



**Euro
Manganese
Inc.**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED MARCH 31, 2022 AND 2021
(unaudited)**

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Condensed Consolidated Interim Statements of Financial Position

Euro Manganese Inc.

(expressed in Canadian dollars - unaudited)

	Note	March 31, 2022 \$	September 30, 2021 \$
ASSETS			
Current assets			
Cash		32,069,574	31,218,582
Prepaid expenses		359,407	364,894
Accounts receivable		70,615	179,334
		32,499,596	31,762,810
Non-current assets			
Exploration and evaluation assets	4	6,773,544	6,693,544
Property, plant and equipment	5	3,384,830	2,737,162
Other assets	6	507,598	507,598
Option	6	1,634,576	1,634,576
Total assets		44,800,144	43,335,690
LIABILITIES			
Current liabilities			
Accounts payable		1,575,215	854,884
Due to related parties	8	36,427	48,801
Liability for land deposits	6	82,328	82,152
Lease liability		129,503	122,674
Liability for royalty buy back	4	—	4,576,367
		1,823,473	5,684,878
Non-current liabilities			
Lease liability		94,241	165,484
Long term liability for land deposits	6	—	82,152
Total liabilities		1,917,714	5,932,514
EQUITY			
Share capital	7	78,298,364	67,498,015
Equity reserves		6,204,432	5,096,807
Deficit		(41,620,366)	(35,191,646)
Total shareholders' equity		42,882,430	37,403,176
Total liabilities and shareholders' equity		44,800,144	43,335,690

Events after the Reporting Period (Note 6, 13)

Approved on behalf of the Board of Directors on May 12, 2022

"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 March 31,		Six Months Ended March 31,	
	2022	2021	2022	2021
	\$	\$	\$	\$
Project evaluation expenses				
Engineering	889,809	842,756	1,620,126	1,147,126
Remuneration	300,805	200,006	551,901	334,446
Share-based compensation	101,832	188,466	334,254	211,696
Metallurgical	27,063	—	45,074	—
Drilling, sampling and surveys	—	—	1,408	—
Geological	31,819	(6,174)	52,574	—
Legal and professional fees	143,479	42,696	210,561	47,413
Market studies	44,703	32,531	79,426	32,531
Travel	2,979	—	45,802	—
Supplies and rentals	39,978	4,689	50,704	15,144
	1,582,467	1,304,970	2,991,830	1,788,356
Other expenses				
Remuneration	559,430	377,460	1,348,523	666,570
Share-based compensation	604,616	122,937	1,051,383	173,296
Total remuneration	1,164,046	500,397	2,399,906	839,866
Legal and professional fees	100,143	133,390	249,816	280,838
Investor relations	81,212	227,795	188,354	358,321
Product sales and marketing	(29,347)	24,712	(10,414)	74,892
Travel	60,009	504	113,196	1,290
Filing and compliance fees	149,267	162,944	233,273	237,816
Office, general and administrative	29,091	53,208	47,878	80,917
Accretion expense	4,911	3,712	10,463	9,698
Insurance	57,592	29,187	114,656	56,992
Conferences	44,187	4,655	61,150	4,655
Depreciation	40,643	14,407	80,676	28,710
Foreign exchange	(28,262)	9,775	(52,064)	17,303
	1,673,492	1,164,686	3,436,890	1,991,298
Loss and comprehensive loss for the period	3,255,959	2,469,656	6,428,720	3,779,654
Weighted average number of common shares outstanding - basic and diluted	391,071,267	321,703,482	384,202,683	303,221,725
Basic and diluted loss per common share	\$0.01	\$0.01	\$0.02	\$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
	Share Capital	Share Capital	Equity Reserves	Deficit	Shareholders' Equity	
Note	#	\$	\$	\$	\$	\$
Balance at October 1, 2020		258,162,887	28,608,578	2,592,667	(25,651,225)	5,550,020
Shares issued in private placement, net of expenses		102,111,111	31,688,825	1,666,414	—	33,355,239
Options exercised		492,333	119,371	(48,298)	—	71,073
Warrants exercised		2,856,750	1,025,793	(168,768)	—	857,025
Deferred share consideration		—	—	92,850	—	92,850
Share-based compensation		—	—	384,992	—	384,992
Loss and comprehensive loss for the period		—	—	—	(3,779,654)	(3,779,654)
Balance at March 31, 2021		363,623,081	61,442,567	4,519,857	(29,430,879)	36,531,545
Balance at October 1, 2021		377,483,415	67,498,015	5,096,807	(35,191,646)	37,403,176
Shares issued in private placement, net of expenses	7	17,800,000	8,244,257	—	—	8,244,257
Shares issued as a finder's fee	7	534,000	—	—	—	—
Shares issued as repayment of deferred share consideration	7	478,027	278,012	(278,012)	—	—
Shares issued as partial consideration for royalty buy-back	7	4,820,109	2,278,080	—	—	2,278,080
Share-based compensation		—	—	1,385,637	—	1,385,637
Loss and comprehensive loss for the period		—	—	—	(6,428,720)	(6,428,720)
Balance at March 31, 2022		401,115,551	78,298,364	6,204,432	(41,620,366)	42,882,430

