**Euro Manganese Inc.**

**Second Quarter 2024 Conference Call #1**

**Transcript**

**Date: June 6, 2024**

**Time: 2:30 PM ET**

Speakers: Dr. Matthew James

President andChief Executive Officer

Martina Blahova

Chief Financial Officer

Neil Weber

LodeRock Advisors Inc.

**Neil Weber:**

Good day, everyone. Welcome to Euro Manganese's Second Quarter 2024 Conference Call. We still have some people joining, so we'll give it a couple of minutes, couple of seconds before we get started.

Please note this webcast is being recorded. A replay will be available on our website. The slides we use today can also be downloaded from our website.

After the presentation today, there'll be a question-and-answer period. If you would like to ask a question, please use the Q&A function at the bottom of your screen. You can enter a question at any point during the presentation, and we'll cover it during the Q&A period. We also welcome questions after the call. Please feel free to reach out to Matt, Martina or myself.

Before we begin, please note that this presentation does involve forward-looking statements. Please refer to our cautionary statements here and the risk factors in our annual information form. Our second quarter financial statements and MD&A for the three and six month periods ending March 31, 2024, were filed on May 15, 2024. All of these materials are available on our website, SEDAR+ and the ASX.

Over to you, Matt.

**Dr. Matthew James:**

Good morning and good afternoon to everyone. Thank you for joining us to review developments during Euro Manganese's second fiscal quarter.

Joining me on the call today is Martina Blahova, Chief Financial Officer. I'll pass the call over to Martina in a moment to go through financial highlights for the quarter and the Company's financial positions. Then we'll run through key developments during the quarter and how we are performing against our key 2024 catalysts. We'll wrap up with a question-and-answer session.

Over to you, Martina.

**Martina Blahova:**

Thank you, Matt.

Just a reminder that our fiscal year end is September 30. Our Q2 references the period January 2024 through March 2024. We also report in Canadian dollars. I will briefly comment on our cash position at the end of the quarter.

We started the quarter with $24.3 million in cash, $0.4 million was spent to advance the commissioning of the demonstration plant, which is nearing completion, $1.3 million was spent on operational expenditures, which include the advancement of Chvaletice permitting and our corporate costs. These expenditures are a net of $0.8 million of cash generated in operating activities by EP Chvaletice, a specialty steel fabrication product company acquired at the end of last quarter, as its key asset is the land it owns, which is intended for the project's processing plant.

Interest on convertible loan was $0.3 million. We also made land acquisition and lease payments of $2.2 million. We closed the quarter with $20.1 million in the bank.

Our cash balance is expected to provide sufficient funding to complete project permitting, demonstration plant commissioning and ongoing operations, as well as continuing to make lease and option payments for land parcels required for the projects. This cash is also expected to enable us to continue with the initial FEED phase of the EPCM contract and certain site preparation works, as well as fund general and administration expenses.

I will now turn it back to Matt.

**Dr. Matthew James:**

Thanks, Martina.

Here's an overview of key highlights during the quarter and to date. The highlight of the second quarter was obtaining approval for the Environmental and Social Impact Assessment, or ESIA, for the Chvaletice project from the Czech Ministry of Environment. I'll provide more details about this on the following slides.

Turning to project updates, our demonstration plant in the Czech Republic successfully produced high purity manganese sulfate, 32.4% pure, from high purity manganese metal produced in the demonstration plant during the quarter. We also continue to make progress with our off-taker negotiations with potential customers.

During and subsequent to the quarter, we saw significant regulatory updates in our key markets, including the final approval of the Critical Raw Materials Act in Europe and the finalization of tax credit regulations under the 2022 Inflation Reduction Act in the United States. These regulations have significant positive implications for the adoption of electric vehicles and in particular for manganese demand from local sources. We welcome these significant pieces of legislation.

Finally, as I outlined during our last call, the Chvaletice Manganese project has support from the European Investment Bank for debt funding, now listed on the EIB website under the list of projects to be financed, which we view as a key step towards securing the required debt component of the total project finance required.

As I mentioned earlier, in March 2024, we received a positive ESIA binding statement from the Czech Ministry of Environment, approving the environmental and social conditions set out in the ESIA. This assessment is the key gating permit from which subsequent more procedural permits can follow, including the land planning permit and the construction permit, as well as progressing to the final termination of the mining lease for the project.

I'm particularly pleased to note the excellent stakeholder engagement on the part of our Czech team resulted in no comments or opposition from local stakeholders during the ESIA commentary period.

