



**EURO
MANGANESE**

Euro Manganese Inc. Fourth Quarter 2023 Conference Call #2 Transcript

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

Martina Blahova
Chief Financial Officer

Louise Burgess
Senior Director IR & Communications

Louise Burgess:

Good morning and good afternoon, everyone. Welcome to Euro Manganese's Fourth Fiscal Quarter and Year-End conference call. I can see people are starting to join, so I'm going to give it another 30 seconds or so before we get started.

All right, I think we'll get going here. A few housekeeping items before I hand it over to Matt. Please note this webcast is being recorded and a replay will be available on our website in due course. We'll be broadcasting slides for today's call - these should be up on the screen currently, but these can also be downloaded from our website. I've added the link to that in the Chat function here.

We will go through the presentation, followed by a question and answer period. If you would like to ask a question, please use the Q&A function at the bottom of your screen. You can enter a question at any point during the presentation and we will cover it during the Q&A period. We also welcome questions post the call, so please feel free to reach out to Matt, Martina or myself.

Before we begin, I must remind you that this presentation involves forward-looking statements. Please refer to our cautionary statements here and the risk factors in our annual information form. Our news release filed on December 14 highlights our fourth fiscal quarter financial position. This should be read in conjunction with our Management's Discussion and Analysis and financial statements for the year ending September 14, 2023, both of which are available on our website, SEDAR+ and the ASX.

Over to you, Matt.

Dr. Matthew James:

Thanks Louise. Good morning and good afternoon to everyone. Thank you for joining us to review developments during Euro Manganese's fourth fiscal quarter. 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 we'll tag team to run through key developments during the quarter

and how we performed against our key 2023 catalysts. I'll also go through upcoming catalysts the year ahead. We'll wrap up with a question and answer session.

Over to you, Martina.

Martina Blahova:

Thank you, Matt. Just a reminder that we report through the year end of 30 September, so our Q4 reference is the period July through September 2023. We also report in Canadian dollars.

I will briefly comment on our cash position at the end of the quarter. We started the quarter with \$10.9 million in cash. We spent \$0.5 million to advance the commissioning of the demonstration plant, which is nearing completion; \$2.8 million was spent on operating expenditures which covered the advancement of Chvaletice permitting, including preparation of documentation for land planning and construction permits, the GAAP analysis performed by Wood on the Chvaletice project feasibility study, and other corporate costs. We also made land option and lease payments of \$0.1 million, and we closed the quarter with \$7.6 million in the bank.

Following the period end, in late November 2023 we closed the first US \$20 million tranche of the Orion convertible loan to royalty facility. The net proceeds are expected to provide sufficient funding to complete project permitting, demonstration plant commissioning and batch operation, and acquisition of certain remaining land parcels required for the project. We also expect to be able to initiate the FEED phase of the EPCM contract and certain site preparation works, as well as fund general and administration expenses for more than 12 months.

Funding of our North American strategy is expected to be provided by our cash remaining before the Orion funding deal, future equity raises, and funding by strategic industry investors and government programs. Additionally, subsequent to the closing of the first tranche of the convertible loan, we made the final option payments to acquire the company that owns the land where we intend to build the Chvaletice processing plant and related infrastructure. As disclosed in our year-end financial reports, we made one payment of approximately \$1.2 million on November 29 and the final payment of approximately \$3 million was made on December 28, thus completing the acquisition.

I will now turn it back to Matt.

Dr. Matthew James:

Thanks, Martina.

Here's an overview of the key highlights during the quarter and to date. The headline news is a US \$100 million non-dilutive funding package with Orion Resource Partners. Martina will provide more detail on that in the coming slides. Other highlights included production of on-spec high purity manganese sulfate from our demonstration plant in the Czech Republic and securing a lease agreement with ČEZ, which now provides us with access to a total of 85% of the manganese reserves in the historic Chvaletice tailings area.

Back to you, Martina.

Martina Blahova:

Thanks, Matt.