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)

	Note	Six Months Ended March 31,	
		2022	2021
		\$	\$
Operating activities			
Net loss for the period		(6,428,720)	(3,779,654)
Less non-cash transactions:			
Share-based compensation		1,385,637	384,992
Depreciation		80,676	28,710
Loss on disposal of fixed assets		—	1,176
Lease liability accretion		10,463	9,698
Non-cash foreign exchange loss (gain)		(37,145)	—
		(4,989,089)	(3,355,078)
Changes in non-cash working capital items:			
Accounts payable		717,783	286,802
Accounts receivable		108,719	(9,366)
Prepaid expenses		5,487	34,576
Due to related parties		(12,374)	19,536
		819,615	331,548
Cash used in operating activities		(4,169,474)	(3,023,530)
Financing activities			
Common shares issued for cash	7	8,499,500	35,394,829
Share issue costs paid	7	(255,243)	(1,997,636)
Share subscriptions received		—	92,850
Exercise of warrants		—	857,025
Exercise of stock options		—	71,073
Lease principal payments		(74,878)	(31,497)
Cash generated from financing activities		8,169,379	34,386,644
Investing activities			
Property and equipment acquisition	5,12	(725,796)	(868,599)
Payment for royalty buy back	4	(2,340,965)	—
Option and deposit for land	6	(82,152)	(107,206)
Cash used in investing activities		(3,148,913)	(975,805)
Increase in Cash		850,992	30,387,309
Cash - beginning of period		31,218,582	2,730,739
Cash - end of period		32,069,574	33,118,048

Supplemental cash flow information (Note 12)

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

Euro Manganese Inc. (the "Company") was incorporated under the British Columbia Business Corporations Act on November 24, 2014. 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. CHES Depository Interests ("CDIs", with each CDI representing one common share) are traded on the Australia Securities Exchange ("ASX") under the symbol "EMN.AX". The Company is focused on the development of the Chvaletice deposit, which involves the re-processing of a readily leachable manganese deposit hosted in the tailings of a decommissioned mine in the Czech Republic (the "Chvaletice Manganese Project"), for the production of high-purity electrolytic manganese metal ("HPEMM") and high-purity manganese sulphate monohydrate ("HPMSM") and other high-purity manganese products, principally for use in lithium-ion batteries.

The Company's corporate offices are located at 700 West Pender Street, Suite 709, Vancouver, B.C., Canada. The Company's registered offices are located at 666 Burrard Street, Suite 1700, Vancouver, B.C., Canada.

