evaluation assets at fair value when there is reasonable assurance that they will be received.

g) Exploration and evaluation assets

General exploration and evaluation expenditures incurred prior to acquiring the legal right to explore are charged to the consolidated statements of comprehensive loss as incurred.

The Company’s exploration and evaluation assets relate to mineral rights acquired and exploration and evaluation expenditures capitalized in respect of projects that are at the exploration/pre-development stage, which are incurred subsequent to the acquisition of the legal right to explore.

No amortization charge is recognized in respect of exploration and evaluation assets. These assets are transferred to mine development when they are determined to meet certain technical feasibility and commercial viability thresholds as determined by management.

3. Significant Accounting Policies (continued)

g) Exploration and evaluation assets (continued)

Exploration and evaluation expenditures in the relevant area of interest comprise costs which are directly attributable to:

- Drilling and related costs;
- Professional / technical fees;
- Surveying, geological and geotechnical;
- Land maintenance;
- Sampling and storage; and
- Mineral claims and permits.

Exploration and evaluation expenditures related to an area of interest where the Company has tenure are initially capitalized as incurred and are recorded at cost less impairment.

Exploration and evaluation expenditures also include the costs incurred in acquiring mineral rights, the entry premiums paid to gain access to areas of interest and amounts payable to third parties to acquire interests in existing projects. Capitalized costs, including general and administrative costs, are only allocated to the extent that those costs can be related directly to operations activities in the relevant area of interest.

All capitalized exploration and evaluation expenditures are assessed during each financial reporting period for impairment if facts and circumstances indicate that impairment may exist under IFRS 6 or IAS 36. In circumstances where a property is abandoned, the cumulative capitalized costs relating to that property are written off in the period.

h) Impairment of non-financial assets

Non-financial assets are evaluated at the end of each reporting period by management for indicators that carrying value is impaired and may not be recoverable. When indicators of impairment are present, the recoverable amount of an asset is evaluated at the level of a cash generating unit (“CGU”), the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets, where the recoverable amount of the CGU is the greater of the CGU’s fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments to the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized immediately in the statements of comprehensive loss.

3. Significant Accounting Policies (continued)

h) Impairment of non-financial assets (continued)

Where an impairment loss subsequently reverses for assets with a finite useful life, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior years. A reversal of an impairment loss is recognized immediately in the statements of comprehensive loss.

i) Income taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in the consolidated statements of comprehensive loss except to the extent it relates to items recognized in other comprehensive income or directly in equity.

Current tax

Current tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax

Deferred taxes are the taxes expected to be payable or recoverable on the difference between the carrying amounts of assets in the statement of financial position and their corresponding tax bases used in the computation of taxable profit, and are accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences between the carrying amounts of assets and their corresponding tax bases. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities:

- are generally recognized for all taxable temporary differences;
- are recognized for taxable temporary differences arising on investments in subsidiaries except where the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future; and
- are not recognized on temporary differences that arise from goodwill which is not deductible for tax purposes.

3. Significant Accounting Policies (continued)

i) Income taxes (continued)

Deferred tax assets:

- are recognized to the extent it is probable that taxable profits will be available against which the deductible temporary differences can be utilized; and
- are reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of an asset to be recovered.

Flow-through shares are accounted for as compound instruments comprising liability and equity components upon issuance, with any premium received that can be reasonably determined being attributed to the tax benefit provided and considered a liability. Upon qualifying expenditures being incurred, this liability is reversed and recognized in income, and any deferred tax liability in respect to the amounts renounced to investors is recorded. Costs related to the liability component are also charged to profit or loss.

The Company estimates the value of the liability component using the residual method, whereby the quoted price of the Company's non-flow-through shares issued is compared to the price investors paid for the flow-through shares and any difference forms the premium amount.

j) Loss per share

Basic loss per share is calculated by dividing profit or loss attributable to ordinary equity holders (numerator) by the weighted average number of ordinary shares outstanding (denominator) during the period. The denominator is calculated by adjusting the shares issued at the beginning of the period by the change in the number of shares issued during the period, multiplied by a time-weighting factor.

Diluted loss per share would be calculated by adjusting the earnings and number of shares for the effects of dilutive options and other dilutive potential units. The effects of anti-dilutive potential units are ignored in calculating loss per share. All options and warrants are considered anti-dilutive when the Company is in a loss position.

k) Segmented reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' operating results are reviewed regularly by the Company's President and CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The Company manages its business on the basis of one reportable segment under two geographic regions, being Canada and the United States ("USA"). Refer to Note 12.

