



**Euro  
Manganese  
Inc.**

**Euro Manganese Inc.  
Fourth Quarter and Year-End 2022  
Conference Call #2 Transcript**

**Date:** December 19, 2022

**Time:** 2:00 PM PST

**Speakers:** **Dr. Matthew James**  
President and Chief Executive Officer

**Martina Blahova**  
Chief Financial Officer

**Louise Burgess**  
Senior Director IR & Communications

**Operator:**

Okay. Good morning, good afternoon. Hello everyone and thank you for joining us for Euro Manganese's Quarterly and Year-End Results Highlights Call today.

Before we begin today's session, I'd just like to go over some small housekeeping items. This is a webinar format, which means attendees are all in listen and view-only mode, with no ability to unmute or start your cameras. You will however be able to ask questions later in the portion during the question-and-answer section of the call. You can use the Q&A icon on your Zoom toolbar to type your questions, and you will also be able to raise your hand to do an interactive audio question if you prefer to do that.

With all of that said, I would now like to start the session by turning things over to Matthew James. Matthew, the floor is yours.

**Dr. Matthew James:**

Thank you.

Good morning, good afternoon, and good evening to everyone dialing in tonight. Thank you for joining us to review our fourth quarter and year-end highlights so close to the holidays.

The slides for today's call can be downloaded from our website.

Before we begin, I must remind you that this presentation involves forward-looking statements. Please refer to our cautionary statement here, as well as the risk factors set out in our Annual Information Form. Our news release yesterday highlights our fourth quarter and year-end financial position. This should be read in conjunction with our management discussion and analysis and financial statements, both of which are available on our website, SEDAR, and the ASX.

Joining me today on the call are Martina Blahova, our Chief Financial Officer, and Louise Burgess, our Senior Director, Investor Relations and Corporate Communicates. I will pass over to Martina in a moment to go over our financial highlights for the quarter and the Company's financial position, then I'll run through our performance in Q4 and for the year, looking at key catalysts for 2023 and wrap up with a question-and-answer session. Over to you, Martina.

**Martina Blahova:**

Thank you, Matt.

I will briefly comment on our cash position and the intended use of these funds in the coming 12 months. Please note that all figures are in Canadian dollars.

We started the quarter with \$28 million in cash; \$2.3 million was spent on operating expenditures and completion of the feasibility study. The operating expenditures also covered advancement of the environmental and social impact assessment, corporate office cost, as well as the cost of the Czech office. One-point-eight million was spent on the completion of improvements to the buildings which now host the demonstration plant, and on the transport and setup for the demonstration plant equipment. The demonstration plant is now installed and commissioning has started.

We also spent \$2.3 million on the third of fourth option payments for EP Chvaletice, a company which owns the land for that project for post-commercial plans.

We closed the quarter with \$21.6 million in the bank. Our cash position will allow us to complete the final environmental and social impact assessment, which will be filed with the Czech Ministry of Environment shortly. The funds we currently have are also expected to cover our other permitting costs for the project, as well as commissioning and operation of the demonstration plant for approximately one year.

We will also intend to use these funds to complete or advance new land acquisitions for the commercial plant area to complete the EPCM tender process and to cover our corporate and Czech costs for the next 12 months.

I will now turn it over to Matt.

**Dr. Matthew James:**

Thanks, Martina.

I wanted to share our purpose, vision, and values, created by the team earlier this year, these set out a clear north star for who we are as a Company, what we're focused on, and the values we believe will

underpin our success. Our global team is now 40 people, and everyone in Euro Manganese exhibits a strong passion and belief in our ability to succeed. It is of utmost importance to me to foster this energy going forward as we deliver on our vision of being the leading environmentally responsible producer of high-purity manganese globally, guided by our corporate values.

Moving on to the highlights from the quarter, this is a quick overview. I'll speak to each of these in more detail in the coming slides. The key takeaway is we continue to deliver important key milestones as well as growth initiatives, and are well positioned to continue that momentum as we head into 2023.