These condensed consolidated interim financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

The Company is an early-stage resource development company that does not own any properties with established reserves and has no operating revenues. Further, 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 will most likely continue to operate at a loss while the Company is evaluating the Chvaletice Manganese Project and planning its potential development.

The Company continues to monitor the impact of the COVID-19 pandemic which was declared by the World Health Organization in March 2020. The pandemic and efforts to contain it have significantly affected input prices, supply chain lead times, and funding markets. While the Company adopted a number of measures in response to the pandemic, it has experienced delays, largely as a result of travel restrictions and supply chain disruptions. Despite the easing of certain travel restrictions and some improvement in the global economy, the duration of the pandemic and its impact on the Company remains uncertain, especially in light of the sporadic surges in COVID-19 cases around the world. Additionally, the Russia-Ukraine conflict which began on February 24, 2022 has further impacted supply chain lead times and caused additional disruptions in Europe and elsewhere. The duration of this conflict and its impact on the Company also remain uncertain.

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 ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), 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, 2021.

These condensed consolidated interim financial statements were prepared by management and approved by the Board of Directors of the Company (the "Board") on May 12, 2022.

Notes to the Condensed Consolidated Interim Financial Statements

Euro Manganese Inc.

(expressed in Canadian dollars - unaudited)

2. Basis of Preparation (continued)

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.

2.3 Basis of consolidation

These condensed consolidated interim financial statements incorporate the accounts of the Company and the entity 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. All significant intercompany transactions and balances have been eliminated.

3. Significant Accounting Policies, Estimates and Judgments

3.1 Change in 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, 2021.

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 3.14 to the Company's audited consolidated financial statements for the year ended September 30, 2021.

Additionally, the Company applied significant judgment in determining the fair value of the share options granted in the period which include market conditions and non-market performance vesting conditions (Note 7).

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 IAS 16 Property, Plant and Equipment: Proceeds before Intended Use prohibits deducting from the cost of property, plant and equipment amounts received from selling items produced while preparing the asset for its intended use. Instead, amounts received will be recognized as sales proceeds and the related cost in profit or loss. The effective date of the amendment is for annual periods beginning on or after January 1, 2022. The amendment must be applied retrospectively to certain items of property.

Notes to the Condensed Consolidated Interim Financial Statements

Euro Manganese Inc.

(expressed in Canadian dollars - unaudited)

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

Amendments to IAS 12 *Income Taxes*: Deferred Tax related to Assets and Liabilities arising from a Single Transaction clarifies the accounting for deferred tax on transactions such as leases and decommissioning obligations by removing the initial recognition exemption for transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. The amendments are effective for annual periods beginning on or after January 1, 2023.

4. 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 acquisition of Mangan included the grant of a 1.2% net smelter royalty interest ("NSR") and the issue, over a four-year period, of common shares of the Company in five equal tranches, each valued at \$300,000. The deferred consideration was fully settled on May 13, 2020.

On May 31, 2021, the Company entered into royalty termination agreements with the original owners of Mangan to purchase and extinguish the NSR in the Chvaletice Manganese Project for an aggregate consideration of USD4,500,000 (\$5,424,458), payable in two instalments: 20% in cash, amounting to USD900,000 (\$1,085,698) which was paid May 31, 2021; and 80%, amounting to USD3,600,000, on or before January 31, 2022, by a combination of cash and up to 50% in common shares. On January 31, 2022, the Company completed the royalty buy back by issuing 4,820,109 common shares at a price of \$0.47262 per common share valued at \$2,278,080 (USD1,800,000) and paid USD1,800,000 (\$2,340,965) in cash. In connection with the royalty buy back transaction, the Company incurred \$20,000 and \$80,000 in transaction costs in the year ended September 30, 2021, and the six months ended March 31, 2022, respectively.

The total carrying value of the Company's exploration and evaluation assets of \$6,773,544 also includes the fair value of the initial share consideration following the acquisition date of Mangan on May 13, 2016, as well as the discounted value of the deferred share consideration, as determined by the Company on the acquisition date.

