



EURO MANGANESE

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED JUNE 30, 2023 AND 2022
(unaudited)**

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Condensed Consolidated Interim Statements of Financial Position

Euro Manganese Inc.

(expressed in Canadian dollars - unaudited)

	Note	June 30, 2023	September 30, 2022
		\$	\$
ASSETS			
Current assets			
Cash and cash equivalents		10,896,427	21,560,561
Prepaid expenses		339,653	447,215
Accounts receivable		284,025	186,267
		11,520,105	22,194,043
Non-current assets			
Exploration and evaluation assets	4	6,773,544	6,773,544
Property, plant and equipment	5	8,031,286	5,951,249
Other assets	6	1,896,582	1,041,134
Option	6	4,381,381	3,935,804
Total assets		32,602,898	39,895,774
LIABILITIES			
Current liabilities			
Accounts payable		2,103,365	1,778,308
Due to related parties	9	34,181	409,466
Liability for land deposits	6	—	77,636
Lease liability		195,274	174,780
		2,332,820	2,440,190
Non-current liabilities			
Lease liability		—	165,611
Total liabilities		2,332,820	2,605,801
EQUITY			
Share capital	8	78,733,328	78,298,364
Equity reserves		8,968,306	7,640,628
Deficit		(57,431,556)	(48,649,019)
Total shareholders' equity		30,270,078	37,289,973
Total liabilities and shareholders' equity		32,602,898	39,895,774

Approved on behalf of the Board of Directors on August 11, 2023.

"Matthew James"
Matthew James, 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)

	Note	Three Months Ended June 30,		Nine Months Ended June 30,	
		2023	2022	2023	2022
		\$	\$	\$	\$
Chvalitice Project evaluation expenses					
Engineering		(23,732)	386,454	1,419,472	2,006,580
Remuneration		273,671	306,456	845,701	858,357
Share-based compensation	8	28,481	77,137	129,182	411,391
Metallurgical		—	1,104	—	46,178
Travel		41,952	22,401	84,853	65,893
Legal and professional fees		112,647	205,287	249,666	336,610
Geological		—	5,453	—	58,027
Market studies		18,648	32,524	87,741	111,950
Supplies and rentals		152,425	(13,423)	527,170	38,689
		604,092	1,023,393	3,343,785	3,933,675
Other evaluation expenses					
Engineering		2,608	103,161	160,436	103,161
Legal and professional fees		50,951	131,531	204,654	210,769
Travel		9,137	44,426	28,792	46,736
Other income	7	(11,446)	—	(45,905)	—
		51,250	279,118	347,977	360,666
Other expenses					
Remuneration		624,983	575,921	2,351,186	1,924,444
Share-based compensation	8	397,955	602,762	1,425,810	1,654,145
Total remuneration		1,022,938	1,178,683	3,776,996	3,578,589
Legal and professional fees		324,497	194,076	877,700	443,892
Investor relations		40,749	76,892	206,721	265,246
Product sales and marketing		19,866	19,384	66,903	8,970
Travel		79,799	94,642	213,151	207,838
Filing and compliance fees		74,750	81,006	251,654	314,279
Office, general and administrative		42,931	40,358	186,090	144,039
Insurance		56,975	57,212	170,683	171,868
Conferences		25,988	13,992	175,752	75,142
Depreciation		67,121	47,726	193,173	128,402
Accretion expense		5,780	6,481	19,794	16,944
Interest income		(271,417)	(39,924)	(518,608)	(95,727)
Foreign exchange		(40,881)	33,059	(529,234)	(19,005)
		1,449,096	1,803,587	5,090,775	5,240,477
Loss and comprehensive loss for the period					
		2,104,438	3,106,098	8,782,537	9,534,818
Weighted average number of common shares outstanding - basic and diluted					
		402,669,227	401,115,551	402,232,554	389,840,305
Basic and diluted loss per common share					
		\$0.01	\$0.01	\$0.02	\$0.02

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)