During the quarter, we produced high purity manganese sulfate, or HPMSM for short, from our high purity manganese metal produced by the demonstration plant. Our internal analysis indicates that the product should meet the demonstration plant target specifications for HPMSM with low levels of impurities. External lab testing is currently underway to confirm these results, and we expect to receive the results within the next few weeks.

Operation of the demonstration plant is a key step in de-risking our project through demonstrating that the process steps produce the correct specification products at the correct yields, collection of sufficient operational data at a scale that ensures there is confidence in the extrapolation to full scale during engineering, and finally, gaining valuable insights which are leading to further engineering and operational process improvements, which we can incorporate in our final plant design.

In the early part of 2024, we witnessed important regulatory updates across our key markets. In Europe, the Council of the EU announced final approval of the Critical Raw Materials Act in March. The act, coming into force this week, establishes three benchmarks for domestic mining, processing and recycling, all of which we believe the Chvaletice project will help meet. This positions Euro Manganese to become the sole European integrated producer of high purity manganese in the battery value chain.

Additionally, earlier this month, the U.S. issued the final regulations for tax credits under the Inflation Reduction Act of 2022. A key point of clarification is that the foreign entity of concern compliance rules cover the whole supply chain, e.g., no critical raw materials may be extracted, processed or recycled by a foreign entity of concern. Note graphite has a two-and-a-half year grace period. This has significant positive implications for western producers of battery materials, in particular, high purity manganese.

With China controlling over 90% of the high purity manganese market, manganese can now be thought of as the bottleneck for foreign entity of concern compliance material. Our Chvaletice project is the most advanced western project under development, and notably, one of the very few non-foreign entity of concern projects globally.

In addition, just last week, the Biden administration announced a series of tariff hikes on a wide range of Chinese imports. Under the new policy, U.S. tariffs for certain critical raw materials sourced from China will increase from zero to 25%, and the tariff on electric vehicles from China will increase from 25% to 100% in 2024.

Again, Chvaletice remains the only sizeable proven and probable reserves of manganese in the EU, uniquely positioning Euro Manganese to provide a secure, traceable and responsibly produced supply of high purity manganese products to the North American and European EV markets.

There has been a marked uptick in proactive discussions with off-take customers, highly driven by the recent regulatory updates I just mentioned. We are seeing an increase in interest in our high purity manganese, with off-takers reaching out proactively as planned tonnages increase combined with concerns of supply constraint. Additionally, we are actively engaging with organizations at more senior levels.

Three new off-takers have entered the funnel, and three have progressed down the funnel, leaving 30 parties in the top tier with more than 70,000 tonnes of high purity manganese sulfate per annum in aggregate under discussion. Many of these new potential customers are yet to provide tonnages, so there is significant upside potential.

There are now 16 parties in the middle of the funnel, two parties from the top who moved down, and two parties directly entering the middle tier with greater than 105,000 tonnes of high purity manganese sulfate per annum. At the sharp end of the funnel, we now have 11 parties in advanced stages of negotiations where one party moved directly from the top tier to the bottom, now with a combined interest of over 130,000 tonne of high purity manganese sulfate per annum.

I would reiterate that these are initial tonnages from off-takers, and these potential customers have indicated a need for higher tonnages as the market grows and as manganese-rich chemistries evolve. Euro Manganese remains very well positioned to meet the increasing need for high purity manganese in lithium-ion batteries.

Overall, as this slide illustrates, Euro Manganese has a distinct competitive edge over other producers. We have the only manganese resource in the EU and stand to benefit from increasing demands for a local, responsibly produced source of supply, while benefiting from stricter regulations on both sides of the Atlantic. We're the only project at FEED stage with an operational demonstration plant to de-risk the project. Furthermore, as the only project to utilize circular tailings reprocessing with 65% lower CO2 commissions than the incumbent industry, Euro Manganese has a clear competitive advantage in sustainability.

We made significant progress on several key catalysts during the first part of the year. On a project level, the ESIA approval for the Chvaletice project was a major permitting and project milestone. We also appointed Mr. Tim Kindred as Project Director of the Chvaletice project in January of this year. Tim is a highly skilled project and operations leader in the mining and metals industry, with a proven track record of delivering large scale billion dollar projects on time and on budget. He's a valuable addition to our team.

