Euro Manganese Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE MONTHS ENDED DECEMBER 31, 2019

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1. Introduction

The principal business and current focus of Euro Manganese Inc. (the "Company") is the evaluation and potential development of the Chvaletice Manganese Project (the "Project"), which involves the re-processing of a manganese deposit hosted in historic mine tailings in the Czech Republic in order to produce high-purity manganese products in an economically, socially and environmentally-sound manner.

The Company was incorporated under the British Columbia Business Corporations Act on November 24, 2014. The Company's corporate offices are located at Suite 1500, 1040 West Georgia Street, Vancouver, B.C., Canada and its registered offices are located at Suite 1700, Park Place, 666 Burrard Street, Vancouver, B.C., Canada. The Company's common shares are traded on the TSX Venture Exchange ("TSX-V") and CHESS Depository Interests ("CDIs", with each CDI representing one common share) are traded on the Australia Securities Exchange ("ASX") under the symbols "EMN.V" and "EMN.AX", respectively.

This management's discussion and analysis ("MD&A") of the financial condition and results of operations of Euro Manganese Inc., prepared as of February 7, 2020, supplements, but does not form part of the Company's unaudited condensed consolidated interim financial statements for the three months ended December 31, 2019, and the related notes thereto, which 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*.

Additional information relating to the Company, including the Annual Information Form for the year ended September 30, 2019, is available on SEDAR at www.sedar.com, and on the Company's website www.mn25.ca.

All dollar amounts contained in this MD&A are expressed in Canadian dollars and tabular amounts are expressed in thousands of Canadian dollars, unless otherwise indicated.

The technical information in this MD&A concerning the Chvaletice Manganese Project was prepared under the supervision of Mr. Gary Nordin, a Qualified Person under the National Instrument 43-101 *Standards of Disclosure for Mineral Projects* ("NI 43-101").

2. Overview

The Company was formed with the objective of acquiring, evaluating, developing and operating the Chvaletice Manganese Project located in the Czech Republic, an anthropogenic manganese deposit hosted in historic mine tailings, in which the Company has a 100% ownership interest.

The Company's wholly-owned subsidiary, Mangan Chvaletice s.r.o. ("Mangan") holds two licences covering mineral exploration rights for the Chvaletice Manganese Project ("Licences"), which are both valid until May 31, 2023. In 2018, Mangan was also issued a Preliminary Mining Permit by the Ministry of Environment, referred to by the Ministry of Environment as the prior consent for the establishment of a Mining Lease District. The Preliminary Mining Permit, valid until April 30, 2023, represents one of the key steps towards final permitting for the Project, covers the areas included in the Licences, and secures Mangan's exploration rights for the entire deposit.

Based on the Preliminary Mining Permit and other documents, including the Environmental Impact Assessment ("EIA"), which may only commence after the Preliminary Mining Permit is issued, Mangan has until April 30, 2023, to apply for the establishment of the Mining Lease District covering the areas included in the Licences. The establishment of the Mining Lease District, the application for the final Mining Permit, and applications for permits relating to the construction of infrastructure and operation of a processing facility required for the Project, must be submitted and approved prior to any commercial extraction and processing activities at the Chvaletice Manganese Project.

2. Overview (continued)

At present, Mangan does not hold surface rights to the Chvaletice Manganese Project area, which includes those parcels of land underlying and immediately surrounding the three tailings deposits which comprise the Chvaletice Manganese Project. The area of interest for the Chvaletice Manganese Project overlies several privately-owned land parcels with surface rights. To date, Mangan has received the consent to conduct exploration activities and to access the site from the landowners whose surface properties underlie the tailings. The Company is currently negotiating the acquisition of these surface rights, leases, rights of way, or other arrangements in additional areas where it intends to develop its operations, site facilities and infrastructure. There is no guarantee that areas needed for these activities and facilities will be secured. Mangan has, however, signed an option agreement giving it the right to acquire 100% of a company that owns a 19.94-hectare parcel of land intended to be the site of Mangan's ultra-high purity processing plant (section 5 of this MD&A).

On March 15, 2019, the Company filed a Technical Report having an effective date of January 29, 2019, prepared by Tetra Tech Canada Inc. ("Tetra Tech"), which reported an updated Mineral Resource estimate and the results of a Preliminary Economic Assessment ("PEA") for the Chvaletice Manganese Project (section 5 of this MD&A).

The Chvaletice Manganese Project is targeting production of ultra-high-purity electrolytic manganese metal ("HPEMM") with specifications exceeding 99.9% Mn and ultra-high-purity manganese sulphate monohydrate ("HPMSM") with a minimum manganese content of 32.34%, which exceed typical industry standards. These products will be selenium and chromium-free, and are designed to contain very low levels of deleterious impurities. As such, the Company believes the Chvaletice Manganese Project stands to become an important and environmentally-sustainable part of the international and European lithium-ion battery supply chains. The Company expects to become the only primary producer of high-purity manganese in the European Union, where 100% of manganese requirements are currently imported.

The main activities required for the Chvaletice Manganese Project's full development will incorporate several phases in order to support the construction of a new plant, focusing principally on the rapidly emerging electric vehicle battery industry. The phases, which are subject to availability of funds, include:

- construction and commissioning of a demonstration plant in the second half of calendar 2020 to produce multi-tonne, high-purity manganese product samples for customer testing and supply-chain qualification;

- completion in the second half of calendar 2020 of a feasibility study incorporating the design of processing facilities and infrastructure;

- submission of a Project notification and description to the Czech Ministry of the Environment by mid-calendar 2020, the filing of an Environmental Impact Assessment and related permit applications by the end of calendar 2020; and

- continued market development for the Company's HPEMM and HPMSM products with the goal of initiating product testing and qualification programs and, eventually, entering into commercial agreements with potential customers over the course of calendar 2020.

