



**Euro
Manganese
Inc.**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED DECEMBER 31, 2020 AND 2019
(unaudited)**

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Condensed Consolidated Interim Statements of Financial Position

Euro Manganese Inc.

(expressed in Canadian dollars - unaudited)

	Note	December 31, 2020 \$	September 30, 2020 \$
ASSETS			
Current assets			
Cash		11,393,541	2,730,739
Prepaid expenses		411,598	378,378
Accounts receivable		20,342	30,084
		11,825,481	3,139,201
Non-current assets			
Exploration and evaluation assets	4	1,249,086	1,249,086
Property, plant and equipment	5	1,212,620	364,688
Other assets	6	346,740	239,534
Option	6	815,000	815,000
Total assets		15,448,927	5,807,509
LIABILITIES			
Current liabilities			
Accounts payable		398,177	169,662
Due to related parties	9	35,852	20,717
Lease liability		19,923	27,110
		453,952	217,489
Non-current liabilities			
Government loan	7	40,000	40,000
Total liabilities		493,952	257,489
EQUITY			
Share capital	8	37,624,493	28,608,578
Equity reserves		4,291,705	2,592,667
Deficit		(26,961,223)	(25,651,225)
Total shareholders' equity		14,954,975	5,550,020
Total liabilities and shareholders' equity		15,448,927	5,807,509

Nature of Operations and Liquidity (Note 1)
Events after the Reporting Period (Note 13)

Approved on behalf of the Board of Directors on February 11, 2021

"Marco Romero"
Marco Romero, Director

"John Webster"
John Webster, Director

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

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

Euro Manganese Inc.

(expressed in Canadian dollars, except for number of shares outstanding - unaudited)

	Three Months Ended December 31,	
	2020	2019
	\$	\$
Project evaluation expenses		
Engineering	304,370	741,625
Remuneration	134,440	262,995
Share-based compensation	23,230	39,305
Drilling, sampling and surveys	—	3,157
Metallurgical	—	41,408
Travel	—	54,698
Legal and professional fees	4,717	111,742
Geological	6,174	16,496
Market studies	—	34,528
Supplies and rentals	10,455	13,010
	483,386	1,318,964
Other expenses		
Remuneration	289,110	320,950
Share-based compensation	50,359	75,982
Total remuneration	339,469	396,932
Legal and professional fees	147,448	81,277
Investor relations	130,526	27,490
Product sales and marketing	50,180	62,402
Travel	786	36,826
Filing and compliance fees	74,872	51,805
Office, general and administrative	35,237	47,794
Accretion expense	5,986	33,422
Insurance	27,805	21,332
Conferences	—	2,385
Depreciation	14,303	18,917
	826,612	780,582
Loss and comprehensive loss for the period	1,309,998	2,099,546
Weighted average number of common shares outstanding - basic and diluted	285,141,746	175,208,913
Basic and diluted loss per common share	\$0.00	\$0.01

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

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

Euro Manganese Inc.

(expressed in Canadian dollars, except for number of shares outstanding - unaudited)

	Attributable to equity shareholders of the Company				
	Share Capital	Share Capital	Equity Reserves	Deficit	Shareholders' Equity (Deficit)
	#	\$	\$	\$	\$
Balance at October 1, 2019	175,065,435	22,973,236	2,182,856	(19,275,732)	5,880,360
Shares issued in private placement	1,200,000	300,000	—	—	300,000
Share-based compensation	—	—	115,287	—	115,287
Loss and comprehensive loss for the period	—	—	—	(2,099,546)	(2,099,546)
Balance at December 31, 2019	176,265,435	23,273,236	2,298,143	(21,375,278)	4,196,101
Balance at October 1, 2020	258,162,887	28,608,578	2,592,667	(25,651,225)	5,550,020
Shares issued in private placement, net of expenses	60,000,000	8,913,210	1,666,414	—	10,579,624
Options exercised	459,000	102,705	(40,965)	—	61,740
Share-based compensation	—	—	73,589	—	73,589
Loss and comprehensive loss for the period	—	—	—	(1,309,998)	(1,309,998)
Balance at December 31, 2020	318,621,887	37,624,493	4,291,705	(26,961,223)	14,954,975

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

Condensed Consolidated Interim Statements of Cash Flows

Euro Manganese Inc.

