



EURO MANGANESE

2022 ANNUAL REPORT

ARBN 627 968 567



Magnetic Separation Module of the Chvaltice Manganese Project Demonstration Plant

EMN | ASX: EMN | OTCQX: EUMNF WWW.MN25.CA

For personal use only

CORPORATE DIRECTORY

Board of Directors	John Webster Matthew P. James David B. Dreisinger Gregory P. Martyr Hanna E. Schweitz Thomas M. Stepien	Non-Executive Chairman Director, President & Chief Executive Officer Non-Executive Director Non-Executive Director Non-Executive Director Non-Executive Director
Management	Matthew P. James Martina Blahova Andrea Zaradic Fausto Taddei Jan Votava James Fraser	President and Chief Executive Officer Chief Financial Officer Vice President Operations VP Corp. Development and Corp. Secretary Managing Director, Mangan Chvaletice s.r.o. Vice President Commercial
Incorporation Details	<i>Business Corporations Act</i> (British Columbia)	
Registered Office	Suite 1700 - 666 Burrard Street, Vancouver, British Columbia V6C 2X8 Canada	
Head Office	#709 - 700 West Pender Street, Vancouver, British Columbia, V6C 1G8 Canada	Tel: + 1 604 681 1010
Website	www.mn25.ca	
e-mail	info@mn25.ca	
Share Registry	<u>Australia:</u> Computershare Investor Services Pty Limited Level 4, 60 Carrington Street Sydney NSW 2000, Australia	<u>Canada:</u> Computershare Investor Services Inc. 510 Burrard Street, 3 rd Floor Vancouver, British Columbia V6C 3B9 Canada
Legal Counsel	<u>Australia:</u> MinterEllison Level 40, Governor Macquarie Tower 1 Farrer Place Sydney NSW 2000 Australia	<u>Canada:</u> Stikeman Elliott LLP Suite 1700 - 666 Burrard Street, Vancouver, British Columbia V6C 2X8 Canada
Auditors	PricewaterhouseCoopers LLP 250 Howe Street, Suite 1400, Vancouver, British Columbia V6C 3S7 Canada	

CONTENTS PAGE

- I. LETTER TO SHAREHOLDERS
- II. CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2022, INCLUDING:

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

INDEPENDENT AUDITORS' REPORT

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

CONSOLIDATED STATEMENTS OF CASH FLOWS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- III. MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2022
- IV. MINING TENEMENTS AND MINERAL RESOURCE / RESERVE STATEMENT
- V. OTHER ASX ANNUAL REPORT INFORMATION



LETTER TO SHAREHOLDERS

15 December 2022

Dear Fellow Shareholders,

2022 was a pivotal year for Euro Manganese with the achievement of several key accomplishments that have strengthened our Company and advanced our flagship Chvaletice Manganese Project. We have gained real momentum in 2022 and together we are moving swiftly closer to our vision of being a leading, environmentally responsible producer of high-purity manganese.

Building our leadership team and adding expertise to the Board

In December 2021, Dr. Matthew James was appointed as President and CEO and as a member of the Board succeeding Marco Romero, the founder of the Company. Marco has transitioned to a strategic advisory role and is focused on potential growth opportunities for Euro Manganese. In April 2022 we appointed Hanna Schweitz to the Board, adding her experience in the metals and EV battery materials industry, which will be invaluable as we move forward with the development of the Project. In October, Dr. James Fraser joined the senior executive team as Vice President Commercial bringing over 25 years of experience in geosciences, consulting, mining, carbon credit and automotive sectors.

Strengthening the balance sheet to underpin future development

In January 2022, we repurchased and extinguished an aggregate 1.2% net smelter royalty interest in the Project, with the payment of \$4.6 million, one-half in cash and one-half in shares, representing the remaining 80% due under the royalty termination agreements negotiated in fiscal 2021. Going forward, this will reduce our per tonne cost of plant feed by approximately 2.5%, eliminates over US\$90 million in expense, and has a material positive impact on the Project's net present value ("NPV").

Our balance sheet was strengthened in February with the completion of an \$8.5 million investment by the European Bank for Reconstruction and Development ("EBRD") making them one of our largest shareholders. Together with the funds raised during the prior year, this investment enabled us to complete many of our key milestones in 2022 and positions us to complete most of our objectives for 2023.

Gaining momentum on project advancement

One of the key highlights of 2022 was the completion of a positive Feasibility Study for the Chvaletice Project. Base case results support a 25-year project life with robust economics of an after-tax NPV of US\$1.34 billion at an 8% real discount rate and an ungeared 21.9% internal rate of return ("IRR"). Based on high-purity manganese product price forecasts prepared by CPM Group LLC ("CPM Group"), a leading, independent commodities market research firm with expertise in high-purity manganese, the upside case shows an after-tax NPV of US\$1.79 billion at an 8% real discount rate and an ungeared 24.1% IRR.

Following the release of the Feasibility Study, the Company began preparing an Engineering, Procurement, Construction Management ("EPCM") tender package for the next stage of Project development. The tender process is currently underway and the EPCM contract is anticipated to be awarded in the first calendar quarter of 2023.

We also appointed Stifel Nicolaus Europe Limited, a wholly owned subsidiary of Stifel Financial Corp. ("Stifel") as financial advisor to assist with the structuring and securing of project debt financing. We expect to fund development of the Project via a mix of debt and equity and are in the process of appointing an equity financial advisor.

Following arrival of the demonstration plant modules at the Chvaletice site in early September, the modules were installed within two fully refurbished buildings adjacent to the intended site of the commercial Chvaletice processing plant. Commissioning commenced in early November 2022 and is advancing on a module-by-module basis. Commissioning is expected to be completed in the first quarter of 2023 with on-spec samples of our high-purity manganese products also expected then. Thereafter, we will commence deliveries of bulk samples to customers to continue or initiate the necessary supply chain qualification work required prior to approval of battery raw materials for use in electric vehicles. Our smaller-scale pilot plant, which was restarted in late 2021, produced approximately 37kg of HPEMM and 151kg of HPMSM in 2022, samples of which are now ready for shipping to customers.

In conjunction with testing and evaluation of our high-purity product samples, and in support of structuring a debt package and a final investment decision on the project, we are working towards establishing long-term commercial offtake agreements for our high-purity manganese products. We are in the middle of a structured off-take tender process, which has included site visits and making a customer data room available. Multiple indicative bids have been received to date, in addition to the five memorandums of understanding currently in place, and we continue to hold active discussions and negotiations with numerous consumers of high-purity manganese products, which include battery, chemical and automobile manufacturers, in Asia, Europe and North America.

The preparation of the Final Environmental and Social Impact Assessment ("Final ESIA"), and related permit application was dependent upon inputs from the Feasibility Study completed in July 2022. Accordingly, we now expect the Final ESIA documentation to be submitted to the Czech Ministry of Environment in the coming weeks, which could enable final environmental permitting for the Project in mid-2023.

Committed to producing low-carbon battery-grade manganese products

As part of our commitment to environmental excellence and transparency, we conducted two Life Cycle Assessment ("LCA") studies in 2022. The first measured the environmental impacts of producing our two high-purity manganese products (HPEMM and HPMSM) at Chvaletice. Results of that LCA validated the environmental proposition of the project, namely that remediation of the historic tailings area improves soil and freshwater quality over the lifetime of the Project.

The second LCA compared the global warming potential ("GWP" or "carbon footprint") of HPEMM and HPMSM to be produced at Chvaletice with the same products produced by the incumbent industry in China. Currently, 95% of global high-purity manganese products are processed in China. Highlights of that LCA showed our high-purity manganese products have a carbon footprint that is approximately one-third of the China-based incumbent industry.

Additional Company analysis has indicated that Chvaletice's high-purity manganese metal has a significantly lower carbon footprint compared to nickel and cobalt, other battery cathode metals.

Last year, we announced a joint development agreement with Nano One Materials Corp., a clean technology company with patented processes for the low-cost, low-environmental footprint production of high-performance cathode materials used in lithium-ion batteries. Our collaboration is aimed at developing low-cost, environmentally sustainable applications of high-purity manganese in next-generation cathode materials. This year, Nano One validated our manganese ore from Chvaletice as feedstock for their patented process.

