



EURO MANGANESE

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED DECEMBER 31, 2023 AND 2022
(unaudited)**

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Condensed Consolidated Interim Statements of Financial Position

Euro Manganese Inc.

(expressed in Canadian dollars - unaudited)

	Note	December 31, 2023	September 30, 2023
		\$	\$
ASSETS			
Current assets			
Cash and cash equivalents		24,292,683	7,649,711
Prepaid expenses		374,822	523,014
Accounts receivable		1,643,226	370,964
Inventory		521,981	—
		26,832,712	8,543,689
Non-current assets			
Exploration and evaluation assets	5	6,773,544	6,773,544
Property, plant and equipment	6	17,713,068	8,385,293
Deferred transaction costs	9	1,879,654	—
Other assets	7	2,024,135	2,034,147
Option	4	—	4,215,881
Total assets		55,223,113	29,952,554
LIABILITIES			
Current liabilities			
Accounts payable		4,716,199	2,641,155
Due to related parties	11	41,745	38,914
Lease liability		—	172,417
		4,757,944	2,852,486
Non-current liabilities			
Convertible Loan	9	25,739,824	—
Total liabilities		30,497,768	2,852,486
EQUITY			
Share capital	10	78,733,328	78,733,328
Equity reserves		9,491,090	9,023,890
Deficit		(63,499,073)	(60,657,150)
Total shareholders' equity		24,725,345	27,100,068
Total liabilities and shareholders' equity		55,223,113	29,952,554

Approved on behalf of the Board of Directors on February 13, 2024.

"Matthew James"
Matthew James, Director

"John Webster"
John Webster, Director

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

Euro Manganese Inc.

(expressed in Canadian dollars, except for number of shares outstanding - unaudited)

		Three Months Ended December 31,	
	Note	2023	2022
		\$	\$
Chvaletic Project evaluation expenses			
Engineering		429,158	416,149
Remuneration		260,783	215,150
Share-based compensation	10	33,425	68,907
Travel		18,192	16,115
Legal and professional fees		202,609	62,470
Market studies		19,730	28,095
Supplies and rentals		144,753	210,744
		1,108,650	1,017,630
Other evaluation expenses			
Engineering		21,600	128,883
Legal and professional fees		36,248	89,718
Travel		7,432	8,763
Other income	8	(14,308)	(17,570)
		50,972	209,794
Other expenses			
Remuneration		688,790	638,312
Share-based compensation	10	433,775	585,867
Total remuneration		1,122,565	1,224,179
Legal and professional fees		197,760	279,173
Investor relations		49,310	83,786
Product sales and marketing		19,875	26,745
Travel		80,957	58,358
Filing and compliance fees		66,634	80,832
Office, general and administrative		72,949	102,515
Insurance		62,369	56,974
Conferences		4,598	12,489
Depreciation		104,718	62,742
Accretion expense		4,616	7,836
Interest expense	9	285,670	—
Financing costs		71,260	—
Interest income		(60,554)	(158,990)
Foreign exchange		(77,302)	(355,941)
Gain on derivative instruments	4,9	(323,124)	—
		1,682,301	1,480,698
Loss and comprehensive loss for the period		2,841,923	2,708,122
Weighted average number of common shares outstanding - basic and diluted		402,669,227	401,388,910
Basic and diluted loss per common share		\$0.01	\$0.01

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

Euro Manganese Inc.

(expressed in Canadian dollars, except for number of shares outstanding - unaudited)

	Attributable to equity shareholders of the Company					Shareholders' Equity (Deficit)
	Note	Share Capital	Share Capital	Equity Reserves	Deficit	
		#	\$	\$	\$	
Balance at October 1, 2022		401,115,551	78,298,364	7,640,628	(48,649,019)	37,289,973
Options exercised		1,316,599	354,358	(146,708)	—	207,650
Share-based compensation	10	—	—	654,774	—	654,774
Loss and comprehensive loss for the period		—	—	—	(2,708,122)	(2,708,122)
Balance at December 31, 2022		402,432,150	78,652,722	8,148,694	(51,357,141)	35,444,275
Balance at October 1, 2023		402,669,227	78,733,328	9,023,890	(60,657,150)	27,100,068
Share-based compensation	10	—	—	467,200	—	467,200
Loss and comprehensive loss for the period		—	—	—	(2,841,923)	(2,841,923)
Balance at December 31, 2023		402,669,227	78,733,328	9,491,090	(63,499,073)	24,725,345

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Interim Statements of Cash Flows

Euro Manganese Inc.