(expressed in Canadian dollars - unaudited)

	Note	Three Months Ended December 31, 2020 \$	2019 \$
Operating activities			
Net loss for the period		(1,309,998)	(2,099,546)
Less non-cash transactions:			
Share-based compensation		73,589	115,287
Depreciation		14,303	18,917
Lease liability accretion		5,986	23,586
Accretion expense		—	9,836
		(1,216,120)	(1,931,920)
Changes in non-cash working capital items:			
Accounts payable		228,515	139,055
Accounts receivable		9,742	(15,073)
Prepaid expenses		(33,220)	(92,021)
Due to related parties		15,135	83,108
		220,172	115,069
Cash used in operating activities		(995,948)	(1,816,851)
Financing activities			
Common shares issued for cash, net of expenses	8	10,579,624	—
Lease principal payments		(13,173)	(26,271)
Exercise of stock options	8	61,740	—
Cash generated from financing activities		10,628,191	(26,271)
Investing activities			
Option and deposit for land		(107,206)	(3,795)
Property and equipment acquisition	5	(862,235)	(2,107)
Cash used in investing activities		(969,441)	(5,902)
Increase (decrease) in Cash		8,662,802	(1,849,024)
Cash - beginning of period		2,730,739	4,084,694
Cash - end of period		11,393,541	2,235,670
Non-cash transactions excluded from above:			
Common shares issued in private placement		—	300,000
Prepaid expenses		—	(300,000)
Exercise of stock options			
Equity reserves		(40,965)	—
Share capital		40,965	—
Warrants issued as payment of broker fees			
Equity reserves		(1,666,414)	—
Share capital		1,666,414	—

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

Notes to the Condensed Consolidated Interim Financial Statements

Euro Manganese Inc.

(expressed in Canadian dollars - unaudited)

1. Nature of Operations and Liquidity

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

The Company's corporate offices are located at 1040 West Georgia Street, Suite 1500, Vancouver, B.C., Canada, and its registered offices are located at Suite 1700, 666 Burrard Street, Vancouver, B.C., Canada.

These condensed consolidated interim financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

The Company is an early stage resource development company that does not own any properties with established reserves, has no operating revenues and is unable to self-finance its operations. Further, there is no assurance that the evaluation and acquisition activities executed or planned by the Company for the Chvaletice Manganese Project will result in the development of a profitable commercial operation. The Company will most likely continue to operate at a loss while it is evaluating the Chvaletice Manganese Project and planning its potential development.

At December 31, 2020, the Company's working capital totaled \$11,371,529 (September 30, 2020 - \$2,921,712), including cash of \$11,393,541 (September 30, 2020 - \$2,730,739). The loss for the three months ended December 31, 2020 was \$1,309,998 (three months ended December 31, 2019 - \$2,099,546) while cash used in operating activities was \$995,948 during the three months ended December 31, 2020 (three months ended December 31, 2019 - \$1,816,851). The Company's working capital is expected to provide sufficient working capital to fund its corporate and committed project development costs for at least twelve months from the date of these financial statements.

Additional funding will be required for working capital, further evaluation and development work including the completion of feasibility studies, environmental studies, permitting, commissioning and operation of the demonstration plant, as well as the potential future construction of infrastructure and facilities for the Chvaletice Manganese Project. The ability of the Company to arrange such equity or other financing in the future will depend principally upon prevailing market conditions and the performance of the Company. There can be no assurance that additional funding will be available when needed, if at all, or may not be available on terms favorable to the Company. Failure to obtain such additional financing could result in delay or indefinite postponement of further evaluation and development of the Company's principal property.