We were very pleased to announce the US \$100 million funding package with Orion at the end of November 2023. This culminated a six-month process where various funding structures were evaluated and extensive due diligence was conducted by expert consultants. It was a whole team effort and a significant accomplishment to conclude a financing of this nature in such challenging markets. We believe the funding package reflects the robustness of the Chvaletice project and our ability to deliver the project to the highest of standards.

The US \$100 million is split into two \$50 million components: a \$50 million loan facility with a 12% per annum interest rate convertible into a 1.29% to 1.65% royalty on project revenues, and another \$50 million in exchange for a 1.93% to 2.47% royalty on project revenues following a final investment decision. The US \$50 million convertible loan to royalty facility is further split into two tranches: US \$20 million on closing, which was received at the end of November 2023, and US \$30 million upon meeting certain commercial milestones. All aspects of the funding package were structured to meet project finance bankability requirements and will sit alongside and reduce the project finance debt and equity required for the full project financing. Furthermore, the tranche structure minimizes the cost of funds and ultimately facilitates a pathway to a final investment decision.

In connection with the funding package, Orion also has an off-take option of between 20% to 22.5% of the project's high purity manganese total production for a term of 10 years from first delivery and matching the commercial terms of the Company sales. Such right is exercisable until the Company assigns 60% of the total project off-take.

Back to you, Matt.

Dr. Matthew James:

Thanks, Martina.

Moving over to the Chvaletice project and advancements there during the quarter and to date, I'm pleased to report we produced on-spec high purity manganese sulfate in November 2023, which further de-risks our process flow sheet. Two independent external laboratories confirmed samples sent for testing met the demonstration plant target specifications for high purity manganese sulfate with low levels of impurities. Third party high purity electrolytic manganese metal, or HPEMM, with similar product impurity levels to those under the Chvaletice HPEMM product, was used as feedstock during the commissioning of the dissolution and crystallization module. As part of the final commissioning stages of the demonstration plant, the Company will use HPEMM produced from the electrowinning circuit for HPMSM production - high purity manganese sulfate production. The team is gaining valuable insights from operation of the demonstration plant which are leading to engineering and operational process improvements.

On the permitting front, the revised environmental and social impact assessment was submitted to the Czech Ministry of Environment in September 2023. As a reminder, this addressed comments received from one authority related to noise abatement. We passed through the public commentary period during the quarter and no comments were received either from the public or municipalities, therefore we anticipate a positive decision on the revised ESIA later this month.

Preparation of the other key permits is progressing well. Our team has substantially completed the documentation required for the land planning permit, which can be submitted on approval of the ESIA. The approval timeline is typically three to four months. Thereafter, the next key permit is the construction permit. Documentation for that is a deliverable of the front-end engineering design phase. Once submitted, the approval timeline for the construction permit is also three to four months.

We've made significant advancements on both land access and land rezoning associated with the Chvaletice project in October 2023. We concluded a definitive lease agreement with ČEZ which provides us with access to approximately 60% of manganese reserves in the historic tailings area. ČEZ is an integrated energy group headquartered in the Czech Republic. Its market cap is approximately €18 billion and its largest shareholder is the Czech Government with an approximate 70% stake.

Land access is granted by ČEZ in return for a royalty on gross sales from the project. The royalty is a sliding scale between 0.2% to 1.8%, depending on average prices received for our high purity manganese products. The sliding scale is to be in effect during the debt period; thereafter, the royalty is set at 1.8% for the remainder of the project. This structure is designed to ensure anticipated project finance debt covenants can be met.

Together with the previously announced land access agreements and the ČEZ lease agreement, the Company has secured access to approximately 85% of total project reserves. Negotiations are progressing on the final 15%.

Also in October, the rezoning of land for mining use was completed; at the same time, rezoning of all required areas within the commercial plant site were reclassified for heavy industrial use. This concludes all rezoning requirements for the Chvaletice project.

Over to the off-take tender process, our off-take funnel is growing with significant new interest. Tonnages under discussion now exceed our plant capacity by 45%. With the new off-takers that have entered the funnel, we now have more than 30 parties at the top with more than 50,000 tons of high purity manganese sulfate per annum collectively under discussion. Given many of these new additions are yet to provide tonnages, there is significant upside potential. A total of 11 parties are in the middle of the funnel with collective interest increasing from 30,000 tons per annum to approximately 50,000 tons per annum of high purity manganese sulfate. We've had one party advance to the sharp end of the funnel and are targeting Q1 for the next signed term sheet. As a reminder, we already have a term sheet with Verkor and full documentation is in progress.