(expressed in Canadian dollars - unaudited)

		Three Months Ended December 31,	
	Note	2023	2022
		\$	\$
Operating activities			
Net loss for the period		(2,841,923)	(2,708,122)
Less non-cash transactions:			
Share-based compensation		467,200	654,774
Transaction costs on land deposit		24,447	—
Depreciation		104,718	62,742
Lease liability accretion		83,100	7,836
Gain on derivative instruments	4,9	(323,124)	—
Non-cash foreign exchange loss (gain)		46,408	(393,281)
Other income		(60,554)	—
		(2,499,728)	(2,376,051)
Changes in non-cash working capital items:			
Accounts payable		(657,741)	(347,402)
Accrued interest - convertible loan	9	285,670	—
Accounts receivable		(161,377)	15,170
Prepaid expenses		162,114	35,615
Inventory		(45,302)	—
Due to related parties		2,831	(66,046)
Cash used in operating activities		(2,913,533)	(2,738,714)
Financing activities			
Exercise of stock options	10	—	207,650
Lease principal and interest payments		(177,033)	(92,107)
Proceeds from convertible loan	9	25,973,055	—
Transaction costs paid on convertible loan		(2,911,966)	—
Cash generated from financing activities		22,884,056	115,543
Investing activities			
Property & equipment acquisition on demonstration plant	6	(386,514)	(568,354)
Deposits for land and land acquisition		(217,655)	(77,636)
Cash used on acquisition of EPCS		(4,265,441)	—
Cash acquired on acquisition of EPCS	4	887,185	—
Interest received		193,031	—
Cash used in investing activities		(3,789,394)	(645,990)
Effect of exchange rate change on cash and cash equivalents		461,843	13,270
Increase (Decrease) in Cash		16,642,972	(3,255,891)
Cash and cash equivalents - beginning of period		7,649,711	21,560,561
Cash and cash equivalents - end of period		24,292,683	18,304,670

Supplemental cash flow information (Note 15)

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Notes to the Condensed Consolidated Interim Financial Statements

Euro Manganese Inc.

(expressed in Canadian dollars - unaudited)

1. Nature of Operations

The principal business and current focus of Euro Manganese Inc. (the "Company" or "EMN") is the development of the Chvaletice Manganese Project (the "Project"), in which the Company has a 100% ownership interest. The Project involves the re-processing of a readily leachable manganese deposit hosted in the tailings of a decommissioned mine in the Czech Republic. The Company has also started to progress an opportunity to develop a project to produce high-purity manganese products in Canada for the North American market. The Company's goal is to produce high-purity manganese products in an economically, socially and environmentally-sound manner, principally for use in lithium-ion batteries.

EMN was incorporated under the British Columbia Business Corporations Act on November 24, 2014. The Company's corporate offices are located at 700 West Pender Street, Suite 709, Vancouver, B.C., Canada, and its registered offices are located at 666 Burrard Street, Suite 1700, Vancouver, B.C., Canada. The Company's common shares are traded on the TSX Venture Exchange ("TSX-V") and on the OTC Best Market ("OTCQX") under the symbols "EMN.V" and "EUMNF", respectively. CHESSE Depository Interests ("CDIs", with each CDI representing one common share) are traded on the Australia Securities Exchange ("ASX") under the symbol "EMN.AX".

There is no assurance that the evaluation and acquisition activities executed or planned by the Company for the Chvaletice Manganese Project will result in the development of a profitable commercial operation. The Company is expected to operate at a loss while the Company is developing the Chvaletice Manganese Project.

These condensed consolidated interim financial statements have been prepared on a going concern basis in accordance with International Financial Reporting Standards, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. Company's ability to continue as a going concern beyond the next 12 months will be dependent upon its ability to obtain additional financing for its general operating expenses and the development of its projects. Although the Company has been successful in the past in obtaining financing, there is no assurance that the Company will be able to obtain adequate financing in the future or that such financing will be on terms favorable to the Company.

2. Basis of Preparation

2.1 Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards"), applicable to the preparation of interim financial statements, including IAS 34 *Interim Financial Reporting*. The comparative information has also been prepared on this basis.

These condensed consolidated interim financial statements do not include all the information required for full annual financial statements and therefore should be read in conjunction with our audited consolidated financial statements for the year ended September 30, 2023.

These condensed consolidated interim financial statements were prepared by management and approved by the Board of Directors of the Company (the "Board") on February 13, 2024.

2.2 Basis of measurement

These condensed consolidated interim financial statements have been prepared using the accrual basis of accounting except for cash flow information. In addition, these condensed consolidated interim financial statements have been prepared on the historical cost basis.

Notes to the Condensed Consolidated Interim Financial Statements

Euro Manganese Inc.