Notes to the Condensed Consolidated Interim Financial Statements

Euro Manganese Inc.

(expressed in Canadian dollars - unaudited)

5. Property, Plant and Equipment

	March 31, 2022				
	Demonstration plant under construction	Equipment	Land	Lease assets	Total
	\$	\$	\$	\$	\$
Cost					
October 1, 2021	2,064,835	112,503	333,331	364,231	2,874,900
Additions	707,345	20,999	—	—	728,344
March 31, 2022	2,772,180	133,502	333,331	364,231	3,603,244
Accumulated depreciation					
October 1, 2021	—	(79,306)	—	(58,432)	(137,738)
Additions	—	(9,999)	—	(70,677)	(80,676)
March 31, 2022	—	(89,305)	—	(129,109)	(218,414)
Net Book Value					
October 1, 2021	2,064,835	33,197	333,331	305,799	2,737,162
March 31, 2022	2,772,180	44,197	333,331	235,122	3,384,830

	September 30, 2021				
	Demonstration plant under construction	Equipment	Land	Lease assets	Total
	\$	\$	\$	\$	\$
Cost					
October 1, 2020	—	85,755	318,729	50,665	455,149
Additions	2,064,835	33,357	14,602	364,231	2,477,025
Disposals and adjustments	—	(6,609)	—	(50,665)	(57,274)
September 30, 2021	2,064,835	112,503	333,331	364,231	2,874,900
Accumulated depreciation					
October 1, 2020	—	(58,080)	—	(32,381)	(90,461)
Additions	—	(26,659)	—	(76,716)	(103,375)
Disposals	—	5,433	—	50,665	56,098
September 30, 2021	—	(79,306)	—	(58,432)	(137,738)
Net Book Value					
October 1, 2020	—	27,675	318,729	18,284	364,688
September 30, 2021	2,064,835	33,197	333,331	305,799	2,737,162

Notes to the Condensed Consolidated Interim Financial Statements

Euro Manganese Inc.

(expressed in Canadian dollars - unaudited)

6. EPCS Option and Other Assets

a) Option

On October 17, 2018, the Company, through its Czech subsidiary Mangan, made the first option payment of 14 million Czech Koruna (\$815,000) as stipulated in an option agreement for the purchase of a 100% interest in EP Chvaletice s.r.o. ("EPCS") dated on August 13, 2018 ("EPCS Option Agreement"). 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. On August 13, 2021, the Company exercised the option to extend the payment term of the following instalments by one year. The Company made a payment of 14 million Czech Koruna (\$819,576) to EPCS, which represents a portion of the final instalment. The fee for the extension is 2,100,000 Czech Koruna (approximately \$119,685), payable together with the deferred instalment in 2022.

Pursuant to the EPCS Option Agreement, the Company, after exercising the option to extend the payment terms, has the right to acquire a 100% interest in EPCS by making two additional instalments aggregating 112 million Czech Koruna (approximately \$6.38 million) as follows:

- i) an instalment of 42,000,000 Czech Koruna (approximately \$2.39 million at March 31, 2022), due within 60 days of final approval of the environmental impact assessment for the Chvaletice Manganese Project, but no later than on August 13, 2022, four years after signing the EPCS Option Agreement, which was extended from three years following the extension described above;
- ii) a final instalment of 70,000,000 Czech Koruna (approximately \$3.99 million at March 31, 2022), due upon receipt of all development permits for the Chvaletice Manganese Project, but no later than five years after signing the EPCS Option Agreement on August 13, 2023.

The first payment and second payments made on October 17, 2018, and August 13, 2021, respectively, are derivatives classified as FVTPL due to the following:

- i) The option is for the acquisition of shares of EPCS rather than a non-monetary asset;
- ii) It does not meet any of the scope exceptions from recognition as a derivative asset under IFRS 9 *Financial Instruments*;
- iii) Control of the Company over EPCS is not present until the last option payment is made. The remaining two payments are dependent on the Board's approval and are not legally enforceable by the shareholder of EPCS.