3. Financial and Project Highlights

The following is a summary of the Company's highlights during the three months ended December 31, 2019, and to the date of this MD&A:

- In December 2019 and January 2020, the Company entered into two memorandums of understanding ("MoUs") with two potential customers pursuant to which they will be allocated high-purity manganese products produced from the Chvaletice demonstration plant for testing and for initiating the supply chain qualification process. The above are in addition to two prior MOUs entered into by the Company. To date, over 50% of the demonstration plant's planned first year production of these products has been allocated to customers for testing and qualification. These parties and their markets include: a global leading participant in the lithium-ion battery supply chain, for use in NMC cathodes; a company focused on large scale lithium-ion battery manufacturing, for use in Nickel, Manganese, Cobalt ("NMC") cathodes; a global chemicals and specialty materials company, for use in metal hydride for hybrid automobile anodes; and a major steel producer, for use in specialty steel applications. Upon successful completion of testing and evaluation by these parties and subject to a production decision being made based on the results of a feasibility study which is currently underway, the Company intends to work with these parties towards long-term commercial arrangements for the supply of HPEMM and/or HPMSM.

- On December 20, 2019, issued 1,200,000 common shares at $0.25 per share in a non-brokered private placement. Half of the common shares issued are subject to a contractual resale hold period which expires on November 28, 2020 and the remaining shares are subject to a contractual resale hold period which expires on September 1, 2021.

- Appointed Bacchus Capital Advisers as its lead strategic and financial adviser to deliver tactical and strategic advisory services, including assistance with offtake arrangements and financing, leveraging its extensive international investor and industry network.

- Selected BGRIMM Technology Group ("BGRIMM") as lead process plant engineer, who will be working closely with Tetra Tech, the Company's engineering representative for the feasibility study, and the Company's other consultants to complete a feasibility study in the second half of calendar 2020.

- Entered into a fixed-price, turnkey contract with Changsha Research Institute for Mining and Metallurgy ("CRIMM") for the supply and commissioning of a technology and equipment package for a demonstration plant, which includes performance guarantees, as well as commissioning services and an operator training program.

4. Significant Transactions During the Three Months Ended December 31, 2019

The Company did not complete any additional transactions in the three months ended December 31, 2019 other than the ones described in section 3 of this MD&A.

5. Review of Operations - Chvaletice Manganese Project

The Chvaletice Manganese Project is located in the Czech Republic, within the townships of Chvaletice and Trnavka, in the Labe River valley. The Czech capital city of Prague is located 90 kilometres to the west. The Chvaletice Manganese Project site is adjacent to established infrastructure, including an 820-megawatt coal-fired power station that supplies the Czech Republic's national grid, a major railway line, a highway and a gas line. The surrounding region is industrialized and skilled labor is expected to be available from local markets.

The Chvaletice Manganese Project resource is contained in three flotation tailings piles that were emplaced on flat terrain immediately below the site of a flotation mill site, adjacent to the former Chvaletice open pit mine and mill. The tailings were deposited from historical milling operations for the recovery of manganese and the extraction of pyrite used for the production of sulfuric acid. The tailings, which are in three separate piles in thickness ranging from 12 to 28 meters, cover a cumulative surface area of approximately one square kilometre.

5. Review of Operations - Chvaletice Manganese Project (continued)

Mineral Resource Estimate

The Project's Measured and Indicated Mineral Resources were reported in the NI 43-101 technical report entitled "Technical Report and Preliminary Economic Assessment for the Chvaletice Manganese Project, Chvaletice, Czech Republic" ("Technical Report"), with an effective date of January 29, 2019, as prepared by Tetra Tech, released and filed on SEDAR on March 15, 2019. The Technical Report was prepared by Mr. James Barr, P. Geo, Mr. Jianhui (John) Huang, Ph.D., P. Eng., Mr. Mark Horan, P. Eng., Mr. Hassan Ghaffari, P. Eng., and Mr. Chris Johns, P. Eng., all with Tetra Tech and all of whom are Qualified Persons under NI 43-101.

A summary of the mineral resource estimate for the Chvaletice Manganese Project included in the Technical Report is presented in the table below:

Tailings Cell #	Classification	Dry In-situ Bulk Density (t/m^3)	Volume (m^3)	Tonnage (metric tonnes)	Total Mn (%)	Soluble Mn (%)
#1	Measured	1.52	6,577,000	10,029,000	7.95	6.49
	Indicated	1.47	160,000	236,000	8.35	6.67
#2	Measured	1.53	7,990,000	12,201,000	6.79	5.42
	Indicated	1.55	123,000	189,000	7.22	5.30
#3	Measured	1.45	2,942,000	4,265,000	7.35	5.63
	Indicated	1.45	27,000	39,000	7.9	5.89
Total	Measured	1.51	17,509,000	26,496,000	7.32	5.86
	Indicated	1.50	309,000	464,000	7.85	6.05
Combined	Measured and Indicated	1.51	17,818,000	26,960,000	7.33	5.86

Note (1): Numbers may not add exactly due to rounding.
Note (2): Mineral Resources do not have demonstrated economic viability but have reasonable prospects for eventual economic extraction. Indicated Resources have lower confidence than Measured Resources. The estimate of Mineral Resources may be materially affected by environmental, permitting, legal, title, taxation, sociopolitical, marketing, or other relevant issues.

