



**Euro
Manganese
Inc.**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED MARCH 31, 2021 AND 2020
(unaudited)**

Contents

Financial Statements

[Condensed Consolidated Interim Statements of Financial Position](#)

[Condensed Consolidated Interim Statements of Loss and Comprehensive Loss](#)

[Condensed Consolidated Interim Statements of Changes in Shareholders' Equity](#)

[Condensed Consolidated Interim Statements of Cash Flows](#)

Notes to the Condensed Consolidated Interim Financial Statements

[Note 1 - Nature of Operations](#)

[Note 2 - Basis of Preparation](#)

[Note 3 - Significant Accounting Policies, Estimates and Judgments](#)

[Note 4 - Exploration and Evaluation Assets](#)

[Note 5 - Property, Plant and Equipment](#)

[Note 6 - EPCS Option and Other Assets](#)

[Note 7 - Government Loan](#)

[Note 8 - Equity](#)

[Note 9 - Related Party Transactions](#)

[Note 10 - Fair Value Measurement of Financial Instruments](#)

[Note 11 - Segmented Information](#)

[Note 12 - Commitments](#)

[Note 13 - Events after the Reporting Period](#)

Condensed Consolidated Interim Statements of Financial Position

Euro Manganese Inc.

(expressed in Canadian dollars - unaudited)

	Note	March 31, 2021	September 30, 2020
		\$	\$
ASSETS			
Current assets			
Cash		33,118,048	2,730,739
Prepaid expenses		343,802	378,378
Accounts receivable		39,450	30,084
		33,501,300	3,139,201
Non-current assets			
Exploration and evaluation assets	4	1,249,086	1,249,086
Property and equipment	5	1,203,401	364,688
Other assets	6	507,598	239,534
Option	6	815,000	815,000
Total assets		37,276,385	5,807,509
LIABILITIES			
Current liabilities			
Accounts payable		498,418	169,662
Due to related parties	9	40,253	20,717
Liability for land deposits	6	80,429	—
Lease liability		5,311	27,110
		624,411	217,489
Non-current liabilities			
Government loan	7	40,000	40,000
Long term liability for land deposits	6	80,429	—
Total liabilities		744,840	257,489
EQUITY			
Share capital	8	61,442,567	28,608,578
Equity reserves		4,519,857	2,592,667
Deficit		(29,430,879)	(25,651,225)
Total shareholders' equity		36,531,545	5,550,020
Total liabilities and shareholders' equity		37,276,385	5,807,509

Events after the Reporting Period (Note 7, 13)

Approved on behalf of the Board of Directors on May 13, 2021

"Marco Romero"

Marco Romero, 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,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Project evaluation expenses				
Engineering	842,756	642,482	1,147,126	1,384,107
Remuneration	200,006	252,339	334,446	515,334
Share-based compensation	188,466	29,557	211,696	68,862
Drilling, sampling and surveys	—	533	—	3,690
Metallurgical	—	—	—	41,408
Travel	—	9,084	—	63,782
Legal and professional fees	42,696	24,498	47,413	136,240
Geological	(6,174)	61,270	—	77,766
Market studies	32,531	38,882	32,531	73,410
Supplies and rentals	4,689	3,595	15,144	16,605
	1,304,970	1,062,240	1,788,356	2,381,204
Other expenses				
Remuneration	377,460	255,213	666,570	576,163
Share-based compensation	122,937	49,961	173,296	125,943
Total remuneration	500,397	305,174	839,866	702,106
Legal and professional fees	133,390	161,730	280,838	243,007
Investor relations	227,795	89,891	358,321	117,381
Product sales and marketing	24,712	70,548	74,892	132,950
Travel	504	48,064	1,290	84,890
Filing and compliance fees	162,944	56,997	237,816	108,802
Office, general and administrative	62,983	36,756	98,220	84,550
Accretion expense	3,712	32,622	9,698	66,044
Insurance	29,187	26,707	56,992	48,039
Conferences	4,655	20,753	4,655	23,138
Depreciation	14,407	18,720	28,710	37,637
	1,164,686	867,962	1,991,298	1,648,544
Loss and comprehensive loss for the period	2,469,656	1,930,202	3,779,654	4,029,748
Weighted average number of common shares outstanding - basic and diluted	321,703,482	176,265,435	303,221,725	175,734,287
Basic and diluted loss per common share	\$0.01	\$0.01	\$0.01	\$0.02