(expressed in Canadian dollars - unaudited)

2. Basis of Preparation (continued)

2.3 Basis of consolidation

These condensed consolidated interim financial statements incorporate the accounts of the Company and the entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The condensed consolidated interim financial statements include the accounts of the Company's subsidiaries from the date of control commences until the date that control ceases. The financial results of its wholly-owned subsidiary, Mangan Chvaletice s.r.o. ("Mangan"), are included in the condensed consolidated interim financial statements for both periods presented and the results of EP Chvaletice s.r.o. ("EPCS") are included from the date of its acquisition by the Company on December 28, 2023 (Note 4). All significant intercompany transactions and balances have been eliminated.

3. Material Accounting Policies, Estimates and Judgments

3.1 Material accounting policies

The accounting policies applied in the preparation of these condensed consolidated interim financial statements are consistent with those applied and disclosed in the Company's audited consolidated financial statements for the year ended September 30, 2023, except for the following newly adopted policies:

Business combinations

A business combination is an acquisition of assets and liabilities that constitute a business and whereby the Company obtains control of the business. A business is an integrated set of activities and assets that consist of inputs and processes, including a substantive process that, when applied to those inputs, have the ability to create or significantly contribute to the creation of outputs that generate investment income or other income from ordinary activities.

Business combinations are accounted for using the acquisition method whereby acquired assets and liabilities are recorded at fair value as of the date of acquisition with the excess of the purchase consideration over such fair value being recorded as goodwill. Non-controlling interest in an acquisition may be measured at either fair value or at the non-controlling interest's proportionate share of the fair value of the acquiree's net identifiable assets. The excess of (i) total consideration transferred by the Company, measured at fair value, including contingent consideration, and (ii) the non-controlling interests in the acquiree's, over the acquisition-date fair value of the net of the assets acquired and liabilities assumed, is recorded as goodwill. If the fair value attributable to the Company's share of the identifiable net assets exceeds the cost of acquisition, the difference is recognized as a gain in the consolidated statement of operations.

Should the consideration be contingent on future events, the preliminary cost of the acquisition recorded includes management's best estimate of the fair value of the contingent amounts expected to be payable. Provisional fair values allocated at the reporting date are finalized within one year of the acquisition date with retroactive restatement to the acquisition date as required. Transaction costs, other than those associated with the issue of debt or equity securities, which the Company incurs in connection with a business combination, are expensed as incurred.

The Company has an option to apply a 'concentration test' to assess whether an acquired set of activities and assets are not a business. If substantially all of the fair value of the gross assets acquired are concentrated in a single, identifiable asset or group of similar identifiable assets, the concentration test is met, and the transaction is accounted for as an asset acquisition. In such cases, the acquirer identifies and recognizes the individual identifiable assets acquired and liabilities assumed. The cost of the net assets is allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction or event will not give rise to goodwill. Acquisition-related costs in an asset acquisition are recognized as part of the cost of the assets acquired.

Notes to the Condensed Consolidated Interim Financial Statements

Euro Manganese Inc.

(expressed in Canadian dollars - unaudited)

3. Material Accounting Policies, Estimates and Judgments (continued)

Inventory

Inventory consists of materials and supplies. Materials and supplies expected to be used in operations are valued at the lower of weighted average cost or net realizable value, reduced by an amount to take into account any impairment caused by obsolescence, deterioration, damage or other factors. If the circumstances that previously caused impairment are mitigated, the provision for impairment is reversed to the lesser of the new determination of net realizable value or original cost. Impairment provisions for inventory and any subsequent reversal are included as part of net loss in the consolidated statement of loss and comprehensive loss.

3.2 Significant estimates and judgments

The preparation of financial statements requires the use of estimates and judgments that affect the amounts reported and disclosed in the consolidated financial statements and related notes. These estimates and judgments are based on management's best knowledge of the relevant facts and circumstances, taking into consideration previous experience, but actual results may differ materially from the amounts included in the financial statements. The significant estimates and judgments applied in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those applied and disclosed in Note 3.15 to the Company's audited consolidated financial statements for the year ended September 30, 2023.

In addition to the judgments and estimates noted in the Company's audited financial statements for the year ended September 30, 2023, management identified a new area involving critical judgments in applying accounting policies and areas of estimation uncertainty that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities.

In assessing the Convertible Loan Facility (Note 9), management identified an extension and conversion option embedded derivative within the convertible debt. The derivative is required to be revalued at each period end with the movements recorded as gains or losses in the statement of loss and comprehensive loss. Significant estimates and judgments were used such as the expected high purity manganese prices and the probability of the debt being extended or converted.

3.3 New standards and pronouncements not yet adopted

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB but not yet adopted by the Company. The Company is currently assessing the impact of the following pronouncements on the consolidated financial statements:

Amendments to IFRS 16 Leases: On September 22, 2022, the IASB issued amendments to IFRS 16 Leases. The amendments clarify how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The amendments are effective for annual periods beginning on or after January 1, 2024. These amendments are not expected to impact the Company's financial statements.