Option Agreement

The Company, through its subsidiary, Mangan, has entered into an option agreement (the "EPCS Option Agreement") to acquire 100% of the equity of EP Chvaletice s.r.o. ("EPCS"), a small Czech steel fabrication company that owns a 19.94 hectare parcel of land. This land is located immediately south of the highway and rail line that bound the Chvaletice tailings deposit. It is also immediately adjacent to the Chvaletice power plant and 1.7 hectare parcel of land and rail siding that was previously acquired by the Company. This strategic land parcel encompasses the intended site of its proposed high-purity manganese products processing plant.

The land is zoned for industrial use and contains numerous buildings, including office, warehousing and other industrial structures, several of which are leased to short-term tenants. The land also contains two rail spurs and is served by gas, water and power.

The Company will have the right to acquire EPCS by making payments aggregating 140 million Czech Koruna payable in three cash instalments, the first of which was paid on October 17, 2018, in the amount of 14 million Czech Koruna (CAD$815,000). The Company can complete the acquisition of EPCS by making two additional instalments aggregating 126 million Czech Koruna (approx. CAD$7.32 million) as follows:

i. an instalment of 42,000,000 Czech Koruna (approximately $2.41 million at December 31, 2019) ("Second Instalment"), within 60 days of final approval of the EIA for the Chvaletice Manganese Project, and no later than three years after signing the EPCS Option Agreement. The three-year term may be extended under certain circumstances by up to one year; and

5. Review of Operations - Chvaletice Manganese Project (continued)

ii. a final payment of 84,000,000 Czech Koruna (approximately $4.82 million at December 31, 2019) ("Final Payment"), due upon receipt of all development permits for the Chvaletice Manganese Project, and no later than five years after signing the EPCS Option Agreement.

The shares of EPCS are being held in escrow pending release of the Final Payment by the Company and liens were placed by the Company on the property and shares of EPCS, while the EPCS Option Agreement is in effect. The vendor of EPCS will continue to operate its steel fabrication business until the Final Payment is received, will retain profits from the business and will remain responsible for any losses incurred by the business during the term of the EPCS Option Agreement. The Company will endeavour to retrain and transition into the proposed Chvaletice Manganese Project's workforce as many of the EPCS employees as possible.

PEA Results

The main highlights of the PEA results, as summarized from the Technical Report, are as follows:

- Recycling of a 27 million tonne Measured and Indicated tailings resource (98.3% Measured) with a combined grade averaging 7.33% Mn, without the requirement of any hard rock mining, crushing or milling;

- 25-year project operating life producing 1.19 million tonnes of HPEMM, two-thirds of which is expected to be converted into HPMSM;

- Saleable product includes 404,100 tonnes of HPEMM and 2.35 million tonnes of HPMSM, focusing principally on Europe's rapidly emerging electric vehicle battery industry while remaining flexible to supply either product to suit customer preference;

- Flexibility to supply either HPEMM or HPMSM, to suit customer preference;

- After tax NPV of US$593 million and pre-tax NPV of US$782 million, using a 10% real discount rate, and based on average life-of-project HPEMM (containing 99.9% Mn) price of US$4,617/tonne and an average HPMSM (containing 32% Mn) price of US$2,666/tonne (prices based on a market study prepared for the Company by CPM Group LLC);

- US$404 million in pre-production capital, US$24.8 million in sustaining capital, and US$31 million in working capital, with an ungeared, pre-tax 25.2% IRR with a 4.5-year payback, and a post-tax 22.6% IRR with a 4.9-year payback;

- Targeting production of ultra-high-purity electrolytic manganese metal with specifications exceeding 99.9% Mn and ultra-high-purity manganese sulphate monohydrate with a minimum manganese content of 32.34%, which exceed typical industry standards;

- Access to excellent transportation, energy and community infrastructure. Proposed process plant site to be located in an industrially-zoned brownfield site, where a historical process plant generated the Chvaletice tailings;

- Exceptional green project credentials with the Project design meeting or exceeding all Czech and European health, safety and environmental standards, resulting in a significant remediation of the Chvaletice tailings site, arresting the ongoing pollution related to historical mining activities;

- Opportunities exist to enhance returns through process optimization initiatives and various investment incentives that may be available.

5. Review of Operations - Chvaletice Manganese Project (continued)

Feasibility Study and Environmental Impact Assessment

The Company is progressing with the feasibility study of the Chvaletice Manganese Project. Tetra Tech was appointed as the owner's engineering representative for the feasibility study, responsible for overseeing the consultants and service providers in connection with the feasibility study, and for the preparation of the NI 43-101/ JORC feasibility study report for the Project. The Company also appointed BGRIMM as the lead process plant engineer, who will be working closely with Tetra Tech and the Company's other consultants. Together, these firms will conduct the excavation design, process plant design, tailings/residue storage facility design, and other related studies for the project and compile the necessary feasibility study inputs. Subject to the awarding of any remaining feasibility study contracts, the Company expects the feasibility study to be completed in the second half of calendar 2020.

The preparation of the EIA and related permit application is also underway. The Project Description/Notification, which will be filed with the Czech Ministry of the Environment, will include a description of: the manganese production process and resulting environmental footprint; results of baseline and other studies conducted to date; health, safety and environmental management plans; impact assessment, impact mitigation and avoidance plans and measures; socio-economic impacts on local communities; and reclamation plans and objectives.

The Project Description will be available to local communities, residents, organizations and regulators, during a public comment and consultation period. The Project Description and the input and comments received, as well as any requirements for changes, will serve as the basis of further environmental studies, if required, and will form the basis for the last stage of the environmental permitting process, in the form of an EIA. The Company expects the filing of the Project Description/Notification with the Czech Ministry of the Environment to be made in the second quarter of calendar 2020 and the completion of the EIA documentation to be submitted to the Czech Ministry of the Environment in the fourth quarter of calendar 2020.