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					
	Note	Share Capital	Share Capital	Equity Reserves	Deficit	Shareholders' Equity (Deficit)
		#	\$	\$	\$	\$
Balance at October 1, 2019		175,065,435	22,973,236	2,182,856	(19,275,732)	5,880,360
Shares issued in private placement		1,200,000	300,000	—	—	300,000
Share-based compensation		—	—	194,805	—	194,805
Loss and comprehensive loss for the period		—	—	—	(4,029,748)	(4,029,748)
Balance at March 31, 2020		176,265,435	23,273,236	2,377,661	(23,305,480)	2,345,417
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 for cash		2,856,750	1,025,793	(168,768)	—	857,025
Deferred share consideration	8 d)	—	—	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

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)

		Six Months Ended March 31,	
	Note	2021	2020
		\$	\$
Operating activities			
Net loss for the period		(3,779,654)	(4,029,748)
Less non-cash transactions:			
Share-based compensation		384,992	194,805
Depreciation		28,710	37,637
Loss on disposal of fixed assets		1,176	—
Lease liability accretion		9,698	46,478
Accretion expense	4	—	19,566
		(3,355,078)	(3,731,262)
Changes in non-cash working capital items:			
Accounts payable		286,802	154,875
Share subscription liability		—	203,505
Accounts receivable		(9,366)	(56,253)
Prepaid expenses		34,576	(8,288)
Due to related parties		19,536	150,774
		331,548	444,613
Cash used in operating activities		(3,023,530)	(3,286,649)
Financing activities			
Common shares issued for cash	8	35,394,829	—
Share issue costs paid	8	(1,997,636)	—
Share subscriptions received	8	92,850	536,423
Exercise of warrants	8	857,025	—
Exercise of stock options	8	71,073	—
Lease principal payments		(31,497)	(57,036)
Cash generated from financing activities		34,386,644	479,387
Investing activities			
Option and deposit for land		(107,206)	(6,740)
Property and equipment acquisition	5	(868,599)	(4,317)
Cash used in investing activities		(975,805)	(11,057)
Increase (decrease) in Cash		30,387,309	(2,818,319)
Cash - beginning of period		2,730,739	4,084,694
Cash - end of period		33,118,048	1,266,375
Non-cash transactions excluded from above:			
Shares issued in private placement as settlement of payable		—	300,000
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	—

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 completed an initial public offering ("IPO") of its shares on the Australia Securities Exchange ("ASX") on September 28, 2018, and completed an IPO on the TSX Venture Exchange ("TSX-V") on October 2, 2018. The Company's common shares commenced trading on the TSX-V and CHES Depository Interests ("CDIs", with each CDI representing one common share) started trading on the ASX on October 2, 2018, under the symbols "EMN.V" and "EMN.AX", respectively. The Company is focused on the proposed 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.

Effective May 1, 2021, the Company's corporate offices were relocated to 700 West Pender Street, Suite 709, Vancouver, B.C., Canada. The Company's registered offices are located at Suite 1700, 666 Burrard Street, 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.

On March 11, 2020, the World Health Organization declared a global pandemic related to COVID-19. The impacts on the global economy and commerce have been significant and are expected to continue in the near future. The impact of COVID-19 on the Company during calendar 2020 resulted in delays in access to financing and in material delays in the progress of the Chvaletice Manganese Project. The duration of the pandemic and its impact on the Company's ability to progress Project development remains 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, 2020.

These condensed consolidated interim financial statements were prepared by management and approved by the Board of Directors of the Company (the "Board") on May 13, 2021.