On March 11, 2020, the World Health Organization declared a global pandemic related to COVID-19. The impacts on the global economy and commerce have already been significant and are expected to continue in the future. The impact of COVID-19 on the Company during calendar 2020 resulted in delays in access to financing and in delays in the progress of the Chvaletice Manganese Project. The duration of the pandemic, its impact on the Company's ability to progress Project development, as well as on global financial markets and the Company's access to capital to advance its development plans remain uncertain.

Notes to the Condensed Consolidated Interim Financial Statements

Euro Manganese Inc.

(expressed in Canadian dollars - unaudited)

2. Basis of Preparation

2.1 Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), applicable to the preparation of interim financial statements, including IAS 34 *Interim Financial Reporting*. The comparative information has also been prepared on this basis.

These condensed consolidated interim financial statements do not include all the information required for full annual financial statements and therefore should be read in conjunction with our audited consolidated financial statements for the year ended September 30, 2020.

These condensed consolidated interim financial statements were prepared by management and approved by the Board of Directors of the Company (the "Board") on February 11, 2021.

2.2 Basis of measurement

These condensed consolidated interim financial statements have been prepared using the accrual basis of accounting except for cash flow information. In addition, these condensed consolidated interim financial statements have been prepared on the historical cost basis.

2.3 Basis of consolidation

These condensed consolidated interim financial statements incorporate the accounts of the Company and the entity controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The condensed consolidated interim financial statements include the accounts of the Company's subsidiaries from the date of control commences until the date that control ceases. The financial statements of its wholly owned subsidiary, Mangan Chvaletice s.r.o. ("Mangan"), are included in the condensed consolidated interim financial statements for both periods presented. All significant intercompany transactions and balances have been eliminated.

3. Significant Accounting Policies, Estimates and Judgments

3.1 Change in accounting policies

The accounting policies applied in the preparation of these condensed interim consolidated financial statements are consistent with those applied and disclosed in the Company's audited consolidated financial statements for the year ended September 30, 2020.

3.2 Significant estimates and judgments

The preparation of financial statements requires the use of estimates and judgments that affect the amounts reported and disclosed in the consolidated financial statements and related notes. These estimates and judgments are based on management's best knowledge of the relevant facts and circumstances, taking into consideration previous experience, but actual results may differ materially from the amounts included in the financial statements. The significant estimates and judgments applied in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those applied and disclosed in Note 3.14 to the Company's audited consolidated financial statements for the year ended September 30, 2020.

Notes to the Condensed Consolidated Interim Financial Statements

Euro Manganese Inc.

(expressed in Canadian dollars - unaudited)

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

3.3 New standards and pronouncements not yet adopted

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB that are not mandatory for the reporting period ending December 31, 2020, and have not been adopted by the Company. The Company is currently assessing the impact of these pronouncements on the consolidated financial statements.

4. Exploration and Evaluation Assets

The Company was formed with the objective of evaluating, acquiring, developing and operating the Chvaletice Manganese Project as an HPEMM and HPMSM producer. The Company holds two exploration licenses for the Chvaletice Manganese Project (the "Licenses"), both expiring May 31, 2023. On April 17, 2018, with effect from April 28, 2018, the Company was issued a Preliminary Mining Permit by the Czech Ministry of Environment, referred to by the Ministry as the prior consent of the establishment of the Mining Lease District (the "Preliminary Mining Permit"). The Preliminary Mining Permit, valid until April 30, 2023, covers the areas included in Licenses and secures the Company's rights for the entire deposit. The Preliminary Mining Permit forms one of the prerequisites for the application for the establishment of the Mining Lease District and represents one of the key steps towards final permitting for the project. The establishment of the Mining Lease District, the application for the final Mining Permit, and applications for permits relating to the construction of infrastructure required for the project, are required prior to operation at the Chvaletice Manganese Project.