Potential growth horizons: positioning ourselves to supply the North American market

We recently announced that we are exploring an opportunity to develop a high-purity manganese project in Canada for the North American market. We are conducting due diligence on a proposed 15-hectare land parcel within the Port of Bécancour in Quebec. The Company can conclude an option agreement for the purchase of the site should it decide to move forward with this opportunity. Concurrently, a scoping study is underway to evaluate the development of an HPEMM dissolution plant to produce a HPMSM powder and/or a high-purity manganese sulphate solution. The study will leverage the extensive process development and engineering work already completed at our Chvaletice Project.

Looking forward

We remain focused on delivering on our near-term and 2023 goals, which are:

Chvaletice Project

- Concluding customer delivery of samples of high-purity manganese products from the pilot plant to allow prospective customers to continue or initiate their supply chain qualification;
- Commissioning and operation of the demonstration plant to produce bulk, multi-tonne samples for customers' supply chain qualification;
- Entering into offtake contracts;
- Completing the acquisition of or access to the remaining land surface rights;
- Securing an optimum financing structure for the Chvaletice Project; and
- Reaching a final investment decision by the end of calendar 2023.

North America

- Completing the scoping study to evaluate the site at Bécancour, Québec for potential production of high-purity manganese products in Canada for the North American EV market.

We aim to establish the Chvaletice Project as a sustainable and reliable producer of exceptional quality battery-grade manganese to satisfy the needs of producers of lithium-ion batteries for electric vehicles, as well as other high-technology applications. We are committed to doing this in an effective, efficient and prudent manner, while adhering to the best practices in corporate governance, environmental excellence and social responsibility.

I would like to express my gratitude for our employees' and fellow directors' efforts over the past year to advance our Project and for the ongoing support of our shareholders, national and local governments, community members, partners, suppliers, and prospective customers. We look forward to a positive, healthy and productive 2023.

Yours faithfully,

(Signed) "John Webster"
Non-Executive Chairman

Financial Statements

Management's Responsibility for Financial	6
Independent Auditor's Report	7
Consolidated Statements of Financial Position	10
Consolidated Statements of Loss and Comprehensive Loss	11
Consolidated Statements of Changes in Shareholders' Equity	12
Consolidated Statements of Cash Flows	13

Notes to the Consolidated Financial Statements

Note 1 – Nature of Operations	14
Note 2 – Basis of Presentation	14
Note 3 – Significant Accounting Policies, Estimates and Judgments	15
Note 4 – Exploration and Evaluation Assets	22
Note 5 – Property, Plant and Equipment	23
Note 6 – EPCS Option and Other Assets	24
Note 7 – Government Grant	25
Note 8 – Equity	26
Note 9 – Related Party Transactions	29
Note 10 – Fair Value Measurement of Financial Instruments.....	30
Note 11 – Financial Risk Management	31
Note 12 – Segmented Information.....	32
Note 13 – Commitments	32
Note 14 – Supplemental Cash Flow Information	33
Note 15 – Management of Capital	33
Note 16 – Income Taxes	34
Note 17 – Events after the Reporting Period	34

For personal use only

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of Euro Manganese Inc. (the "Company") were prepared by management in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. Management acknowledges responsibility for the preparation and presentation of the consolidated financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances. The significant accounting policies of the Company are summarized in Note 3 to these consolidated financial statements.

Management has established processes that are in place to provide management with sufficient knowledge to support its opinion that it has exercised reasonable diligence such that (i) the consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the consolidated financial statements and (ii) the consolidated financial statements fairly present in all material respects the financial condition, the results of operations and cash flows of the Company, as of the date and for the period presented by the consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

15 December 2022

(Signed) "Matthew P. James"

President and Chief Executive Officer

(Signed) "Martina Blahova"

Chief Financial Officer



Independent auditor's report

To the Shareholders of Euro Manganese Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Euro Manganese Inc. and its subsidiary (together, the Company) as at September 30, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at September 30, 2022 and 2021;
- the consolidated statements of loss and comprehensive loss for the years then ended;
- the consolidated statements of changes in shareholders' equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis and the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report.

PricewaterhouseCoopers LLP
PricewaterhouseCoopers Place, 250 Howe Street, Suite 1400, Vancouver, British Columbia, Canada V6C 3S7
T: +1 604 806 7000, F: +1 604 806 7806

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Leonard Wadsworth.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
December 15, 2022

Consolidated Statements of Financial Position

Euro Manganese Inc.

(Expressed in Canadian dollars)

	Note	September 30, 2022	September 30, 2021
		\$	\$
ASSETS			
Current assets			
Cash and cash equivalents		21,560,561	31,218,582
Prepaid expenses		447,215	364,894
Accounts receivable		186,267	179,334
		22,194,043	31,762,810
Non-current assets			
Exploration and evaluation assets	4	6,773,544	6,693,544
Property, plant and equipment	5	5,951,249	2,737,162
Other assets	6	1,041,134	507,598
Option	6	3,935,804	1,634,576
Total assets		39,895,774	43,335,690
LIABILITIES			
Current liabilities			
Accounts payable		1,778,308	854,884
Due to related parties	9	409,466	48,801
Liability for land deposits	6	77,636	82,152
Lease liability		174,780	122,674
Liability for royalty buy back	4	—	4,576,367
		2,440,190	5,684,878
Non-current liabilities			
Lease liability		165,611	165,484
Long term liability for land deposits	6	—	82,152
Total liabilities		2,605,801	5,932,514
EQUITY			
Share capital	8	78,298,364	67,498,015
Equity reserve		7,640,628	5,096,807
Deficit		(48,649,019)	(35,191,646)
Total shareholders' equity		37,289,973	37,403,176
Total liabilities and shareholders' equity		39,895,774	43,335,690

Approved on behalf of the Board of Directors on December 15, 2022.

"Matthew James"

Matthew P. James, Director

"John Webster"

John Webster, Director

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

Consolidated Statements of Loss and Comprehensive Loss

Euro Manganese Inc.

(Expressed in Canadian dollars)

	Note	Year ended September 30,	
		2022	2021
		\$	\$
Chvalaitice Project evaluation expenses			
Engineering		2,518,262	2,981,762
Remuneration		1,584,963	781,625
Share-based compensation	8	488,518	415,733
Drilling, sampling and surveys		1,408	133,460
Metallurgical		47,939	—
Travel		102,628	13,118
Legal and professional fees		405,365	373,581
Geological		57,173	121,894
Market studies		221,465	96,009
Supplies and rentals		243,621	33,292
		5,671,342	4,950,474
Other evaluation expenses			
Engineering		122,919	—
Legal and professional fees		291,209	—
Travel		56,538	—
Other income	7	(14,897)	—
		455,769	—
Other expenses			
Remuneration		2,493,515	1,532,023
Share-based compensation	8	2,252,709	417,721
Total remuneration		4,746,224	1,949,744
Legal and professional fees		808,931	751,928
Investor relations		372,239	605,627
Product sales and marketing		23,272	130,319
Travel		293,132	17,414
Filing and compliance fees		371,145	400,564
Office, general and administrative		157,294	181,196
Insurance		245,226	119,088
Conferences		118,967	39,603
Depreciation		191,129	103,375
Accretion expense		25,963	20,718
Interest income		(170,676)	(24,319)
Foreign exchange		147,416	294,690
		7,330,262	4,589,947
Loss and comprehensive loss for the year		13,457,373	9,540,421
Weighted average number of common shares outstanding - basic and diluted			
		392,682,285	337,294,064
Basic and diluted loss per common share			
		\$0.03	\$0.03

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

Consolidated Statements of Changes in Shareholders' Equity

Euro Manganese Inc.