3. Significant Accounting Policies (continued)

l) Share-based payments

The Company has an equity settled share purchase stock option plan that is described in Note 8. Share-based payments to employees are measured at the fair value of the instruments issued at the grant date using the Black-Scholes pricing model, and are expensed over the vesting period, which is the period over which all of the specific vesting conditions are satisfied. For awards with graded vesting, the fair value of each tranche is recognized over its respective vesting period.

Share-based payments to non-employees are measured at the fair value of goods or services received, or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The offset to the recorded cost is to share-based payments reserve. Consideration received on the exercise of stock options is recorded as share capital and the related share-based payments reserve is transferred to share capital.

The fair values of share-based payments are determined using an estimated forfeiture rate. Compensation ultimately recognized is revised in subsequent periods to reflect final grant amounts.

m) Decommissioning liabilities

The Company records a liability for the reclamation of its exploration and evaluation interests based on the best estimate of costs for site closure and reclamation activities that the Company is legally or constructively required to remediate, and the liability is recognized at the time the environmental disturbance occurs. The resulting costs are capitalized to the corresponding asset. The fair value of the provision for closure and reclamation liabilities is estimated using expected cash flows, based on engineering and environmental reports prepared by third party industry specialists, discounted at a pre-tax rate specific to the liability. The capitalized amount is amortized on the same basis as the related asset. The liability is adjusted for accretion of the discounted obligation and any changes in the amount or timing of the underlying future cash flows. Significant judgments and estimates are involved in forming expectations of the amount and timing of future site closure and reclamation cash flows. Future restoration costs are reviewed annually.

n) Share capital

The Company records proceeds from share issuances net of issuance costs. Proceeds from unit placements are allocated between shares and warrants according to their relative fair values. See Note 3(q). Shares issued for consideration other than cash are valued at the quoted price on the date the agreement to issue the shares was reached.

o) Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of a financial instrument. On initial recognition, financial assets are classified and measured at amortized cost, fair value through profit or loss ("FVTPL") or fair value through other comprehensive income ("FVOCI"). A financial asset is measured at amortized cost if it meets both of the following conditions and is

3. Significant Accounting Policies (continued)

o) Financial instruments (continued)

not designated as at FVTPL: (i) it is held within a business model whose objective is to holds assets to collect contractual cash flows, and (ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL: (i) it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and (ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities classified as FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities classified as FVTPL are recognized immediately in the statement of loss and comprehensive loss.

The Company’s financial instruments are classified and subsequently measured as follows:

Account	Classification
Cash and cash equivalents	Amortized cost
Amounts receivable (excluding sales tax receivable)	Amortized cost
Reclamation deposits	Amortized cost
Accounts payable and accrued liabilities	Amortized cost

Impairment

The Company recognizes an allowance using the Expected Credit Loss (“ECL”) model on financial assets classified as amortized cost. The Company has elected to use the simplified approach for measuring ECL by using a lifetime expected loss allowance for all amounts recoverable. Under this model, impairment provisions are based on credit risk characteristics and days past due. When there is no reasonable expectation of collection, financial assets classified as amortized cost are written off. Indications of credit risk arise based on failure to pay and other factors. Should objective events occur after an impairment loss is recognized, a reversal of impairment is recognized in the statement of loss and comprehensive loss.

(Expressed in Canadian dollars unless specifically indicated otherwise)

3. Significant Accounting Policies (continued)

p) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost in the statement of comprehensive loss.

q) Share purchase warrants

The Company has adopted the Black Scholes Valuation model with respect to the measurement of warrants issued as private placement units. Proceeds from unit placements are allocated between shares and warrants issued according to their relative fair values. The fair value attributed to the warrants is credited to warrants reserve. When warrants are exercised, the value is transferred from warrants reserve to share capital. If the warrants expire unexercised, the related amount remains in warrants reserve.

4. Cash and Cash Equivalents

Cash and cash equivalents are comprised of cash at banks and on hand. Cash at banks earn interest at floating rates based on daily bank deposit rates.

The Company has $23,000 invested in a guaranteed investment certificate, held as collateral for a Company credit card and classified as a restricted cash equivalent.