We made great strides in advancing the Chvaletice project this quarter and over the year. Having taken delivery of the demonstration plant modules in early September, the team installed these into two fully refurbished buildings adjacent to the intended commercial plant site.

We hosted multiple site visits where we were able to show the buildings and plant modules in place to customers, investors, and also our Board visit. Commissioning of the demonstration plant is now well underway, on a module-by-module basis. We have commissioned the front end, that is, the slurry preparation, magnetic separation, and filtering modules which produce our concentrate and tailings. We're now commissioning the leaching and the first step of purification of that concentrate. A video of our demonstration plant flow process can be viewed via the link here or on our website.

On-spec samples of both high-purity electrolytic manganese metal, or what we call HPEMM, and high-purity manganese sulphate monohydrate, or HPMSM, are expected in Quarter 1, 2023, with delivery to interested parties occurring thereafter.

Six companies from across the EV supply chain have requested samples from the demonstration plant. A further six companies that are currently testing pilot plant samples are also expected to request demonstration plant samples after that.

We filed the positive feasibility study at the end of September on SEDAR and on the ASX. As a quick reminder, that outlined a robust post-tax net present value of US\$1.3 billion using an 8% discount rate, an IRR of 22%, with a four-year payback period. Following the release of the feasibility study, we began preparing an engineering, procurement, and construction management tender package to solicit bids

from firms interest in then developing the commercial processing plant at Chvaletice in the Czech Republic.

Bids have now been received from five Tier 1 EPCM firms, and I'm very happy with the number and the quality of the bids. We're looking to appoint a firm who has experience in building similar types of chemical plants in Europe. Selection of the EPCM contractor will allow us to advance basic engineering design and commence procurement of long-lead process equipment.

On the permitting front, we're targeting to file our final environmental and social impact assessment by year-end with the Czech Ministry of Environment. That can enable final environmental permitting for the project in mid-2023.

A clear area of focus for us this quarter was advancing of discussions. We commenced a structured off-take tender process for our high-purity manganese products in September, and are now driving towards term sheets and off-take contracts. We have made a data room available and have hosted site visits for interested parties. Multiple indicative bids have now been received, in addition to the five MOUs currently in place, and we continue to hold active discussions and negotiations with parties across the EV supply chain in Asia, Europe, and North America.

Also, part of our off-take discussions is exploring additional financial support for the project itself. There has been an increasing trend of backward integration across the battery supply chain, with automotive OEMs investing in resource and processing projects to secure their raw materials needed for EV vehicles. For example, we have seen this with GM investing into Pacific Metal in Australia, Stellantis' investment in Vulcan Energy in Germany, and Ford's loan to Liontown in the U.S.

That's a good segue into an overview of our project financing strategy. We appointed Stifel earlier this year to advise the Company on project finance debt. On current pricing forecasts, their model supports a 65% to 70% debt gearing, which, based on initial feedback, could be largely supported by European institutions. Both the European Bank of Reconstruction and Development, who are currently our second largest shareholder, and the European Investment Bank, have expressed interest in being significant debt providers for the project. That should benefit us as it will be lower cost debt compared to commercial banks, ESG funds, and export credit agencies, from which there has been also positive interest.

Now we leave the project with a project finance equity portion of approximately 30% to 35%. We are in the middle of a process to appoint an equity advisor. The ideal equity strategy is to have a strategic investment with an OEM and/or industry strategic on a project level, just as we have discussed above, basing that on the project's net asset value, which will be a discount to the net present value of the project as we discussed previously. This would then be followed by a private placement to the interested parties that we're already in discussions with, and a public offering, potentially at a re-rated stock price, making the project finance equity raised more achievable and less dilutive for current shareholders.

As part of our commitment to environmental excellence and transparency, we have completed two lifecycle assessments this quarter. The first LCA measured the environmental impacts of our high-purity manganese products. Results showed a net positive benefit to soil and freshwater quality as a result of the tailings remediation. The second lifecycle assessment shown here compared the carbon footprint from our high-purity manganese products with those produced by the current China-based incumbent industry. Results indicated our products have a carbon footprint approximately one third of the incumbent industry.

