



**Euro
Manganese
Inc.**

**Euro Manganese Inc.
First Quarter 2023 Conference Call
Europe, UK, North America Transcript**

Date: February 13, 2023

Time: 8:30 AM PST

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

Martina Blahova
Chief Financial Officer

Louis Burgess
Senior Director IR & Communications

Operator:

Hello, and thank you for joining today's webinar.

Now, I will hand things over to today's speakers. Take it away.

Dr. Matthew James:

Good morning, good afternoon and good evening to everyone dialing in today. Thank you for joining us to review our first fiscal quarter highlights.

Please note, 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 statements here, as well as the risk factors set out in our Annual Information Form. Our news release filed last week highlights our first fiscal quarter 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 are Martina Blahova, Chief Financial Officer, and Louise Burgess, Senior Director, Investor Relations and Corporate Communications. I'll pass over to Martina in a moment to go through the financial highlights for the quarter and the Company's financial position, then I'll run through operational highlights achieved in the quarter and look at key catalysts for 2023. We'll wrap up with a Q&A session.

Over to you, Martina.

Martina Blahova:

Thank you, Matt.

Just a reminder that we report to a year-end of 30th of September, so our Q1 references the period of October through December 2022. I will briefly comment on our cash position and the intended use of these funds in the next coming 12 months. Please note that all figures are in Canadian dollars.

We started the quarter with \$21.6 million in cash; \$0.6 million was spent to complete the installation of the demonstration plant and the purchase and refurbishment of an administration building next to the demonstration plant, which also serves as an additional facility for the plant staff; \$2.8 million was spent on operating expenditures which covered the start of the demonstration plant commissioning, the completion of the environmental and social impact assessment for filing, which happened on December 30, and other corporate costs. We made a payment of \$0.2 million on an option for land plant for the rail spur in the commercial plant area. We also received \$0.2 million from the exercise of share options.

We closed the quarter with \$18.3 million in the bank. Our cash position will allow us to complete commissioning and operation of the demonstration plant for approximately one year. These funds also are expected to cover other permitting costs for the project, as well as completing or advancing certain land acquisitions for the commercial plant area, completion of the EPCM tender process and corporate G&A cost for the next nine months.

I will now turn it back to Matt.

Dr. Matthew James:

Thanks, Martina.

Here's a snapshot of achievements during the quarter and to date. I'll speak to each of these items in more detail in the coming slides, but the key take-away is we met our milestones for 2022 and we've maintained that momentum in the first six weeks of 2023.

We began the year with quite a bit of news flow, the most significant of which was the offtake term sheet with Verkor, who ought to be a key battery supplier to Renault. The term sheet outlines minimum tonnages on a take-or-pay basis for an initial tenure of eight years, with deliveries commencing from first production, which is expected in 2027.

The term sheet also outlines pricing, which is based on an index-adjusted western price benchmark for high-purity manganese sulphate, and also correlates to the CO2 footprint of our production of high-purity manganese sulphate at Chvaletice. It also has a floor price. We are now working with Verkor to advance to a full offtake contract.

Alongside this, we also continue to advance offtake discussions with other interested parties from across the EV supply chain in Europe and North America. These are a result of the structured offtake tender process for our high-purity manganese products that we commenced in September 2022. We made a data room available and hosted site visits for interested parties. Indicative bids have been received, in addition to five MoUs currently in place.

I spoke to the increasing trend of automotive OEMs investing in resource and processing projects to secure critical raw materials for electric vehicles on a conference call in December. Since then, we've witnessed a watershed investment from GM into Lithium Americas to finance their Thacker Pass project. GM's \$650 million investment is the largest to date by an OEM into battery raw materials, and I feel is a transformative precedent for critical minerals partnerships. It is yet another example of the importance of local raw material supply and security in accelerating the energy transition.

We released our lifecycle assessment last year. I wanted to highlight the results of the benchmarking assessment again. As mentioned in the previous slide, the pricing mechanism in the Verkor term sheet directly correlates to the carbon footprint of high-purity manganese sulphate produced at Chvaletice. This demonstrates the tangible commitments of both parties to deliver low-carbon products for the EV market.

We are leading the pack in having the lowest carbon footprint versus the current incumbent of the high-purity manganese industry. This is hugely important for us and our conversations with battery makers and automotive OEMs, who've made their own commitments to net zero and are looking to their supply chains to help them reach that goal.

On the 18th of January this year, the Global Battery Alliance launched the European Battery Passport pilots, including dedicated rulebooks to establish key sustainability performance indicators related to the battery carbon footprint, child labour and human rights due diligence. EV batteries sold in the EU from 2026 will be obligated to report the carbon footprint associated with the overall lifecycle of manufacturing batteries, the percentage of recycled content of the battery, and human rights of battery supply chain due diligence. Three main key take-aways are: one, we're following this very closely; two, we're in a very strong position to meet these requirements; and three, we believe the superior nature of our high-purity manganese products positions us very well to meet current and future demands of the EV battery supply chain.