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 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 statements 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 interim consolidated financial statements are consistent with those applied and disclosed in the Company's audited consolidated financial statements for the year ended September 30, 2020.

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, 2020.

3.3 New standards and pronouncements not yet adopted

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB that are not mandatory for the reporting period ending March 31, 2021, and have not been adopted by the Company. The Company is currently assessing the impact of these pronouncements on the consolidated financial statements.

4. Exploration and Evaluation Assets

The Company holds two exploration licenses for the Chvaletice Manganese Project (the "Licenses"), both expiring May 31, 2023. 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, valid until April 30, 2023, covers the areas included in 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.

Notes to the Condensed Consolidated Interim Financial Statements

Euro Manganese Inc.

(expressed in Canadian dollars - unaudited)

4. Exploration and Evaluation Assets (continued)

The acquisition of Mangan included granting a 1.2% net smelter royalty interest and the issue, over a four-year period, of common shares of the Company in five equal tranches, each valued at \$300,000. The carrying value of the Company's exploration and evaluation assets of \$1,249,086 represents 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. The deferred consideration commitment was fully settled on May 13, 2020.

5. Property, Plant and Equipment

	March 31, 2021				
	Assets under construction ^(a)	Equipment	Land	Lease assets	Total
	\$	\$	\$	\$	\$
Cost					
October 1, 2020	—	85,755	318,729	50,665	455,149
Additions	856,636	11,963	—	—	868,599
Disposals	—	(6,609)	—	—	(6,609)
March 31, 2021	856,636	91,109	318,729	50,665	1,317,139
Accumulated depreciation					
October 1, 2020	—	(58,080)	—	(32,381)	(90,461)
Additions	—	(13,039)	—	(15,671)	(28,710)
Disposals	—	5,433	—	—	5,433
March 31, 2021	—	(65,686)	—	(48,052)	(113,738)
Net Book Value					
October 1, 2020	—	27,675	318,729	18,284	364,688
March 31, 2021	856,636	25,423	318,729	2,613	1,203,401

^(a) Represents demonstration plant under construction.

Notes to the Condensed Consolidated Interim Financial Statements

Euro Manganese Inc.

(expressed in Canadian dollars - unaudited)

5. Property, Plant and Equipment (continued)

September 30, 2020

	Assets under construction	Equipment	Land	Lease assets	Total
		\$		\$	\$
Cost					
October 1, 2019	—	82,447	318,729	—	401,176
Adoption of IFRS 16	—	—	—	97,781	97,781
Additions	—	4,317	—	4,827	9,144
Disposals and adjustments	—	(1,009)	—	(51,943)	(52,952)
September 30, 2020	—	85,755	318,729	50,665	455,149
Accumulated depreciation					
October 1, 2019	—	(32,224)	—	—	(32,224)
Additions	—	(26,417)	—	(45,511)	(71,928)
Disposals	—	561	—	13,130	13,691
September 30, 2020	—	(58,080)	—	(32,381)	(90,461)
Net Book Value					
October 1, 2019	—	50,223	318,729	—	368,952
September 30, 2020	—	27,675	318,729	18,284	364,688

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.

Pursuant to the EPCS Option Agreement, the Company has the right to acquire a 100% interest in EPCS by making two additional instalments aggregating 126 million Czech Koruna (approximately \$7.32 million) as follows:

- i) an instalment of 42,000,000 Czech Koruna (approximately \$2.50 million at March 31, 2021), within 60 days of final approval of the environmental impact assessment for the Chvaletice Manganese Project, but no later than three years after signing the EPCS Option Agreement. The three-year term may be extended by up to one year for an additional payment of 2,100,000 Czech Koruna (approximately \$125,082).
- ii) a final instalment of 84,000,000 Czech Koruna (approximately \$5.00 million at March 31, 2021), due upon receipt of all development permits for the Chvaletice Manganese Project, but no later than five years after signing the EPCS Option Agreement.