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: On May 25, 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures, which add disclosure requirements, and "signposts" within existing disclosure requirements, that ask entities to provide qualitative and quantitative information about supplier finance arrangements. The amendments are effective for reporting periods beginning on or after January 1, 2024. These amendments are not expected to have a significant impact on the Company's financial statements.

Notes to the Condensed Consolidated Interim Financial Statements

Euro Manganese Inc.

(expressed in Canadian dollars - unaudited)

3. Material Accounting Policies, Estimates and Judgments (continued)

Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: On August 15, 2023, the IASB issued amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates. The amendments provide guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not. The amendments are effective for reporting periods beginning on or after January 1, 2025. These amendments are not expected to have a significant impact on the Company's financial statements.

4. Acquisition of EP Chvaletice

On August 13, 2018, the Company, through its Czech subsidiary Mangan, entered into an option agreement with EPCS to acquire 100% interest in EPCS by making several payments. EPCS is a Czech operating company whose principal asset is a large parcel of industrial zoned land adjacent to the Chvaletice Manganese Project, where the Company proposes to develop its high-purity manganese processing facility.

The Company made total payments of 72.1 million Czech Koruna (\$4.22 million) from October 17, 2018, to September 30, 2023. In the three months ended December 31, 2023, the Company completed the purchase of EPCS by making two additional payments of 20 million Czech Koruna (\$1.2 million) and 51 million Czech Koruna (\$3.0 million) on November 29, 2023, and December 28, 2023, respectively. Additionally, 3.5 million Czech Koruna (\$0.23 million) that was paid in 2019 for a plot of land pursuant to an amendment to the option agreement with EPCS and classified as a land deposit, was included in the total purchase price.

The option payments made prior to the acquisition of EPCS were a derivative classified as fair value through profit or loss ("FVTPL") due to the following: i) the option was for the acquisition of shares of EPCS rather than a non-monetary asset; ii) it did not meet any of the scope exceptions from recognition as a derivative asset under IFRS 9 *Financial Instruments*; iii) control of EPCS was not present until the last option payment was made. The remaining payment was dependent on the Board's approval and was not legally enforceable by the shareholder of EPCS. On acquisition of EPCS, on December 28, 2023, the option was revalued based on a third party valuation of acquired assets at \$9.0 million, resulting in \$0.3 million increase in the value of the option and corresponding gain in the statement of loss and comprehensive loss.

The acquisition was accounted for as a purchase of assets as it met the concentration test under IFRS 3 *Business combinations*. The cost of the acquisition was approximately \$11.1 million (216.1 million Czech Koruna), consisting of the cash payments made to date of \$11.1 million (143.1 million Czech Koruna), the increase in fair value of the derivative of \$0.3 million (37.1 million Czech Koruna) and a \$2.1 million (35.9 million Czech Koruna) of working capital adjustment.

The purchase price was calculated as follows:

	\$
Cash advances paid	8,682,263
Revaluation of derivative	315,901
Net working capital adjustment	2,126,901
	11,125,065

Notes to the Condensed Consolidated Interim Financial Statements

Euro Manganese Inc.

(expressed in Canadian dollars - unaudited)

4. Acquisition of EP Chvaletice (continued)

The purchase price was allocated based on the estimated fair value of the assets acquired and liabilities assumed as follows:

	\$
Cash and cash equivalents	887,185
Accounts receivable	1,243,362
Inventory	476,679
Prepays and other	13,922
Buildings	4,181,226
Land	4,453,565
Equipment	407,107
Accounts payable	(373,010)
Due to employees	(49,059)
Accrued liabilities	(8,996)
Operating lease liabilities	(82,733)
Income tax and other taxes payable	(20,860)
Other liabilities	(3,323)
	11,125,065

The purchase price was allocated to the assets acquired and the liabilities assumed in accordance with their relative fair value. The value of the land was determined using the comparative method to reflect the real estate prices achievable for comparable undeveloped land plots in the market at the time of valuation, decreased by the demolition costs of existing buildings which are not in use. The buildings currently in use by EPCS were valued using the income method, assuming rent rates for similar spaces in nearby areas. The valuation of movable assets (machinery equipment and vehicles) was based on historical prices, reflecting the technical value and saleability factor.

5. Exploration and Evaluation Assets

The Company holds two exploration licenses for the Chvaletice Manganese Project (the "Licenses"). The Company was also issued a Preliminary Mining Permit by the Czech Ministry of Environment, referred to by the Ministry as the prior consent of the establishment of the Mining Lease District (the "Preliminary Mining Permit"). The Preliminary Mining Permit covers the areas included in the Licenses and secures the Company's rights for the entire deposit. The Preliminary Mining Permit forms one of the prerequisites for the application for the establishment of the Mining Lease District and represents one of the key steps towards final permitting for the project. The establishment of the Mining Lease District, the application for the final Mining Permit, and applications for permits relating to the construction of infrastructure required for the project, are required prior to operation at the Chvaletice Manganese Project. The Licenses and the Preliminary Mining Permit are valid until May 31, 2026.