Commercial and Demonstration Plant Progress Update

In connection with the preparation of the PEA, the Company commissioned the independent research and consultancy firm of CPM Group LLC ("CPM Group") to provide an HPEMM and HPMSM product market outlook study for the Chvaletice Manganese Project. The CPM Group prepared a comprehensive market research report and provided an extended executive summary of the market information for high purity manganese products, including market demand and supply and projected HPEMM and HPMSM prices. Cairn Energy Research Advisors ("Cairn ERA") contributed technical and battery industry inputs to the CPM Group report. The extended executive summary of the CPM market outlook entitled "Market Outlook for High-Purity Electrolytic Manganese Metal and High-Purity Manganese Sulfate Monohydrate," is reproduced in Section 19 of the Technical Report.

Highlights of the CPM Group report include:

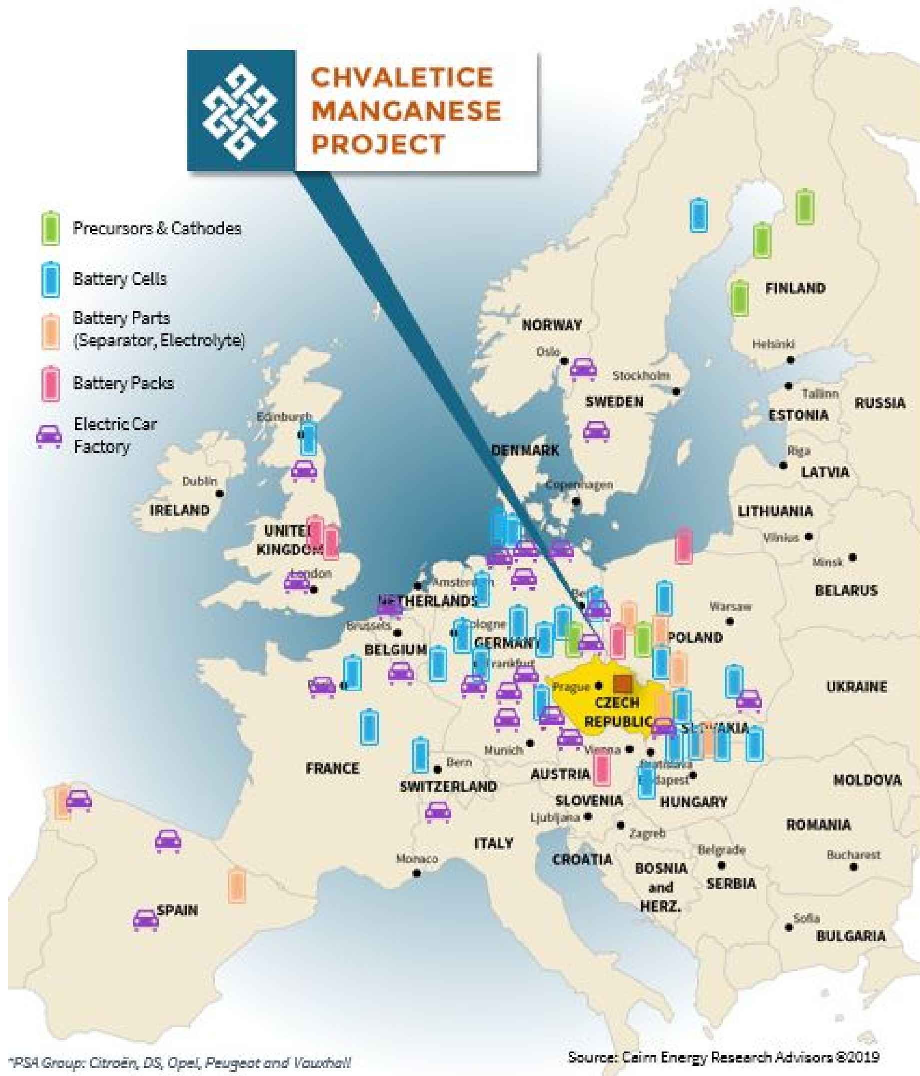
- An expected double-digit increase in the demand of HPEMM and HPMSM, driven by the electric vehicle ("EV") Lithium-ion battery industry.

- The Chvaletice Manganese Project has the potential to become a key strategic asset in the heart of Europe by targeting production of some of the highest purity HPEMM and HPMSM available in the world today, given that European consumers are currently sourcing the majority of their needs from China, which produces over 98% of HPEMM and over 85% of HPMSM in the world.

- Production of rechargeable lithium-ion batteries for EVs is expected to dominate the market for HPEMM and HPMSM over the next two decades dwarfing any other application for these products.

5. Review of Operations - Chvaletice Manganese Project (continued)

- Europe is expected to play an important part in this ‘electric vehicle revolution’ with nine battery and battery precursor factories, with no fewer than twelve electric car factories already under construction or announced recently. Europe is expected to become the second most important centre (after China) of the global electric car and battery industries. Six large battery factories that will consume manganese inputs are located between 200 km and 400 km of Chvaletice as shown below:



- The CPM Group believes that the entire planned output of the Chvaletice Manganese Project can be consumed by the growing lithium-battery sector in Europe. Local supply chains are being built in Europe and apart from the convenient logistics, companies located within the European single market benefit from frictionless trading and additional benefits (e.g. imported manganese sulphate monohydrate is subject to a 5% EU import tariff).

- CPM Group reports that the EV production is ramping up rapidly and that accelerating market demand will lead to stronger sales during the next two decades, based on the forecasts from Cairn ERA and the International Energy Agency (IEA).