The acquisition of Mangan included granting a 1.2% net smelter royalty interest and the issue, over a four-year period, of common shares of the Company in five equal tranches, each valued at \$300,000. The carrying value of the Company's exploration and evaluation assets of \$1,249,086 represents the fair value of the initial share consideration following the acquisition date of Mangan on May 13, 2016, as well as the discounted value of the deferred share consideration, as determined by the Company on the acquisition date. The deferred consideration commitment was fully settled on May 13, 2020.

Notes to the Condensed Consolidated Interim Financial Statements

Euro Manganese Inc.

(expressed in Canadian dollars - unaudited)

5. Property, Plant and Equipment

December 31, 2020

	Assets under construction ^(a)	Equipment	Land	Lease assets	Total
	\$	\$	\$	\$	\$
Cost					
October 1, 2020	—	85,755	318,729	50,665	455,149
Additions	856,636	5,599	—	—	862,235
December 31, 2020	856,636	91,354	318,729	50,665	1,317,384
Accumulated depreciation					
October 1, 2020	—	(58,080)	—	(32,381)	(90,461)
Additions	—	(6,468)	—	(7,835)	(14,303)
December 31, 2020	—	(64,548)	—	(40,216)	(104,764)
Net Book Value					
October 1, 2020	—	27,675	318,729	18,284	364,688
December 31, 2020	856,636	26,806	318,729	10,449	1,212,620

^(a) Represents demonstration plant under construction.

	December 31, 2019			
	Equipment	Land	Lease assets	Total
	\$	\$	\$	\$
Cost				
October 1, 2019	82,447	318,729	—	401,176
Adoption of IFRS 16	—	—	97,781	97,781
Additions	2,107	—	10,351	12,458
December 31, 2019	84,554	318,729	108,132	511,415
Accumulated depreciation				
October 1, 2019	(32,224)	—	—	(32,224)
Additions	(6,566)	—	(12,351)	(18,917)
December 31, 2019	(38,790)	—	(12,351)	(51,141)
Net Book Value				
October 1, 2019	50,223	318,729	—	368,952
December 31, 2019	45,764	318,729	95,781	460,274

Notes to the Condensed Consolidated Interim Financial Statements

Euro Manganese Inc.

(expressed in Canadian dollars - unaudited)

6. EPCS Option and Other Assets

On October 17, 2018, the Company, through its Czech subsidiary Mangan, made the first option payment of 14 million Czech Koruna (\$815,000) as stipulated in an option agreement for the purchase of a 100% interest in EP Chvaletice s.r.o. ("EPCS") dated on August 13, 2018 ("EPCS Option Agreement"). EPCS is a Czech operating company whose principal asset is a large parcel of industrial zoned land adjacent to the Chvaletice Manganese Project, where the Company proposes to develop its high-purity manganese processing facility.

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

- a) an instalment of 42,000,000 Czech Koruna (approximately \$2.50 million at period end), within 60 days of final approval of the environmental impact assessment for the Chvaletice Manganese Project, but no later than three years after signing the EPCS Option Agreement. The three-year term may be extended by up to one year for an additional payment of 2,100,000 Czech Koruna (approximately \$125 thousand); and
- b) a final instalment of 84,000,000 Czech Koruna (approximately \$5.00 million at period end), due upon receipt of all development permits for the Chvaletice Manganese Project, but no later than five years after signing the EPCS Option Agreement.

The first payment made on October 17, 2018, is a derivative classified as FVTPL due to the following:

- a) The option is for the acquisition of shares of EPCS rather than a non-monetary asset;
- b) It does not meet any of the scope exceptions from recognition as a derivative under IFRS 9 *Financial Instruments*;
- c) Control of the Company over EPCS is not present until the third option payment is made. The remaining two payments are dependent on the Board's approval and are not legally enforceable by the shareholder of EPCS.