Analysis of the carbon footprint of each of the ternary battery metals shows that our high-purity manganese metal has the lowest carbon footprint. As automotive OEMs seek to meet their net-zero commitments, they are increasingly looking at their supply chain to ensure their raw materials are low carbon and ESG compliant. We are very well positioned on this front to supply the market with responsibly produced, low-carbon manganese projects.

Shifting over to North America, which is a growth horizon for us. We announced a potential investment opportunity in Quebec, Canada, in November. In response to conversations with parties across the EV supply chain, we are exploring the development of a dissolution plant to produce high-purity manganese sulphate for the North American market. This would give us first-mover advantage in North America.

North American demand for high-purity manganese is expected to reach approximately 200,000 tonnes by 2031, and there are no current processing facilities in North America. As you can see from the map here, Quebec is strategically located for the North American plants currently under development.

Quebec is shown in the green section just above the U.S. These plants are seeking a localized supply to comply with the recent U.S. Inflation Reduction Act regulations.

Why Bécancour, Quebec? Well, within the port of Bécancour, the industrial park, both GMASCO and BASF have announced plans, with a third plant associated with another OEM to be announced shortly. This will allow high-purity manganese sulphate to be delivered as a solution, which we term HPMS, high-purity manganese sulphate solution to these plants, directly from our dissolution plant, saving the cost of crystallization, drying, and packaging, as well as working capital for both parties. Site due diligence is underway on a proposed 15-acre parcel within the port of Bécancour. The Company has now signed an option agreement, allowing it to purchase the site, subject to the outcome of due diligence and other conditions. The option agreement is valid for a 21-month period.

Concurrently, we announced a scoping study, and is underway, to evaluate the development of a high-purity electrolytic manganese metal dissolution plant to produce the HPMS, as well as HPMS powder; so both the solution, but we will also have some crystallization capacity to service other plants outside of Bécancour. The study will leverage the extensive process development and engineering work already completed in the Chvalitice project. The growth opportunities in the North American market look compelling, and we shall provide updates on our growth plans as they evolve.

A quick snapshot of our performance against 2022 catalysts. I'm not going to go through these in detail, but the key takeaway is we've delivered against the majority of our goals, and those outstanding are progressing well. All in all, I'm very pleased with the tenacity of the team in achieving significant milestones during the year.

What's next? Twenty Three is an important year for the Company, with a focus on appointing an EPCM contractor to commence the frontend engineering design for the commercial plant. We'll be looking to get on-spec samples from the demonstration plant in the first quarter, followed by sending samples out to customers thereafter. We are working diligently to advance the two remaining land access agreements. We are also preparing the land planning permit to have it ready to submit once we receive approval of our environmental social impact assessment.

In the early new year, we'll be looking to appoint our project finance equity advisor, and will be driving hard to conclude discussions for off-take contracts. I look forward to updating you on our North American growth plans in Q1, as well.

That concludes our presentation. I'm extremely proud of the ongoing commitment of our team in advancing our flagship Chvaletice project. I look forward to continue delivery of key catalysts in 2023 and beyond. Together, we're moving closer to our vision of being a leading environmentally responsible producer of high-purity manganese.

Thank you. I'll now open it up to questions.

**Operator:**

Thank you so much, Matthew.

Now, we would invite you to type any questions that you have using the Q&A icon which is located on your Zoom toolbar. Additionally, if you'd like to verbally ask a question, you can use the Raise Hand icon also located on your Zoom toolbar. We will call on you by name and allow you to unmute for you to ask your question. Also, if you're joining us today via a phone, dial-in only, you can use the star, nine command on your keypad to raise your hand, and then star, six to unmute.

With that, now let's open it up for any questions. Thank you.

**Louise Burgess:**

Thanks, Dave. We'll just hold for a minute to see if there are any questions that come in.

I am not seeing any from this group on the call, so if there is nothing else, I will pass it back over to Matt for final commentary.

**Dr. Matthew James:**

Thank you, Louise.