There was no change in the fair value of the option in the three and six months ended March 31, 2022 (three and six months ended March 31, 2021 - nil).

b) Other assets

Other assets, representing additional land purchases and land option agreements, are as follows:

		March 31, 2022	September 30, 2021
		\$	\$
Miscellaneous land parcels and second railway switch (plant area)	a)	227,667	227,667
Land for buffer zone and infrastructure corridor (tailings area)	b)	11,867	11,867
Additional land and rail spur extension (plant area)	c)	268,064	268,064
		507,598	507,598

Notes to the Condensed Consolidated Interim Financial Statements

Euro Manganese Inc.

(expressed in Canadian dollars - unaudited)

6. EPCS Option and Other Assets (continued)

- a) 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 is not ultimately acquired under the EPCS Option Agreement, the ownership of these land parcels will be transferred to Mangan at no additional cost. The Company also incurred transaction costs of \$24,447.
- b) 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 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 Trnavka Municipality's land area, on which 85% of the Project's tailings are located, the Company made the second payment of 304,049 Czech Koruna (\$17,038) to the Municipality of Trnavka.
- c) On December 18, 2020, the Company paid the first instalment of \$86,373 pursuant to the agreement with Sprava Nemovitosti Kirchdorfer CZ s.r.o. to acquire a 49,971 m² 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. The first instalment was refundable, subject to a positive environmental due diligence of the site, which was obtained in January 2021. Thereafter, the Company has the option to terminate the contract after the third instalment. At September 30, 2021, the Company recognized a liability for the two payments due in October 2021 and 2022 in the total amount of \$164,304. In October 2021, the Company paid \$82,152 of this amount. The Company also incurred transaction costs of \$20,834. At March 31, 2022 the remaining balance was revalued at \$82,328.

Notes to the Condensed Consolidated Interim Financial Statements

Euro Manganese Inc.

(expressed in Canadian dollars - unaudited)

7. Equity

a) Common shares

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

	Share price \$	Number of common shares	Share capital \$
Balance at October 1, 2021		377,483,415	67,498,015
Shares issued in private placements			
	0.4775	17,800,000	8,499,500
Less: Cash expenses paid		—	(255,243)
Total shares issued for cash		17,800,000	8,244,257
Add:			
Shares issued as finder's fee	0.4775	534,000	—
Shares issued as payment for deferred share consideration			
	0.63	147,380	92,850
	0.56	330,647	185,162
Shares issued as payment for royalty buy back	0.47262	4,820,109	2,278,080
Balance at March 31, 2022		401,115,551	78,298,364

On February 10, 2022, the Company completed a private placement of 17,800,000 common shares to the European Bank for Reconstruction and Development ("EBRD") at a price of \$0.4775 per share for gross proceeds of \$8,499,500 (the "Placement"). In connection with the Placement, the Company and EBRD have entered into a project support agreement whereby, subject to certain conditions, EBRD will be granted rights that allow participation in future financings to maintain its pro rata equity interest in the Company. In connection with the Placement, the Company also incurred cash expenses of \$255,243 related to legal and other due diligence costs, and a non-cash finder's fee of \$254,985, being 3% of the gross proceeds of the Placement, which was settled by the issuance of 534,000 common shares at a deemed price of \$0.4775 per share.

On February 22, 2021, the Company entered into an agreement with EIT InnoEnergy, a Knowledge and Innovation Community supported by the European Institute of Innovation and Technology, securing their support for the Chvaletice Manganese Project. In connection with their support, EIT InnoEnergy is to invest €250,000 over three instalments that are to go towards ongoing work on a detailed feasibility study and demonstration plant. The first and second investment tranches of €62,500 (\$92,850) and €125,000 (\$185,162) were advanced on March 24, 2021 and July 26, 2021, respectively. Accordingly, on January 6, 2022, the Company issued 147,380 and 330,647 common shares to EIT InnoEnergy at the price of \$0.63 and \$0.56 per share, respectively, in connection with the first and second instalment tranches. The third instalment tranche of €62,500 is expected to be made in the second calendar quarter of 2022 and common shares related to that instalment are expected to be issued in early January 2023.