The total carrying value of the Company's exploration and evaluation assets of \$6,773,544 includes the fair value of the initial share consideration following the acquisition date of Mangan on May 13, 2016, the discounted value of the deferred share consideration, as determined by the Company on the acquisition date, and the value of the cash and shares issued to purchase and extinguish a net smelter royalty. The exploration and evaluation assets will be tested for impairment and then reclassified to mineral property and development assets within property, plant and equipment, once the Company has secured access to all required land parcels for the Chvaletice Manganese Project, has obtained certain agreements with customers confirming the economic viability and secured all necessary permits.

Notes to the Condensed Consolidated Interim Financial Statements

Euro Manganese Inc.

(expressed in Canadian dollars - unaudited)

6. Property, Plant and Equipment

December 31, 2023

	Demonstration plant & Buildings under construction	Buildings & Equipment	Land	Lease assets	Total
	\$	\$	\$	\$	\$
Cost					
October 1, 2023	7,857,513	179,210	333,331	603,431	8,973,485
Additions EPCS (Note 4)	—	4,588,333	4,453,565	—	9,041,898
Additions other	390,595	—	—	—	390,595
Disposals	—	(10,743)	—	—	(10,743)
December 31, 2023	8,248,108	4,756,800	4,786,896	603,431	18,395,235
Accumulated depreciation					
October 1, 2023	—	(126,331)	—	(461,861)	(588,192)
Additions	—	(9,392)	—	(95,326)	(104,718)
Disposals	—	10,743	—	—	10,743
December 31, 2023	—	(124,980)	—	(557,187)	(682,167)
Net Book Value					
October 1, 2023	7,857,513	52,879	333,331	141,570	8,385,293
December 31, 2023	8,248,108	4,631,820	4,786,896	46,244	17,713,068

September 30, 2023

	Demonstration plant under construction	Equipment	Land	Lease assets	Total
	\$	\$	\$	\$	\$
Cost					
October 1, 2022	5,216,357	144,334	333,331	586,094	6,280,116
Additions	2,641,156	38,188	—	17,337	2,696,681
Disposals	—	(3,312)	—	—	(3,312)
September 30, 2023	7,857,513	179,210	333,331	603,431	8,973,485
Accumulated depreciation					
October 1, 2022	—	(100,454)	—	(228,413)	(328,867)
Additions	—	(27,725)	—	(233,448)	(261,173)
Disposals	—	1,848	—	—	1,848
September 30, 2023	—	(126,331)	—	(461,861)	(588,192)
Net Book Value					
October 1, 2022	5,216,357	43,880	333,331	357,681	5,951,249
September 30, 2023	7,857,513	52,879	333,331	141,570	8,385,293

Notes to the Condensed Consolidated Interim Financial Statements

Euro Manganese Inc.

(expressed in Canadian dollars - unaudited)

7. Other Assets

Other assets, representing additional deposits for land, are as follows:

		December 31, 2023	September 30, 2023
		\$	\$
Miscellaneous land parcels and second railway switch (plant area)	i)	—	227,667
Land for buffer zone and infrastructure corridor (tailings area)	ii)	28,951	28,951
Additional land and rail spur extension (plant area)	iii)	348,154	268,064
Additional land parcels for residue storage facility (tailings area)	iv)	1,096,770	1,096,770
Land parcel within the Port of Bécancour	v)	550,260	412,695
		2,024,135	2,034,147