Well, this is an exciting time for the battery and raw materials sector, and for Euro Manganese, is very well positioned to take advantage of the radicalization of supply to the EV market. It really just leaves



me to wishing everyone happy holidays, and we look forward to holding our next quarterly call in the New Year, and to update you on our progress on those key catalysts that we outlined previously. Thank you very much.

**Operator:**

I do see we actually have a raised hand, Matthew, if we have time for it.

**Dr. Matthew James:**

Okay.

**Operator:**

I have unmuted your line, if you would like to do star, six to toggle your mute.

**Dr. Matthew James:**

The question we received is: can you remind us of the manganese supply/demand disconnect?

Yes. For the global supply, the analysts' forecasts going forward show a deficit in the market being created towards the end of 2023 into 2024. That demand deficit grows quite substantially by the time we're in production by 2027, and continues to widen out to 2031. That demand is simply driven by the underlying growth of the EV market.

It could grow even faster, as high-manganese chemistries, particularly LMFP, or some of the—NMx, or other tertiary (phonetic 23:34) battery metals which are removing cobalt (phonetic 23:38) and increasing the manganese and decreasing the (inaudible 23:42) content, come into the market in greater volumes.

The supply side of that forecast is really every project that's known to me, sort of being discussed, and a significant increase in volumes within China itself. That definitely sort of outlines that supply deficit that's coming forward.

**Louise Burgess:**

The second question...

**Operator:**

We do have a question... Oh, sorry, Matthew.

**Dr. Matthew James:**

Yes, it's how do you think about your competitors?

Well, we need all these projects to come to fruition to give the market confidence to move to these high-manganese chemistries. I feel that we are ahead of the competition by a couple of years probably, but we're obviously watching their development closely. Like I said, welcome the additional volumes, because we all supply into a growth market.

**Operator:**

Thank you, Matthew. We do have a question from one of our phone callers.

If you could please state your name and ask your question now. You may have to star, six to toggle your mute.

**Ed:**

Hi, my name is Ed. Can you hear me?

**Operator:**

We can.

**Ed:**

A question for Matthew.

Where's the products coming from for the second quarter? Are you planning on shipping new products in Europe, or is there thought to another source of products from North America?

**Dr. Matthew James:**

Thank you for the question, good question.

The basic plan is to take the intermediate product from Europe, that is the high-purity electro manganese metal, across to the Bécancour plant for dissolution there. I think there may be—we are looking at a potential on a bridging strategy to maybe get some material before the Bécancour plant, I'm sorry, the Chvaletice is operational. The longer-term strategy would be to look for a source of supply within North America, but that has not got a timeline on it yet, but it is a longer-term strategy for the Company.

**Ed:**

Thank you.

**Dr. Matthew James:**

I've got another question that's come in here. The share price has continued to range in mid AUD\$0.20 and mid AUD\$0.30. Is there any information for analysts on the share price increasing in the near future?

Well, obviously, Canaccord have a research analyst report. Those that have access to that will see that the share price they're forecasting is substantially above the current share price. I think if I point to the catalysts that we outlined for 2023, when we achieve those catalysts, I feel that the share price should re-rate. But we can't obviously predict the future, particularly in the share market environment, but I think achieving those catalysts will support the stock.

One additional question, one more on the competitors: who are they, all in China?

The clear, main industry incumbent today are producers in China. They dominate the market with over 90% of production. Projects coming to market are in China, and they're definitely growing their production; but importantly for us and the value proposition that we're providing is the OEMs looking for non-China source of supply to give them greater security of supply, higher quality of product and consistent product in their local market, and a product that meets the lowest global warming footprint, CO2 footprint, and other ESG benchmarks that we would meet.

There are projects in Australia, in Africa, in Canada, which are, I would say, are behind us in terms of development. But like I said before, they're only to get into production to even come close to meeting the manganese demand.

**Louise Burgess:**

I think that concludes the question-and-answer period, Matt.

**Dr. Matthew James:**

Okay.

**Louise Burgess:**

You can probably wrap up.

**Dr. Matthew James:**

Thank you again everyone for joining the call, and I wish you all the best in the new year.