On January 31, 2022, the Company issued 4,820,109 common shares at a price of \$0.47262 per common share valued at \$2,278,080 as partial consideration in connection with the royalty buy back (Note 4).

Notes to the Condensed Consolidated Interim Financial Statements

Euro Manganese Inc.

(expressed in Canadian dollars - unaudited)

7. Equity (continued)

a) 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.

Current outstanding options, including 3,000,000 options granted to the President and CEO, 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. A continuity summary of the share options granted and outstanding under the Plan for the six months ended March 31, 2022 and the year ended September 30, 2021, is presented below:

	March 31, 2022		September 30, 2021	
	Number of share options	Weighted average exercise price (\$ per share)	Number of share options	Weighted average exercise price (\$ per share)
Balance, beginning of the period	18,970,998	0.23	19,725,000	0.16
Options granted	16,150,000	0.58	2,850,000	0.59
Options exercised	—	—	(3,119,333)	0.17
Options expired	—	—	(300,002)	0.28
Options forfeited	—	—	(184,667)	0.20
Balance, end of the period	35,120,998	0.39	18,970,998	0.23

During the six months ended March 31, 2022, the Company recorded share-based compensation expense of \$1,385,637 (six months ended March 31, 2021 - \$384,992) of which \$334,254 has been allocated to project evaluation expenses (six months ended March 31, 2021 - \$211,696) and \$1,051,383 to administrative expenses (six months ended March 31, 2021 - \$173,296).

The weighted average fair value of 13,150,000 share options granted in the six months ended March 31, 2022, was estimated to be \$0.31 per share option. To determine the fair value of these share options granted to employees and non-employees on the grant date, the Company used the Black-Scholes option pricing model with the following weighted-average assumptions: risk free interest rate of 1.307%, expected life of 7.9 years, annualized volatility of 90%, dividend and forfeiture rates at nil%, and option exercise price of \$0.58 per share option.

The weighted average fair value of 3,000,000 share options granted in the six months ended March 31, 2022, which include market conditions for vesting, was estimated to be \$0.32 per share option. To determine the fair value of these options on the grant date, the Company used the Monte Carlo Simulation Method with the following assumptions: risk free interest rate of 1.920%, expected life of 10.0 years, annualized volatility of 90%, dividend and forfeiture rates at nil%, and option exercise price of \$0.58 per share option.

Notes to the Condensed Consolidated Interim Financial Statements

Euro Manganese Inc.

(expressed in Canadian dollars - unaudited)

7. Equity (continued)

The balance of options outstanding and exercisable at March 31, 2022, is as follows:

Options outstanding & exercisable			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	1,425,000	4.1	1,425,000	4.1	
0.10	1,075,000	5.0	1,075,000	5.0	
0.11	6,687,667	7.2	5,405,003	6.9	
0.13	500,000	8.5	333,334	8.5	
0.20	2,925,000	5.9	2,925,000	5.9	
0.25	1,466,667	6.7	1,416,667	6.7	
0.28	2,041,664	6.9	2,041,664	6.9	
0.58	500,000	9.2	166,668	9.2	
0.59	16,150,000	9.7	1,383,328	9.7	
0.61	2,350,000	9.0	1,083,335	9.0	
0.39	35,120,998	8.2	17,254,999	6.8	

b) Warrants

	March 31, 2022		September 30, 2021	
	Number of warrants	Weighted average exercise price \$	Number of warrants	Weighted average exercise price \$
Balance, beginning of the period	8,500,000	0.40	5,756,750	0.34
Issued	—	—	8,500,000	0.40
Exercised	—	—	(5,756,750)	0.34
Balance, end of the period	8,500,000	0.40	8,500,000	0.40