The first payment made on October 17, 2018, is a derivative classified as FVTPL due to the following:

- i) The option is for the acquisition of shares of EPCS rather than a non-monetary asset;

Notes to the Condensed Consolidated Interim Financial Statements

Euro Manganese Inc.

(expressed in Canadian dollars - unaudited)

6. EPCS Option and Other Assets (continued)

- ii) It does not meet any of the scope exceptions from recognition as a derivative under IFRS 9 *Financial Instruments*;
- iii) Control of the Company over EPCS is not present until the third 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, 2021 (three and six months ended March 31, 2020 - nil).

b) Other assets

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

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

- 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 are based on permitting milestones over the period to March 2029.
- c) On December 18, 2020, the Company paid the first installment 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 CZK 18,739,125 (approximately \$1.1 million) and is to be paid in five annual installments of approximately \$80,000, followed by the remaining balance of approximately \$700,000 in the final year. The first installment 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 installment. At March 31, 2021, the Company recognized a liability for the two payments due in October 2021 and 2022 in the total amount of \$160,857. The Company also incurred transaction costs of \$20,834.

7. Government Loan

On April 23, 2020, the Company received, through its Canadian banking institution, \$40,000 from the Canada Emergency Business Account, which provides support for Canadian business during COVID-19 pandemic. The loan is interest-free until December 31, 2020, after which it converts into a three-year loan with an interest rate of 5% per annum. If 75% of the principal is repaid before December 31, 2022, the remainder of the loan will be forgiven. The loan proceeds received approximated the fair value. Accordingly, the loan was recorded at its nominal value. The Company repaid the loan on April 6, 2021, with a gain on repayment of \$10,000.

Notes to the Condensed Consolidated Interim Financial Statements

Euro Manganese Inc.

(expressed in Canadian dollars - unaudited)

8. 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, 2020		258,162,887	28,608,578
Shares issued in private placements			
	0.19 (a)	60,000,000	11,339,829
	0.45	444,445	200,000
	0.58 (b)	41,666,666	23,855,000
Less: Cash expenses paid			(1,997,636)
		102,111,111	33,397,193
Add:			
Options exercised	0.14	492,333	71,073
Broker warrants exercised	0.30	2,856,750	857,025
Total shares issued for cash		105,460,194	34,325,291
Less: non-cash expenses:			
Share issuance expenses payable			(41,954)
Broker warrants issued			(1,666,414)
Add:			
Non-cash value of exercised options			48,298
Non-cash value of exercised broker warrants			168,768
Balance at March 31, 2021		363,623,081	61,442,567

(a) 58,066,754 of shares were issued in Australia for AUD0.20 per share.

(b) 41,666,666 of shares were issued in Australia for AUD0.60 per share.

During the three months ended December 31, 2020, the Company completed a two-tranche brokered private placement of 1,933,246 common shares and 58,066,754 CDIs, at a price of \$0.19 per common share or AUD0.20 per CDI, respectively for aggregate gross proceeds of \$11,339,829 ("Offering A"). Fees payable in cash by the Company in connection with Offering A consisted of AUD571,568 (\$547,990) to the lead manager and book runner and \$119,557 to the Company's financial advisor. Additionally, the lead manager, was issued 6,000,000 broker warrants ("Broker Warrants") exercisable any time prior to December 16, 2023, with one-half of such Broker Warrants having an exercise price of \$0.30 per share and one-half of such Broker Warrants having an exercise price of \$0.35 per share.

On January 7, 2021, the Company closed a non-brokered private placement consisting of 444,445 common shares at a price of \$0.45 per common share for proceeds of \$200,000.

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 will invest €250,000 over three installments that will go towards ongoing work on a detailed feasibility study and demonstration plant. The first investment of €62,500 (\$92,850) was advanced on March 24, 2021. Accordingly, the Company will issue 147,380 common shares to EIT InnoEnergy at the price of \$0.63 per share in connection with the first installment, with such common shares expected to be issued in early January 2022, together with the common shares for the second and third installment of €125,000 and €62,500, respectively, which are expected to be received in the second half of calendar 2021.