On February 7, 2019, the Company signed an amendment to the EPCS Option Agreement (the "Amendment"), funding, through EPCS, the purchase of several land parcels adjacent to the land owned by EPCS, and thus increasing the Option Agreement value by 3,500,000 Czech Koruna (\$203,220). Pursuant to the Amendment, in the event that EPCS is not ultimately acquired under the EPCS Option Agreement, the ownership of these land parcels will be transferred to Mangan at no additional cost. The Company also incurred transaction costs of \$24,447.

There was no change in the fair value of the option in the three months ended December 31, 2020 (three months ended December 31, 2019 - nil).

On May 11, 2019, the Company signed a purchase contract with the Municipality of Trnavka for a 2.96-hectare parcel of land adjacent to the Chvaletice Manganese Project tailings, on which the Company plans to construct a visual and acoustic barrier between Trnavka and the Chvaletice Manganese Project tailings. The first payment, representing 10% of the total amount, 202,699 Czech Koruna (\$11,867) was paid on May 20, 2019. Following payments are based on permitting milestones and before March 2029.

On December 18, 2020, the Company paid the first installment of \$85,549 pursuant to the agreement with Sprava Nemovitosti Kirchdorfer CZ s.r.o. to acquire a 49,971 m² parcel of land, including a rail spur extension that provides additional room and flexibility for the Chvaletice commercial plant layout. The cost of the land is CZK 18,739,125 (approximately \$1.1 million) and is to be paid in five annual installments of approximately \$80,000, followed by the remaining balance of approximately \$700,000 in the final year. The first installment was refundable, subject to positive environmental due diligence at the site, which was completed in January 2021. Thereafter, the Company has the option to terminate the contract after the third installment.

Notes to the Condensed Consolidated Interim Financial Statements

Euro Manganese Inc.

(expressed in Canadian dollars - unaudited)

7. Government Loan

On April 23, 2020, the Company received, through its Canadian banking institution, \$40,000 from the Canada Emergency Business Account, which provides support for Canadian business during COVID-19 pandemic. The loan is interest-free until December 31, 2020, after which it converts into a three-year loan with an interest rate of 5% per annum. If 75% of the principal is repaid before December 31, 2022, the remainder of the loan will be forgiven.

The Company plans to repay the loan by the end of calendar 2021. The loan proceeds received approximated the fair value. Accordingly, the loan was recorded at its nominal value.

8. Equity

a) Common shares

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

	Share price	Number of common shares	Share capital
	\$		\$
Balance at October 1, 2020		258,162,887	28,608,578
Shares issued in private placement	0.19 ^(a)	60,000,000	11,339,829
Less: Cash expenses paid			(760,205)
		60,000,000	10,579,624
Add: Options exercised	0.13	459,000	61,740
Total shares issued for cash		60,459,000	10,641,364
Less: non-cash expenses:			
Broker warrants issued			(1,666,414)
Add: non-cash value of exercised options			40,965
Balance at December 31, 2020		318,621,887	37,624,493

(a) 58,066,754 of shares were issued in Australia for AUD0.20 per share.

During the three months ended December 31, 2020, the Company completed a two-tranche brokered private placement of 1,933,246 common shares and 58,066,754 CDIs, at a price of \$0.19 per common share or AUD\$0.20 per CDI, respectively for aggregate gross proceeds of \$11,339,829 (the "Offering"). Fees payable in cash by the Company in connection with the Offering consisted of AUD571,568 (\$547,990) to the lead manager and book runner for the Offering and \$119,557 to the Company's financial advisor. Additionally, the lead manager, was issued 6,000,000 broker warrants ("Broker Warrants") exercisable any time prior to December 16, 2023, with one-half of such Broker Warrants having an exercise price of \$0.30 per share and one-half of such Broker Warrants having an exercise price of \$0.35 per share.

b) Share options

The Company has a rolling share-based compensation plan (the "Plan") allowing for the reservation of a maximum 10% of the common shares issued and outstanding at any given time for issuance under the Plan. Under the Plan, all share options are granted at the discretion of the Company's Board of Directors. The term of any option granted may not exceed ten years and the exercise price may not be less than the market value of the Company shares.