5. Amounts Receivable and Accounts Payable and Accrued Liabilities

Amounts receivable are all current and include the following:

		January 31, 2023		July 31,2022
Government grants receivable	**$**	**-**	$	-
GST receivable		**79,819**		204,805
	$	**79,819**	$	204,805

Accounts payable and accrued liabilities include the following:

		January 31, 2023		July 31, 2022
Trade payables	**$**	**198,033**	$	183,856
Payroll amounts		**11,413**		14,596
	$	**209,446**	$	198,452

(Expressed in Canadian dollars unless specifically indicated otherwise)

6. Related Party Transactions

a) Investment in subsidiaries

The wholly-owned subsidiary of the Company has been incorporated in the USA and is included in these consolidated financial statements as disclosed in Note 1.

b) Compensation of key management personnel

Total compensation expense for key management personnel and the composition thereof, is as follows:

		January 31, 2023		July 31, 2022
Short-term benefits	**$**	**215,000**	$	588,109
Share-based payments		**116,620**		2,856,279
	$	**331,620**	$	3,444,388

RECYCLICO BATTERY MATERIALS INC.

Notes to the Consolidated Interim Financial Statements
For the three and six-month period ended January 31, 2023.
(Expressed in Canadian dollars unless specifically indicated otherwise)

7. Exploration and Evaluation Assets

Rocher Deboule Property British Columbia		Balance July 31, 2021		Expenditures		Balance July 31, 2022		Expenditures		Balance Januay 31, 2023
Acquisition and staking	$	164,898	$	446	$	165,344	$	0	$	165,344
Assays & analysis		73,767		8,432		82,199		(0)		82,199
Camp & supplies		59,504		-		59,504		4,750		64,254
Drilling		146,826		124,000		270,826		0		270,826
Geological and geophysical		677,559		33,284		710,843		(0)		710,843
Travel and accommodation		34,355		10,500		44,855		0		44,855
Freight and transport		133,108		25,020		158,128		10,134		168,262
Mineral property option		(24,500)		-		(24,500)		-		(24,500)
BC Mining Exploration Tax Credit		(288,007)		-		(288,007)		(0)		(288,007)
Impairment		(532,000)		-		(532,000)		-		(532,000)
	$	445,510	$	201,682	$	647,192	$	14,884	$	662,076
Lonnie Property British Columbia										
Acquisition and staking	$	54,121	$	-	$	54,121	$	-	$	54,121
Assays & analysis		4,528		-		4,528		-		4,528
Drilling		60,073		-		60,073		-		60,073
Geological and geophysical		82,025		-		82,025		-		82,025
Travel and accommodation		186		-		186		-		186
Mineral property option		(56,000)		-		(56,000)		-		(56,000)
BC Mining Exploration Tax Credit		(28,480)		-		(28,480)		-		(28,480)
Impairment		-		-		(116,452)		-		(116,452)
	$	116,453	$	-	$	1	$	-	$	1
Artillery Peak Property Arizona										
Acquisition and staking	$	3,226,449	$	-	$	3,226,449	$	-	$	3,226,449
Assays & analysis		417,870		-		417,870		-		417,870
Drilling		3,125,410		-		3,125,410		-		3,125,410
Equipment and rentals		11,860		-		11,860		-		11,860
Geological and geophysical		4,851,642		-		4,851,642		-		4,851,642
Travel and accommodation		231,495		-		231,495		-		231,495
Property maintenance		40,781		-		40,781		-		40,781
Other fieldwork		4,694		-		4,694		-		4,694
Impairment		(11,910,200)		-		(11,910,200)		-		(11,910,200)
	$	1	$	-	$	1	$	-	$	1
Total	**$**	**561,964**	**$**	**201,682**	**$**	**647,194**	**$**	**14,884**	**$**	**662,078**

a) Rocher Deboule Property, British Columbia

The Rocher Deboule property consists of mineral claims covering approximately 1,441 hectares near New Hazelton, British Columbia. The Company initially acquired four staked claims consisting of 1,325 hectares in May 2011, and expanded the area of the property through additional staking. The Company owns a 100% interest in the Rocher Deboule property.

(Expressed in Canadian dollars unless specifically indicated otherwise)

7. Exploration and Evaluation Assets (continued)

b) Lonnie Property, British Columbia

The Lonnie property is a niobium exploration property which covers approximately 674 hectares in the Omineca mining division of British Columbia. The Company staked mineral claims covering an area of approximately 1,788 hectares at a cost of $10,000 and 100,000 shares of the Company. The Company owns a 100% interest in the property.

During the year ended July 31, 2022, management determined the carrying value of the property was impaired and wrote the carrying value of the property down to $1.

c) Artillery Peak Project, Arizona, USA

The Artillery Peak project includes 30 unpatented mineral claims covering approximately 600 acres and 13 patented surface estates, and is prospective for manganese.