Over to the project itself. We made great strides in advancing Chvaletice during the quarter and to date. Commissioning of the demonstration plant began in early November and is advancing well. We are on track to produce on-spec material by the end of calendar Q1 2023. Deliveries to interested parties will commence thereafter. Six companies from across the EV supply chain have requested samples, and a further six companies, who are testing Power Plant samples, are also expected to request demonstration plant samples in due course. A video of our demonstration plant flow process can be viewed at a link here or on our website.

Parallel to commissioning, we are also advancing on the engineering procurement and construction management front. Bids have been received from five Tier 1 EPCM firms who are interested in developing the commercial plant at Chvaletice. We are finalizing the evaluation of the bids and aim to appoint a contractor in the near term. Of importance to us is 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 identify long lead items of process equipment.

Another milestone achieved in the quarter was submission of the final Environmental and Social Impact Assessment to the Czech Ministry of Environment. This was based on the previous impact assessment study. Engagement with key stakeholders, which included outreach with relevant authorities and local communities, project parameters outlined in the feasibility study and environmental and social impact models, all of which were built into, fed into our final EIA submission. We anticipate a six-month approval process from the December 2022 submission, potentially enabling final environmental permitting for the project by the middle of this year.

To further demonstrate our commitment to putting sustainable practices at our core, we published an Inaugural Sustainability Report for 2022 in December. This details our thorough materiality assessment we undertook earlier last year to identify the environmental, social and governance issues that matter most to us and our stakeholders. Outcomes indicate we are on the right path in taking steps to address areas of high importance to our stakeholders, such as environmental stewardship and mitigating climate change.

The report was also an opportunity for us to crystallize the Company's purpose, vision and values. Again, I spoke to this on the last quarterly call. As our global team of approximately 40 grows, it is of our utmost importance to me to have a clear North Star for who we are as a company, what we're

focused on and the values that will underpin our success. The passion that our team exhibits demonstrates that desire to deliver on our vision of being the leading environmentally responsible producer of high-purity manganese globally.

Shifting gears to our exciting opportunity in North America to build a dissolution plant in Bécancour in Québec. The growth opportunities offered by the North American market are compelling, and the plant at Bécancour will give the Company first-mover advantage in this region. As a reminder, North American demand for high-purity manganese is expected to reach 200,000 tonnes by 2031. However, there are no current processing facilities in North America.

Bécancour, in Québec, is shaping up as a major EV battery materials supply chain cluster, with two large cathode active material projects, as well as other critical battery raw material projects announced, high-purity manganese, being the missing ingredient there, until now.

We have secured a long-term option on a central site in Bécancour to enable site due diligence and a scoping study for the processing plant; both of which are nearing completion through leveraging and localizing the extensive process development and engineering work already completed for the Chvaletice project. These plans are warmly welcomed by both the Québec Government and the Canadian Federal Government, with whom the Company has entered discussions regarding the clearly structured incentive support programs which may be available for the project.

I've spoken to most of these deliverables already today, however, I want to just note we are close to appointing our project finance equity advisors. The key take-away is we have a busy first half of the year ahead of us, both advancing the project and putting in place offtake contracts to underpin our project finance. In the second half of the year, we envision being focused on project finance and completing the front end engineering work with our EPCM contractor. We are driving towards executing our key catalysts to realize long-term value for our stakeholders.

Thank you everyone for tuning in today. I'm now pleased to open it up for questions.

Louise Burgess:

It looks as though we have one raised hand there for a second. I'm not sure if the Operators are able to help with that one in opening up the line, if it was on a line.

Operator:

Leslie (phonetic 16:09) is not able to participate.

Frank Span:

Hi Matt. It's Frank Span (phonetic 16:15) here from Invest Energy. Just a couple of quick questions and a follow-up if I may. The CapEx estimate that you mentioned earlier, has that been generated internally or was that part of the tender process from the contractors?

Dr. Matthew James:

Thank you Frank. That was from the feasibility study, which was undertaken by Tetra Tech, obviously with our customer support—sorry, with our support, and with process input from the Beijing General Research Institute of Mining and Metals, BGRIMM, in China. It is an estimate from July 2022, at a time when prices were high. In that 750, I would just remind everyone, there is over \$100 million of contingency in that number.

As we move forward with our EPCM basic engineering, then we'll be able to reduce the variability or confidence level of that CapEx estimate.

Frank Span:

Related to that, does that include the Bécancour plant or is it premature to (multiple speakers 17:44)...

Dr. Matthew James:

Yes.

Frank Span:

... an assessment on that?

Dr. Matthew James:

That's at scoping study level, which we're just finishing. So, that number is just for the Chvaletice project, for (audio interference 17:54) project.

Frank Span:

Right. Thank you. Just on another issue. On the license terms, since the Chvaletice project is a brownfield, are remediation costs included in your cash flow estimates?

Dr. Matthew James:

Absolutely, yes. The remediation of the tailings is included in our operating costs, and the demolition of the processing area and rebuild of that is also included in our capital costs.

