**Euro Manganese Inc.**

**Third Fiscal Quarter 2024 Webinar**

**Transcript**

**Date: August 16, 2024**

**Time: 7:00am AEST | 5:00am AWST**

Speakers: Matthew James

 President andChief Executive Officer

 Martina Blahova

 Chief Financial Officer

 Neil Weber

 Investor and Media Relations – North America

**Neil Weber:**

Good morning and good afternoon everyone. Welcome to Euro Manganese's Third Quarter 2024 Conference Call. We still got people joining, so we'll give it another 30 seconds or so before we get started. Please note, this webcast is being recorded, and a replay will be available on our website shortly. The slides that we use today and the transcript of this webinar can be downloaded from our website.

After the presentation, there will be a question-and-answer period. And if you'd 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'd also welcome questions after the call. So please feel free to reach out to Matt, Martina or myself.

Before we begin, note that this presentation involves forward-looking statements. Please refer to our Cautionary Statements here and the Risk Factors in our Annual Information Form. Our third quarter financial statements and management discussion and analysis for the three- and nine-month periods ending June 30, 2024, were filed on August 14, 2024. All of these materials are available on our website, SEDAR+ and the ASX.

Over to you, Matt.

**Matthew James:**

Thank you, Neil. Good morning and good afternoon to everyone. Thank you for joining us to review developments during Euro Manganese's third 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 position. 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 our questions-and-answer session.

Over to you, Martina.

**Martina Blahova:**

Thank you, Matt. Just a reminder that our fiscal year end is September 30, so our Q3 references the period from April 2024 through to June 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 $20.1 million in cash; $5.3 million was spent on operating activities. This primarily included expenditures on the Phase 1 of the Front-End Engineering Design work as well as permitting and other corporate costs. These expenditures were net of $0.1 million of cash used in operating activities by EP Chvaletice, which is a specialty steel fabrication product company, which we acquired at the end of 2023, as its key asset is the land on which we intend to build the projects processing plant. This newly acquired entity is self-sustaining at the moment.

Interest on convertible loan was $0.8 million, and we also made deposits for land in the amount of $0.2 million and spent $0.6 million on commissioning of the demonstration plant. We closed the quarter with $13.2 million in the bank.

Funding for our continuing development activities is expected to come from cash on hand and the next US$30 million tranche of the Orion convertible loan facility. We continue to work on meeting the conditions precedent in order to secure these funds.

I will now turn it back to Matt.

**Matthew James:**

Thanks, Martina. Here is an overview of key highlights during the quarter and to date.

In the third quarter, we completed the commissioning of our demonstration plant in the Czech Republic. We successfully produced high-purity manganese sulfate from high-purity electrolytic manganese metal produced in the demonstration plant.

We have identified several prospective funding sources through national and EU Grant and Incentive programs. During and subsequent to the quarter, we made progress with various application processes.

First, we completed the EU Critical Raw Materials Act Strategic Project Application. We also engaged with the investment and business development agency of the Czech Republic, also known as CzechInvest, who manage the process of Czech government incentive programs regarding an investment incentive application. Finally, with the support of EIT InnoEnergy, we have been preparing for an application to the EU Innovation Fund for their next call for proposals. I'll provide more details on these activities shortly.

As I highlighted last quarter, our demonstration plant produced high-purity manganese sulfate from high-purity manganese metal produced by the demonstration plant. In mid-June of this past quarter, we completed the commissioning of the demonstration plant and received confirmation from two independent external labs that the product satisfies the demonstration plant target specifications for high-purity manganese sulfate monohydrate with low levels of impurities. Concurrently, in mid-June, the permanent operating permit for the demonstration plant was received from the Department of Building and Special Planning of the Municipality of Chvaletice.

Achieving these milestones means we can now produce bulk, multi-ton finished product samples of high-purity manganese sulfate and/or high-purity electrolytic manganese metal for qualification to prospective customer supply chains. In fact, some of the high-purity manganese samples from the demonstration plant have already been provided to certain parties to allow them to start or continue with their product qualification process. This is a significant accomplishment for the Company, and I am immensely proud of the demonstration plant team for their diligence and dedication to successfully commissioning this facility.