During the year ended July 31, 2015 the Company decided to suspend conventional exploration on the Artillery Peak Property and wrote off a total of $5,977,294 in deferred costs. The residual balance was based on an estimate of the cumulative hydrometallurgical and related exploration costs incurred in connection with the patented technologies which have since been further developed by the Company.

These technologies are related in part to the recovery of manganese and accordingly, in the view of management, provided the potential to positively impact the future exploration and development of the Artillery Peak project. Current costs specifically related to the research and development process in respect to these technologies are being expensed as incurred as disclosed at Note 9.

Pursuant to a purchase agreement dated May 31, 2007, the Company purchased 90 unpatented lode claims (of which it currently retains 13) from Primus Resources, L.C. for $96,000 USD and 1,000,000 common shares of the Company. The purchase agreement also provides for a 2% NSR royalty in favour of the vendors. The Company has the right to repurchase 1% of the NSR for $2,000,000 USD.

At July 31, 2019, the Company elected to write off the balance of the remaining costs down to a nominal amount on the basis that there had been an extended period of limited direct exploration activity.

Property, plant and Equipment

RecycLiCo Demostration Plant		**Balance July 31, 2022**		**Additions**		**Disposal**		**Balance Januay 31, 2023**
Demonstration Plant A	$	-	$	549,984	$	-	$	549,984
Total	$	-	$	549,984	$	-	$	549,984

d) Property, plant and equipment additions for the period ended January 31, 2023, includes $549,984. The equipment's capitalized are integral scaled up commercial equipment's for RecycLiCo Demonstration plant.

8. Share Capital, Share-Based Payments and Reserves

a) Authorized capital

The authorized share capital consists of an unlimited number of common voting shares without nominal or par value.

b) Issued shares

During the period ended January 31, 2023, 150,000 share purchase options with exercise prices $0.24 per option for proceeds of $36,000. These options were originally valued at $31,324 using the Black Scholes Valuation Model and the value of these options was reclassified from the share-based payments reserve to share capital upon exercise.

During the period ended January 31, 2023, 5,112,080 share purchase warrants with exercise price of $0.30 per warrant were exercised for proceeds of $1,533,625. These warrants were originally valued at $327,863 using the Black Scholes Valuation Model and the value of these warrants was reclassified from the warrants reserve to share capital upon exercise.

On October 4, 2021, the Company closed a brokered private placement, issuing 20,000,000 non-flow-through units at $1.00 per unit for gross proceeds of $20,000,000. Each unit consists of one common share in the capital of the Company and one share purchase warrant entitling the holder to purchase one non-flow-through common share at a price of $1.25 per share during the three years following the warrant's date of issuance. The warrants attached to this issuance were valued at $7,389,737 using the Black Scholes Valuation Model, with this value allocated to the warrants reserve. The Company paid $1,843,851 in cash share issue costs and issued 1,400,000 broker warrants exercisable at a price of $1.00 per share for three years pursuant to this issuance. The broker warrants were valued at $808,296 using the Black Scholes Valuation Model, with this value allocated to the warrants reserve.

During the year ended July 31, 2022, 3,345,300 share purchase options with exercise prices ranging from $0.15 to $0.24 per option were exercised for proceeds of $650,607. These options were originally valued at $587,600 using the Black Scholes Valuation Model and the value of these options was reclassified from the share-based payments reserve to share capital upon exercise.

During the year ended July 31, 2022, 6,982,604 share purchase warrants with exercise prices ranging from $0.20 to $0.30 per warrant were exercised for proceeds of $1,504,139. These warrants were originally valued at $446,638 using the Black Scholes Valuation Model and the value of these warrants was reclassified from the warrants reserve to share capital upon exercise.

On October 2, 2020, the Company closed the first tranche of a non-brokered private placement, issuing 3,784,252 non-flow-through units at $0.20 per unit for gross proceeds of $756,850. Each unit consists of one common share in the capital of the Company and one share purchase warrant entitling the holder to purchase one non-flow-through common share at a price of $0.30 per share during the two years following the warrant's date of issuance. The warrants attached to this issuance were valued at $192,418 using the

Black Scholes Valuation Model, with this value allocated to the warrants reserve. The Company paid $35,683 in cash share issue costs pursuant to this issuance.