	Note	Attributable to equity shareholders of the Company				
		Share Capital #	Share Capital \$	Equity Reserves \$	Deficit \$	Shareholders' Equity (Deficit) \$
Balance at October 1, 2021		377,483,415	67,498,015	5,096,807	(35,191,646)	37,403,176
Shares issued in private placement, net of expenses		17,800,000	8,244,257	—	—	8,244,257
Shares issued as a finder's fee		534,000	—	—	—	—
Shares issued to settle deferred share consideration		478,027	278,012	(278,012)	—	—
Shares issued as partial consideration for royalty buy-back	4	4,820,109	2,278,080	—	—	2,278,080
Share-based compensation		—	—	2,065,536	—	2,065,536
Loss and comprehensive loss for the period		—	—	—	(9,534,818)	(9,534,818)
Balance at June 30, 2022		401,115,551	78,298,364	6,884,331	(44,726,464)	40,456,231
Balance at October 1, 2022		401,115,551	78,298,364	7,640,628	(48,649,019)	37,289,973
Options exercised	8	1,316,599	354,358	(146,708)	—	207,650
Shares issued to settle deferred share consideration	8	237,077	80,606	(80,606)	—	—
Share-based compensation		—	—	1,554,992	—	1,554,992
Loss and comprehensive loss for the period		—	—	—	(8,782,537)	(8,782,537)
Balance at June 30, 2023		402,669,227	78,733,328	8,968,306	(57,431,556)	30,270,078

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	Nine Months Ended June 30,	
		2023	2022
		\$	\$
Operating activities			
Net loss for the period		(8,782,537)	(9,534,818)
Less non-cash transactions:			
Share-based compensation		1,554,992	2,065,536
Depreciation		193,173	128,402
Lease liability accretion		19,794	16,944
Non-cash foreign exchange loss (gain)		(480,280)	(80,500)
		(7,494,858)	(7,404,436)
Changes in non-cash working capital items:			
Accounts payable		63,483	115,957
Accounts receivable		(97,947)	68,579
Prepaid expenses		107,561	32,377
Due to related parties		(375,285)	(10,116)
Cash used in operating activities		(7,797,046)	(7,197,639)
Financing activities			
Common shares issued for cash		—	8,499,500
Share issue costs paid		—	(255,243)
Exercise of stock options	8	207,650	—
Lease principal and interest payments		(170,231)	(157,758)
Cash generated from financing activities		37,419	8,086,499
Investing activities			
Property and equipment acquisition	5	(2,007,591)	(1,163,246)
Proceeds from sale of equipment	5	1,464	—
Payment for royalty buy back	4	—	(2,340,965)
Option, deposit for land and land acquisition	6	(933,084)	(615,688)
Cash used in investing activities		(2,939,211)	(4,119,899)
Effect of exchange rate change on cash and cash equivalents		34,704	38,183
Decrease in Cash		(10,664,134)	(3,192,856)
Cash and cash equivalents - beginning of period		21,560,561	31,218,582
Cash and cash equivalents - end of period		10,896,427	28,025,726

Supplemental cash flow information (Note 13)

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 Risk

The principal business and current focus of Euro Manganese Inc. (the "Company" or "EMN") is the development of the Chvaletice Manganese Project (the "Project"), in which the Company has a 100% ownership interest. The Project involves the re-processing of a readily leachable manganese deposit hosted in the tailings of a decommissioned mine in the Czech Republic. The Company has also started to progress an opportunity to develop a project to produce high-purity manganese products in Canada for the North American market. The Company's goal is to produce high-purity manganese products in an economically, socially and environmentally-sound manner, principally for use in lithium-ion batteries.

EMN was incorporated under the British Columbia Business Corporations Act on November 24, 2014. The Company's corporate offices are located at 700 West Pender Street, Suite 709, Vancouver, B.C., Canada, and its registered offices are located at 666 Burrard Street, Suite 1700, Vancouver, B.C., Canada. The Company's common shares are traded on the TSX Venture Exchange ("TSX-V") and on the OTC Best Market ("OTCQX") under the symbols "EMN.V" and "EUMNF", respectively. CHES Depository Interests ("CDIs", with each CDI representing one common share) are traded on the Australia Securities Exchange ("ASX") under the symbol "EMN.AX".

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 is expected to operate at a loss while the Company is developing the Chvaletice Manganese Project.

These condensed consolidated interim financial statements have been prepared on a going concern basis in accordance with International Financial Reporting Standards, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. Company's ability to continue as a going concern beyond the next 12 months will be dependent upon its ability to obtain additional financing for its general operating expenses and the development of its projects. Although the Company has been successful in the past in obtaining financing, there is no assurance that the Company will be able to obtain adequate financing in the future or that such financing will be on terms favorable to the Company.

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, 2022.

These condensed consolidated interim financial statements were prepared by management and approved by the Board of Directors of the Company (the "Board") on August 11, 2023.

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.

Notes to the Condensed Consolidated Interim Financial Statements

Euro Manganese Inc.