5. Review of Operations - Chvaletice Manganese Project (continued)

Several prospective customers have expressed interest in procuring high-purity manganese products from the Chvaletice Manganese Project, and in testing and qualifying the products of the proposed Chvaletice demonstration plant. These parties have included manufacturers of electric vehicle batteries, in order to design precursor and cathode formulations in combination with available nickel, cobalt and lithium products, and chemical, aluminum and steel companies, as well as electric vehicle manufacturers.

During calendar 2019, the Company completed planning and design for the construction and commissioning of a demonstration plant in the Czech Republic in order to provide bulk, multi-tonne finished product samples for customer evaluation. The plant is intended to replicate the entire process flowsheet proposed in the PEA and to produce the equivalent of 100kg per day of manganese sulphate monohydrate. The demonstration plant will also enable process optimization and testing for the final products development and serve as a testing and training facility for future operators. In December 2019, the Company entered into a fixed-price, turnkey contract with CRIMM for the supply and commissioning of a technology, equipment package for the demonstration plant, which includes performance guarantees, as well as commissioning services and an operator training program. The Company estimates that the cost, including fabrication, delivery, commissioning, laboratory set-up and an operator training program, as well as the cost of operation for one year, will be approximately US$5 million ($6.5 million). Subject to financing and finalization of permitting, the Company is targeting the completion of the demonstration plant construction in the second half of calendar 2020, followed by the delivery of the first finished product samples to potential customers.

To the date of this MD&A, over 50% of the demonstration plant's planned first year production of these products has been allocated to several customers for testing and qualification. These parties and their markets include: a global leading participant in the lithium-ion battery supply chain, for use in NMC cathodes; a company focused on large scale lithium-ion battery manufacturing, for use in NMC cathodes; a global chemicals and specialty materials company, for use in metal hydride for hybrid automobile anodes; and a major steel producer, for use in specialty steel applications. Upon successful completion of testing and evaluation by these and potentially other parties, and subject to a production decision being made based on the results of a feasibility study which is currently underway, the Company intends to work towards establishing long-term commercial offtake arrangements for the supply of HPEMM and/or HPMSM. However, given that the Chvaletice Manganese Project is still in the evaluation stage, and still requires financing and permits, there can be no assurance that these discussions will lead to offtake agreements or commercial or strategic relationships in the near term, if at all.

The Company continues to hold active discussions and negotiations with several other consumers of high-purity manganese products in Asia, Europe and North America, and expects to allocate the remainder of the demonstration plant's initial year of production in the near term.

6. Outlook

The Company does not expect that its current capital resources will be sufficient to fully fund the feasibility study and the demonstration plant and any new commitments it may make with respect to additional acquisitions of land or surface rights. Accordingly, the Company expects it will be required to raise additional funding for its next stage of development (section 8 of this MD&A). The expected funding of the feasibility study and the demonstration plant is estimated at a total of $11.4 million.

As it moves through the feasibility stage, the Company expects to continue evaluating potential value-enhancing opportunities for the Chvaletice Manganese Project. These include the potential for on-site production of sulphuric acid, optimizing building sizing and layout, equipment selection, solid-liquid separation methods, alternative magnesium removal methods, manganese sulphate crystallization technologies, leaching methods, waste generation minimization and recycling, as well as minimizing energy and water consumption. In collaboration with one or more potential consumers of high-purity manganese products, the Company also intends to evaluate the feasibility of building one or more satellite manganese metal dissolution plants to be located at customer Nickel, Manganese, Cobalt ("NMC") precursor plants. This would allow the Company to sell manganese sulphate solution instead of granulated manganese sulphate monohydrate, eliminating the energy-intensive crystallization step.

7. Quarterly Financial Review

The following table summarizes selected financial information for each of the eight most recently completed quarters, expressed in thousands of Canadian dollars, except for per share amounts:

As at the end of or for the period ending	**Oct to Dec'19**	July to Sept'19	April to June'19	Jan to March'19	Oct to Dec'18	July to Sept'18	April to June'18	Jan to March'18
	$			$	$	$	$	$
Cash	**2,236**	4,085	5,512	7,093	9,013	10,368	6,194	7,648
Total assets	**5,562**	6,909	8,390	10,029	11,773	12,273	7,928	9,381
Working capital [(1)]	**1,504**	3,215	4,814	6,416	8,385	9,119	5,450	6,973
Current liabilities	**1,297**	1,028	902	1,001	957	1,536	891	825
Revenue	**—**	—	—	—	—	—	—	—
Project evaluation expenses	**1,319**	1,059	1,127	1,217	1,544	1,453	1,049	969
Other expenses	**780**	751	878	909	833	629	452	515
Net loss attributable to shareholders	**2,099**	1,810	2,005	2,126	2,377	2,082	1,501	1,485
Net loss per share, basic and diluted, attributable to shareholders	**0.01**	0.02	0.01	0.01	0.01	0.02	0.01	0.01

(1) The additional non-GAAP financial measure of working capital is calculated as current assets less current liabilities.

Summary of major variations in quarterly financial activities:

The variation in quarterly exploration and evaluation expenditures is mainly attributed to the following:

Project evaluation expenses

- The three quarters ending September 30, and the quarter ended December 31, 2018 reflect the costs incurred in connection with the PEA for the Chvaletice Manganese Project, which was completed in January 2019. The work primarily included various engineering, sampling and surveys, metallurgical test work and studies, geological studies, market studies, process and infrastructure design studies, extensive environmental studies and engineering and other consultant fees.

- Beginning January 2018, project related costs reflect the hiring of a full-time Vice President, Project Development, to oversee process engineering and overall project development planning.

