



**Euro  
Manganese  
Inc.**

**Euro Manganese Inc.  
Second Fiscal Quarter 2023 Call  
(North America / UK / Europe)  
Transcript**

**Date:** May 15, 2023

**Time:** 8:30 AM PT

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

**Martina Blahova**  
Chief Financial Officer

**Louis Burgess**  
Senior Director IR & Communications

**Louise Burgess:**

Hello everyone who is joining us today. We're going to give it just a minute to allow people to hop on and to join, and we'll get started in just a minute.

Matt, if you would like to take it away, we will start with our presentation portion and then move into a Q&A. For those of you who would like to ask questions, please use the Q&A function along the bottom of your screen and we will get to that once we get to that point in the call.

Over to you, Matt.

**Dr. Matthew James:**

Thank you, Louise.

Good morning and good afternoon everyone. Thank you for joining us to review our second fiscal quarter highlights. Please note, the slides for today's call can be downloaded from our website.

Before we begin, I must just 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 second fiscal quarter financial position. This should be read in conjunction with our Management Discussion & 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, 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 financial highlights for the quarter and the Company's financial position, then I'll run through key developments during the quarter and how we're progressing against catalysts for 2023. We'll wrap up with a questions and answer session.

Over to you, Martina.

**Martina Blahova:**

Thank you, Matt.

Just a reminder that we report to a year end of 30 September, so our Q2 references the period January through March. We also report in Canadian dollars.

I will briefly comment on our cash position and the intended use of these funds in the coming 12 months. We remain funded to complete 2023 commitments and Corporate G&A.

We started the quarter with \$18.3 million in cash; \$0.4 million was spent to advance the commissioning of the demonstration plant which is now 95% complete; \$3.5 million was spent on operating expenditures which covered the advancement of permitting, including preparation of documentation for land planning and construction permits, scoping study and other due diligence costs for the Bécancour site in Québec, and other corporate costs. We made a payment of \$0.6 million on an option for land planned for the residue storage facility at the tailings site. We closed the quarter with \$13.8 million in the bank.

Our cash position will allow us to deliver on our near-term project milestones, including the commissioning of the demonstration plant and its operation on a batch basis; the completion of permitting for construction of the Chvaletice project; advancing certain land acquisitions for the commercial plant area; initiating feed engineering; and Corporate G&A costs for the next nine months. Additional funding will be required for the EPCM services for the project, future payments for land acquisitions, and future construction of infrastructure and facilities for the project. Funding will also be required to advance the Company's North American strategy, including land payments and advancement of the Bécancour site to feasibility study stage.

Thank you, and 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 these in more detail in the coming slides, but the key takeaway is we made great strides in advancing on both technical and commercial fronts.

Specifically, we achieved production of 99.9% pure high-purity manganese metal at our demonstration plant and also signed our first offtake term sheet with Verkor, the battery supplier to Renault. This has established a great precedent as we advance offtake discussions with other potential customers.

These milestones occurred in an environment of rapidly evolving European and U.S. regulations, which further support the onshoring of critical raw materials extraction and processing. Euro Manganese is very strategically positioned in having the only manganese resource in Europe and stands to benefit from increasing demands for a local source of supply of high-purity, battery grade manganese products.

I'm very pleased with the milestone of producing 99.9% pure high-purity electro-wind magnetic manganese metal at the demonstration plant, which occurred during this quarter. External labs have confirmed the HPEMM met demonstration plant specifications, and this de-risks our process flowsheet.

An initial batch of HPEMM has been fed into the final crystallization module and the first high-purity manganese sulfate monohydrate has been produced. The team will produce more material prior to sending samples to an external lab for testing. On-spec HPMSM is expected at the end of June with the first deliveries to customers expected to take place in July. Delivery of our samples are not expected to be required for completion of offtake contracts.

Representatives from the plant manufacturer are currently onsite and contractual guarantee testing is now underway, and is expected to be complete by the end of May. Thereafter, evaluation of the results from external labs will confirm performance parameters of the plant.

The turnaround times at the external lab are approximately three to four weeks, which has meant commissioning has taken a month longer than expected.

Parallel to commissioning, we are also advancing on the engineering, procurement and construction management front. We are finalizing selection of our preferred EPCM firm and aim to appoint the Tier 1 contractor soon. As mentioned previously, it is of importance to us to partner with a firm who has experience in building chemical plants in Europe.

On appointment, the EPCM contractor will focus on advancing front-end engineering design, or FEED, and that includes identification of long lead process equipment and documentation for construction permitting.