(Expressed in Canadian dollars)

Attributable to equity shareholders of the Company

		Share Capital	Share Capital	Equity Reserves	Deficit	Shareholders' Equity (Deficit)
	Note	#	\$	\$	\$	\$
Balance at September 30, 2020		258,162,887	28,608,578	2,592,667	(25,651,225)	5,550,020
Shares issued in private placement, net of expenses		110,444,445	37,822,210	—	—	37,822,210
Options exercised		3,119,333	869,404	(354,028)	—	515,376
Warrants exercised		5,756,750	2,448,595	(504,070)	—	1,944,525
Warrants issued in private placement		—	(2,250,772)	2,250,772	—	—
Deferred share consideration		—	—	278,012	—	278,012
Share-based compensation		—	—	833,454	—	833,454
Loss and comprehensive loss for the period		—	—	—	(9,540,421)	(9,540,421)
Balance at September 30, 2021		377,483,415	67,498,015	5,096,807	(35,191,646)	37,403,176
Shares issued in private placement, net of expenses	8	17,800,000	8,244,257	—	—	8,244,257
Shares issued as a finder's fee	8	534,000	—	—	—	—
Shares issued as repayment of deferred share consideration	8	478,027	278,012	(278,012)	—	—
Deferred share consideration	8	—	—	80,606	—	80,606
Shares issued as partial consideration for royalty buy-back	8	4,820,109	2,278,080	—	—	2,278,080
Share-based compensation		—	—	2,741,227	—	2,741,227
Loss and comprehensive loss for the period		—	—	—	(13,457,373)	(13,457,373)
Balance at September 30, 2022		401,115,551	78,298,364	7,640,628	(48,649,019)	37,289,973

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

Consolidated Statements of Cash Flows

Euro Manganese Inc.

(Expressed in Canadian dollars)

	Note	Year ended September 30,	
		2022	2021
		\$	\$
Operating activities			
Net loss for the year		(13,457,373)	(9,540,421)
Less non-cash transactions:			
Share-based compensation		2,741,227	833,454
Depreciation		191,129	103,375
Loss on disposal of fixed assets		—	1,176
Lease liability accretion		25,963	20,718
Non-cash foreign exchange loss		16,329	233,234
Other income		—	(9,651)
		(10,482,725)	(8,358,115)
Changes in non-cash working capital items:			
Accounts payable		722,056	682,290
Accounts receivable		(6,933)	(149,250)
Prepaid expenses		(82,321)	13,484
Due to related parties		360,665	28,084
Cash used in operating activities		(9,489,258)	(7,783,507)
Financing activities			
Common shares issued for cash	8	8,499,500	40,149,390
Share issue costs paid	8	(255,243)	(2,327,180)
Share subscriptions received	8	80,606	278,012
Exercise of warrants		—	1,944,525
Exercise of stock options		—	515,376
Lease principal and interest payments		(195,594)	(99,260)
Repayment of government loan		—	(30,000)
Cash generated from financing activities		8,129,269	40,430,863
Investing activities			
Property and equipment acquisition	5, 14	(2,981,984)	(2,120,251)
Payment for royalty buy back	4	(2,340,965)	(1,105,698)
Option, deposit for land and land acquisition		(2,916,916)	(941,383)
Cash used in investing activities		(8,239,865)	(4,167,332)
Effect of exchange rate change on cash and cash equivalents		(58,167)	7,819
(Decrease) increase in Cash		(9,658,021)	28,487,843
Cash and cash equivalents - beginning of year		31,218,582	2,730,739
Cash and cash equivalents - end of year		21,560,561	31,218,582

Supplemental cash flow information (Note 14)

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

Notes to Consolidated Financial Statements

Euro Manganese Inc.

(Expressed in Canadian dollars)

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.

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.

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 consolidated 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.

The Company continues to monitor the impact of the COVID-19 pandemic which has affected input prices, supply chain lead times, and funding markets. The Company adopted a number of measures to ensure the safety of its personnel, together with alignment to government directives to support the broader community response to COVID-19. Despite the easing of travel and other restrictions, the duration of the pandemic and its impact on the Company and the global economy remains uncertain. Should the Company be required to implement further measures to manage COVID-19, they may have the potential to cause further disruptions and delays to operations. Additionally, the Russia-Ukraine conflict which began on February 24, 2022, has 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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The accounting policies presented in Note 3 were consistently applied to all periods presented.

These consolidated financial statements were prepared by management and approved by the Board of Directors of the Company (the "Board") on December 15, 2022.

2.2 Basis of measurement

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

Notes to Consolidated Financial Statements

Euro Manganese Inc.

(Expressed in Canadian dollars)

2. Basis of Preparation (continued)

2.3 Basis of consolidation

These consolidated 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 consolidated 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 consolidated financial statements for both periods presented. All significant intercompany transactions and balances have been eliminated.

3. Significant Accounting Policies, Estimates and Judgments

3.1 Foreign currency translation

The consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company and its subsidiary.

Transactions in foreign currencies are initially recorded in the Company's functional currency at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange prevailing at the end of each reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value is determined. All gains and losses on translation of these foreign currency transactions are included in profit or loss.

3.2 Mineral exploration and evaluation costs

Mineral exploration and evaluation costs include costs to acquire the rights to explore, geological studies, exploratory drilling and sampling, royalty buy back costs, and directly attributable management costs.

Exploration and evaluation expenditures with the exception of acquisition costs, are charged to profit or loss in the period in which they are incurred. Acquisition costs are capitalized to exploration and evaluation assets and classified as non-current. Costs related to the acquisition of mineral properties are capitalized on a property-by-property basis until such a time as the property is placed in production, sold, abandoned or determined to be impaired.

Once it is probable that future economic benefits will flow to us, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment. The following criteria are used to assess the economic recoverability and probability of future economic benefits:

- (i) Viability: a Proven and/or Probable Mineral Reserve has been established that demonstrates a positive financial return; and
- (ii) Authorizations: necessary permits, access to critical resources and environmental programs exist or are reasonably obtainable

Proceeds from the sale of properties or projects, or cash proceeds received from option payments, are recorded as a reduction of the cost of the related mineral interest

Notes to Consolidated Financial Statements

Euro Manganese Inc.

(Expressed in Canadian dollars)

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

3.3 Impairment of non-financial assets

At each financial position reporting date, the carrying amounts of the Company's non-current non-financial assets are reviewed to determine whether there is any indication that those assets are impaired. If any indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment. The recoverable amount is the higher of fair value less costs of disposal and the value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arms-length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the prevailing market assessment of the time-value of money and the risks specific to the asset. Future cash flows are based on forecast estimates of production, product prices, and operating, capital, and reclamation costs.

Assumptions underlying future cash flow estimates are subject to risks and uncertainties. Any differences between assumptions used and actual market conditions and the Company's performance, could have a material effect on the Company's financial position and results of operations.

Impairment is normally assessed at the level of cash generating units, which are identified as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the statement of comprehensive loss for the period.

When an impairment loss reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, provided such revised estimate does not exceed the carrying value of the asset less depreciation that would have been recorded had the asset not been impaired. A reversal of an impairment loss is recognized immediately in the statement of comprehensive loss.

3.4 Property, Plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Assets in the course of construction are capitalized as construction in progress. On completion, the cost of construction is transferred to the appropriate category of property, plant and equipment and depreciation commences when the asset is available for its intended use. The carrying amount of a replaced asset is derecognized when replaced. Information technology hardware and software, and equipment and furniture are amortized on a straight-line basis over three years. Land is not depreciated.

The Company allocates the amount initially recognized in respect of an item of property, plant and equipment to its significant parts and separately depreciates each such part. Residual values, method of amortization, and useful lives of the assets are reviewed annually and adjusted if appropriate. Gains and losses on disposals of property, plant and equipment are determined by comparing the proceeds with the carrying amount of the asset and are included as part of other gains and losses in the statement of comprehensive loss.

Notes to Consolidated Financial Statements

Euro Manganese Inc.

(Expressed in Canadian dollars)

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

3.5 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value.

3.6 Share and warrant based compensation

Where equity-settled share-based payments are granted to employees, the fair value of the payments is measured using the Black-Scholes or other option pricing models, at the date of grant, and expensed over the vesting period using the graded vesting method. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of equity instruments that eventually vest. Charges for options that are forfeited before vesting are reversed from equity reserves (Note 8(b)).