Notes to the Condensed Consolidated Interim Financial Statements

Euro Manganese Inc.

(expressed in Canadian dollars - unaudited)

8. Equity (continued)

On March 22, 2021, the Company announced a two-tranche private placement of 50,000,000 CDIs at a price of AUD0.60 for aggregate gross proceeds of AUD30.0 million (approximately \$29.0 million) ("Offering B"). On March 30, 2021, the Company completed the first tranche of Offering B, comprising 41,666,666 CDIs, at a price of AUD0.60 per CDI, for aggregate gross proceeds of AUD25,000,000 (\$23,855,000). Fees payable in cash by the Company to the lead manager in connection with Offering B consisted of AUD1,250,000 (\$1,192,765).

Following the period end, on May 5, 2021, the Company closed the second tranche of Offering B (Note 13).

The Company incurred additional share issue costs of \$179,278 in connection with the private placements in the period.

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 of Directors. 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 have an expiry date of ten years and vest over a period of 24 months. A continuity summary of the share options granted and outstanding under the Plan for the six months ended March 31, 2021 and the year ended September 30, 2020, is presented below:

	March 31, 2021		September 30, 2020	
	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	19,725,000	0.16	15,500,000	0.17
Options granted	2,350,000	0.61	4,800,000	0.12
Options exercised	(492,333)	0.14	—	—
Options expired	—	—	(575,000)	0.10
Balance, end of the period	21,582,667	0.21	19,725,000	0.16

During the six months ended March 31, 2021, the Company recorded share-based compensation expense of \$384,992 (six months ended March 31, 2020 - \$194,805) of which \$211,696 has been allocated to project evaluation expenses (six months ended March 31, 2020 - \$68,862) and \$173,296 to administrative expenses (six months ended March 31, 2020 - \$125,943).

The average fair value of share options granted in the six months ended March 31, 2021, was estimated to be \$0.51 per share option. To determine the fair value of the 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 0.13%, expected life of 9 years, annualized volatility of 90%, dividend and forfeiture rates at nil%, option exercise price of \$0.61 per share option.

Option pricing models require the input of highly subjective assumptions. The expected life of the options considered such factors as the average length of time similar option grants in the past have remained outstanding prior to exercise and the vesting period of the grants. Volatility was estimated based on volatility assumptions of comparable companies. Changes in the subjective input assumptions can materially affect the estimated fair value of the options.

Notes to the Condensed Consolidated Interim Financial Statements

Euro Manganese Inc.

(expressed in Canadian dollars - unaudited)

8. Equity (continued)

The balance of options outstanding and exercisable at March 31, 2021, 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	1,625,000	5.1	1,625,000	5.1	
0.10	1,450,000	6.0	1,450,000	6.0	
0.11	7,466,000	8.1	4,832,670	7.3	
0.13	500,000	9.5	166,667	9.5	
0.20	3,600,000	6.9	3,600,000	6.9	
0.25	1,900,000	7.9	1,483,333	7.7	
0.28	2,691,667	7.9	2,691,667	7.9	
0.61	2,350,000	10.0	483,336	10.0	
0.21	21,582,667	7.7	16,332,673	7.1	

c) Warrants

	March 31, 2021		September 30, 2020	
	Number of warrants	Weighted average exercise price \$	Number of warrants	Weighted average exercise price \$
Balance, beginning of the period	5,756,750	0.34	5,756,750	0.34
Issued	6,000,000	0.33	—	—
Exercised	(2,856,750)	0.30	—	—
Balance, end of the period	8,900,000	0.34	5,756,750	0.34

As at March 31, 2021, the following warrants were outstanding:

Expiry date	Weighted average exercise price (\$)	Number of warrants	Weighted average remaining contractual life (years)
October 1, 2021	0.38	2,900,000	0.5
December 16, 2023	0.30	3,000,000	2.7
December 16, 2023	0.35	3,000,000	2.7
	0.34	8,900,000	2.0

In connection with Offering A, the Company issued Broker Warrants exercisable anytime prior to December 16, 2023, with one-half of such Broker Warrants having an exercise price of \$0.30 per share and one-half of such Broker Warrants having an exercise price of \$0.35 per share. Based on Black-Scholes pricing model using a risk-free rate of 0.32%, an expected life of 3.0 years, an annualized volatility of 90% (based on volatility assumptions of comparable companies), a dividend rate of nil, and a share price of \$0.445 (share price on the date of special general meeting approving the issue of the warrants), these warrants were assigned an estimated total value of \$1,666,414.