On October 30, 2020, the Company closed the second tranche of a non-brokered private placement, issuing 2,861,668 non-flow-through units at $0.20 per unit for gross proceeds of $572,334. Each unit consists of one common share in the capital of the Company and one share purchase warrant entitling the holder to purchase one non-flow-through common share at a price of $0.30 per share during the two years following the warrant's date of issuance. The warrants attached to this issuance were valued at $144,081 using the Black Scholes Valuation Model, with this value allocated to the warrants reserve. The Company paid $7,600 in cash share issue costs pursuant to this issuance.

8. Share Capital, Share-Based Payments and Reserves (continued)

On November 18, 2020, the Company closed the third and final tranche of a non-brokered private placement, issuing 1,068,850 non-flow-through units at $0.20 per unit for gross proceeds of $213,770. Each unit consists of one common share in the capital of the Company and one share purchase warrant entitling the holder to purchase one non-flow-through common share at a price of $0.30 per share during the two years following the warrant's date of issuance. The warrants attached to this issuance were valued at $53,584 using the Black Scholes Valuation Model, with this value allocated to the warrants reserve. The Company paid $23,956 in cash share issue costs pursuant to this issuance.

On December 16, 2020, the Company closed a non-brokered private placement, issuing 521,000 flow-through units at $0.24 per unit for gross proceeds of $125,040. Each unit consists of one flow-through common share in the capital of the Company and one share purchase warrant entitling the holder to purchase one non-flow-through common share at a price of $0.30 per share during the two years following the warrant's date of issuance. The warrants attached to this issuance were valued at $32,731 using the Black Scholes Valuation Model, with this value allocated to the warrants reserve. The Company paid $1,160 in cash share issue costs pursuant to this issuance.

During the year ended July 31, 2021, 8,874,400 share purchase options with exercise prices ranging from $0.05 to $0.24 per option were exercised for proceeds of $1,104,924. These options were originally valued at $871,551 using the Black Scholes Valuation Model and the value of these options was reclassified from the share-based payments reserve to share capital upon exercise.

During the year ended July 31, 2021, 20,072,045 share purchase warrants with exercise prices ranging from $0.20 to $0.30 per warrant were exercised for proceeds of $5,157,396. These warrants were originally valued at $2,098,007 using the Black Scholes Valuation Model and the value of these warrants was reclassified from the warrants reserve to share capital upon exercise.

(Expressed in Canadian dollars unless specifically indicated otherwise)

8. Share Capital, Share-Based Payments and Reserves (continued)

c) Issued warrants

Changes in the Company's share purchase warrants outstanding during the period ended January 31, 2023 and July 31, 2022 are summarized as follows:

	Number of warrants	Weighted average exercise price
Balance outstanding at July 31, 2021	**13,776,684**	**0.26**
Issued	20,000,000	1.25
Exercised	(6,682,604)	0.22
Balance outstanding at July 31, 2021	**26,794,080**	**1.01**
Exercised	(5,112,080)	0.30
Expired	(1,682,000)	0.30
Balance outstanding at January 31, 2023	**20,000,000**	**1.25**

The fair values of warrants issued pursuant to private placements were estimated using the Black Scholes Valuation Model with the following assumptions used:

	2022	2021
Dividend yield	0.00%	0.00%
Expected volatility	105.46%	79.95 - 82.02%
Risk-free interest rate	0.65%	0.24% - 0.27%
Expected lives (years)	3.00	2.00
Issue date fair value	$0.3695 - $0.5774	$0.0707 - $0.0816

d) Broker warrants

Changes in the Company's broker warrants outstanding during the period ended January 31, 2023, and July 31, 2022 are summarized as follows:

	Number of warrants	Weighted average exercise price
Balance outstanding at July 31, 2022 and 2021	**1,400,000**	**1.00**
Issued	-	-
Balance outstanding at January 31, 2023	**1,400,000**	**1.00**

(Expressed in Canadian dollars unless specifically indicated otherwise)

8. Share Capital, Share-Based Payments and Reserves (continued)

d) Broker warrants (continued)

As at January 31, 2023, the following broker common share purchase warrants were outstanding:

Expiry Date	Number of warrants	Exercise price	Weighted average remaining contractual life (years)
October 4, 2024	1,400,000	1.00	1.68
	1,400,000		1.68

e) Share-based payments

In November 2016, the Company adopted an incentive stock option plan, under the rules of the TSX-V pursuant to which it is authorized to grant stock options to executive officers, directors, employees and consultants, enabling them to acquire shares in a quantity of up to 20% of the Company's issued and outstanding common shares. Under the stock option plan, the option exercise price of any option granted shall not be less than the discounted market price of the Company's common shares. If options are granted within 90 days of a distribution by prospectus, the minimum exercise price per share is the greater of the discounted market price and the share price paid by investors pursuant to the distribution. For the purposes of the stock option plan, the discounted market price is calculated in accordance with the policies of the TSX-V at the time of the grant of the options.