- i) On February 7, 2019, the Company signed an amendment to the EPCS Option Agreement (the "Amendment"), funding, through EPCS, the purchase of several land parcels adjacent to the land owned by EPCS, and thus increasing the Option Agreement value by 3,500,000 Czech Koruna (\$203,220). Pursuant to the Amendment, in the event that EPCS was not ultimately acquired, the ownership of these land parcels were to be transferred to Mangan at no additional cost. On acquisition of EPCS, the value of the land deposit was included in the assets acquired and the transaction costs of \$24,447 were expensed.
- ii) On May 11, 2019, the Company signed a purchase contract with the Municipality of Trnavka for a 2.96-hectare parcel of land adjacent to the Chvaletice Manganese Project tailings, on which the Company plans to construct a visual and acoustic barrier between Trnavka and the Chvaletice Manganese Project tailings. The total cost of the land is 2,026,990 Czech Koruna (approximately \$120,000). The first payment, representing 10% of the total amount, 202,699 Czech Koruna (\$11,867) was paid on May 20, 2019. Subsequent payments totaling 1,824,291 Czech Koruna (approximately \$106,000) are based on permitting milestones over the period to March 2029. On April 13, 2022, following the rezoning approval for mining use of the land area under the jurisdiction of the Trnavka Municipality, on which 85% of the Chvaletice Manganese Project's tailings are located, the Company made the second payment of 304,409 Czech Koruna (\$17,038) to the Municipality of Trnavka.
- iii) On December 18, 2020, the Company paid the first instalment of \$86,373 pursuant to an agreement with Sprava Nemovitosti Kirchdorfer CZ s.r.o. to acquire a parcel of land, including a rail spur extension that provides additional room and flexibility for the Chvaletice commercial plant layout. The cost of the land is 18,739,125 Czech Koruna (approximately \$1.1 million) and is to be paid in five annual instalments of approximately \$80,000, followed by the remaining balance of approximately \$700,000 in the final year. To date, the Company has made the first four payments under the agreement and capitalized transaction costs of \$20,834.
- iv) On June 7, 2022, the Company signed an agreement with a private landowner to acquire several land parcels. These land parcels are adjacent to the tailings area and provide additional room and flexibility for the Chvaletice residue storage facility layout. The total cost of the land is 54,327,751 Czech Koruna (approximately \$3.0 million). The first instalment of \$516,452 was paid in June 2022. The second instalment of \$580,318 was paid in January 2023. The remaining amount of \$2,038,007 was paid in January 2024.
- v) On December 16, 2022, the Company entered into an option agreement with The Société du parc industriel et portuaire de Bécancour ("SPIPB"), a Québec state enterprise and owner of a 15-hectare land parcel within Bécancour (the "Bécancour Option Agreement") where the Company proposes to establish its North American facilities. The Bécancour Option Agreement allows the Company to exclusively access the land parcel and conduct due diligence thereon over a maximum term of 21 months, during which the Company has the opportunity to purchase the site. The Bécancour Option Agreement provides that the Company pay \$45,855 per month for this option, whereas these option payments shall be deducted from the final purchase price of \$9,171,200. As at December 31, 2023, the Company has made twelve payments aggregating \$550,260.

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Euro Manganese Inc.

(expressed in Canadian dollars - unaudited)

8. Government Grant

In August 2022, the Company was approved to receive advisory services and up to \$165,000 (\$76,060 received in total to December 31, 2023, of which \$14,308 was received three months ended December 31, 2023) from National Research Council of Canada's Industrial Research Assistance Program ("IRAP"). The funding supports the initiative the Company is undertaking with Nano One Materials Corp., the Metal direct to Cathode Active Material process, as well as the evaluation of the manganese metal by-product from the battery black mass recycling. The funding covers a portion of the internal and external labour costs in relation to these projects. The grant income is recorded separately on the statement of loss and comprehensive loss.

9. Convertible Loan Facility

On November 28, 2023, the Company signed definitive agreements with OMRF (BK) LLC ("Orion"), which is managed by the Orion Resource Partners Group, for US\$100 million in financing (the "Funding Package") to advance the development of the Chvalteice Manganese Project. The Funding Package is split into two US\$50 million components: (a) a US\$50 million loan facility convertible into a 1.29-1.65% royalty on Project revenues (the "Convertible Loan Facility"), with US\$20 million received upon closing on November 29, 2023, and an additional US\$30 million to be received upon meeting certain milestones; and (b) receipt of US\$50 million in exchange for a 1.93-2.47% royalty on Project revenues following a final investment decision by the Company's Board of Directors and other conditions precedents typical for this type of financing (the "Royalty Financing").

The Convertible Loan Facility bears interest at 12% per annum, payable quarterly, and has an initial maturity of 36 months, which may be extended by Orion up to an additional 36 months. Orion may convert the Convertible Loan Facility into the royalty at any time, while the Company may force conversion into the royalty upon a successful completion test of the Project's commercial plant. The converted royalty and the royalty under the Royalty Financing are for the life of the Project. The agreement contains certain embedded derivatives which as per IFRS9 have been separately valued and included in the fair value of the financial instrument.

In connection with the Funding Package, Orion has been granted comprehensive security over the assets of Mangan and rights of the Project. Conditions precedent to the US\$30 million tranche of the Convertible Loan Facility include completion of offtake agreements for 40% of the Project's high-purity manganese production for the first five years of production and securing a strategic investor. Covenants and events of default include customary covenants and undertakings and events of default for a secured financing of this nature. These include, but are not limited to, completion of the key commercial agreements referred to above, securing a strategic investor, and completion of various technical milestones aligned with the Company's progress to final investment decision, all subject to time limits from the closing date.