(expressed in Canadian dollars - unaudited)

2. Basis of Preparation (continued)

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 results 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 Significant accounting policies

The accounting policies applied in the preparation of these condensed consolidated interim financial statements are consistent with those applied and disclosed in the Company's audited consolidated financial statements for the year ended September 30, 2022, except for the following:

Amendments to IAS 16 *Property, Plant and Equipment* ("IAS 16"): Proceeds before Intended Use prohibits deducting from the cost of property, plant and equipment amounts received from selling items produced while preparing the asset for its intended use. Instead, amounts received will be recognized as sales proceeds and the related cost in profit or loss. The effective date of the amendment is for annual periods beginning on or after January 1, 2022. The amendment must be applied retrospectively to certain items of property. The adoption of the amendment had no impact on the Company.

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 3.15 to the Company's audited consolidated financial statements for the year ended September 30, 2022.

3.3 New standards and pronouncements not yet adopted

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB but not yet adopted by the Company. The Company is currently assessing the impact of the following pronouncements on the consolidated financial statements:

Amendments to IAS 12 *Income Taxes* ("IAS 12"): Deferred Tax related to Assets and Liabilities arising from a Single Transaction clarifies the accounting for deferred tax on transactions such as leases and decommissioning obligations by removing the initial recognition exemption for transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. The amendments are effective for annual periods beginning on or after January 1, 2023.

Notes to the Condensed Consolidated Interim Financial Statements

Euro Manganese Inc.

(expressed in Canadian dollars - unaudited)

4. Exploration and Evaluation Assets

The Company holds two exploration licenses for the Chvaletice Manganese Project (the "Licenses"). The Company was also 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 covers the areas included in the 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 Licenses and the Preliminary Mining Permit are valid until May 31, 2026.

The acquisition of Mangan included the grant of a 1.2% net smelter royalty interest ("NSR"). On May 31, 2021, the Company entered into royalty termination agreements with the original owners of Mangan to purchase and extinguish the NSR in the Chvaletice Manganese Project for an aggregate consideration of USD4,500,000 (\$5,424,458), payable in two instalments: 20% in cash, amounting to USD900,000 (\$1,085,698) which was paid May 31, 2021; and 80%, amounting to USD3,600,000, on or before January 31, 2022, by a combination of cash and up to 50% in common shares. On January 31, 2022, the Company completed the royalty buy back by issuing 4,820,109 common shares at a price of \$0.47262 per common share valued at \$2,278,080 (USD1,800,000) and paid USD1,800,000 (\$2,340,965) in cash. In connection with the royalty buy back transaction, the Company incurred \$20,000 and \$80,000 in transaction costs in the years ended September 30, 2021 and 2022, respectively.

The total carrying value of the Company's exploration and evaluation assets of \$6,773,544 includes 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 exploration and evaluation assets will be tested for impairment and then reclassified to mineral property and development assets within property, plant and equipment, once the Company has secured access to all required land parcels for the Chvaletice Manganese Project, has obtained certain agreements with customers confirming the economic viability and secured all necessary permits.

Notes to the Condensed Consolidated Interim Financial Statements

Euro Manganese Inc.

(expressed in Canadian dollars - unaudited)

5. Property, Plant and Equipment

	June 30, 2023				
	Demonstration plant & Buildings under construction ⁽¹⁾	Equipment	Land	Lease assets	Total
	\$	\$	\$	\$	\$
Cost					
October 1, 2022	5,216,357	144,334	333,331	586,094	6,280,116
Additions	2,236,802	32,366	—	5,506	2,274,674
Disposals	—	(3,312)	—	—	(3,312)
June 30, 2023	7,453,159	173,388	333,331	591,600	8,551,478
Accumulated depreciation					
October 1, 2022	—	(100,454)	—	(228,413)	(328,867)
Additions	—	(19,443)	—	(173,730)	(193,173)
Disposals	—	1,848	—	—	1,848
June 30, 2023	—	(118,049)	—	(402,143)	(520,192)
Net Book Value					
October 1, 2022	5,216,357	43,880	333,331	357,681	5,951,249
June 30, 2023	7,453,159	55,339	333,331	189,457	8,031,286

⁽¹⁾ The Company acquired an administration building for \$249,230 in the vicinity of the demonstration plant.

