**Euro Manganese Inc.**

**Third Fiscal Quarter 2024 Webinar**

**Transcript**

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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. 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:**

Thanks, 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 a question-and-answer session.

Over to you, Martina.

**Martina Blahova:**

Thank you. Thank you, Matt.

Just a reminder that our fiscal year end is September 30, so our Q3 references the period of April 2024 through to June 30, 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 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 project’s processing plant. 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 these 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, which 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, and during and subsequent to the quarter, we made progress with various application processes.

First, we completed the EU Critical Raw Materials Act, CRMA, 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 investment incentives. Finally, with the support of EIT InnoEnergy, we have been preparing for an application to the EU Innovation Fund’s 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 Planning of the Municipality of Chvaletice.

Achieving these milestones means we can now produce bulk, multi-tonne finished product samples of high-purity manganese sulfate monohydrate and/or high-purity electrolytic manganese metal in 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 processes. This is a significant accomplishment for the Company, and I'm immensely proud of the demonstration plant team for their diligence and dedication to successfully commissioning this facility. This facility proves our flow sheet and provides experience of operating such a facility.

Throughout the third quarter, the market has been adapting to a slower growth rate. With global forecasts for EV growth reduced to over 20% annually, down from more than 30% annually, cathode-active material and battery producers are adjusting their manufacturing plans, which is affecting end market demand. A number of 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 LFP, and hence, LMFP—that’s lithium iron phosphate and lithium manganese iron phosphate - and nickel chemistries, which have a higher percentage of manganese, bode well for the high purity manganese market. Despite this market softening, we continue to see interest in our high-purity manganese and offtake discussions are progressing, though final 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 HPMSM per annum in aggregate under discussion. A majority of these potential customers are yet to provide tonnages so there remains upside potential in our top tier.

There are now 14 parties in the middle of the fund, with greater than 65,000 tonnes of HPMSM per annum. During the quarter, we have progressed discussions with parties in this tier.

At the final stage of the funnel, we now have eight parties in advanced stages of negotiation, plus the term sheet with Verkor. The tonnages in this stage have been revised, reflecting feedback from customers and has a combined interest of over 75,000 tonnes of HPMSM per annum. During the quarter, we received firm intent from Verkor with respect to the term sheet they signed and we continue the negotiations with eight other parties.

Overall, I would 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 increased need of 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 provider 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 the CRMA Board approval in November, leading to announcements of Strategic Projects expected in December of this year.

I am also pleased to share that Euro Manganese is engaged with the investment and business development agency of the Czech Republic, CzechInvest. They manage the process of Czech government investment incentives. Initial discussions indicate the Chvaletice project, upon becoming a CRMA Strategic Project, may qualify as production of Strategic Products 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 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 Innovation Fund’s next call for proposals. EIT InnoEnergy, the European Institute of Innovation and Technology, have assisted us to date. The EU Innovation Fund is one of the world’s largest funding programs for the demonstration of innovative, low-carbon technologies. It’s funded by EU tax on CO2, and indications are that the next call for the Innovation Fund will have a dedicated section of that fund on batteries and the battery value chain. 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 derisks the project. Furthermore, as the only project to utilize circular tailings reprocessing with 65% lower CO2 emissions, Euro Manganese has a clear competitive advantage in sustainability.

We’ve 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 an investor at the strategic level of the project, progressing the work of the FEED phase of the EPCM contract, completing the remaining land access agreements in the tailings area—there’s only one remaining—advancing the more procedural project permits now that we have received the environmental social impact assessment approval, and meeting the remaining conditions precedent in order to secure the next US$30 million tranche of the Orion convertible loan financing, and 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 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 everyone for listening in today. I'll now open it up to questions.

**Neil Weber:**

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

We do have one actually now. What are Euro Manganese’s plans for conserving cash if offtakes continue to take longer than expected and other financing sources are unavailable?

**Martina Blahova:**

I can take that question.

We are on a regular basis reviewing our expenses and forecasting as needed. We are adjusting our development plans based on our cash available and also the critical path of the project. We plan to take advantage of more advantageous financing and other forms of financing as they become available. So we are exploring our options based on our development plans and needs.

**Neil Weber:**

We’ll wait for another minute. Can you talk more about the conditions precedent for the next tranche of financing from Orion?

**Martina Blahova:**

I can take that, Matt, if you want.

There are some customary kinds of covenants. In the financial statements and the MD&A, we have disclosed that we need to complete offtake agreements of about 40% of the production from the commercial plan. And we also have to secure a strategic investor. The timelines have not been disclosed; it would not be good for the negotiations that are ongoing. There are some technical milestones as well, which we are doing well on.

**Matthew James:**

Maybe I could pick that up as well on the strategic funding discussions and offtakes.

We have a number of ongoing negotiations with potential strategic partners. Those include OEMs and also financial focus partners. The offtakes, as we disclosed in the funnel, we have readjusted some customer numbers based on the fact that maybe they're going through a modularization process or they have announced strategic reviews, so where companies announced a strategic review of their plans and development, they have actually been demoted, moved back up in the funnel, so there has been some movement between those different players. But in that bottom of tier, we are well advanced in a number of term sheet negotiations and expect to be announcing some of those imminently.

I think in terms of being on track, regarding strategic partners, funding discussions and offtakes, yes, I think we remain on track, subject to some of the slowdown related to the market.

**Neil Weber:**

Another question. Are timelines still on track as disclosed in the previous quarter regarding strategic partners, funding discussions and offtakes?

**Matthew James:**

Yes. I think I’ve just answered that one. I think we can say the timelines are on track. I think on the offtakes, it is slowed slightly related to the slowdown in the overall market.

