



**EURO
MANGANESE**

Euro Manganese Inc. Fourth Quarter 2023 Conference Call #1 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 Quarter—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. I will just put myself on mute in the meantime.

All right, I can see people are in. I have just put a link in the Chat function to the slides on our website, should you wish to download those.

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, but as I mentioned, these could also be downloaded from our website. 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 on 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 30, 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 on 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 performed

against our key 2023 catalysts. I'll also go through upcoming catalysts for the year ahead and 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; \$0.5 million was spent to advance the commissioning of the demonstration plant, which is nearing completion; \$2.8 million was spent on operating expenditures which cover 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 payments and lease payments of \$0.1 million. 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 facility. The net proceeds of this funding are expected to provide sufficient funding to complete the 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 the 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 \$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. I'll 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 approximately 85% of the manganese reserves in the historic Chvaletice tailings area.

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 standards.

The US \$100 million is split into two US \$50 million components: the first, a US \$50 million loan facility with a 12% per annum interest rate convertible into a 1.29% to 1.65% royalty on project revenues, and secondly US \$50 million in exchange for a 1.91% to 2.47% royalty on project revenues following a final investment decision. The first \$50 million convertible loan facility is further split into two tranches: US \$20 million on closing, which was received at the end of November 2023, and \$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 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.

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 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 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 deliverable from the FEED 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 historical 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 and thereafter the

royalty is set at 1.8% for the remainder of the project. This structure is designed to ensure anticipated debt finance covenants can be met.

Together with 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 land rezoning for mining use was completed; at the same time, rezoning of all required areas within the commercial plant site were reclassified for heavy industry 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 of high purity manganese sulfate to approximately 50,000 tons of high purity manganese sulfate per annum. 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 NCM - nickel manganese, cobalt, LMFP, and sodium ion. We are also seeing the demand for manganese grow as cobalt-free chemistries, e.g. NMX and LMNO come to the fore. Additionally, several larger potential customers are yet to disclose their allocation of tonnage to the Company, however have expressed 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.

It's worth saying a few words on the rapidly evolving regulation and governmental support for critical raw materials. Both the U.S. and EU 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 these regulations. 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, more 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 throughout 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 are eligible for the U.S. IRA tax credit from 2025 onwards must only contain critical raw materials extracted, processed or recycled from a foreign entity of concern—not from a foreign entity of concern. The update specifically identifies China as a foreign entity of concern, which is significant given for us 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 investment 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's 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 a 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 supply chain, including upstream raw materials, and is to be focused on sustainability criteria. These pieces of legislation are starting to be absorbed by 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.

We made good progress on the key catalysts we set out for ourselves in 2023, particularly at the demonstration plant on engineering procurement, construction management, 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.

We're also seeing battery metal price corrections for lithium-nickel-cobalt and continued softness for high purity manganese. When you look across battery metal equities, our share price has been impacted in line with our peers. It's a reminder the energy transition is a transition to new technologies and markets with new challenges, but also having new opportunities. Euro Manganese remains 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 and advancing our project permitting, securing more off-take term sheets and contracts, and initiating the project finance debt process. Securing a strategic investor at the project level, which we have discussed on previous calls, and progressing the feasibility study for the Bécancour dissolution plant, subject to financing for that project.

I would like to express my gratitude for the team's effort over the 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 our prospective customers.

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

Louise Burgess:

Thank you, Matt. Just a reminder for those on the call, please enter your question in the Q&A panel at the bottom of your screen, and then we will just pause for a moment to let questions come in.

I'm not seeing anything just yet, but we'll just take a few more seconds here, because I know sometimes it takes a little while to get things typed up, so just a few more seconds and then we'll wrap it up, if nothing comes in.

Matt, I'm going to hand it back over to you, not seeing anything at this point.

Dr. Matthew James:

Okay - oh, just as I said that, one pops in. I can read this out.

Louise Burgess:

Yes, go for it.

Dr. Matthew James:

It says, Statkraft is being earmarked to supply renewable energy. What is Plan B if they are delayed substantially in their projects? Statkraft have a large supply base already in place in Poland and in Germany. They are expanding that. We are in conversations with other renewable energy companies as well, although an MOU has not been signed yet with those, but that is part of Plan B, so there are a number of supply buffers in place already.

Okay, one more. Will Euro Manganese seek a new Board member following the departure of Hanna? Yes, we will. We have actively started that process, and we were all very sad to see Hanna go. I think she was disappointed to leave, but as the announcement said, some conflicts of interest came up, so to be really secure on both sides, we felt it was best, really, in conversations with Hanna, that she steps down. We are already seeking to replace that and to meet with our diversified goals. We are seeking to replace Hanna with another female Board director to push forward with that diversification again.

Okay, thank you very much for your questions, assuming no more pop in during this closing statement. Thank you again for everyone attending the call. We look forward to updating you in a quarter's time on the progress of those goals that we laid out. Wishing everyone a prosperous 2024, and good evening, or good morning depending on where you are. Thank you very much.