Frank Span:

Roughly, I mean, what are those remediation costs come to?

Dr. Matthew James:

They're part of our mining costs, which is a very small part of our overall costs. (Multiple speakers 18:48)

Frank Span:

Right. And presumably, an EU carbon tax is included in your economics?

Dr. Matthew James:

No carbon taxes or other (inaudible 18:18) benefits are included in our forecasts.

Frank Span:

You say no—they're not included.

Dr. Matthew James:

They're not included, no. The benefit of any carbon taxes created by using 100% renewable power, not included in any of our analysis.

Frank Span:

Okay. Thanks for taking my questions Matt.

Dr. Matthew James:

No problem.

Louise Burgess:

Matt, it looks like there's one other here coming in. Again, it's asking do we have a partner for cathode production?

Dr. Matthew James:

Those people who are producing the cathodes will be our customers. We will be supplying our raw material to those customers. Even if an OEM is the offtaker, which we've seen in many cases, it is their supply chain we'll be supplying into into their cathode and battery manufacturing supply chain.

So, anyone who's in cathode production and needs manganese, obviously, there are people we are talking to, which we'll get in touch.

Louise Burgess:

Sorry, there's just a couple that are coming in here, hence the pause. Nick is asking what the primary reason—what's the primary reason that the EV supply chain are getting us for interest in buying our product?

Dr. Matthew James:

Our key value proposition in the market is the fact that we're the only European supply source for manganese and we're producing a high-purity manganese. Those customers who are looking to secure local supply material, or supply security, and who want to have the lowest CO2 footprint for the materials that they're buying, we are the only game in town in Europe. That is our key value proposition to the market. The demand for the materials is forecast to have (inaudible 21:36) supply.

Louise Burgess:

Thank you Matt. A question on recent elections in the Czech Republic, and that is, what positive or negative impacts can you foresee for the change in presidents in the Czech Republic?

Dr. Matthew James:

We obviously noted the result in Chechnya. I don't think it has either a positive or a negative impact for our project. We are working with the relevant agencies in the Czech Republic for our approvals, and that's going on track with EIA at the moment.

Louise Burgess:

Thanks Matt. Another one here from the chat, and that is, what percentage of outstanding shares are held by insiders and institutional investors?

Dr. Matthew James:

I think the management, including a ex-CEO who is a consultant, so consider him an insider—correct me I'm wrong, Martina, there's probably about 8% of the total shareholding?

Martina Blahova:

Yes, it's about that.

Dr. Matthew James:

Institutional investors, we estimate—we don't have full transparency in some of the holdings, but to be over 50%.

Louise Burgess:

I believe there is one other question on the phone line. If they would like to go ahead.

Operator:

Yes, Mr. FJ, you're now allowed to speak.

Frank Span:

Thank you. It's Frank Span again. On the Verkor take-or-pay term sheet, initially eight-year term. Is there mention of volumes in there?

Dr. Matthew James:

There are volumes mentioned in there. They're, at the moment, commercially sensitive, so we're not allowed to disclose those volumes. But there are volumes and price mechanisms. Both of those are binding when we go to a full offtake contract, but they're not obligated to go to that full offtake contract with just the term sheet.

Frank Span:

Can you share with us a rough idea of what percentage of your estimated production might be, or is that too close to the mark?

Dr. Matthew James:

No, not at the moment, yes.

Frank Span:

Okay. Thanks.

Louise Burgess:

A question here from Robin. Hi Robin. Matt, can you quantify or frame the fixed price parameter in the Verkor deal?

Dr. Matthew James:

It's not a fixed price. There is a European reference price, which we'll track against a high-purity manganese sulphate index, and also be related to our CO2 footprint. What it means is the floor price, and that price is the price which will cover all of our costs and will cover our debt service covenants. At the moment, that's all I can say about that in terms of quantities or level of that floor price.

Louise Burgess:

I'm just going to take a moment here just to see if there's any kind of questions that have come in. Just give me one moment. I think for anyone that is providing commentary rather than a question, we'll be more than happy to take that offline and communicate directly. But, I think that kind of wraps up the question-and-answer period for today.

Matt, I'll hand it back over to you in case there's any final notes that you'd like to say.

Dr. Matthew James:

Thank you Louise. Yes, this is an exciting time for the battery raw material sector. We feel we're very well positioned to take advantage of the drive to source fully traceable and local low carbon battery materials.

There is one other point that I'd like to mention. Previously, we've talked about the drive to high manganese chemistries, manganese-rich chemistries to lower the cost of the cathode, lower the cost of the battery to make EVs more affordable (phonetic 26:57). What is quite exciting today as Umicore announced today the industrialization of their manganese-rich cathode chemistries for EV batteries. If you Google "Umicore Industrialization of Manganese-Rich Chemistries," you'll come to that announcement. We also plan to put it up on our social media links later today. But that is news hot off the press.

Thanks again for joining. We look forward to talking to you next quarter.