**Neil Weber:**

Can you update the status of the Canadian development, and can you give further information on strategic investors? Perhaps what their criteria are.

**Matthew James:**

I can take this one.

The Canadian development Bécancour is on hold, subject to raising finance specifically for that project. We are looking at a number of ways to do that, but we won't be spending any significant money on that project unless we can get dedicated funding specifically for that project.

In terms of further information on strategic investors, as I mentioned, we are talking to both OEMs related to offtake and a strategic investment, as well as financial focused strategic investors. I think it's important to note that what we're looking for in terms of a strategic investment is a commitment to invest at FID. Obviously, it would be helpful for the Company if a commitment fee or a small amount of money was released to the Company upfront, but the main investment we're looking at goes into our financing plans for the project development itself, which will be an FID.

**Neil Weber:**

Can you discuss some of the criteria that went into picking the engineering firm for front end engineering, and how much was cost one of the criteria?

**Matthew James:**

Yes. We ran a very robust bidding process for the selection of the engineering firm. We put out a scope of work, of the required work. We received about six qualified bids. We then went through a round of clarification discussions with those bidders. We narrowed it down to three and then went into detailed negotiations around costs. Costs are certainly a key factor and Wood is the preferred vendor, and it was based on cost, quality of the team that was available, experience in the hydrometallurgical aspects, which is the vast portion of what we're doing. We're not really developing a mine. We are developing a high-purity manganese refining facility and that's over 90% of the CapEx. We have a tailings facility on site, which is just an excavation operation. So, Wood were well qualified in this space and we've been very happy with the progress that they made to date.

**Neil Weber:**

Are there any plans to wind down the existing business that was acquired as part of the land package in order to conserve cash?

**Martina Blahova:**

At this point, the business is self-funded and that's the aim of kind of running the business for a certain period of time. Once we will need the land for site preparation works, we will start winding down the business, but the plan has always been that they will be self-funded and even the winding down of the business will not require any cash injection from our side.

**Neil Weber:**

Just a reminder, if you have a question, please enter it in the Q&A panel at the bottom of your screen.

**Matthew James:**

Yes. I think I would just add, there’s a previous question where we were talking about picking Wood as our vendor. I think there's maybe a misunderstanding. We are past feasibility study stage, and the suggestion that you can do various designs, environmental studies, etc., to go into a feasibility study, we're past that. We're now doing Front End Engineering Design. So, that is a much higher level of engineering and cost variability and accuracy. So this is the next phase towards getting to a final investment decision, that FEED engineering.

**Neil Weber:**

A similar question regarding WSP for Bécancour, Matt. What were the criteria involved with choosing WSP?

**Matthew James:**

Okay, so that was focused around the Canadian project. So WSP wasbased in Montreal, so it's a local developer. The cost for the feasibility study that needs to be financed is probably about $1 million, but we're not going to spend our money unless we have a dedicated funding for that project. WSP was also chosen because they can do the feasibility study but they could also roll directly into the EPCM contract for that, and not having to change horses, as you like, would bring a lot of efficiencies and knowledge through the continued development of that project at that time. But again, we're not pressing the button on that project until we have dedicated funding for it.

**Neil Weber:**

With no Canadian development, does that change the potential for offtake agreements?

**Matthew James:**

We're not seeing that at the moment. It's clear that the U.S. market has a stronger incentive for non-Chinese product with the Inflation Reduction Act, but we can service that market from the European plant. In fact, a number of our conversations in North America are with European companies who have operations in North America.

**Neil Weber:**

Did the Verkor offtake remain with a floor price? Any cap benched to European index? Are volumes changed? Can you provide some colour on that?

**Matthew James:**

The announcement around the Verkor offtake and the conditions that were in that announcement have not changed. The volumes have not changed. The pricing mechanism has not changed. It is benchmarked to an index of a European price point. It also has, as we announced, a clause in it which reflects the ESG performance of the plant, specifically in CO2 footprint.

**Neil Weber:**

Can you expand a bit on the existing business being self-funded?

**Martina Blahova:**

When you look at the financial statements, you might see that there's an operating loss. However, that is created by high depreciation, which is non-cash. The depreciation is driven by the revaluation of the assets that we bought. So, at acquisition, as we were buying assets and not a business under the International Financial Reporting Standards, we had to revalue the land and buildings, and the value was higher than what obviously the Company has on their books.

So when you take in consideration just the revenue and material and labour costs, and even if you were to include their own depreciation that they have on their local books, it would be an operating income, operating revenue. Excluding the non-cash depreciation, they are in positive numbers.

**Neil Weber:**

We have no more questions at this point. We can take a couple of seconds.

Here we go. Can you explain the steps, such as aggressive cost-cutting, that you'll take to eliminate the possibility of insolvency in the coming months and years?

**Martina Blahova:**

As a junior company, we are constantly reviewing the scenarios going forward. Depending on the cash balance that we have available and the progress of the project, we adjust the development steps and how much we invest in each area as we kind of progress as we raise more funds, and as the availability of funds become more clear. What that going concern note indicates is that the cash available for the development and running, as the G&A costs and others is not available beyond the 12 months, so we are constantly looking at cutting costs, running the Company efficiently, as efficiently as we can. We have done this many times before, and we monitor those costs every month and adjust as needed.

**Neil Weber:**

Is there any advantage or disadvantage to being a Canadian company as far as CzechInvest is concerned?

**Martina Blahova:**

Because the Company has the Czech project and it's owned 100% by a Czech entity, there is no difference. It will be the local entity applying for those incentives.

**Neil Weber:**

Giving it another couple of seconds, if there are any other questions.

It looks like that's it. Thanks for joining us today. Thanks 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.