Notes to the Condensed Consolidated Interim Financial Statements

Euro Manganese Inc.

(expressed in Canadian dollars - unaudited)

8. Equity (continued)

d) Deferred share consideration

On February 22, 2021, the Company announced the cooperation with EIT InnoEnergy, a European entity, which will invest EUR 250,000 in total in the Company in three tranches over the course of calendar 2021. Common shares for this non-brokered private placement will be issued in early calendar 2022. To date, the Company received EUR 61,250 (\$92,850).

9. 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 of Directors and 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 of directors, President and Chief Executive Officer, Chief Financial Officer, Vice President, Corporate Development and Corporate Secretary, Vice President, Operations, Chief Technology Officer and the Managing Director of the Company's Czech subsidiary. During the three and six months ended March 31, 2021 and 2020, the Company incurred the following expenses to key management of the Company or companies with common directors:

	Three months ended March 31,		Six months ended March 31,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Salaries and fees	444,631	272,540	865,904	648,559
Share-based compensation	37,705	47,572	84,137	121,060
	482,336	320,112	950,041	769,619

b) Related party transactions during the three and six months ended March 31, 2021 and 2020

Fees paid to PRK Partners s.r.o. ("PRK"), a legal firm associated with a former director and former advisory board member, amounted to \$14,721 and \$27,757 in the three and six months ended March 31, 2021, respectively (three and six months ended March 31, 2020 - \$33,491 and \$147,203, respectively). Fees paid to the advisory board members for the three and six months ended March 31, 2021 amounted to \$5,000 and \$15,000, respectively (three and six months ended March 31, 2020 - nil).

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

	March 31, 2021	September 30, 2020
	\$	\$
Salaries and fees payable	32,916	16,158
Fees provided by a legal firm associated with an advisory board member	3,393	576
Outstanding payable due to officers and directors	3,944	3,983
	40,253	20,717

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)

10. 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, accounts receivable, accounts payable and due to related parties approximate carrying values recorded on the condensed consolidated interim statements of financial position due to their short-term nature.

The first option payment pursuant to the EPCS Option Agreement (Note 6) is a derivative. 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 as stipulated in the EPCS Option Agreement. There was no change in the fair value of the EPCS Option in the time from the initial recognition to the period end.

There were no transfers between the levels of the fair value hierarchy in the three and six months ended March 31, 2021.

11. 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.

12. Commitments

As at March 31, 2021, 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⁾	9,612	6,456	2,525
Operating expenditure commitments ⁽²⁾	141,149	141,149	—
Total contractual obligations	150,761	147,605	2,525

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

⁽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 rights to two additional strategic parcels of land which include a section of land encompassing a rail spur costing CZK 252,762 (approximately \$14,300), and a right-of-way for a period of 30 years having an annual rental of CZK 60,000 (approximately \$3,000).

Notes to the Condensed Consolidated Interim Financial Statements

Euro Manganese Inc.

(expressed in Canadian dollars - unaudited)

13. Events after the Reporting Period

On May 10, 2021, the Company closed the second tranche of Offering B, consisting of 8,333,334 CDIs at the issue price of AUD0.60 (\$0.58) per share for the aggregate gross proceeds of AUD5 million (\$4.8 million) and net proceeds of AUD4.8 million (\$4.5 million). Additionally, the Company issued 2,500,000 broker warrants, representing 5% of the aggregate number of CDIs issued under Offering B, having an exercise price of \$0.58 per common share and exercisable any time prior to May 10, 2023.