I want to reiterate that these are initial tonnages from off-takers. Off-takers have indicated a potential need for higher tonnages as the market grows and as manganese-rich chemistries evolve. We continue to see increased news flow of commercialization of manganese-rich chemistries, including NMC - nickel manganese cobalt, LMFP, and sodium ion chemistries. We are also seeing the demand for manganese grow as cobalt-free chemistries, NMX and LMNO, come to the fore. Additionally, several larger potential customers are yet to disclose their allocation of tonnages to the Company, however have expressed an interest and an expectation to do so in the near future. Euro Manganese remains very well positioned to meet the increasing need for high purity manganese in lithium ion batteries. We have the only manganese resource in Europe and stand to benefit from increasing demands for our local, responsibly produced source of supply.

The rapidly evolving regulatory environment and government support for critical raw materials are becoming more and more important within the industry. Martina will run you through this slide.

Martina Blahova:

Thanks, Matt.

Both the EU and the U.S. have either passed or clarified regulations affecting battery metals in the past six months, and we believe Euro Manganese is well positioned to meet and benefit from those regulatory requirements. What's clear from the new regulations on both sides of the Atlantic is the requirement of supply chain due diligence by OEMs and battery manufacturers to ensure the use of responsibly produced and local, or friendly, sources of supply of critical raw materials. Under the EU Sustainable Battery Regulation adopted by the European Council in June 2023, supply chain due diligence will be required on critical raw materials used in batteries to assess both human rights compliance and carbon footprint. The due diligence process must also be third party verified.

From 2025, declaration requirements, performance classes and maximum limits on the carbon footprint of EV batteries will be required, and from 2027 a battery passport will be required for every EV battery sold in the EU, which will be a digital record to enable stakeholders in the supply chain to share information about a battery and its history to maximize safety, optimize battery use through life cycles, and ensure responsible recycling at the end of life.

Equally, the December 2023 clarification of foreign entity of concern compliance under the Inflation Reduction Act outlined that supply chain due diligence is required by battery manufacturers to ensure that EV batteries eligible for the U.S. IRA tax credit from 2025 onwards must only contain critical materials extracted, processed or recycled from a non-foreign entity of concern. The update specifically identifies China as a foreign entity of concern, which is significant for us given more than 90% of the world's manganese sulfate is currently processed in China.

Our project continues to receive high level support from both the Canadian and EU governments. In October, the Chvaletice project was selected for support under the inter-governmental Minerals Securities Partnership, or MSP, a collection of 30 countries and the European Union that aims to catalyze public and private sector investments to build diverse, secure and responsible critical raw material supply chains globally. Projects are to receive support by leveraging the collective financial and diplomatic resources of the MSPs' 14 partners and private sector financiers partnering with the MSP. Sponsorship by the EU and Canada and selection as a strategic project indicates high level inter-governmental support from the MSP partners for the Chvaletice project. The project's nomination was also supported by the Czech Republic.

We were also pleased to see the announcement of the proposed €3 billion fund by the European Commission to boost growth in the EU battery industry in mid-December 2023. The impact of this is expected to reach across the battery value chain, including upstream raw materials, and is to be focused on sustainability criteria. These pieces of legislation are starting to be absorbed by the OEMs and the battery supply chain, and we have started to see their positive impact in the dynamics of the off-take conversations we are having with potential customers.

Back to you, Matt.

Louise Burgess:

Matt, I think you're on mute.

Dr. Matthew James:

Thanks, Louise. Thanks, Martina.

We made good progress on the key catalysts we set out for ourselves in 2023, particularly at the demonstration plant on the engineering procurement construction management contract, land access and permitting, and in advancing our North American Bécancour opportunity. However, while we delivered against plans, the global macro environment in 2023, particularly rising interest rates had a negative impact on equity markets, drastically reducing capital inflows into small caps. Our share price suffered as a result.