Land acquisition and access agreements for the commercial processing site are now 100% complete following the acquisition of EP Chvaletice at the very end of the previous quarter, as mentioned by Martina. With respect to land agreements for the tailings area, four of five are complete with one ongoing.

Furthermore, with high purity manganese metal, or HPEMM, and soon to be verified as on-spec HPMSM produced from our demonstration plant, we can now start to supply bulk samples required by potential off-take partners for their larger scale tests.

On the project financing front, the Chvaletice project has advanced to the formal under-appraisal stage with the European Investment Bank for debt funding on the list of projects to be financed. Under-appraisal means the project has progressed through the EIB's initial due diligence process. This underscores the EIB's commitment to support sustainable opportunities in the battery supply chain. With the European Bank for Reconstruction and Development already a key shareholder, and also having expressed interest in providing debt financing, this advancement is another key step towards securing the required debt component of the total project financing required.

Finally, Wood continues to progress with the FEED part of the EPCM contract. During the remainder of 2024, we remain focused on advancing our flagship project in Europe. Our key goals include securing additional off-take term sheets and contracts, securing a strategic investor at the project level, progressing the work of the FEED phase of the EPCM contract, completing the remaining land access agreement in the tailings area, advancing the more procedural project permits, now we have received the ESIA approval, commencing the formal project finance debt process, and finally, progressing the feasibility study for the Bécancour dissolution plant subject to financing.

To conclude, I would like to express my gratitude for the team's effort and for the ongoing support of our shareholders, particularly in these tough markets, as well as the support of national and local governments, community members, partners, suppliers and prospective customers.

Thank you everyone for listening in today. I'll now open it up to questions.

**Neil Weber:**

Thank you, Matt.

Just a reminder for those on the call, please enter your question in the Q&A panel at the bottom of your screen, and then we'll pause for a minute to let questions come in. Actually, we do have one already.

Matt, was the EMM used for production of the HPMSM from the demo plant sourced from the tailings pile? As I remember the previous HPMSM produced was sourced from third-party EMM.

**Dr. Matthew James:**

That is correct. Right from the tailings pile through our whole process, we produced high purity manganese metal in the electrowinning part of the demonstration plant, stripped that, and then that metal was produced to produce the high purity manganese sulfate, which the initial analysis on-site has shown that it should meet the required specifications. However, we have to send it out to third-party labs to analyze the full suite, because we don't have yet the equipment to analyze down to the one of five PPM levels. We have to go out to third-party labs to use their equipment to verify the full suite of impurities.

**Neil Weber:**

Thanks, Matt. Another question, will the revenues from the EPCS continue going forward, and does this help offset the cash burn?

**Dr. Matthew James:**

The EPCS, I guess is it the EP Chvaletice Steel Fabrication Company? Yes, that will continue to generate cash. We will draw that cash across to Euro Manganese as we are able to, obviously needing to leave sufficient working capital in EP Chvaletice for that ongoing operation. Until one point in time, we will require to close that company to access the, obviously, the land for the commercial plant.

**Neil Weber:**

Another question, Matt. Do you see the price of HPMSM increasing due to the South32 wharf closure and ceasing manganese ore exports?

**Dr. Matthew James:**

Yes, great question. For those who are maybe unaware, Groote Eylandt is a South32 operation off the Northern West Coast of Western Australia. There was a cyclone, and a ship crashed and took out the wharf and jetty infrastructure. South32 has announced that it will be at least Q3 2025 until that operation may restart. The question is, with a $200 million repair bill, will they tranship or even do that, given there's six years left on that operation? We'll wait and see.

What we have seen is that the ore price for high grade manganese, which is what Groote Eylandt produced, has jumped 50% since the start of April when that accident occurred. That has already fed through to metal pricing. We expect it, and we've already seen a small uptick in high purity manganese sulfate, and data from the International Manganese Institute has indicated that at the current index pricing, the Chinese producers are loss-making. We do expect that price to increase.

Also really important to note that the current western producers of high purity manganese are not integrated. They don't own their own ore sources. They're also feeling the effects of this increase in the high purity manganese ore. Presumably, they will be putting up their prices to compensate for that too.

**Neil Weber:**

Just a reminder, you can enter your questions in the Q&A panel at the bottom of the screen. We’ll wait for another minute or two to see if there's any other questions coming in. Hey Matt, not seeing any more coming in.

Thanks everyone for attending the call. Look forward to updating you next quarter on the progress of the goals that we've laid out. Thanks again and have a great day.

**Dr. Matthew James:**

Thank you, everyone.