Notes to the Condensed Consolidated Interim Financial Statements

Euro Manganese Inc.

(expressed in Canadian dollars - unaudited)

8. Equity (continued)

Current outstanding options have an expiry date of ten years and vest over a period of 24 months. A continuity summary of the share options granted and outstanding under the Plan for the three months ended December 31, 2020 and the year ended September 30, 2020, is presented below:

	December 31, 2020		September 30, 2020	
	Number of share options	Weighted average exercise price (\$ per share)	Number of share options	Weighted average exercise price (\$ per share)
Balance, beginning of the period	19,725,000	0.16	15,500,000	0.17
Options granted	—	—	4,800,000	0.12
Options exercised	(459,000)	0.13	—	—
Options expired	—	—	(575,000)	0.10
Balance, end of the period	19,266,000	0.16	19,725,000	0.16

During the three months ended December 31, 2020, the Company recorded share-based compensation expense of \$73,589 (three months ended December 31, 2019 - \$115,287) of which \$23,230 has been allocated to project evaluation expenses (three months ended December 31, 2019 - \$39,305) and \$50,359 to administrative expenses (three months ended December 31, 2019 - \$75,982).

The balance of options outstanding and exercisable at December 31, 2020, is as follows:

Options outstanding & exercisable			Options exercisable	
Exercise price (\$ per share)	Number of share options	Weighted average remaining contractual life (years)	Number of share options	Weighted average remaining contractual life (years)
0.08	1,625,000	5.4	1,625,000	5.4
0.10	1,450,000	6.3	1,450,000	6.3
0.11	7,466,000	8.3	4,832,670	7.5
0.13	500,000	9.7	166,667	9.7
0.20	3,600,000	7.2	3,600,000	7.2
0.25	1,900,000	8.2	1,483,333	8.0
0.28	2,725,000	8.1	1,816,652	8.1
0.16	19,266,000	7.7	14,974,322	7.2

c) Warrants

	December 31, 2020		September 30, 2020	
	Number of warrants	Weighted average exercise price \$	Number of warrants	Weighted average exercise price \$
Balance, beginning of the period	5,756,750	0.34	5,756,750	0.34
Issued	6,000,000	0.33	—	—
Balance, end of the period	11,756,750	0.33	5,756,750	0.34

Notes to the Condensed Consolidated Interim Financial Statements

Euro Manganese Inc.

(expressed in Canadian dollars - unaudited)

8. Equity (continued)

As at December 31, 2020, the following warrants were outstanding:

Expiry date	Weighted average exercise price (\$)	Number of warrants	Weighted average remaining contractual life (years)
February 28, 2021	0.30	2,856,750	0.2
October 1, 2021	0.38	2,900,000	0.8
December 16, 2023	0.30	3,000,000	3.0
December 16, 2023	0.35	3,000,000	3.0
	0.33	11,756,750	1.8

In connection with the Offering, the Company issued Broker Warrants exercisable anytime prior to December 16, 2023, with with one-half of such Broker Warrants having an exercise price of \$0.30 per share and one-half of such Broker Warrants having an exercise price of \$0.35 per share. Based on Black-Scholes pricing model using a risk-free rate of 0.32%, an expected life of 3.0 years, an annualized volatility of 90% (based on volatility assumptions of comparable companies), a dividend rate of nil, and a share price of \$0.445 (share price on the date of special general meeting approving the issue of the warrants), these warrants were assigned an estimated total value of \$1,666,414.

9. Related Party Transactions

Transactions between the Company and its subsidiary have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Company and other related parties are disclosed below. Related parties include the Board of Directors and officers, close family members and enterprises that are controlled by these individuals as well as certain consultants performing similar functions.

a) Key management compensation

Key management personnel include the board of directors, President and Chief Executive Officer, Chief Financial Officer, Vice President, Corporate Development and Corporate Secretary, Vice President, Operations, Chief Technology Officer and the Managing Director of the Company's Czech subsidiary.