The demand for electric vehicles has slowed versus forecast; however, it is still growing rapidly. Sales have also been impacted by battery availability due to supply chain issues. This has seen battery metal price corrections for lithium-nickel-cobalt and continued softness for high purity manganese. When you look across battery metal equities, as our share price has been impacted in line with our peers, it is a reminder the energy transition is a transition to new technologies and markets with new challenges, but also with new opportunities. Euro Manganese remains very well positioned to benefit from the energy transition.

We remain focused on advancing our flagship project in Europe and on delivering on our 2024 goals, which include full commissioning and operation of the demonstration plant, initiating the remaining work of the FEED phase of the EPCM contract, completing the remaining land access agreement, advancing our project permitting, securing more off-take term sheets and contracts, initiating the project finance debt process, securing a strategic investor at the project level, and progressing the feasibility study for the Bécancour dissolution plant, subject to financing for that activity.

I would like to express my gratitude for the team's efforts over the last past year and for the ongoing support of our shareholders, particularly in these tough markets, as well as the support of national and local governments, community members, partners, suppliers, and prospective customers.

Thank you, everyone, for listening today. I'll now open it up to questions.

Louise Burgess:

Thank you, Matt. Just a reminder to everyone, if you'd like to ask a question, please use the Q&A function along the bottom of your screen. I will pause for a moment to gather questions.

Okay, one has just come in, Matt, and that is, how is the last remaining land access agreement progressing?

Dr. Matthew James:

Thanks, Louise. Yes, that's a—the last 15% is an optional part of the land payment. We do have 85%, which is sufficient to commence mining on the project, but we would like to obtain that last 15%. We are in active discussions with that land owner and have had a number of backwards and forwards conversations, shaping what that agreement might look like, and we'll be progressing that through the first quarter this year, so they're progressing well.

Louise Burgess:

Thank you Matt. Just on that point, too, are there any contingency plans for that 15% if we're not able to move that forward?

Dr. Matthew James:

Yes, so as I mentioned, the 85% is sufficient to underpin the project, and we would just adjust our mining plan, which we have plenty of time to do, to avoid that last 15%. It's a discrete parcel of land, so we could start the project with the 85% of that we have by adjusting the mining plan. It's not a necessity for the project.

Louise Burgess:

Thank you. A question here on pricing has just come in. How does the pricing being discussed with off-take partners compare with your base case assumptions in your feasibility study, and how does this compare to current price trends?

Dr. Matthew James:

Yes, so our conversations with off-takers include the requirement of a floor price to underpin the project finance debt. That floor price is aligned with the assumptions in our feasibility study. That price, I will say is higher than the index that you will see in China today, but the index in China is a very much a misnomer in the industry. The index in China is the only high purity manganese index that is published, but it contains a range of different product qualities. If you were to go into China with

western specifications and with very low levels of impurities that are required by western battery manufacturers, our market intelligence says that you'd be paying about 50% more than that index.

That index also only accounts for 13% of the market, because it's only 13% of the in-China market, which is traded on spot. If you say the index is about \$1,000 today, 15% of that—\$1,500 for western spec material, well, that's still ex works China. Today, you have to add transportation cost, and transportations costs for inland China, sea shipping, customs and inland transportation to a plant in the U.S. or in Europe is about \$250 a ton, so now we're at about \$1,750. But that's still Chinese material, subject—so it doesn't qualify for non-foreign entity of concern in the U.S. and is unlikely to meet the ESG requirements for Europe, and it's still subject to security of supply issues coming out of China.

Again, our market intelligence, we know that the current price of high purity manganese sulfate from non-Chinese sources in Europe is between \$2,500 and \$3,000 a ton, which again is very much aligned with what's in our feasibility study.

Louise Burgess:

Thank you, Matt. I'm not seeing any further questions at this point, so I'll maybe pass it back over to you for wrap-up.

Dr. Matthew James:

Okay, thank you again, everyone, for listening in today. I wish everyone a prosperous 2024 and I look forward to talking to you in three months' time at our next quarterly call to update on how we're doing with our goals, which we outlined earlier. Thanks again.