Where equity-settled share-based payments are granted to non-employees, they are measured at the fair value of the goods or services received. However, if the value of goods or services received in exchange for the share-based payments cannot be reliably estimated, they are measured using the Black-Scholes option pricing model.

All equity-settled share-based payments are reflected in equity reserves, until exercised. Upon exercise, shares are issued and the amount reflected in equity reserves is credited to share capital, together with any consideration received.

3.7 Income taxes

Income tax comprises current and deferred tax. Income tax is recognized in the statement of comprehensive loss except to the extent that it relates to items recognized directly in equity, in which case the income tax is also recognized directly in equity.

Current tax is the expected tax payable or recoverable on the taxable income for the period, using tax rates enacted or substantially enacted at the end of the reporting period.

In general, deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantially enacted at the statement of financial position date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized only to the extent where it is probable that the future taxable profits or capital gains of the relevant entity or group of entities in a particular jurisdiction will be available, against which the assets can be utilized. Deferred tax assets and liabilities, where recognized, are presented as non-current.

Notes to Consolidated Financial Statements

Euro Manganese Inc.

(Expressed in Canadian dollars)

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

3.8 Financial instruments

The Company's financial instruments consist of cash, receivables, accounts payable, due to related parties and liabilities for royalty buy back and land deposits.

i) Classification

Classification of financial instruments is determined at initial recognition.

A financial asset is classified as measured at: amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification. Payments made to date to purchase the shares of E.P. Chvaletice s.r.o. ("EPCS") are classified as FVTPL (Note 6(a)). The Company's cash and cash equivalents and accounts receivable are classified as measured at amortized cost.

A financial liability is measured at amortized cost, unless it is required to be measured at FVTPL such as instruments held for trading or derivatives, or the Company opted to measure the liability as FVTPL. The Company's accounts payable, due to related parties and liabilities for royalty buy back and land deposits are classified as measured at amortized cost.

ii) Measurement

Financial assets and liabilities at FVTPL - Financial assets and liabilities at FVTPL are initially recognized at fair value and transaction costs are expensed in the consolidated statement of loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets or liabilities held at FVTPL are included in the consolidated statement of loss in the period in which they arise. Where the Company has opted to designate a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive income ("OCI").

Financial assets at FVOCI - Investments in equity instruments at FVOCI are initially recognized at fair value plus transaction costs. Subsequently, they are measured at fair value, with gains and losses arising from changes from initial recognition recognized in OCI.

Financial assets and liabilities at amortized cost - Financial assets and liabilities at amortized cost are initially recognized at fair value, and subsequently carried at amortized cost less any impairment.

iii) Impairment of financial assets

An expected credit loss ("ECL") model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments.

The application of the simplified approach to measuring the ECL, uses a lifetime expected loss allowance for all trade receivables. This has no impact on the carrying amounts of the Company's financial assets given the accounts receivable are mostly taxes receivable and therefore outside of scope of IFRS 9 *Financial instruments* ("IFRS 9").

Notes to Consolidated Financial Statements

Euro Manganese Inc.

(Expressed in Canadian dollars)

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

iv) Derecognition

Financial assets are derecognized when the investments mature or are sold, and substantially all the risks and rewards of ownership have been transferred. A financial liability is derecognized when the obligation under the liability is discharged, canceled or expired. Gains and losses on derecognition are recognized within finance income and finance costs, respectively. Gains or losses on financial assets classified as FVOCI remain within accumulated OCI.

v) Fair value of financial instruments

The fair values of quoted investments are based on current prices. If the market for a financial asset is not active, the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the financial asset's specific circumstances.

3.9 Leases

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- The contract involves the use of an identified asset - this may be specified explicitly or implicitly and should be physically distinct or represent substantially all the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- The Company has the right to obtain substantially all the economic benefits from use of the asset throughout the period of use; and
- The Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

The Company recognizes a right-of-use ("ROU") asset and a lease liability at the lease commencement date. The ROU asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The ROU assets are subsequently depreciated to the earlier of the end of the useful life of the ROU asset or the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits. The ROU asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date discounted by the interest rate implicit in the lease or, if that rate cannot be readily determined, the incremental borrowing rate. The lease liability is subsequently measured at amortized cost using the effective interest method.

Lease payments included in the measurement of the lease liability comprise: fixed payments; variable lease payments that depend on an index or a rate; amounts expected to be payable under any residual value guarantee, and the exercise price under any purchase option that the Company would be reasonably certain to exercise; lease payments in any optional renewal period if the Company is reasonably certain to exercise an extension option; and penalties for any early termination of a lease unless the Company is reasonably certain not to terminate early.

Notes to Consolidated Financial Statements

Euro Manganese Inc.

(Expressed in Canadian dollars)

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

The Company elected not to recognize ROU assets and lease liabilities for short-term leases that have a lease term of twelve months or less and leases of low-value assets. The lease payments associated with these leases are charged directly to the statement of loss on a straight-line basis over the lease term.

3.10 Related party transactions

Parties are related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities. A transaction is a related party transaction when there is a transfer of resources or obligations between related parties.

3.11 Loss per share

Basic loss per share is calculated using the weighted average number of common shares outstanding during the period. Diluted loss per share is calculated giving effect to the potential dilution that would occur if securities or other contracts to issue common shares were exercised or converted to common shares using the treasury stock method. If the Company incurs a net loss in a fiscal period, basic and diluted loss per share are the same.

3.12 Asset Retirement Obligation

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development and ongoing production of a mineral interest by or on behalf of the Company. Costs for restoration of site disturbances are initially recognized and recorded as a provision based on estimated future cash flows discounted at a risk-free rate. These asset retirement obligations are adjusted at each reporting period for changes to factors including the expected amount of cash flows required to discharge the liability, the timing of such cash flows and the discount rate.

The asset retirement obligation is also accreted to full value over time through periodic charges to profit or loss. The amount of the asset retirement obligation initially recognized is capitalized as part of the related asset's carrying value. The method of depreciation follows that of the underlying asset. As at September 30, 2022 and 2021, the Company does not have any asset retirement obligations.

3.13 Accounting for government grants and disclosure of government assistance

A forgivable loan is treated as a government grant when there is reasonable assurance that the entity will meet the terms for forgiveness of the loan. The benefit of a government loan at a below-market rate of interest is treated as a government grant which is recognized and measured in accordance with IFRS 9. The benefit of the below-market rate of interest is the difference between the initial carrying value of the loan, discounted over the term of the loan using the incremental borrowing rate for the Company, and the proceeds received.

3.14 Recent accounting pronouncements

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* ("IAS 16"): 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

Notes to Consolidated Financial Statements

Euro Manganese Inc.

(Expressed in Canadian dollars)

• Significant Accounting Policies, Estimates and Judgments (continued)

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.

Amendments to IAS 12 *Income Taxes* ("IAS 12"): 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.

3.15 Critical Estimates and Judgments

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. The estimates and the underlying assumptions are based on the judgment of management, including historical experience and other factors that management believes to be reasonable under the circumstances.

The estimates and underlying assumptions are reviewed on an ongoing basis. A revision to an accounting estimate is recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both the current and future periods.

The following are critical judgments and estimates that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the financial statements:

- a) Management is required to assess exploration and evaluation assets for impairment at each period end. The triggering events are defined in IFRS 6 *Exploration for and Evaluation of Mineral Resources* ("IFRS 6"). In making the assessment, management is required to make judgments as to whether impairment indicators exist when assessing the following factors: the period during which the entity has the right to explore in the specific area has expired during the year or will expire in the near future, substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned, sufficient data exists to support that extracting the resources will not be technically feasible or commercially viable and facts and circumstances suggest that the carrying amount exceeds the recoverable amount. The nature of exploration and evaluation activity is such that only a small proportion of projects are ultimately successful, and some assets are likely to become impaired in future periods.

Management has determined that there were no triggering events present as defined in IFRS 6 for the exploration and evaluation assets and as such, no impairment test was performed at September 30, 2022 and 2021.

- b) The Company applied significant judgment in determining the fair value of the option payments made pursuant to an option agreement with EPCS ("EPCS Option Agreement") and their classification as a financial instrument at FVTPL (Note 6(a)).