	September 30, 2022				
	Demonstration plant under construction	Equipment	Land	Lease assets	Total
	\$	\$	\$	\$	\$
Cost					
October 1, 2021	2,064,835	112,503	333,331	364,231	2,874,900
Additions	3,151,522	31,831	—	221,863	3,405,216
September 30, 2022	5,216,357	144,334	333,331	586,094	6,280,116
Accumulated depreciation					
October 1, 2021	—	(79,306)	—	(58,432)	(137,738)
Additions	—	(21,148)	—	(169,981)	(191,129)
September 30, 2022	—	(100,454)	—	(228,413)	(328,867)
Net Book Value					
October 1, 2021	2,064,835	33,197	333,331	305,799	2,737,162
September 30, 2022	5,216,357	43,880	333,331	357,681	5,951,249

Notes to the Condensed Consolidated Interim Financial Statements

Euro Manganese Inc.

(expressed in Canadian dollars - unaudited)

6. EPCS Option and Other Assets

a) Option

On October 17, 2018, the Company, through its Czech subsidiary Mangan, made the first option payment of 14 million Czech Koruna (\$815,000) pursuant to an option agreement for the purchase of a 100% interest in EP Chvaletice s.r.o. ("EPCS") dated August 13, 2018. 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. On August 13, 2021, the Company exercised the option to extend the payment terms of the subsequent option payments by one year and made a payment of 14 million Czech Koruna (\$819,576) to EPCS.

On August 10, 2022, the Company made the third option payment of 42 million Czech Koruna (\$2,304,402) together with the fee for the extension of 2.1 million Czech Koruna (\$115,220).

Pursuant to the EPCS Option Agreement, the Company has the right to acquire a 100% interest in EPCS by making the final option payment of 70 million Czech Koruna (approximately \$4.25 million at June 30, 2023), due upon receipt of all development permits for the Chvaletice Manganese Project, but no later than August 13, 2023. On June 14, 2023, the Company entered into an amendment to the EPCS Option Agreement allowing it to extend the final payment to no later than November 29, 2023, together with a fee for the extension of 900,000 Czech Koruna (\$54,691).

The first, second, and third option payments made on October 17, 2018, August 13, 2021, and August 10, 2022, respectively, are a derivative classified as FVTPL due to the following:

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

At June 30, 2023, the option was revalued at \$4,381,381, resulting in \$445,577 of foreign exchange gain. There was no other change in the fair value of the option in the nine months ended June 30, 2023.

b) Other assets

Other assets, representing additional deposits for land, are as follows:

		June 30, 2023	September 30, 2022
		\$	\$
Miscellaneous land parcels and second railway switch (plant area)	i)	227,667	227,667
Land for buffer zone and infrastructure corridor (tailings area)	ii)	28,951	28,951
Additional land and rail spur extension (plant area)	iii)	268,064	268,064
Additional land parcels for residue storage facility (tailings area)	iv)	1,096,770	516,452
Land parcel within the Port of Bécancour	v)	275,130	—
		1,896,582	1,041,134

Notes to the Condensed Consolidated Interim Financial Statements

Euro Manganese Inc.

(expressed in Canadian dollars - unaudited)

6. EPCS Option and Other Assets (continued)

- i) 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 capitalized transaction costs of \$24,447.
- ii) 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. Subsequent payments totaling 1,824,291 Czech Koruna (approximately \$106,000) are based on permitting milestones over the period to March 2029. On April 13, 2022, following the rezoning approval for mining use of the land area under the jurisdiction of the Trnavka Municipality, on which 85% of the Chvaletice Manganese Project's tailings are located, the Company made the second payment of 304,409 Czech Koruna (\$17,038) to the Municipality of Trnavka.
- iii) On December 18, 2020, the Company paid the first instalment of \$86,373 pursuant to an agreement with Sprava Nemovitosti Kirchdorfer CZ s.r.o. to acquire a 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 18,739,125 Czech Koruna (approximately \$1.1 million) and is to be paid in five annual instalments of approximately \$80,000, followed by the remaining balance of approximately \$700,000 in the final year. To date, the Company made the three first payments under the agreement and capitalized transaction costs of \$20,834.
- iv) On June 7, 2022, the Company signed an agreement with a private landowner to acquire several land parcels. These land parcels are adjacent to the tailings area and provide additional room and flexibility for the Chvaletice residue storage facility layout. The total cost of the land is 54,327,751 Czech Koruna (approximately \$3.0 million). The first instalment of \$516,452 was paid in June 2022. The second instalment of \$580,318 was paid in January 2023 and the remaining amount of approximately \$2,207,000 is to be paid in January 2024.
- v) On December 16, 2022, the Company entered into an option agreement with The Société du parc industriel et portuaire de Bécancour ("SPIPB"), a Québec state enterprise and owner of a 15-hectare land parcel within Bécancour (the "Bécancour Option Agreement") where the Company proposes to establish its North American facilities. The Bécancour Option Agreement allows the Company to exclusively access the land parcel and conduct due diligence thereon over a maximum term of 21 months, during which the Company has the opportunity to purchase the site. The Bécancour Option Agreement provides that the Company pay \$45,855 per month for this option, whereas these option payments shall be deducted from the final purchase price of \$9,171,200. As at June 30, 2023, the Company has made six payments aggregating \$275,130.

