



**Euro  
Manganese  
Inc.**

**Euro Manganese Inc.  
Second Fiscal Quarter 2023 Call  
(Australia / Asia)  
Transcript**

**Date:** May 15, 2023

**Time:** 11:00 PM 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. We're just going to wait a minute to get people onto the line, so I'll mute for a moment and I'll be right back to you in a second.

I can see that people are hopping on the line here. Good evening from Vancouver. Good afternoon to those of us joining abroad. I will pass it over to Matt to get things started.

**Dr. Matthew James:**

Thanks, 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's Discussion & Analysis and financial statements, both of which are available on our website, SEDAR and 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 key 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, which include 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, for 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.

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 that we made great strides in advancing on both technical and commercial fronts.

Specifically, we achieved production of 99.9% pure high-purity battery-grade manganese metal at our demonstration plant, and signed our first offtake term sheet with Verkor, who will make and have a contract with Renault for the batteries. 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 material 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 HPEMM at the demonstration plant during the quarter. External labs have confirmed the HPEMM met demonstration plant specifications, which 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 has been produced. The team will produce more material prior to sending samples to an external lab for testing. On-spec high-purity manganese sulfate is expected at the end of June with first deliveries to customers expected to take place in July. Deliveries 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 expected to be complete by the end of May. Thereafter, evaluation of the results from external labs will confirm performance parameters of the plant.

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 engineering, procurement and construction management. 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, including 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 outlines 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 IRA 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 customers, including the OEMs and other battery supply customers in the supply chain, and have resulted in a noticeable positive shift in dynamics within the offtake conversations we're having with potential customers.

These supportive regulations are spreading. Yesterday morning I read a news report regarding the intentions of the French government to implement new prerequisites for their €5000 EV subsidies. The first adjustment is the intent to restrict this subsidy to EU manufacturing EVs, so only European

manufacturers, removing the subsidy from Chinese and American vehicles. The second adjustment is to put limits on emissions related to EV battery manufacturing. This will limit batteries made in China as they are unlikely to be able to meet those emissions. France is calling for other European countries to follow their lead.

This is a good segue into an update on our offtake tender process. We wanted to give some more context on our announced process, the Verkor contract, which we announced as our first offtake term sheet at the beginning of the quarter. That sets a great precedent for the discussions we now have with customers.

On our offtake tender process, this is progressing very well. Tonnages under discussion currently exceed our plant capacity. The slide show our offtake funnel and where different parties are within this process. Currently, six parties are at term sheet negotiation stage with one having already signed, that of Verkor. Those seven parties account for more than 115,000 tonnes of high-purity manganese sulfate per annum capacity, which amounts to approximately 75% of our overall production capacity. It's worth noting we are targeting 80% of our production capacity under offtake to underpin our debt financing.

Moving up the funnel, we have another eight parties who have either signed MoUs or are significantly progressed. That group is discussing more than 30,000 tonnes of high-purity manganese sulfate per annum.

At the top of the funnel, we have a large number, 19 parties under discussion who are collectively interested in approximately 20,000 tonnes of high-purity manganese sulfate per annum, however, it's worth noting that several larger potential customers are yet to disclose their allocation of tonnages 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 a 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 tonnages as the market grows and as manganese-rich chemistries evolve.

The strategic investment at project level 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 CzechInvest at our Chvaletice site. Together, the Mangan team, Martina and I showed the group around our local 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's 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 have completed a scoping study this quarter that evaluated the development of a high purity EMM dissolution plant in Bécancour to produce high-purity manganese sulfate powder and/or a high-purity manganese sulfate solution. 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 for the project at Bécancour.. Based on discussions to date, we believe the Bécancour project could be eligible to receive support for up to 40% of capital expenditure. Additionally, the project may be eligible for the recently announced Clean Technology Manufacturing Tax Credit announced in the Canadian 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 America demand for high-purity manganese is expected to reach approximately 200,000 tonnes by 2031 on a metal equivalent basis; however, 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 good progress over the last quarter and have a busy year ahead of us. Next quarter, we aim to produce on-spec high-purity manganese sulfate at our demonstration plant; appoint our EPCM contractor and commence 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 very much, Matt. For those of you who would wish to ask questions, please insert them into the Q&A function, which will be in your slide bar at the bottom of your screen. I'll just pause for a moment to allow questions to come in.

**Dr. Matthew James:**

Thank you, Louise. So I have a couple of questions. Any planned cap raises in 12 months?

For the project financing, we expect to raise debt financing for 65% of the project capital cost. As I mentioned, our strategic investor project level, which is underway with Bank of Montreal team in New York, the same team did the Lithium Americas-GM deal, we are expecting that to close within 12 months if we're successful on that investment at project level. To remind people, we're aiming to sell down 10% to 20% of the project in that strategic investment.