Notes to Consolidated Financial Statements

Euro Manganese Inc.

(Expressed in Canadian dollars)

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"). 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 year ended September 30, 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. The exploration and evaluation assets will be tested for impairment and then reclassified to mining 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 and have obtained certain agreements with customers confirming the economic viability.

Notes to Consolidated Financial Statements

Euro Manganese Inc.

(Expressed in Canadian dollars)

5. Property, Plant and Equipment

	September 30, 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	3,151,522	31,831	—	221,863	3,405,216
September 30, 2022	5,216,357	144,334	333,331	586,094	6,280,116
Accumulated depreciation					
October 1, 2021	—	(79,306)	—	(58,432)	(137,738)
Additions	—	(21,148)	—	(169,981)	(191,129)
September 30, 2022	—	(100,454)	—	(228,413)	(328,867)
Net Book Value					
October 1, 2021	2,064,835	33,197	333,331	305,799	2,737,162
September 30, 2022	5,216,357	43,880	333,331	357,681	5,951,249
	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 Consolidated Financial Statements

Euro Manganese Inc.

(Expressed in Canadian dollars)

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 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 subsequent option payments by one year and made a payment of 14 million Czech Koruna (\$819,576) to EPCS, which represents a portion of the final instalment.

On August 10, 2022, the Company made the third option payment of 42 million Czech Koruna (\$2,304,402) together with the fee for the extension of 2.1 million Czech Koruna (\$115,220).

Pursuant to the EPCS Option Agreement, the Company has the right to acquire a 100% interest in EPCS by making the final option payment of 70,000,000 Czech Koruna (approximately \$3.82 million at September 30, 2022), due upon receipt of all development permits for the Chvaletice Manganese Project, but no later than August 13, 2023 being five years after signing the EPCS Option Agreement.

The first, second, and third option payments made on October 17, 2018, August 13, 2021, and August 10, 2022, respectively, are 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;
- ii) It does not meet any of the scope exceptions from recognition as a derivative asset under IFRS 9 *Financial Instruments*;
- iii) Control of EPCS is not present until the last option payment is made. The remaining payment is dependent on the Board's approval and is not legally enforceable by the shareholder of EPCS.

For the year ended September 30, 2022, the fair value of the option increased by the \$2,419,622 payment made to the EPCS on August 10, 2022. At September 30, 2022, the total was revalued at \$3,935,804. There was an \$819,576 increase in the fair value of the option in the year ended September 30, 2021.

b) Other assets

Other assets, representing deposits for additional land purchases and payments under land option agreements, are as follows:

		September 30,	
		2022	2021
		\$	\$
Miscellaneous land parcels and second railway switch (plant area)	i)	227,667	227,667
Land for buffer zone and infrastructure corridor (tailings area)	ii)	28,951	11,867
Additional land and rail spur extension (plant area)	iii)	268,064	268,064
Additional land parcels for residue storage facility (tailings area)	iv)	516,452	—
		1,041,134	507,598

Notes to Consolidated Financial Statements

Euro Manganese Inc.

(Expressed in Canadian dollars)

6. EPCS Option and Other Assets (continued)

- 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 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 capitalized transaction costs of \$24,447.
- 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 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 Chvaletice Manganese Project's tailings are located, the Company made the second payment of 304,409 Czech Koruna (\$17,084) 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. 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 capitalized transaction costs of \$20,834. At September 30, 2022, the remaining liability for land deposits balance was revalued at \$77,636. In October 2022, the Company paid the third annual instalment.
- 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 on June 22, 2022. The remaining amount is to be paid in two instalments of approximately \$516,000 and \$1,918,000 in January 2023 and 2024, respectively.

7. Government Grant

In August 2022, the Company was approved to receive advisory services and up to \$165,000 (\$14,897 received through to September 30, 2022) from National Research Council of Canada's Industrial Research Assistance Program ("NRC-IRAP"). The funding supports the initiative the Company is undertaking with Nano One Materials Corp., the Metal direct to Cathode Active Material, 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 income statement.

Notes to Consolidated Financial Statements

Euro Manganese Inc.

(Expressed in Canadian dollars)

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, 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 September 30, 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. The Company also incurred cash expenses of \$255,243 related to legal and other due diligence costs, and a 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 Chvaletic 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 (\$80,606) was made on August 26, 2022, and 237,077 common shares at the price of \$0.34 per share related to that instalment will 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 Consolidated Financial Statements

Euro Manganese Inc.

(Expressed in Canadian dollars)

8. Equity (continued)

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. A continuity summary of the share options granted and outstanding under the Plan for the year ended September 30, 2022 and 2021 is presented below:

	Year ended September 30,			
	2022		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 year	18,970,998	0.23	19,725,000	0.16
Options granted	16,800,000	0.58	2,850,000	0.59
Options exercised	—	—	(3,119,333)	0.17
Options expired	(325,000)	0.12	(300,002)	0.28
Options forfeited	(133,334)	0.60	(184,667)	0.20
Balance, end of the year	35,312,664	0.40	18,970,998	0.23

During the year ended September 30, 2022, the Company recorded share-based compensation expense of \$2,741,227 (2021 - \$833,454) of which \$488,518 has been allocated to project expenses (2021 - \$415,733) and \$2,252,709 to administrative expenses (2021 - \$417,721).

Notes to the Consolidated Financial Statements

Euro Manganese Inc.

(Expressed in Canadian dollars)

8. Equity (continued)

The balance of options outstanding and exercisable at September 30, 2022, is as follows:

Exercise price (\$ per share)	Options outstanding & exercisable		Options exercisable	
	Number of share options	Weighted average remaining contractual life (years)	Number of share options	Weighted average remaining contractual life (years)
0.08	1,350,000	3.6	1,350,000	3.6
0.10	1,025,000	4.5	1,025,000	4.5
0.11	6,537,667	6.7	6,537,667	6.7
0.13	500,000	8.0	500,000	8.0
0.20	2,875,000	5.4	2,875,000	5.4
0.25	1,466,667	6.2	1,466,667	6.2
0.28	2,041,664	6.4	2,041,664	6.4
0.48	650,000	9.6	—	—
0.59	500,000	8.7	333,334	8.7
0.58	16,116,666	9.2	1,383,328	9.2
0.61	2,250,000	8.5	1,083,335	8.5
0.40	35,312,664	7.7	18,595,995	6.4

Option pricing models require the input of 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.

In the years ended September 30, 2022 and 2021, the Company applied the Black-Scholes option pricing model to determine the value of 13,800,000 and 2,850,000 stock options, respectively. These stock options were granted to employees, including directors, and non-employees and valued on the date of grant using the following weighted-average assumptions:

	Year ended September 30,	
	2022	2021
Risk free rate	0.99%	0.16%
Expected life (years)	7.9	9.0
Annualized volatility	90%	90%
Dividend yield	—%	—%
Option exercise price	\$0.58	\$0.59
Grant date fair value	\$0.31	\$0.49

The weighted average fair value of 3,000,000 share options granted in the year ended September 30, 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 Consolidated Financial Statements

Euro Manganese Inc.

(Expressed in Canadian dollars)

8. Equity (continued)

c) Warrants

	Year ended September 30,			
	2022		2021	
	Number of warrants	Weighted-average exercise price	Number of warrants	Weighted-average exercise price
		\$		\$
Outstanding, beginning of the year	8,500,00	0.40	5,756,750	0.34
Issued	—	—	8,500,000	0.40
Exercised	—	—	(5,756,750)	0.34
Outstanding, end of the year	8,500,00	0.40	8,500,000	0.40

As at September 30, 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	1.2
December 16, 2023	0.35	3,000,000	1.2
May 10, 2023	0.58	2,500,000	0.6
	0.40	8,500,000	1.0

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 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 years ended September 30, 2022 and 2021, the Company incurred the following compensation expenses to key management of the Company and director fees:

Notes to the Consolidated Financial Statements

Euro Manganese Inc.