- Expenditures in the quarters ended June 30 and September 30, 2018, reflect legal and professional fees associated with negotiating land purchase agreements , including the EPCS Option Agreement, and the quarter ended September 30, 2018, also reflects the costs of the 2018 drilling program which was initiated in July 2018.

- In the three most recent quarters, the Company incurred project evaluation costs related to the commissioning of studies for the demonstration plant, the initiation of the planning stage of the feasibility study, and the advancement of the work on the EIA.

Other expenses

- The increase in the level of quarterly administrative expenditures is mainly attributed to the combination of:
    - Increased remuneration beginning in the quarter ended December 31, 2018, due to a higher number of full-time employees. These costs also comprise increased non-cash share-based compensation related to option grants to directors, management and employees.

7. Quarterly Financial Review (continued)

- Increased investor relations and travel costs following the Company listing on the ASX and TSX-V in October 2018, continuous financing efforts and ongoing negotiations with potential customers.

- Additional legal and professional costs resulting from the Company being a publicly listed entity from October 2, 2018, and costs relating to on-going negotiations of land purchases.

- Increased insurance costs as a result of the public listing.

Three months ended December 31, 2019 compared to the three months ended December 31, 2018

	Three months ended December 31,	
	2019	2018
(expressed in thousands of Canadian dollars, except per share data)	**$**	$
Project evaluation expenses		
Engineering	**742**	626
Remuneration	**263**	227
Share-based compensation	**39**	40
Drilling, sampling and surveys	**3**	208
Metallurgical	**41**	149
Travel	**55**	40
Legal and professional fees	**112**	61
Geological	**16**	118
Market studies	**35**	55
Supplies and rentals	**13**	20
	1,319	1,544
Other expenses		
Remuneration	**321**	330
Share-based compensation	**76**	75
Total remuneration	**397**	405
Legal and professional fees	**81**	77
Investor relations	**27**	116
Product sales and marketing	**62**	12
Travel	**37**	35
Filing and compliance fees	**52**	90
Office, general and administrative	**48**	28
Accretion expense	**33**	18
Insurance	**22**	26
Office rent	**—**	21
Conferences	**2**	—
Depreciation	**19**	5
	780	833
Loss and comprehensive loss for the period	**2,099**	2,377
Basic and diluted loss per common share	**$0.01**	$0.01

7. Quarterly Financial Review (continued)

Project evaluation costs for the three months ended December 31, 2019 and 2018, were $1,318,964 and $1,544,706 respectively. The main cost variances include: a $205,093 decrease in drilling, sampling and survey cost, a $107,549 decrease in metallurgical costs, a $101,007 decrease in geological costs and an increase of $115,201 in engineering costs which include environmental costs. Such expenses in the comparative period related to the completion of the mineral resource update and the completion of the PEA whereas such expenses were minimal in the current quarter and related to the feasibility study. These decreases were partially offset by a $50,757 increase in legal and professional fees relating to land purchase negotiations and general advisory fees; a $36,013 increase in remuneration resulting from a higher number of full time employees than in the comparative period; and an increase of $14,612 in travel due to Company's work with BGRIMM on the feasibility study.

Engineering, remuneration, geological and metallurgical costs for three months ended December 31, 2019, represent approximately 81% (three months ended December 31, 2018 - 72%) of the total project evaluation costs. In the current quarter, these project evaluation costs related to the advancement of the EIA and the feasibility study and the planning and studies for the demonstration plant. In the comparative quarter, such project evaluation costs related to a number of activities supporting the completion of the PEA, including: a tailings/residue facility design study; studies related to test work, process and infrastructure design; the initiation of a wide range of bench and pilot scale tests and investigations to determine the optimum process to recover manganese to produce HPEMM and HPMSM; scoping and pre-feasibility-level process design studies; evaluating plant and site infrastructure layout alternatives; developing preliminary capital and operating cost estimates; planning and carrying out extensive environmental studies; and conducting widespread community consultations.

The $51,777 decrease in administrative costs for the three months ended December 31, 2019, compared to the same period in 2018, is mainly attributable to: a $88,580 decrease in investor relations expenses due to fewer investor related events in the current period; a $38,313 decrease in filing and compliance fees which, in the comparative period, included the cost of consultant retained to assist with the Company's IPO; a $21,281 decrease in office rent following the adoption of a new accounting standard on leases which also resulted in an increase in non-cash accretion expense of $14,982. This was partially offset by an increase of $50,169 in product sales and marketing costs related mainly to the negotiations of the MoUs with potential customers; and an increase of $20,015 in general administration expenses due to higher information technology related and communication costs, as well as higher foreign exchange loss.

8. Liquidity and Capital Resources

As at December 31, 2019, the Company held cash of approximately $2.2 million. Cash is held with reputable financial institutions and is invested in highly liquid short-term investments with maturities of three months or less. The funds are not exposed to significant liquidity risk and there are no restrictions on the ability of the Company to use these funds to meet its obligations.

Cash decreased by $1.8 million during the three months ended December 31, 2019, all of which was used in operating activities. There were no material investing or financing activities during the quarter ended December 31, 2019. As a result, working capital decreased by $1.7 million during the quarter, from $3.2 million at September 30, 2019 to $1.5 million at December 31, 2019.

The Company’s commitments at December 31, 2019, which include minimum office lease payments and project development commitments of $0.6 million are shown below. Having completed the PEA, the Company is advancing the Chvaletice Manganese Project to the feasibility study stage, which will require expenditures of approximately $4.9 million and is being staged based on the Company's available cash resources. The Company also intends to build a demonstration plant to produce bulk product samples for customer testing and qualification. The supply and delivery of the demonstration plant remains subject to financing.