7. Government Grant

In August 2022, the Company was approved to receive advisory services and up to \$165,000 (\$60,802 received in total to June 30, 2023, of which \$45,905 was received nine months ended June 30, 2023) from National Research Council of Canada's Industrial Research Assistance Program ("IRAP"). The funding supports the initiative the Company is undertaking with Nano One Materials Corp., the Metal direct to Cathode Active Material process, as well as the evaluation of the manganese metal by-product from the battery black mass recycling. The funding covers a portion of the internal and external labour costs in relation to these projects. The grant income is recorded separately on the income statement.

Notes to the Condensed Consolidated Interim Financial Statements

Euro Manganese Inc.

(expressed in Canadian dollars - unaudited)

8. Equity

a) Common shares

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

During the nine months ended June 30, 2023, 1,316,599 stock options were exercised for proceeds to the Company of \$207,650.

On February 22, 2021, the Company entered into an agreement with EIT InnoEnergy, securing their support for the Chvaletice Manganese Project. In connection with their support, EIT InnoEnergy was to invest €250,000 over three instalments that would go towards the Chvaletice feasibility study and demonstration plant. The first and second investment tranches of €62,500 (\$92,850) and €125,000 (\$185,162) were advanced on March 24, 2021, and July 26, 2021, respectively. Accordingly, on January 6, 2022, the Company issued 147,380 and 330,647 common shares to EIT InnoEnergy at the price of \$0.63 and \$0.56 per share, respectively, in connection with the first two instalment tranches. The third instalment tranche of €62,500 (\$80,606) was made on August 26, 2022, and 237,077 common shares at the price of \$0.34 per share were issued in early January 2023 in connection with the final instalment.

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. 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 at the date of the grant.

Current outstanding options have an expiry date of ten years and vest over a period of 36 months, except for 900,000 options granted to certain officers of the Company which vest in 5 years from the date of grant and 350,000 options granted to a consultant, vesting one-third on the date of grant and one-third on each of the four and eight-month anniversaries of the date of grant. Additionally, 9,000,000 options granted to the President and CEO of the Company include market conditions and non-market performance vesting conditions. The performance vesting conditions are based on achieving project development milestones and the price-vesting thresholds are based on a daily volume weighted average share price of the Company. A continuity summary of the share options granted and outstanding under the Plan for the nine months ended June 30, 2023, is presented below:

	June 30, 2023	
	Number of share options	Weighted average exercise price (\$ per share)
Balance, beginning of the period	35,312,664	0.40
Options granted	5,118,251	0.48
Options exercised	(1,316,599)	0.16
Options expired	(216,732)	0.61
Balance, end of the period	38,897,584	0.41

During the nine months ended June 30, 2023, the Company recorded share-based compensation expense of \$1,554,992 (nine months ended June 30, 2022 - \$2,065,536) of which \$129,182 has been allocated to Chvaletice Project evaluation expenses (nine months ended June 30, 2022 - \$411,391) and \$1,425,810 to administrative expenses (nine months ended June 30, 2022 - \$1,654,145).

Notes to the Condensed Consolidated Interim Financial Statements

Euro Manganese Inc.

(expressed in Canadian dollars - unaudited)

8. Equity (continued)

The balance of options outstanding and exercisable at June 30, 2023, is as follows:

Options outstanding			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	1,150,000	2.9	1,150,000	2.9	
0.10	900,000	3.8	900,000	3.8	
0.11	6,137,667	6.1	6,137,667	6.1	
0.13	500,000	7.2	500,000	7.2	
0.20	2,500,000	4.7	2,500,000	4.6	
0.25	1,450,000	5.5	1,450,000	5.5	
0.28	1,841,666	5.6	1,841,666	5.6	
0.48	5,768,251	8.8	166,666	8.8	
0.59	500,000	8.0	500,000	8.0	
0.58	16,100,000	8.5	5,233,327	8.5	
0.61	2,050,000	7.8	1,150,000	7.8	
0.41	38,897,584	7.3	21,529,326	6.3	

c) Warrants

June 30, 2023

	Number of warrants	Weighted average exercise price \$
Balance, beginning of the period	8,500,000	0.40
Expired	(2,500,000)	0.58
Balance, end of the period	6,000,000	0.33