(Expressed in Canadian dollars)

9. Related Party Transactions (continued)

	Year ended September 30,	
	2022	2021
	\$	\$
Salaries and fees	2,162,807	1,787,234
Share-based compensation	2,051,389	192,908
	4,214,196	1,980,142

The salaries and fees for the year ended September 30, 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:

	September 30,	
	2022	2021
	\$	\$
Salaries and fees payable	378,373	33,803
Outstanding payables due to directors and officers	31,093	14,998
	409,466	48,801

At September 30, 2022, amounts owing to directors and officers of the Company for salaries and directors' fees amounted to \$378,373 (2021 - \$33,803), and includes salary and bonuses owing to the Managing Director of Mangan. Other amounts payable to officers and directors for the reimbursement of office and travel related expenses were \$31,093 at September 30, 2022 (2021 - \$14,998). These transactions were incurred in the normal course of operations.

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 and cash equivalents, accounts receivable, accounts payable, due to related parties, liabilities for royalty buy back and land deposits approximate carrying values, which are the amounts recorded on the consolidated statement of financial position due to their short-term nature.

Notes to the Consolidated Financial Statements

Euro Manganese Inc.

(Expressed in Canadian dollars)

10. Fair Value Measurement of Financial Instruments (continued)

The first, second and third option payments pursuant to the EPCS Option Agreement (Note 6(a)) 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, with the third option payment. At September 30, 2022, the Company revalued the option at \$3,935,804, 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. There were no transfers between the levels of the fair value hierarchy in the year ended September 30, 2022.

11. Financial Risk Management

a) Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash and cash equivalents. Management believes that the credit risk concentration with respect to these instruments is remote as they primarily consist of amounts on deposit with a major financial institution.

At September 30, 2022 and 2021, the Company's maximum exposure to credit risk was its cash and cash equivalents balance of \$21,560,561 and \$31,218,582, respectively.

b) Liquidity risk

Liquidity risk is the risk that the Company will incur difficulties meeting its financial obligations as they are due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking harm to the Company's reputation (Note 1). At September 30, 2022, the maturity of accounts payable, the due to related parties balances and the liability for land deposits are under one year.

c) Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates and price risk.

Interest rate risk

Interest rate risk is the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has interest-bearing assets in relation to cash in savings accounts and GIC's carried at fixed interest rates, invested with major Canadian and Czech banks.

Foreign currency risk

Currency risk is the risk that the fair values or future cash flows of the Company's financial instruments will fluctuate because of changes in foreign currency rates. The Company's financial instruments are exposed to currency risk where those instruments are denominated in currencies that are not the functional currency of the entity that holds them. Exchange gains and losses in these situations impact earnings.

Notes to the Consolidated Financial Statements

Euro Manganese Inc.

(Expressed in Canadian dollars)

12. 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, plant and equipment are in the Czech Republic.

13. Commitments

At September 30, 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 lease payments ⁽¹⁾	7,497	7,497	—
Land acquisition payments ⁽²⁾	2,471,441	524,245	1,947,196
Equipment purchases - demonstration plant	891,893	548,000	343,893
Operating expenditure commitments	153,000	152,904	96
Total contractual obligations	3,523,831	1,232,646	2,291,185

⁽¹⁾ The Company has one non-cancellable operating office leases expiring within one year.

⁽²⁾ Land acquisition payments relate to land parcels described in Note 6(b)(iv).

In addition to the commitments disclosed above, the Company has entered into various agreements related to 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).

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 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 rental payment of the annual proportionate amount of 3.7 million Czech Koruna (\$204,000) was made on July 28, 2022.

Notes to the Consolidated Financial Statements

Euro Manganese Inc.

(Expressed in Canadian dollars)

14. Supplemental Cash Flow Information

Non-cash financing and investing transactions in the year ended September 30, 2022 and 2021 were as follows:

	Year ended September 30,	
	2022	2021
	\$	\$
Capital expenditures included in accounts payable	201,367	—
Shares issued for deferred equity commitment	278,012	—
Shares issued to settle the royalty buy back	2,278,080	—
Transfer of reserves on exercise of share options	—	354,028
Fair value of broker warrants issued from private placement	—	2,250,772
Transfer of reserves on exercise of broker warrants	—	504,070
Recognition of liability for land deposits	—	160,857
Recognition of liability for royalty buy back	—	4,338,760

15. Management of Capital

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, to pursue suitable business opportunities and to maintain a flexible capital structure for its projects for the benefit of its stakeholders. As the Company is in the evaluation stage and has not achieved commercial operations from its projects, its principal source of funds is from the issuance of common shares. Further information related to liquidity risk is disclosed in Note 1 and 11.

In the management of capital, the Company includes the components of equity. The Company manages and adjusts its capital structure considering changes in economic conditions and the risk characteristics of the underlying assets. To maintain and adjust the capital structure, the Company may attempt to issue new shares, enter joint venture property arrangements, acquire or dispose of assets or adjust the amount of cash and cash equivalents and investments.

To facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary, depending on various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board.

The Company's investment policy is to invest its cash in high-quality, highly liquid short-term interest-bearing investments with maturities of one year or less from the original date of acquisition, selected with regards to the expected timing of expenditures from continuing operations.

The Company is uncertain as to whether its current capital resources will be sufficient to carry on its evaluation and development plans and operations through its current operating period and, accordingly, management is reviewing the timing and scope of current evaluation plans and is also pursuing other financing alternatives to fund the Company's operations. The Company is not currently subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management in the period.

Notes to the Consolidated Financial Statements

Euro Manganese Inc.

(Expressed in Canadian dollars)

16. Income Taxes

A reconciliation of the income tax recoveries at the statutory tax rate of 27% (2021 - 27%) is as follows:

	September 30,	
	2022	2021
	\$	\$
Loss for the year	(13,457,373)	(9,540,421)
Expected income tax recovery	(3,633,491)	(2,575,914)
Non-deductible expenses and other	759,665	225,279
Effect of foreign tax rates and tax rate changes	1,385,080	625,170
Effect of deductible temporary difference not recognized	1,488,746	1,725,465
Income tax recovery	—	—

The Company has not recognized any deferred tax assets as realization is not probable. The significant components of the Company's deferred tax assets are as follows:

	September 30,	
	2022	2021
	\$	\$
Equipment	36,234	27,969
Exploration and evaluation assets	4,566,103	3,353,712
Share issuance costs	934,204	666,394
Tax operating losses	5,119,654	3,654,449
	10,656,195	7,702,524
Unrecognized deferred income tax assets	(10,656,195)	(7,702,524)
Deferred income tax assets	—	—

At September 30, 2022, the Company had the following estimated tax operating losses available to reduce future taxable income, including losses for which deferred tax assets are not recognized as listed in the table above. Losses expire at various dates and amounts between 2022 and 2040.

At September 30, 2022	\$
Canada	17,187,900
Czech Republic	7,437,500
Tax operating losses	24,625,400

17. Events after the Reporting Period

Subsequent to year end, 991,666 stock options were exercised for proceeds to the Company of \$152,666.

1. Introduction

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 explore 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. CHES Depository Interests ("CDIs", with each CDI representing one common share) are traded on the Australia Securities Exchange ("ASX") under the symbol "EMN.AX".

This management's discussion and analysis ("MD&A") of the financial condition and results of operations, prepared as of December 15, 2022, supplements, but does not form part of the audited consolidated financial statements of the Company for the year ended September 30, 2022 (the "September 2022 Financial Statements"), which can be found along with other information of the Company on SEDAR at www.sedar.com. The Company prepares its financial statements in accordance with the International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). The Company's significant accounting policies are set out in Note 3 of the September 2022 Financial Statements.

Additional information relating to the Company, including the Annual Information Form for the year ended September 30, 2022, is available on SEDAR at www.sedar.com, and on the Company's website www.mn25.ca.

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

This MD&A contains "forward-looking statements" that are subject to risk factors as set out in a cautionary note contained in Section 19. The financial information presented in this MD&A is in Canadian dollars, unless otherwise stated.