8. Liquidity and Capital Resources (continued)

The Company estimates that the total cost of the demonstration plant, including its purchase and operation for one year, will be approximately $6.5 million. The Company does not have sufficient capital resources to fund the feasibility study, demonstration plant, ongoing corporate costs, and any new commitments it may make with respect to additional acquisitions of land or surface rights. Accordingly, the Company will be required to raise additional funding for these activities in fiscal 2020.

As an early stage corporation, the Company does not own any properties with established Mineral Reserves and has no operating revenues and is unable to self-finance its operations. Accordingly, the main source of future funds presently available to the Company is through the issuance of share capital. Additional funding will also be required for the potential future construction of infrastructure and facilities for the Project. The ability of the Company to arrange such equity financings will depend principally upon prevailing market conditions and the business performance of the Company. The Company's ability to continue as a going concern is substantially dependent on its ability to raise funds through the issuance of shares. Such funding may not be available when needed, if at all, or be available on terms favourable to the Company and its shareholders. Failure to obtain such additional financing could result in a delay, indefinite postponement or curtailment of further evaluation and development of the Company's principal property and could result in material adjustments to the carrying values of assets.

Contractual commitments

As at December 31, 2019, 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	2 - 3 years	After 3 years
	$	$	$	$	$
Minimum office lease payments [1]	7,876	3,008	2,434	2,434	—
Operating expenditure commitments [2]	602,120	602,120	—	—	—
Total contractual obligations	609,996	605,128	2,434	2,434	—

[1] The Company has 1 non-cancellable operating office lease expiring in three years.
[2] Operating expenditure commitments relate to the evaluation work on the Chvaletice Project.

In addition to the commitments disclosed above, the Company has entered into various agreements related to the feasibility study and the demonstration plant. These contracts can be canceled by the Company upon notice without penalty, subject to the costs incurred up to and in respect of the cancellation.

The Company is not subject to any externally imposed capital requirements. Detailed description of the Company's additional commitments can be found in note 12, of the Company's audited consolidated financial statements for the year ended September 30, 2019.

9. Off-Balance Sheet Arrangements

As at December 31, 2019, there are no off-balance sheet arrangements which could have a material impact on current or future results of operations or the financial condition of the Company.

10. Related Party Transactions

For the three months ended December 31, 2019 and 2018, amounts paid to related parties were incurred in the normal course of operations and measured at the exchange amount, which is the amount of consideration established and agreed to by the transacting parties.

At December 31, 2019, key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole, and consisted of the Company's directors and officers, including its non-executive Chairman, President and Chief Executive Officer, Managing Director of Mangan, Chief Financial Officer and Vice President, Corporate Development and Corporate Secretary.

	Three months ended December 31,	
	2019	2018
	$	$
Salaries and consulting fees payable to directors and officers	**376,019**	386,367
Directors' and officers' share-based compensation	**73,488**	73,714
Total remuneration	**449,507**	460,081

A Company director is associated with PRK Partners s.r.o. ("PRK"), a legal firm based in the Czech Republic. During the three months ended December 31, 2019, PRK's legal fees charged to the Company, relating to additional land acquisitions and land related issues, totaled $113,712 (three months ended December 31, 2018 - $35,717).

At December 31, 2019, amounts owing to directors and officers of the Company for salaries and directors fees amounted to $119,577 (September 30, 2019 - $71,414) and fees owing to PRK amounted to $91,003 (September 30, 2019 - $48,329). Other amounts payable to officers and directors at December 31, 2019 for the reimbursement of travel related expenses were $43,146 (September 30, 2019 - $50,875).

11. Outstanding Share Data

The Company's authorized share capital consists of an unlimited number of common shares without par value. The following common shares, stock options and share purchase warrants were outstanding at February 7, 2020:

	Number of securities
Issued and outstanding common shares	176,265,435
Share options	15,500,000
Warrants	5,756,750

Certain number of common shares and share options and all of the share purchase warrants are subject to escrow. For detail on the number of escrowed securities and the timing of their release refer to Note 8a (ii) of the Company's condensed consolidated interim financial statements for the three months ended December 31, 2019.

12. Proposed Transactions

At December 31, 2019, there are no proposed asset or business acquisitions, or disposition being considered that would affect the financial condition, financial performance or cash flows of the Company.

13. Significant Accounting Policies, Estimates and Judgments

Basis of preparation and accounting policies

The Company's annual consolidated financial statements were prepared in accordance with IFRS as issued by the IASB. Detailed description of the Company's significant accounting policies can be found in Note 3 of the Company's audited consolidated financial statements for the year ended September 30, 2019, and changes to the existing and new accounting policies can be found in the Company's unaudited condensed consolidated interim financial statements for the three months ended December 31, 2019. The impact of future accounting changes is disclosed in Note 3.3 to the unaudited condensed consolidated interim financial statements for the three months ended December 31, 2019.

Significant accounting estimates and judgments

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Areas of judgment and key sources of estimation uncertainty that have the most significant effect are disclosed in Note 3.13 of the Company's consolidated financial statements for the year ended September 30, 2019, and in Note 3.2 of the Company's unaudited condensed consolidated interim financial statements for the three months ended December 31, 2019.

14. Financial Instruments and Financial Risk Management

A description of the Company's financial instruments and financial risks that the Company is exposed to and management of these risks can be found in Notes 10 and 11, respectively, of the Company's consolidated financial statements for the year ended September 30, 2019.