In connection with the first tranche of the Convertible Loan Facility, the Company determined that Orion's right to extend the Convertible Loan Facility up to an additional 36 months met the definition of a financial derivative liability, which was separated, not being closely related to its debt host. Accordingly, the \$25,973,055 (US\$20 million) gross proceeds were allocated as follows: \$844,397 to the derivative liability as its estimated fair value with the residual of \$25,128,658 to the debt host. In determining the estimated fair value of the separated derivative liability, the key inputs were the estimated royalty payments if converted, the expected future manganese prices, the production schedule, and the probability of the royalty being converted.

The Company incurred transaction costs of \$2,975,788, of which \$1,879,654 was allocated to the US\$80 million undrawn portion of the Funding Package and is deferred until drawn, \$1,059,259 was allocated to the first tranche of the Convertible Loan Facility and is deferred and amortized using the effective interest method, and \$36,875 was allocated to the derivative liability and recognized in profit or loss.

From the inception of the US\$20 million Convertible Loan Facility to December 31, 2023, the Company recognized \$285,670 of contractual interest expense and \$41,609 of accretion expense in profit or loss.

Notes to the Condensed Consolidated Interim Financial Statements

Euro Manganese Inc.

(expressed in Canadian dollars - unaudited)

9. Convertible Loan Facility (continued)

A summary of the Company's first tranche of the Convertible Loan Facility is as follows:

Convertible loan - liability component	\$
October 1, 2023	—
Advances	25,973,055
Transaction costs	(1,059,259)
Derivative liability value	(844,397)
Unwinding of discount	41,609
Interest accrued	285,670
Interest paid	—
Foreign exchange loss (gain)	488,636
December 31, 2023	24,885,314
Convertible loan - derivative component	\$
October 1, 2023	—
Initial recognition of derivative liability	844,397
Change in fair value	(7,223)
Foreign exchange loss (gain)	17,336
December 31, 2023	854,510
Balance, end of period	25,739,824

Notes to the Condensed Consolidated Interim Financial Statements

Euro Manganese Inc.

(expressed in Canadian dollars - unaudited)

10. Equity

a) Common shares

The Company has unlimited authorized common shares with no par value.

b) Share options

The Company has a rolling share-based compensation plan (the "Plan") allowing for the reservation of a maximum 10% of the common shares issued and outstanding at any given time for issuance under the Plan. Under the Plan, all share options are granted at the discretion of the Company's Board. The term of any option granted may not exceed ten years and the exercise price may not be less than the market value of the Company shares at the date of the grant.

Current outstanding options have an expiry date of ten years and vest over a period of 36 months, except for 900,000 options granted to certain officers of the Company which vest in 5 years from the date of grant and 350,000 options granted to a consultant, vesting one-third on the date of grant and one-third on each of the four and eight-month anniversaries of the date of grant. Additionally, 9,000,000 options granted to the President and CEO of the Company include market conditions and non-market performance vesting conditions. The performance vesting conditions are based on achieving project development milestones and the price-vesting thresholds are based on a daily volume weighted average share price of the Company. No options were granted in the three months ended December 31, 2023.

During the three months ended December 31, 2023, the Company recorded share-based compensation expense of \$467,200 (three months ended December 31, 2022 - \$654,774) of which \$33,425 has been allocated to Chvaletice Project evaluation expenses (three months ended December 31, 2022 - \$68,907) and \$433,775 to administrative expenses (three months ended December 31, 2022 - \$585,867).

The balance of options outstanding and exercisable at December 31, 2023, is as follows:

Options outstanding			Options exercisable		
Exercise price (\$ per share)	Number of share options	Weighted average remaining contractual life (years)	Number of share options	Weighted average remaining contractual life (years)	
0.08	1,150,000	2.4	1,150,000	2.4	
0.10	900,000	3.3	900,000	3.3	
0.11	6,137,667	5.6	6,137,667	5.6	
0.13	500,000	6.7	500,000	6.7	
0.20	2,500,000	4.2	2,500,000	4.2	
0.25	1,450,000	5.0	1,450,000	5.0	
0.28	1,841,666	5.1	1,841,666	5.1	
0.48	5,768,251	9.3	216,666	8.4	
0.59	500,000	7.5	500,000	7.5	
0.58	15,950,000	8.0	4,950,000	8.0	
0.61	1,800,000	7.2	900,000	7.2	
0.41	38,497,584	7.0	21,045,999	5.8	

Following the period end, on January 31, 2024, 970,000 share options were forfeited and cancelled.

Notes to the Condensed Consolidated Interim Financial Statements

Euro Manganese Inc.