Two key pieces of regulation were announced during the quarter that positively impact Euro Manganese. In Europe, the European Commission announced the Critical Raw Materials Act. Battery-grade manganese was identified as a strategic raw material, and the concept of strategic projects was introduced. Strategic projects are those that make a meaningful contribution to the security of EU's supply of strategic raw materials. We believe Chvaletice will meet the criteria for recognition as a strategic project, and we intend to submit an application as soon as the process opens. Strategic projects benefit from priority permitting and support for funding access.

The piece of Critical Raw Materials Act that is particularly relevant are the targets for local extraction, processing and recycling within the EU. Additionally, no more than 65% of any strategic raw material is to come from a single third country by 2030.

Currently, the EU imports 90% of its high-purity manganese. As the only manganese resource in Europe, our project expects to meet approximately 25% of European demand when in full production, which would help the EU significantly reduce its trade reliance on this critical raw material.

Also announced this quarter was a U.S. Department of Treasury clarification on the Inflation Reduction Act. The clarification outlined that any EV batteries from 2025 onwards containing critical raw materials that are extracted, processed, or recycled within a foreign entity of concern are ineligible for Inflation Reduction Act tax subsidies. That's hugely significant for us, not only for our Chvaletice project but also as we advance our North American growth plans. Currently, there are no processing facilities for high-purity battery-grade manganese in North America.

These pieces of legislation are starting to be absorbed by OEMs and other customers in the battery supply chain, and have resulted in a noticeable positive shift in dynamics in the offtake conversations we're having with potential customers.

These supportive regulations are spreading. This morning I read a news report regarding the intentions of the French government to implement new prerequisites for their 5000 euro EV subsidies. The first

adjustment is the intent to restrict this subsidy to EU manufacturers of EVs, removing the subsidy from Chinese and American vehicles. The second adjustment is to put limits on emissions related to EV battery manufacturing, limits which batteries made in China will unlikely to be able to meet, and France is calling for other European countries to follow their lead.

That's a good segue into an update on our offtake tender process. We announced our first offtake term sheet with Verkor at the beginning of the quarter, which set a great precedent for the discussions we're now having with customers. Here is an update on our offtake tender process, which is progressing well.

Tonnages under discussion currently exceed our plant capacity. The funnel shows our offtake process and where different parties are in this process. Currently, six parties are at the term sheet negotiation stage with one having already signed, and that's Verkor. Those seven parties account for more than 115,000 tonnes of high-purity manganese sulfate per annum allocated to Euro Manganese, which amounts to approximately 75% of our production capacity. We are targeting 80% of our production capacity under offtakes to underpin our debt financing.

Moving up the funnel, we have eight parties who either have MoUs in place or are significantly progressed. That group is discussing and additional 30,000 tonnes of high-purity manganese sulfate per annum. At the top of the funnel, we have discussions with 19 parties who are collectively interested in approximately 20,000 tonnes of high-purity manganese sulfate. However, we must note that several larger potential customers in that group are yet to disclose their allocation of tonnage to the Company; however, they have expressed an expectation to do so in the near future.

The main takeaway here is that we're going to be oversubscribed. As I mentioned, regulation is changing the dynamics with potential customers. Offtakers are now proactively reaching out to us and there is growing acknowledgment of a price premium for Western product.

I would also mention that these are initial tonnages from offtakers. Offtakers have indicated a potential need for higher tonnage as the market grows and also as manganese-rich chemistries evolve.

The strategic investment at project level, that process has been initiated with Bank of Montreal, who are advising us on this matter, and this potential investment is intended also to have an associated offtake.

During the quarter, we were proud to host the Canadian Ambassador to the Czech Republic and the Canadian Trade Commissioner alongside local mayors from Chvaletice and Trnávka villages, and representatives from the Pardubice district, and also CzechInvest at our Chvaletice site. Together with the Mangan team, Martina and I showed the group around our local project office, the demonstration plant, and the historic tailings area. The Canadian Ambassador recognized the importance of reliable access to responsibly sourced critical raw materials and the strategic importance of projects like Chvaletice for the Czech Republic and Europe's decarbonization efforts. Due to our proactive outreach with local communities and stakeholder groups, we continue to enjoy support from local municipal leaders, the Czech, EU and Canadian governments.

We have also made progress at our exciting growth opportunity in Quebec. Bécancour is fast-becoming a battery materials hub in North America and we are well positioned to take advantage of being at the heart of a made-in-North-America EV supply chain.