15. Internal Controls over Financial Reporting and Disclosure Controls and Procedures

Management has established processes to provide them with sufficient knowledge to support representations that they have exercised reasonable diligence that: (i) the condensed consolidated interim financial statements for the three months ended December 31, 2019, do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made; and (ii) the condensed consolidated interim financial statements for the three months ended December 31, 2019, fairly present in all material respects the financial condition, results of operations and cash flow of the Company.

There was no change in the Company's internal controls over financial reporting that occurred during the three months ended December 31, 2019, that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

Disclosure Controls and Procedures

Disclosure controls and procedures have been designed to provide reasonable assurance that all relevant information required to be disclosed by the Company's is accumulated and communicated to senior management as appropriate to allow timely decisions regarding required disclosure. The Company's President and Chief Executive Officer and Chief Financial Officer have concluded, based on their evaluation of the design of the disclosure controls and procedures that as of December 31, 2019, the Company's disclosure controls and procedures provide reasonable assurance that material information is made known to them by others within the Company are appropriately designed.

15. Internal Controls over Financial Reporting and Disclosure Controls and Procedures (continued)

Limitations of Controls and Procedures

The Company's management, including the President and Chief Executive Officer and Chief Financial Officer, believe that any internal controls over financial reporting and disclosure controls and procedures, no matter how well designed, can have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance that the objectives of the control system are met.

16. Forward-Looking Statements and Risks Notice

Except for statements of historical fact relating to the Company, certain information contained in this MD&A constitutes forward-looking statements or forward-looking information. Forward-looking statements or information typically include words and phrases about the future, such as: “seek”, “anticipate”, “plan”, “continue”, “estimate”, “expect”, “may”, “will”, “project”, “predict”, “potential”, “targeting”, “intend”, “could”, “might”, “should”, “believe”, “will likely result”, “are expected to”, “will continue”, “is anticipated”, “believes”, “estimated”, “intends”, “plans”, “projection”, “outlook” and similar expressions. These statements involve known and unknown risks, assumptions, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes there is a reasonable basis for the expectations reflected in the forward-looking statements, however no assurance can be given that these expectations will prove to be correct and the forward-looking statements included herein should not be unduly relied upon.

All of the results of the PEA constitute forward-looking information or statements, including estimates of internal rates of return, payback periods, net present values, future production, estimates of cash cost, assumed long term prices for HPEMM and HPMSM, proposed extraction plans and methods, operating life estimates, cash flow forecasts, metal recoveries and estimates of capital and operating costs. Furthermore, with respect to this specific forward-looking information concerning the development of the Project, the Company has based its assumptions and analysis on certain factors that are inherently uncertain. Uncertainties include among others: (i) the adequacy of infrastructure; (ii) the ability to develop adequate processing capacity; (iii) the price of HPEMM and HPMSM; (iv) the availability of equipment and facilities necessary to complete development; (v) the size of future processing plants and future tailings extraction rates; (vi) the cost of consumables and extraction and processing equipment; (vii) unforeseen technological and engineering problems; (viii) currency fluctuations; (ix) changes in laws or regulations; (x) the availability and productivity of skilled labour; and (xi) the regulation of the mining industry by various governmental agencies.

Such forward-looking information or statements also include, without limitation, statements regarding the Company’s intentions regarding the Project in the Czech Republic, including without limitation, the continued evaluation and development of the Project, the completion of a feasibility study, the building of the demonstration plant in the Czech Republic, the Company's ability to secure additional financing for the ongoing development of the Project, its ability to acquire the remaining land or surface rights needed for the Project, the filing of an EIA, related permit applications and a formal project description with the Czech regulatory agencies and local communities, the growth and development of the high purity manganese products market and any other matters relating to the evaluation, planning and development of the Project. The Company also cautions readers that the PEA on the Project that supports the technical feasibility or economic viability of the Project, including the marketability of the high-purity manganese products, extraction method, costs, processing, metal recoveries and any other technical aspects related to the Project, is preliminary in nature and there is no certainty that the PEA will be realized.

16. Forward-Looking Statements and Risks Notice (continued)

This MD&A also contains references to estimates of Mineral Resources. The estimation of Mineral Resources is inherently uncertain and involves subjective judgments about many relevant factors. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability. The accuracy of any such estimates is a function of the quantity and quality of available data, and of the assumptions made and judgments used in engineering and geological interpretation, which may prove to be unreliable and depend, to a certain extent, upon the analysis of drilling results and statistical inferences that may ultimately prove to be inaccurate. Mineral Resource estimates may have to be re-estimated based on, among other things: (i) fluctuations in manganese or other mineral prices; (ii) results of drilling; (iii) results of metallurgical testing and other studies; (iv) changes to proposed extraction operations, including recoveries and dilution; (v) the evaluation of extraction and operating plans subsequent to the date of any estimates; and (vi) the possible failure to receive required permits, approvals and licences.

The Company is engaged in the evaluation, exploration and development of mineral projects which, by their nature, are speculative. Accordingly, the Company is subject to risks associated with its industry and business, including but not limited to: risks inherent in the mineral exploration and evaluation and mineral extraction business; commodity price fluctuations; competition for mineral properties; mineral resources and reserves and recovery estimates; currency fluctuations; interest rate risk; financing risk; environmental risk; country risk; permitting risk; political risk; legal proceedings; and numerous other risks. A summary of the risks relating to the business of the Company and industry-related risks, and risks relating to the Company's Shares is included in the Company's Annual Information Form dated December 16, 2019, filed on SEDAR at www.sedar.com under the Company's profile.

If any of such risks or uncertainties actually occur, the Company's business, financial condition or operating results could be harmed substantially and could differ materially from the plans and other forward-looking statements discussed in this MD&A. The Company will not necessarily update this information unless it is required to by Securities laws.