The options may be granted for a maximum term of 5 years and vest 25% on the date of grant and 25% every 6 months thereafter for 18 months. No individual may hold options to purchase common shares of the Company exceeding 5% of the total number of common shares outstanding. Pursuant to the policies of the TSX-V, shares issued upon the exercise of options are restricted from trading during the 4-month period subsequent to the exercise of options.

In February 2021, the Company granted 1,000,000 common share purchase options exercisable at a price of $1.99 per share for five years and 5,950,000 common share purchase options exercisable at a price of $2.63 per share for five years.

(Expressed in Canadian dollars unless specifically indicated otherwise)

8. Share Capital, Share-Based Payments and Reserves (continued)

e) Share-based payments (continued)

On October 22, 2021, the Company granted 400,000 common share purchase options exercisable at a price of $0.80 per share for five years.

On November 8, 2022, the Company granted 2,700,000 common shares purchase options exercisable at a price of $0.39 per share for five years to management and directors of the company.

The fair value of each option granted or amended is estimated at the time of the grant or amendment using the Black Scholes option pricing model with weighted average assumptions for grants as follows:

	Period ended January 31, 2023	Year ended July 31, 2022	Year ended July 31, 2021
Dividend yield	0%	0%	0%
Expected volatility	83.59%	101.49% - 102.63%	184.04%
Risk-free interest rate	3.05%	1.34% - 1.37%	0.57% - 0.58%
Expected lives	5.00	5.00	5.00
Grant date fair value	$0.2637	$0.4465 - $0.5797	$2.4292 - $2.5408

Changes in the Company's share purchase options outstanding during the period ended January 31, 2023, and July 31, 2022 are summarized as follows:

	Number of options		**Weighted average exercise price**
Balance outstanding as at July 31, 2021	**19,325,600**	**$**	**0.78**
Granted	400,000	$	0.80
Exercised	(3,345,300)	$	0.19
Cancelled/Expired	(800,000)	$	0.18
Balance outstanding as at July 31, 2022	**15,580,300**	**$**	**0.94**
Granted	2,700,000	$	0.39
Exercised	150,000	$	0.24
Cancelled/Expired	-	$	-
Balance outstanding as at January 31, 2023	**18,130,300**	**$**	**0.86**

(Expressed in Canadian dollars unless specifically indicated otherwise)

8. Share Capital, Share-Based Payments and Reserves (continued)

e) Share-based payments (continued)

As at January 31, 2023, the following stock options were outstanding:

Expiry date	Number of options	Exercise price		Weighted average remaining contractual life (years)
June 8, 2023	4,220,100	$	0.21	0.35
July 5, 2023	180,200	$	0.24	0.42
August 2, 2024	3,680,000	$	0.21	1.50
February 16, 2026[a]	1,000,000	$	1.00	3.05
February 17, 2026[b]	2,600,000	$	1.00	3.05
February 17, 2026	3,350,000	$	2.63	3.05
October 22, 2026	400,000	$	0.80	3.73
November 8, 2027	2,700,000	$	0.39	4.77
	18,130,300			2.35

(a) On November 2, 2021, the exercise price of these warrants was reduced from $1.99 to $1.00. The incremental $93,062 value of the amendment of these options, calculated using the Black Scholes Valuation Model, was recognized in share-based payments expense during the year ended July 31, 2022.

(b) On November 2, 2021, the exercise price of these warrants was reduced from $2.63 to $1.00. The incremental $346,203 value of the amendment of these options, calculated using the Black Scholes Valuation Model, was recognized in share-based payments expense during the year ended July 31, 2022.

f) Share-based payments reserve

The share-based payments reserve is used to recognize the fair value of share options granted to employees, including key management personnel, as part of their remuneration. When options are subsequently exercised, the fair value of such options in share-based payments reserve is credited to share capital.

g) Warrants reserve

The warrants reserve is used to recognize the fair value of warrants issued. When warrants are subsequently exercised, the fair value of such warrants in warrants reserve is credited to share capital.

(Expressed in Canadian dollars unless specifically indicated otherwise)

8. Share Capital, Share-Based Payments and Reserves (continued)

h) Dilutive common shares

For the period ended January 31, 2023, potentially dilutive common shares relating to share purchase warrants broker warrants and share purchase options outstanding totalling 20,000,000, 1,400,000, and 15,430,300, respectively (July 31, 2022 – 26,794,080, nil, and 15,580,300), were not included in the computation of loss per share as the effect would be anti-dilutive.