(expressed in Canadian dollars - unaudited)

10. Equity (continued)

c) Warrants

	December 31, 2023	
	Number of warrants	Weighted average exercise price
		\$
Balance, beginning of the period	6,000,000	0.33
Expired	(6,000,000)	0.33
Balance, end of the period	—	—

11. Related Party Transactions

Transactions between the Company and its subsidiary have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Company and other related parties are disclosed below. Related parties include the Board and the Company's officers, close family members, and enterprises that are controlled by these individuals as well as certain consultants performing similar functions.

a) Key management compensation

Key management personnel include the Board, President and Chief Executive Officer, Chief Financial Officer, Vice President, Commercial, Vice President, Corporate Development and Corporate Secretary, Vice President, Operations, and the Managing Director of the Company's Czech subsidiary. During the three months ended December 31, 2023, the Company incurred the following compensation expenses to key management of the Company and director fees:

	Three months ended December 31,	
	2023	2022
	\$	\$
Salaries and fees	571,779	488,290
Share-based compensation	394,306	560,170
	966,085	1,048,460

b) The balances payable to key management and other related parties at the period ends were as follows:

	December 31, 2023	September 30, 2023
	\$	\$
Salaries and fees payable	39,574	35,904
Outstanding payable due to officers and directors	2,171	3,010
	41,745	38,914

The salaries and fees payable at both period ends include a salary and bonuses owing to the Managing Director of Mangan. Other amounts payable to officers and directors represent the reimbursement of office and travel related expenses. These transactions were incurred in the normal course of operations.

Notes to the Condensed Consolidated Interim Financial Statements

Euro Manganese Inc.

(expressed in Canadian dollars - unaudited)

12. Fair Value Measurement of Financial Instruments

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3: Inputs that are not based on observable market data.

The fair values of the Company's cash and cash equivalents, accounts receivable, accounts payable, due to related parties, and land deposits approximate carrying values recorded on the condensed consolidated interim statements of financial position due to their short-term nature.

The payments made pursuant to the EPCS Option Agreement (Note 4) are a derivative asset. It is a financial instrument measured at fair value through profit and loss using Level 3 inputs as there is no observable market data available. The option was initially recognized at fair value which equaled the initial cash payment of \$815,000 under the EPCS Option Agreement. The option increased by \$819,576 on August 13, 2021, with the second option payment. The option further increased by \$2,419,622 on August 10, 2022, November 29, 2023 and December 28, 2023, with the remaining option payments. At December 31, 2023, the Company revalued the option at \$8,998,164, taking into consideration the recent transactions related to land purchases in the area and the foreign exchange rate movement between the Czech Koruna and the Canadian dollar. The value of the derivative asset was included in the purchase price of EPCS (Note 4). There were no transfers between the levels of the fair value hierarchy prior to the acquisition.

The derivative liability which was separated from the host convertible loan contract, is a financial instrument measured at fair value through profit and loss using Level 3 inputs as there is no observable market data available (Note 9).

13. Segmented Information

The Company has one operating segment, the development of the Chvaletice Manganese Project in the Czech Republic.

Notes to the Condensed Consolidated Interim Financial Statements

Euro Manganese Inc.

(expressed in Canadian dollars - unaudited)

14. Commitments

At December 31, 2023, 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
	\$	\$	\$
Minimum lease payments ⁽¹⁾	424,785	154,351	270,434
Land acquisition payments ⁽²⁾	2,090,956	2,090,956	—
Operating expenditure commitments	435,614	432,411	3,203
Total contractual obligations	2,951,355	2,677,718	273,637

⁽¹⁾ The Company has signed a non-cancellable office lease, with the option to sublet the premises, that will commence in 2024.

⁽²⁾ Land acquisition payments related to land parcels described in Note 7(iv).

The Company agreed to acquire a right-of-way for a period of 30 years having an annual rental of 60,000 Czech Koruna (approximately \$3,000).

The Company and the Municipality of Chvaletice, being the land owners, signed a land access agreement via rental of the land to the Company until the earlier of a 40-year period or upon remediation of the land. The agreement grants the Company access to a portion of the tailings surface area. The annual rental is 7.46 million Czech Koruna (approximately \$420,000), adjusted for inflation based on the average annual Czech consumer price index for the 12 months of the previous calendar year. The land rental agreement is effective as of July 1, 2022. The first payment of 3.7 million Czech Koruna (\$204,000) was made in July 2022 and the second payment of \$10.4 million Czech Koruna (\$611,000) was made in October 2023.

15. Supplemental Cash Flow Information

Non-cash financing and investing transactions in the three months ended December 31, 2023 and 2022, were as follows:

	Three months ended December 31,	
	2023	2022
	\$	\$
Capital expenditures included in accounts payable	4,080	736,865
Transfer of reserves on exercise of share options	—	146,708