As at March 31, 2022, the following warrants were outstanding:

Expiry date	Weighted average exercise price (\$)	Number of warrants	Weighted average remaining contractual life (years)
December 16, 2023	0.30	3,000,000	1.7
December 16, 2023	0.35	3,000,000	1.7
May 10, 2023	0.58	2,500,000	1.1
	0.40	8,500,000	1.5

Notes to the Condensed Consolidated Interim Financial Statements

Euro Manganese Inc.

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8. 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, Corporate Development and Corporate Secretary, Vice President, Operations and the Managing Director of the Company's Czech subsidiary. During the three and six months ended March 31, 2022 and 2021, the Company incurred the following compensation expenses to key management of the Company and director fees:

	Three months ended March 31,		Six months ended March 31,	
	2022	2021	2022	2021
	\$	\$	\$	\$
Salaries and fees	479,266	444,631	1,167,857	865,904
Share-based compensation	543,507	37,705	908,603	84,137
	1,022,773	482,336	2,076,460	950,041

The salaries and fees for the six months ended March 31, 2022 include \$307,500 that was paid to the Company's former President and CEO.

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

	March 31, 2022	September 30, 2021
	\$	\$
Salaries and fees payable	35,032	33,803
Outstanding payable due to officers and directors	1,395	14,998
	36,427	48,801

These transactions were incurred in the normal course of operations.

9. 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.

Notes to the Condensed Consolidated Interim Financial Statements

Euro Manganese Inc.

(expressed in Canadian dollars - unaudited)

9. Fair Value Measurement of Financial Instruments (continued)

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

The first and second option payments pursuant to the EPCS Option Agreement (Note 6) 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 and increased by \$819,576 on August 13, 2021 representing the second option payment. No factors affecting the fair value of the EPCS Option in the time from the initial recognition to the period end were identified. Factors that were considered in this assessment were: compliance with EPCS Option Agreement, changes in intended land use, demand for high purity manganese products and price development, project progress and changes in local economy and legislation. There were no transfers between the levels of the fair value hierarchy in the three and six months ended March 31, 2022.

10. Segmented Information

The Company's operations are all conducted in one segment, the exploration and development of exploration and evaluation assets. The Company's exploration and evaluation assets and property and equipment are in the Czech Republic.

11. Commitments

At March 31, 2022, 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 office lease payments ⁽¹⁾	9,266	9,266	—
Operating expenditure commitments ⁽²⁾	116,892	115,754	1,138
Total contractual obligations	126,158	125,020	1,138

⁽¹⁾ The Company has one non-cancellable operating office lease expiring in one year.

⁽²⁾ Operating expenditure commitments relate to the evaluation work on the Chvaletice Manganese 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 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).

Notes to the Condensed Consolidated Interim Financial Statements

Euro Manganese Inc.

(expressed in Canadian dollars - unaudited)

12. Supplemental Cash Flow Information

Non-cash financing and investing transactions in the six months ended March 31, 2022 and 2021 were as follows:

	Six months ended March 31,	
	2022	2021
	\$	\$
Capital expenditures included in accounts payable	2,548	—
Shares issued for deferred equity commitment	278,012	—
Shares issued for liability for royalty buy back	2,278,080	—
Transfer of reserves on exercise of share options	—	48,298
Fair value of broker warrants issued from private placement	—	1,666,414
Transfer of reserves on exercise of broker warrants	—	168,768
Recognition of liability for land deposits	—	160,858

13. Events after the Reporting Period

On April 25, 2022, the Company granted stock options (the "Options") to a new director to purchase up to an aggregate of 500,000 Shares. The Options are exercisable for a term of ten years at an exercise price of \$0.4775 per Share. The Options vest one-third on each of the first, second and third anniversaries of the date of grant.