9. Administration Expenses

General and administration expenses for the three and six-month period ended January 31, 2023 and 2022 consist of the following:

	Six-Month ended January 31		Three-Month ended January 31	
	2023	2022	**2023**	2022
Amortization	$ **-**	$ -	$ **-**	$ -
Bad debt expense	**-**	-	**-**	-
Bank charges and interest	**1,484**	933	**1,022**	187
Consulting fees	**149,479**	92,997	**80,129**	45,279
Filing agent and transfer fees	**48,937**	70,899	**34,758**	51,144
Insurance	**12,757**	10,705	**10,846**	5,671
Loss on sale of shares	**-**	-	**-**	-
Management fees	**997**	1,892	**-**	-
Office and miscellaneous	**34,034**	22,197	**15,812**	5,214
Office rent and property taxes	**8,519**	7,314	**4,380**	3,657
Professional fees	**18,274**	11,187	**16,439**	4,489
Repairs and maintenance	**-**	-	**-**	-
Research and development	**1,115,642**	1,936,496	**607,172**	848,579
Shareholder communications	**198,056**	141,440	**62,383**	67,018
Share-based payments	**331,420**	5,949,790	**255,409**	2,982,618
Telephone	**1,803**	2,036	**731**	1,091
Travel	**34,826**	7,016	**32,951**	6,434
Wages and benefits	**219,730**	269,215	**84,095**	160,447
Total	$ **2,182,545**	$ 8,524,119	**$ 1,206,127**	$ 4,181,838

10. Financial Instruments and Financial Risk Management

a) Financial assets and liabilities by category

The Company classifies its cash and cash equivalents, amounts receivable (excluding sales tax receivable), and reclamation deposits as financial assets measured at amortized costs. Accounts payable and accrued liabilities are classified as other financial liabilities measured at amortized cost.

As at January 31, 2023, the statement of financial position carrying amounts of these financial instruments closely approximate their fair values, except for accounts payable and accrued liabilities, where the fair value may be less than carrying amounts due to liquidity risks.

b) Fair value

The fair value of financial instruments is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. Fair values are determined by reference to quoted market prices, as appropriate, in the most advantageous market for that instrument to which the Company has immediate access. Where quoted market prices are not available, the Company uses the closing price of the most recent transaction for that instrument. In the absence of an active market, fair values are determined based on prevailing market rates for instruments with similar characteristics. The fair value of current financial instruments approximates their carrying values as long as they are short term in nature or bear interest at market rates.

c) Fair value hierarchy

Financial instruments that are held at fair value are categorized based on a valuation hierarchy which is determined by the valuation methodology utilized:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There were no transfers between levels 1, 2 and 3 during the period ended January 31, 2023 and July 31, 2022.

The Company's Board of Directors has the overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and in response to the Company's activities. Management regularly

10. Financial Instruments and Financial Risk Management (continued)

monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

d) Financial risk management

In the normal course of operations, the Company is exposed to various risks such as interest rate, foreign exchange, credit and liquidity risks. To manage these risks, management determines what activities must be undertaken to minimize potential exposure to risks. The objectives of the Company in managing risks are as follows:

- Maintaining sound financial condition;
- Financing operations; and
- Ensuring liquidity to all operations.

There have been no changes in risks that have arisen or how the Company manages those risks during the period ended January 31, 2023 and July 31, 2022.

(i) Interest rate risk

The Company's interest rate risk arises primarily from the interest received on cash and cash equivalents, which is invested on a short-term basis to enable adequate liquidity for payment of operational and capital expenditures.

(ii) Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to cash and cash equivalents, amounts receivable, reclamation deposits and accounts payable and accrued liabilities that are denominated in US dollars. As at January 31, 2023, total net monetary assets denominated in US dollars amounted totalled $640,900 (US$477,234). Sensitivity to a plus or minus 10% change in the foreign exchange rate would affect net loss and comprehensive loss by $64,090 with all other variables remaining constant.

(iii) Commodity price risk

The value of the Company's exploration and evaluation assets are dependent on the price of manganese and the outlook for this mineral. Market prices for these metals historically have fluctuated widely and are affected by numerous factors outside the Company's control, including but not limited to, levels of worldwide production short term changes in supply and demand, industrial and retail demand, as well as certain other factors related specifically to manganese. If manganese prices decline for a prolonged period below the cost of production, it may not be economically feasible to continue towards production.