We completed a scoping study this quarter that evaluated the development of an HPEMM dissolution plant in Bécancour to produce locally high-purity manganese sulfate powder and, potentially, a high-purity manganese sulphate solution that could be piped to local offtakers within Bécancour. Based on the positive outcome of the scoping study, the Company has now sent out Requests for Proposals for a feasibility study for the Bécancour dissolution plant.

Parallel to this, we continue to engage with both the Quebec provincial and Canadian federal governments on the incentive support programs available in the region and for the project. Based on discussions to date, we believe the Bécancour project could be eligible to receive support for up to 40% of the capital expenditure. Additionally, the project may be eligible for the recently announced Clean Technology Manufacturing tax credit in the federal government budget, which would refund 30% of the cost of machinery and equipment used to process critical raw materials essential to clean technology supply chains.

As a reminder, North American demand for high-purity manganese is expected to reach approximately 200,000 tonnes on the metal equivalent basis by 2031; however, again, there are no current processing facilities in North America.

I've spoken to most of these deliverables already today. The key takeaway is we have made significant progress over the last quarter and we have a busy year still ahead of us. Next quarter, we aim to produce on spec high-purity manganese sulfate; appoint our EPCM contractor and commence our front end engineering design; provide an update on the remaining land access agreements; and secure more offtake term sheets as we continue to drive towards executing our key catalysts to realize long-term value for our stakeholders.

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

**Louise Burgess:**

Thank you, Matt. We'll just pause for a moment to allow questions to come in.

Just a reminder to all participants, if you wish to ask a question, please use the Q&A function on the bottom of your screen in the tool bar.

**Dr. Matthew James:**

I have my first question. Can you share some details on the scoping study?

I can tell you that the results were positive and sufficiently positive for us to move to the next stage, which is the feasibility study. The scoping study costs in terms of accuracy plus or minus 30% to 50%, and so before we release further details, we'd like to move forward with the feasibility study.

The second question is, if you are oversubscribed on offtakes, will you plan to build a larger processing plant that Chvaletice can feed?

Not at this point in time. The site of Chvaletice, its capacity is 150,000 tonnes on a high-purity sulfate basis. I think in terms of oversubscription, our longer term growth strategy in North America is to build beyond just Bécancour a full North American supply chain. I think we'll look to that timeframe, which hasn't been firmly set yet, to expand our company beyond a single asset company into a multi-asset manganese platform, and that's when we will look to provide further material as we grow in the market.

My third question is, who is moving faster, European battery companies or North American? Can you please speak to the market dynamics?



I think the Inflation Reduction Act has stimulated the North American battery and EV market significantly. Growth in that market is accelerating very fast, and whilst we talk about European and North American companies, both European and North American companies are expanding in North America. We have seen announcements from Umicore building a plant in Ontario. We've seen the Canadian government provide significant subsidies for the VW battery plant, their third plant to be built in Ontario also. We've seen announcements from Northvolt, a European company, also looking to North America to build their plants.

The North American companies are teaming up with Korean and other battery makers, so GM-Posco are building their plant in Bécancour and they have already broken ground on that plant. BASF also building in Bécancour, and a recent announcement that Ford is also building a plant in Bécancour with SV Innovation. So, North America is moving very quickly.

It's interesting, this French announcement. I think if other European companies can follow that lead, then I think that would help push forward and compete with the subsidies that are being provided elsewhere and bring some impetus to the European battery market.

A fourth question, in terms of the spec for high-purity manganese sulfate, are there any impurities remaining that you are concerned with in terms of meeting spec for all potential offtakers?

The answer to that is no. Our specification design is designed to meet very, very tight specifications for Western and North American customers; specifications at the standard high-purity spec in China, which is what the only high-purity manganese sulfate index is based on, does not meet. That is why when we talk about the price differential between China and Europe, we talk about not only quality differential, but also transport, and also local source of supply benefits and also a lower CO2 footprint benefit. All four of those contribute to a significant price difference between a local European price and the so-called high-purity index in China.

**Louise Burgess:**

We'll just pause for a moment to see if there's any further questions coming in. I'll just maybe give it a few more seconds here.

I think that may be it. If that's the case, Matt, back over to you just to wrap up.

**Dr. Matthew James:**

Okay. One more has just popped in. Can you share what you expect to spend on completing a feasibility study?

Not at the moment. We've gone out for our RFQs, that's Request for Quotations, so we'll need to get those back to understand what—I presume you're talking about the plant at Bécancour. It is a much smaller plant than obviously Chvaletice, so I'd like to get the feasibility study quotations back from the engineering firms we've gone out to before I can answer that question.

Okay. Thank you for all your questions. Thank you for attending the call. We look forward to updating you in three months' time for our next quarterly call. Best regards.