2. Overview

The Chvaletice Manganese Project is located in the Czech Republic, within the townships of Chvaletice and Trnavka, in the Labe River valley, approximately 90 kilometres to the east of the country's capital, Prague. The Project site is adjacent to established infrastructure, including an 820-megawatt power station that supplies the Czech Republic's national grid, a major railway line, a highway and a natural gas line. The surrounding region is industrialized and skilled labour is expected to be available from local markets. The Project resource is contained in flotation tailings piles that were emplaced on flat terrain immediately below the site of a flotation mill site, adjacent to the former Chvaletice open pit mine. The tailings were deposited from historical milling operations for the recovery of pyrite used for the production of sulfuric acid. The tailings, which consist of three separate piles ranging from 12 to 28 metres in thickness, cover a cumulative surface area of approximately one square kilometre.

2. Overview (continued)

The Company has significantly advanced the Project since 2015 and believes that the Project's environmentally-friendly tailings reprocessing to produce ultra-high-purity manganese products should enable it to become Europe's only primary producer of such products, with a best-in-class environmental footprint. The Project is also expected to result in the environmental remediation of a polluted former mine site, bringing it into full compliance with modern Czech and European Union environmental standards and regulations.

The Project is targeting production of ultra-high-purity electrolytic manganese metal ("HPEMM") with specifications exceeding 99.9% Mn and ultra-high-purity manganese sulphate monohydrate ("HPMSM") with a minimum manganese content of 32.34%, both of which exceed typical industry standards. These products will be selenium, fluorine and chromium-free and are designed to contain very low levels of deleterious impurities.

HPEMM and HPMSM are critical components of Li-ion batteries and few sources of manganese ore are suitable for production of high-purity manganese products. As such, demand for high-purity manganese products is growing rapidly, fueled largely by the Li-ion and electric vehicle ("EV") markets. The Company has entered into five technical and commercial collaboration memorandums of understanding ("MOU") with consumers of high-purity manganese products, intended to result in the supply chain qualification of the Project's products and the eventual offtake of high-purity manganese products from the Project. The Company is also in active discussions and negotiations with multiple other parties, including battery, chemical and automobile manufacturers, and have received indicative bids with the intent to enter into offtake contracts. A detailed overview of the high-purity manganese market can be found in Section 6 of this MD&A.

The Company's wholly-owned subsidiary, Mangan Chvaletice s.r.o. ("Mangan") holds two licenses covering mineral exploration rights for the Project ("Licenses"), which are both valid until May 31, 2026. Mangan also holds a Preliminary Mining Permit, referred to by the Czech Ministry of Environment as the Prior Consent for the Establishment of a Mining Lease District, which is also valid until May 31, 2026. The Preliminary Mining Permit represents one of the key steps towards final permitting for the Project, covers the areas included in the Licenses, and secures Mangan's exploration rights for the entire deposit. The establishment of the Mining Lease District, the application for the Final Mining Permit, and applications for permits relating to the construction of infrastructure and operation of a processing facility required for the Project, must be submitted and approved prior to any commercial extraction and processing activities at the Project.

The Company has experienced collaboration and support for the Project at various levels of the Czech Government, who in March 2020, issued a ruling under European Union's Natura 2000 which determined that the Project is not expected to adversely impact endangered and protected species habitat.

The area of interest for the Project overlies several privately-owned land parcels with surface rights. To date, Mangan has received the consent to conduct exploration activities and to access the site from the landowners whose surface properties underlie the tailings. At present, Mangan does not hold all surface rights to the Project area, which includes those parcels of land underlying and immediately surrounding the three tailings deposits. However, in June 2022, the Company and the Municipality of Chvaletice ("Chvaletice") signed a land rental agreement, granting the Company access to a portion of the tailings surface area (Section 3 of this MD&A). Additionally, Mangan signed a land purchase agreement with the owners of certain land parcels which are adjacent to the tailings area and provide additional room and flexibility for the Chvaletice residue storage facility layout (Section 3 of this MD&A).

The Company is currently negotiating the acquisition of the remaining surface rights; however, there is no assurance that access to the remaining areas will be secured. On August 18, 2018, Mangan has signed an option agreement giving it the right to acquire 100% of a company that owns a 19.94-hectare parcel of land intended to be the site of Mangan's high-purity processing plant (Section 6 of this MD&A). The Company also signed further agreements to acquire rights to several additional strategic parcels of land, completing its land assembly for the proposed Chvaletice commercial plant (Section 6 of this MD&A).

2. Overview (continued)

The land for the proposed processing plant is already zoned for industrial use. On March 23, 2022, the Village of Trnavka ("Trnavka"), on which approximately 85% of the Project's tailings are located, formally approved the rezoning of such land for mining use. Trnavka is the closest residential area and lies just to the east of the Project. The rezoning demonstrates continued support from Trnavka, which previously sold the Company a 2.96-hectare strip of land adjacent to the Project's tailings hosted deposit. The remaining area of the underlying land falls under the authority of the Municipality of Chvaletice ("Chvaletice"), which lies just to the west of the Project. Chvaletice previously voted unanimously to approve the initiation of the rezoning process under its municipal land use plans. This process is progressing, and the Company anticipates that the rezoning of the Chvaletice land underlying the Project's tailings deposit to be formally approved for mining in the first half of calendar 2023.

The Company announced the results of its feasibility study on July 27, 2022 ("Feasibility Study"), including the conversion of 98.4% of the Mineral Resources into Mineral Reserves. The results of the Feasibility Study for the Project are summarized in Section 6 of this MD&A.

The Company has commenced work on a North American growth strategy and is evaluating several opportunities to develop a project to produce HPEMM and HPMSM into the North American market, leveraging the engineering design work completed from the Project. This work is of an exploratory nature and the Company will provide an update when, and if, this work achieves material results.

The Company continues to monitor the impact of the COVID-19 pandemic which has affected input prices, supply chain lead times, and funding markets. The Company adopted a number of measures to ensure the safety of its personnel, together with alignment to government directives to support the broader community response to COVID-19. Despite the easing of travel and other restrictions, the duration of the pandemic and its impact on the Company and the global economy remains uncertain. Should the Company be required to implement further measures to manage COVID-19, they may have the potential to cause further disruptions and delays to operations. Additionally, the Russia-Ukraine conflict which began on February 24, 2022, has caused additional disruptions in Europe and elsewhere. The duration of this conflict and its impact on the Company also remain uncertain.

3. Financial and Project Highlights

The following is a summary of the Company's highlights during the year ended September 30, 2022, and to the date of this MD&A:

- On November 16, 2022, the Company announced that it is exploring an opportunity to develop a project to produce high-purity manganese products in Canada for the North American market. The Company signed a three-month Land Access and Exclusivity Agreement with The Société du parc industriel et portuaire du Bécancour, a Québec state enterprise and owner of the proposed EMN 15-hectare land parcel within the Port of Bécancour. The agreement allows the Company to exclusively conduct due diligence on the land parcel, after which the Company has the opportunity to conclude an option agreement for the purchase of the site.
- Following the release of the Feasibility Study, the Company began the process of preparing an Engineering, Procurement, Construction Management ("EPCM") tender package for the next stage of Project development. The tender process is currently in progress, and the EPCM award is anticipated in the first calendar quarter of 2023.
- Following the arrival at site in early September 2022, the demonstration plant modules placed in position within the two fully refurbished buildings adjacent to the intended site of the main Chvaletice processing plant. An emission scrubbing unit, manufactured in Europe, was also installed. Commissioning of the demonstration plant will occur on a module by module basis, and commenced in early November 2022.
- On August 26, 2022, the Company received the third and final investment instalment of €62,500 (\$80,606) from EIT InnoEnergy, an EU-backed organization. The first instalment of €62,500 (\$92,850) was made on March 24, 2021, and the second instalment of €125,000 (\$185,162) was made on July 26, 2021. The three investment instalments in the Project aggregate €250,000. 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 instalments.