10. Financial Instruments and Financial Risk Management (continued)

d) Financial risk management (continued)

(iv) Credit risk

Credit risk is the risk of loss if counterparties do not fulfill their contractual obligations. The Company's credit risk is primarily attributable to cash and cash equivalents and trade receivables. The Company limits its exposure to credit risk on cash and short-term investment as these financial instruments are held with major Canadian and international banks, from which management believes the risk of loss to be remote.

(v) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company manages liquidity risk by maintaining cash and cash equivalents. Liquidity requirements are managed based on expected cash flow to ensure there is capital to meet short term and long-term obligations. As disclosed in Note 1, the ability of the Company to continue as a going concern is dependent on many factors. The Company's cash and cash equivalents is primarily invested in bank accounts and guaranteed investment certificates which are cashable on demand.

11. Capital Management

The Company classifies its share capital, share-based payments reserve and warrants reserve as capital, which at January 31, 2023 totalled $89,181,227 (July 31, 2022 - $87,280,182). When managing capital, the Company's objectives are to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management adjusts the capital structure as necessary in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish qualitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent upon external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is appropriate. There were no changes in the Company's approach to capital management during the period ended January 31, 2023 and July 31, 2022. The Company is not subject to any externally imposed capital requirements.

(Expressed in Canadian dollars unless specifically indicated otherwise)

12. Segmented Information

The Company operates in one segment – the exploration for and development of mineral property interests. Geographic information for the Company is as follows:

	January 31, 2023				July 31, 2022			
		Canada		**USA**		Canada		USA
Current assets	**$**	**21,273,228**	**$**	**35,151**	$	21,580,021	$	40,637
Non-current assets		**1,230,761**		**1**		665,893		1
Total assets	**$**	**22,539,141**	**$**	**35,152**	$	22,245,914	$	40,638
Current liabilities	**$**	**209,446**	**$**	**-**	$	198,452	$	-
Total liabilities	**$**	**209,446**	**$**	**-**	$	198,452	$	-

13. Income Taxes

The income tax provision differs from income taxes, which would result from applying the expected tax rate to net loss before income taxes. The difference between the expected income tax expense and the actual income tax provision are summarized as follows:

		2022		2021
Loss before income taxes	**$**	**(11,312,600)**	$	(13,064,156)
Statutory income tax rate		**26.98%**		26.99%
Expected income tax recovery		**(3,052,316)**		(3,526,098)
Differences resulting from:				
Deductible and non-deductible items		**2,204,732**		3,091,965
Change in deferred tax assets not recognized		**847,584**		434,133
Provision for income taxes	**$**	**-**	$	-

(Expressed in Canadian dollars unless specifically indicated otherwise)

13. Income Taxes (continued)

Deferred income taxes reflect the tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes. Deferred tax assets at July 31, 2022 and 2021 are comprised of the following:

		July 31, 2022		July 31, 2021
Deferred income tax assets – Canada				
Non-capital loss carryforwards	**$**	**7,227,090**	$	5,779,080
Fixed assets		**1,943**		1,943
Financing costs		**412,690**		24,829
Exploration and evaluation assets		**991,193**		771,275
Capital loss carryforwards		**3,430**		3,430
		8,636,346		6,580,557
Deferred tax asset not recognized		**(8,636,346)**		(6,580,557)
Net deferred tax asset	**$**	**-**	$	-

		July 31, 2022		July 31, 2021
Deferred income tax assets – US				
Non-capital loss carryforwards	**$**	**165,480**	$	154,770
Exploration and evaluation assets		**2,568,136**		2,684,287
		2,733,616		2,839,057
Deferred tax asset not recognized		**(2,733,616)**		(2,839,057)
Net deferred tax asset	**$**	**-**	$	-

The Company has non-capital loss carryforwards of approximately $26,767,000, expiring from 2026 to 2042, which may be carried forward to apply against future year income tax for Canadian income tax purposes.

The Company has net operating loss carryforwards of approximately $788,000, losses of which incurred in fiscal 2022 and earlier may be carried forward indefinitely and losses of which incurred after fiscal 2022 may be carried forward 20 years, to be applied against future year income tax for US tax purposes.

Deferred tax assets have not been recognized because at this stage of the Company's development, it is not determinable that taxable profit will be available against which the Company can utilize such deferred income tax assets.

14. Subsequent Events

Subsequent to January 31, 2023, 180,200 share purchase options were exercised for total proceeds of $43,248.