As at June 30, 2023, the following warrants were outstanding:

Expiry date	Weighted average exercise price (\$)	Number of warrants	Weighted average remaining contractual life (years)
December 16, 2023	0.30	3,000,000	0.5
December 16, 2023	0.35	3,000,000	0.5
	0.33	6,000,000	0.5

Notes to the Condensed Consolidated Interim Financial Statements

Euro Manganese Inc.

(expressed in Canadian dollars - unaudited)

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 and the Company's 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, President and Chief Executive Officer, Chief Financial Officer, Vice President, Commercial, Vice President, Corporate Development and Corporate Secretary, Vice President, Operations, and the Managing Director of the Company's Czech subsidiary. During the three and nine months ended June 30, 2023 and 2022, the Company incurred the following compensation expenses to key management of the Company and director fees:

	Three months ended June 30,		Nine months ended June 30,	
	2023	2022	2023	2022
	\$	\$	\$	\$
Salaries and fees	529,496	440,401	1,850,838	1,502,837
Share-based compensation	359,955	566,014	1,337,750	1,474,617
	889,451	1,006,415	3,188,588	2,977,454

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

	June 30, 2023	September 30, 2022
	\$	\$
Salaries and fees payable	28,374	378,373
Outstanding payable due to officers and directors	5,807	31,093
	34,181	409,466

The salaries and fees payable at both period ends include a salary and bonuses owing to the Managing Director of Mangan. Other amounts payable to officers and directors represent the reimbursement of office and travel related expenses. 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.

Notes to the Condensed Consolidated Interim Financial Statements

Euro Manganese Inc.

(expressed in Canadian dollars - unaudited)

10. Fair Value Measurement of Financial Instruments (continued)

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

The payments made pursuant to the EPCS Option Agreement (Note 6(a)) are a derivative asset. 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 under the EPCS Option Agreement. The option increased by \$819,576 on August 13, 2021, with the second option payment. The option further increased by \$2,419,622 on August 10, 2022, with the third option payment. At June 30, 2023, the Company revalued the option at \$4,381,381, taking into consideration the recent transactions related to land purchases in the area and the foreign exchange rate movement between the Czech Koruna and the Canadian dollar. There were no transfers between the levels of the fair value hierarchy in the three and nine months ended June 30, 2023.

11. Segmented Information

The Company's has one operating segment, the development of the Chvaletice Manganese Project in the Czech Republic.

12. Commitments

At June 30, 2023, 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
	\$	\$	\$
Minimum lease payments ⁽¹⁾	404,237	85,536	318,701
Land acquisition payments ⁽²⁾	2,147,739	2,147,739	—
Operating expenditure commitments	666,102	660,807	5,295
Total contractual obligations	3,218,078	2,894,082	323,996

⁽¹⁾ The Company has signed a non-cancellable office lease, with the option to sublet the premises, that will commence in 2024.

⁽²⁾ Land acquisition payments related to land parcels described in Note 6(b)(iv).

The Company agreed to acquire a right-of-way for a period of 30 years having an annual rental of 60,000 Czech Koruna (approximately \$3,000).

The Company and the Municipality of Chvaletice, being the land owners, signed a land access agreement via rental of the land to the Company until the earlier of a 40-year period or upon remediation of the land. The annual rental is 7.46 million Czech Koruna (approximately \$420,000), adjusted for inflation based on the average annual Czech consumer price index for the 12 months of the previous calendar year. The land rental agreement is effective as of July 1, 2022. The first rental payment of the annual proportionate amount of 3.7 million Czech Koruna (\$204,000) was made on July 28, 2022.

Notes to the Condensed Consolidated Interim Financial Statements

Euro Manganese Inc.

(expressed in Canadian dollars - unaudited)

13. Supplemental Cash Flow Information

Non-cash financing and investing transactions in the nine months ended June 30, 2023 and 2022, were as follows:

	Nine months ended June 30,	
	2023	2022
	\$	\$
Capital expenditures included in accounts payable	261,575	367,641
Shares issued for deferred equity commitment	80,606	278,012
Shares issued for liability for royalty buy back	—	2,278,080
Transfer of reserves on exercise of share options	146,708	—