Throughout the third quarter, the market has been adapting to a slower growth rate. With a global forecast for EV growth reduced to over 20% annually, down from more than 30% annually, cathode-active material manufacturers and battery producers are adjusting their manufacturing plans, which is affecting end market demand. A number of automotive OEMs, car manufacturers and battery producers are also reviewing their chemistries in search of reduced battery costs, the single most expensive part of an EV vehicle.

Increased interest in lithium ion phosphate, and hence, lithium manganese iron phosphate, and also mid-nickel chemistries, which have a higher percentage of manganese, bode well for the high purity manganese market. So despite this market softening, we continue to see interest in our high-purity manganese and offtake discussions are progressing, though the final volumes those funnel volumes have been revised to reflect the feedback we are receiving from potential customers.

Thirty parties are at the top of the tier of the funnel with more than 65,000 tonnes of high-purity manganese sulfate per annum in aggregate under discussion. A majority of these potential customers are yet to provide tonnages, so there remains upside potential. There are now 14 parties in the middle of the funnel, with greater than 65,000 tonnes of high-purity manganese sulfate per annum. During the third quarter, we have progressed discussions with parties in this tier.

At the final stage of the funnel, we have eight parties in advanced stages of negotiation, plus the term sheet with Verkor. The tonnage in this stage has been revised to reflect the feedback from customers and has a combined interest of over 75,000 tonnes of high-purity manganese sulfate per annum. Note that the parties where we have received feedback that they are undergoing a strategic review, which may have been in the bottom of the funnel and being moved up to the middle tier, but other parties have progressed down into that final tier. During the quarter, we received firmer intent from Verkor with respect to the term sheet they signed and we continue the negotiations with eight other parties.

Overall, I'd like to reiterate that these are initial tonnages from offtakers and potential customers have indicated the potential 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.

Last quarter, I highlighted the significance of the Council of the EU's final approval of the Critical Raw Materials Act, which positions Euro Manganese to become the sole European integrated producer of high-purity manganese in the battery value chain.

Aligned with our strategic goals, Euro Manganese is completing an application to qualify as a Strategic Project under the EU Critical Raw Materials Act. The benefits of being a Strategic Project include gaining access to financing from private and public sources of funding, such as the European Investment Bank, European Bank of Reconstruction and Development, regional and national funding authorities and private financial institutions. Strategic Projects may receive preferential financing terms and increased potential to receive grant funding to support the project.

As per EU guidance, the closing date for applications is August 22, followed by expert reviews through to October with CRMA Board approval in November, leading to announcements of strategic projects expected in December of this year.

I am pleased to share that Euro Manganese is also engaged with the investment and business development agency of the Czech Republic, CzechInvest. They manage the process of Czech government investment incentives. These discussions indicate the Chvaletice project, upon becoming a CRMA Strategic Project, may qualify as production of Strategic Projects in the Czech Republic, and thus may benefit from both corporate income tax relief and potential cash grants of up to 20% on capital investment-eligible costs, all of course subject to government approval. We are now planning to commence an investment incentive application with CzechInvest.

In addition, Euro Manganese is exploring the potential for an application to the EU's Innovation Fund. The next call for proposals is expected to open in calendar fourth quarter and it is expected that about a billion dollars of the $4 billion that's available from the EU Innovation Fund will be earmarked for batteries and the battery value chain.

The EU Innovation Fund is one of the largest funding programs for the demonstration of innovative low-carbon technologies and is funded through the EU's tax on CO2 emissions. EIT InnoEnergy, the European Institute of Innovation and Technology, have assisted us to date. The next step is to undertake a viability check with a specialist consultant who has a track record of success with the EU Innovation Fund.

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 benefitting from stricter regulations on both sides of the Atlantic. We are the only project at FEED stage with an operational demonstration plant, which significantly de-risks the project. Furthermore, as the only project to utilize circular tailings reprocessing with a 65% lower CO2 emissions than the incumbent industry, Euro Manganese has a clear competitive advantage in sustainability.

We made continued progress on several key catalysts during the first part of the year. On a project level, the completion of commissioning of our high-purity manganese demonstration plant at Chvaletice was a key milestone. During the remainder of 2024, we remain focused on advancing our flagship project in Europe. Our key goals include securing additional offtake term sheets and contracts, securing a strategic investor at the project level, progressing the work of the FEED phase called the EPCM contract, completing the remaining land access agreement in the tailings area, advancing more procedural project permits now we have received the environmental social impact assessment approval, meeting the remaining conditions precedent in order to secure the next US$30 million tranche of the Orion convertible loan financing, which converts into a royalty, and progressing the feasibility study of the Bécancour dissolution plant, subject to receiving financing specifically for that project.