During the three months ended December 31, 2020, and 2019, the Company incurred the following expenses to key management of the Company or companies with common directors:

	Three months ended December 31,	
	2020	2019
	\$	\$
Salaries and fees	421,273	376,019
Share-based compensation	46,432	73,488
	467,705	449,507

Notes to the Condensed Consolidated Interim Financial Statements

Euro Manganese Inc.

(expressed in Canadian dollars - unaudited)

9. Related Party Transactions (continued)

b) Related party transactions during the three months ended December 31, 2020 and 2019

Fees charged by PRK Partners s.r.o. ("PRK"), a legal firm associated with an advisory board member, who is a former director of the Company amounted to \$13,036 in the three months ended December 31, 2020 (three months ended December 31, 2019 - \$113,712). Fees paid to the advisory board members for the three months ended December 31, 2020 amounted to \$10,000 (2019 - nil).

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

	December 31, 2020	September 30, 2020
	\$	\$
Salaries and fees payable	16,388	16,158
Fees provided by a legal firm associated with an advisory board member	12,724	576
Outstanding payable due to officers and directors	6,740	3,983
	35,852	20,717

These transactions were incurred in the normal course of operations.

10. Fair Value Measurement of Financial Instruments

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3: Inputs that are not based on observable market data.

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

The first option payment pursuant to the EPCS Option Agreement (Note 6) is a derivative. It is a financial instrument measured at fair value through profit and loss using Level 3 inputs as there is no observable market data available. The option was initially recognized at fair value which equaled the initial cash payment of \$815,000 as stipulated in the EPCS Option Agreement. There was no change in the fair value of the EPCS Option in the time from the initial recognition to the period end.

There were no transfers between the levels of the fair value hierarchy in the three months ended December 31, 2020.

Notes to the Condensed Consolidated Interim Financial Statements

Euro Manganese Inc.

(expressed in Canadian dollars - unaudited)

11. Segmented Information

The Company's operations are all conducted in one segment, the exploration and development of exploration and evaluation assets. The Company's exploration and evaluation assets and property and equipment are in the Czech Republic.

12. Commitments

As at December 31, 2020, the Company was committed to make the minimum annual cash payments, as follows:

	Payments due by period			
	Total	Less than one year	1 - 2 years	2 - 3 years
	\$	\$	\$	\$
Minimum office lease payments ⁽¹⁾	9,612	6,456	2,525	631
Operating expenditure commitments ⁽²⁾	141,149	141,149	—	—
Total contractual obligations	150,761	147,605	2,525	631

⁽¹⁾ The Company has one non-cancellable operating office lease expiring in three years.

⁽²⁾ Operating expenditure commitments relate to the evaluation work on the Chvaletice Manganese Project.

In addition to the commitments disclosed above, the Company has entered into various agreements related to the feasibility study and the demonstration plant. These contracts can be canceled by the Company upon notice without penalty, subject to the costs incurred up to and in respect of the cancellation.

The Company agreed to acquire rights to two additional strategic parcels of land which include a section of land encompassing a rail spur costing CZK 252,762 (approximately \$14,300), and a right-of-way for a period of 30 years having an annual rental of CZK 60,000 (approximately \$3,000).

13. Events after the Reporting Period

On January 7, 2021, the Company completed a non-brokered private placement of 444,445 common shares at a price of \$0.45 per common share for gross proceeds of \$200,000.

On February 4, 2021, warrants to purchase an aggregate of 2,856,750 common shares of the Company were exercised at a price of \$0.30 per common share, resulting in proceeds to the Company of \$857,025. Pursuant to the warrant exercise, the Company issued 331,750 common shares and 2,525,000 CDIs.