That strategic investor will then also be responsible for their equity share of the equity for the project finance. We have mandated Canaccord to complete the project financing, and that should occur within the next 12 months.

Then there's a question. There have been ongoing talks for offtake agreements in progress after Verkor. When is the next expected to be announced?

As I mentioned in the quarter forthcoming, we expect to announce more offtakes with those six other people who are currently under term sheet negotiations, and we would expect to close some of those in the next quarter.



Another question, capital raises have been recently condemned in the market, particularly below market price. How is EMM going to broach this such that dilution is minimized and share price turnaround and advancement is promoted? If oversubscribed, how are you going to handle pricing and time, re price lock-ins, market price and site-determined price?

Let me break that down. I talked about our strategy for raising the project finance in step process, getting the debt and the strategic investor at project level, and obviously that strategic investment in project level would be based on the net present value of the project, not the market cap of the company because they're investing at the project level. Now, it will be a discount to that feasibility study NPV, but it'll be significantly multiples of our market cap. That will be a re-rating event for the stock; it's a validation of the project.

Similarly, with the debt finance, having that in place, I think will be a catalyst for the stock. And also, the ongoing customer offtake announcements throughout the rest of the year before we get to that equity raise for the project will also be a catalyst for the stock.

That is our intent and the strategy behind the capital raising is to make sure that these catalysts are announced and absorbing by the stock market prior to going to raise the equity piece for the project financing.

It would be great if we're oversubscribed for the equity, and I'm sure Canaccord—they have a great track record in the battery metal space. And we're also leveraging the global Canaccord team out of Australia, New York, Canada and Europe, and we will do a proper book build through that process.

The next question is, what is currently holding up the land access agreements?

We've been actively working on those agreements this quarter. They are moving forward and I hope to be in a position to announce outcomes of those land access agreements next quarter. I'm feeling very positive about that.

The FID expectation has slipped six months. Could you please comment?

I think I would agree that it has slipped three months, and we always had it in 2023 previously, and our guidance to the market is now Q1 2024. A number of reasons for that. The permitting process is ongoing and on track, and we're expecting our environmental permit in July. Then we have our land planning and construction permit. The timeframes for those is three months each, but there is a recognition that there will be a gap between each, which means those permits will land in Q1 next year.

The banking process, the EIB has started their due diligence and we expect that to take through—so that banking is in place towards the end of this year, bank debt. Then the offtake processes should be done by the end of this year.

Then I think the other thing that's going to take through to Q1 to be in an FID position is the FEED engineering. We were hoping to appoint our EPCM contractor, probably in, I think, March, April time. That has slipped; contract negotiations are taking a little longer, so we expect to start that FEED engineering in June, so that's going to be complete in Q1 next year.

So, all those workstreams coming together in Q1 next year.

**Louise Burgess:**

Thanks, Matt. I'm just going to pause one more moment to see if there's any other questions that come in. Maybe just give it another 30 seconds, and if not, then we'll wrap up.

I think we're probably safe to wrap up here. Matt, over to you for any final comments.

**Dr. Matthew James:**

Thank you everyone for joining the call today. We look forward to talking to you again in the next quarter announcement and conference call. All the best. Thank you.

**Louise Burgess:**

Matt, I apologize. There's actually one question that's just come in here, which is, in your mind, what is currently the biggest risk to the project? We'll wrap up after this one.

**Dr. Matthew James:**

It's a good question. I'm very pleased that the demonstration plant has now produced on-spec metal. I think that shows the robustness of our flow sheet.

Project execution is always a risk. We are building a \$750 million chemical plant in Europe and the timetable for that is probably, in my mind, the largest risk. The fact that we are selecting a Tier 1 EPCM contractor is key to managing that risk, as is building a solid owners' team with a good project director and we have started that search now. Having the right team in place with the right contractor delivering on time and on budget.

We are in an inflationary environment, so cost is another risk. I think there is over \$100 million of contingency in the feasibility study. And also, the environment, the price environment when we put out that feasibility study in Q2 last year was a very high price environment in Europe. We have seen, for example, steel prices soften considerably since then and that will help us maintain and manage that capital cost.

Apart from that, I think we are going well. I think we're tracking very well. Those are the key, the biggest risks there, costs and schedule.

Okay. Thank you everyone for your—oh, there's one more. Timetable is a risk moreso than execution? I think so. I think it's very clear what we got to do. I don't think execution risk is—I think execution in terms of being able to get it done is not a risk; it's the time and costs around that that I would put in the risk category, but that's what we've got to manage and mitigate.

Thank you everyone. We'll sign off now.

**Louise Burgess:**

Thanks. Have a great evening everyone, or a great day.

**Martina Blahova:**

Thanks everyone.