To conclude, I would like to express my gratitude for the team's efforts 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 for everyone for listening in today. I'll now open it up to questions.

**Neil Weber:**

Thank you, Matt.

A reminder for those on the call, please enter your questions in the Q&A panel at the bottom of the screen. We’ll pause for a minute to let some questions come in.

Actually, the first question, Matt, is when will the Verkor agreement be converted into a binding offtake? What's delaying any other offtakes you may be working on?

**Matthew James:**

The Verkor agreement, Verkor are going through all of their term sheets that they have and standardizing the offtake contract. We're not in any rush to sign that into an offtake. We have plenty of time before that is required to support the banking. In terms of delaying other offtakes, obviously the softening of the market has delayed some of those conversations, but not all of them. We expect to be announcing more offtakes imminently. Obviously, we can't say anything more until we actually have the announcement available.

But I guess in Europe, to give you a bit more colour, in Europe we have seen some potential customers moving to a more modular stage, so their commitments have dropped to reflect that modularization. Other potential customers have announced strategic reviews and until they complete their strategic review, they're saying they're not able to progress with the term sheet discussions that were underway.

I do think that the U.S. market is, with the IRA being very, very clear now, that you cannot have any material from a foreign entity of concern, either directly shipped or mined or processed in, for example, China, which is where the majority of the product is made today, that has stimulated offtake discussions in term sheets in the U.S. market. So, Europe, probably is slower, but in U.S. certainly not slowing down at all.

I see there's also a question about when do you anticipate a strategic partner being signed. We have a number of continuing negotiations at a strategic partner level for investment in the project. That includes OEMs but also financial partners. In terms of when, again, the market slowdown has probably slowed that strategic partner conversations and negotiations a little, but they are active and ongoing.

**Neil Weber:**

Matt, just a follow-up question regarding Verkor. Why would you not sign an agreement with Verkor sooner?

**Matthew James:**

As I mentioned, the need for turning the term sheet into a firm offtake contract is sort of dictated by the timing of the banking agreements. That's not expected to really kick off in earnest until next year, so we have plenty of time. We also need to be cognizant that when we sign a binding term sheet, we are putting exact timelines down for delivery, and coming out of the FEED process will be confirmation and more accuracy around our schedule. So, we just need to make sure from our side, as well as Verkor's side, that the timelines are accurate and we can deliver to what we're signing up to.

I do understand that the stock needs some more of the catalysts that we've spoken about. We're in a very difficult share market at the moment. We are under extreme pressure from a share price perspective, but I do expect more offtake term sheet announcements in the very near term.

**Neil Weber:**

Matt, how many tonnes of samples have been shipped to potential offtake partners to date?

**Matthew James:**

I don't have the exact tonnage available. I think what we can say is, I would expect there are probably 10 customers that have received samples from us, and they range from a few kilos up to I think one of the largest ones to date is probably 10 kilos. But we have inquiries for more than that now, and we have the material available from the demonstration plant. We're not shipping in the tonnes of yet when we have the availability to do that, as the customers require that additional volume as they go through their qualification steps. They start on smaller volumes and then as their steps progress, they require more increased amounts of material.

**Neil Weber:**

Matt, another question. If you can't secure an offtake in time to secure the additional $30 million from Orion, what other options are available for you for working capital and funding?

**Matthew James:**

Martina, do you want to take this one?

**Martina Blahova:**

Yes. We are exploring all options available to us. As we are monitoring our cost expenditures, we are adjusting our development plan so that we can take advantage of different financing options that become available to us. It is a continuous ongoing process.

**Neil Weber:**

Again, if you have any questions, please enter them in the Q&A panel at the bottom of the screen.

No more questions, Matt and Martina. Thanks everyone for joining us today and for your continued interest in Euro Manganese. We look forward to reporting on our continued progress next quarter. Thanks again, and have a great day.

**Matthew James:**

Thank you.

**Martina Blahova:**

Thank you.