3. Financial and Project Highlights (continued)

- On August 2, 2022, the Company announced the highlights of the Life Cycle Assessment ("LCA") completed for the Chvaletice Project, confirming its environmental credentials, namely its low carbon footprint and benefits of remediating the historic tailings area, where the quality of soil and freshwater improve over the lifetime of the Project. These positive results were confirmed in December 2022 when the Company announced the highlights of the benchmarking study, based on which the Project's products have the lowest carbon footprint in the battery metals sector.
- In August 2022, the Company was approved to receive advisory services and up to \$165,000 in funding from the National Research Council of Canada Industrial Research Assistance Program ("IRAP"). The funding supports the initiative the Company is undertaking with Nano One Materials Corp. ("Nano One"), Metal direct to Cathode Active Material, as well as the evaluation of the manganese metal by-product from the battery black mass recycling.
- On July 27, 2022, the Company announced positive Feasibility Study base case results for the Project supporting a 25-year project life with robust economics having an after-tax net present value ("NPV") of US\$1.34 billion at an 8% real discount rate and an ungeared 21.9% IRR and pre-tax NPV of US\$1.75 billion at 8% real discount rate and an ungeared 24.9% IRR. Based on HPMSM and HPEMM price forecasts prepared by CPM Group LLC ("CPM Group"), a leading, independent commodities market research firm with expertise in high-purity manganese, the upside case shows an after-tax NPV of US\$1.79 billion at an 8% real discount rate and an ungeared 24.1% IRR.
- On July 19, 2022, the Company announced its membership of the Global Battery Alliance ("GBA"), a partnership of leading organizations from across the battery value chain, governments, academics and NGOs who have mobilized to ensure that battery production not only supports green energy, but also safeguards human rights and promotes environmental sustainability.
- On June 27, 2022, the Company appointed Stifel Nicolaus Europe Limited, a wholly owned subsidiary of Stifel Financial Corp. (NYSE:SF) ("Stifel") as financial advisor to assist with the structuring and securing of project financing for the development of the Project.
- On June 7, 2022, the Company signed an agreement with a private landowner to acquire several land parcels aggregating 78,437m². 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).
- On June 6, 2022, the Company and the Municipality of Chvaletice 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 annual rental of 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 Agreement grants the Company access to a portion of the tailings surface area.
- On April 25, 2022, the Company appointed Ms. Hanna Schweitz to its Board of Directors (the "Board"), who brings significant experience in the metals and EV battery materials industry, which will be invaluable to the Company as it moves forward with the development of the Project in the Czech Republic, within the European Union.
- On March 23, 2022, Trnavka, on which approximately 85% of the Project's tailings are located, formally approved the rezoning of such land for mining use.
- 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 incurred legal and other due diligence expenses of \$255,243. The Company also issued 534,000 common shares at a deemed price of \$0.4775 per share, equal to \$254,985 and being 3% of the gross proceeds of the Placement, as a finder's fee to EIT InnoEnergy.
- On January 31, 2022, the Company issued 4,820,109 common shares at a price of \$0.47262 per share valued at \$2,278,080 (US\$1,800,000) and paid US\$1,800,000 (\$2,340,965) to settle the balance owing under the royalty termination agreements dated May 31, 2021. The Company incurred transaction costs of \$80,000 in connection with this transaction. In aggregate, the Company paid US\$4.5 million to extinguish the aggregate 1.2% net smelter royalty interest in the Project, which based on the 2019 Preliminary Economic Assessment would eliminate US\$91.1 million in expenditures over the Project's 25-year

3. Financial and Project Highlights (continued)

life, reduce operating costs by US\$3.40 per tonne of plant feed (or 2.5% of total cost per tonne of plant feed), and increase the after-tax NPV of the Project by US\$25.3 million (approximately 4%) using the PEA's 10% discount rate.

- On December 20, 2021, Dr. Matthew James was appointed as President and Chief Executive Officer and as a member of the Board. Dr. James succeeded Marco Romero, the founder of the Company and one of its largest shareholders. Mr. Romero relinquished his executive role with effect from January 4, 2022, and stepped down as a member of the Board, but continues with the Company as a strategic adviser, assisting with the generation of potential growth opportunities for the Company.
- On October 4, 2021, the Company entered into a Joint Development Agreement with Nano One. Joint activities will focus on developing manganese products expected to be produced by the Company for use in cathode materials made by Nano One, in the context of rapidly rising demand for high-purity manganese products. Nano One has successfully tested samples of HPEMM produced from the Chvaletice tailings in their process.

4. Outlook

The Company has sufficient funding to complete the environmental studies, permitting, the commissioning of the Chvaletice demonstration plant and its operation for one year. Additional funding will be required for the continuous operation of the demonstration plant, execution of the Engineering, Procurement, Construction Management ("EPCM") services for the Project, additional land acquisitions, as well as the potential future construction of infrastructure and facilities for the Project and the progress of the Company's North American strategy (Section 9 of this MD&A).

The following are the Company's short-term priorities:

- commissioning and operating the demonstration plant to allow the Company to produce bulk, multi-tonne finished product samples for prospective customers' supply chain qualification;
- rezoning of the remaining land area underlying the tailings for mining use, which the Company anticipates being approved by Chvaletice by the end of calendar 2022;
- submitting of the Project's Final Environmental and Social Impact Assessment with the Czech Ministry of Environment ("MoE");
- continuing discussions and negotiations with potential customers to enter into offtake contracts, as well as strategic and financial partners and government agencies, including those related to funding the development of the Project;
- negotiating and completing the acquisition or access to the remaining land rights;
- awarding the EPCM contract for the Project;
- developing an optimum financing structure for the Project, which is dependent upon the above milestones being achieved; and
- completing the scoping study to evaluate the site at Bécancour, Québec for potential production of high-purity manganese products in Canada for the North American EV market.

Once permitted and offtake agreements have been entered into with the Company's prospective customers, and the remaining land access rights have been acquired, the Company intends to secure financing in order to commence construction of the full-scale commercial Chvaletice process plant and related infrastructure. The Company appointed Stifel in late June 2022 to assist with the structuring and securing of project financing for the Project and it believes that the capacity for project financing is likely to compare advantageously to the majority of projects given the Project's robust economics as demonstrated in the Feasibility Study; its in-demand products; its safe jurisdiction; quality of potential offtake agreements that are possible in the EV battery industry; the unique environmental credentials and benefits of the Project; strategic position within the European battery supply chain; and the indication of strong support from leading European financial institutions. The Project's debt capacity would be influenced by: the bankability of offtake agreements and any available price downside protection; government, Export Development Agency and European Union credit guarantees of debt; sponsorship by customers through advances, prepayments on offtake agreements and / or equity or debt contribution; and potential cost overrun protection provided by an EPCM counterparty

5. Significant Transactions During the Year Ended September 30, 2022

The Company did not complete any additional transactions in the year ended September 30, 2022, other than the transactions described in Section 3 of this MD&A. The Company did not complete any additional transactions in the year ended September 30, 2021, other than the transactions described in section 3 of this MD&A.

6. Review of Operations - Chvaletice Manganese Project

Feasibility Study and Environmental Impact Assessment

On July 27, 2022, the Company announced the results of its Feasibility Study. The Feasibility Study was prepared by Tetra Tech Canada Inc. ("Tetra Tech"), an independent engineering services group with extensive experience in mineral processing, tailings management and mining. Tetra Tech oversaw the project, the resource and reserve estimates and the design of the mine and residue storage facility. BGRIMM Technology Group (a division of Beijing General Research Institute of Mining and Metallurgy) ("BGRIMM") acted as lead process plant design engineer as well as completed validation bench scale test work required in order to finalize the process flowsheet. Tractebel Engineering a.s. provided Czech and European cost inputs, localization, and GET s.r.o ("GET") and Bilfinger Tebodin Czech Republic provided environmental services. Sudop Praha a.s. provided railway infrastructure design.

The Feasibility Study results are based on a Proven and Probable Reserve Estimate that is detailed in the NI 43-101 and JORC Code Technical Reports on the Chvaletice Manganese Project. The 43-101 technical report, entitled "Technical Report and Feasibility Study for the Chvaletice Manganese Project, Chvaletice, Czech Republic", with an effective date of July 27, 2022, was filed on SEDAR at www.sedar.com on September 9, 2022, and the JORC Code technical report, entitled "Public Report and Feasibility Study for the Chvaletice Manganese Project, Chvaletice, Czech Republic", with an effective date of July 27, 2022, was lodged on the ASX announcement platform on September 14, 2022 (together, the "Feasibility Study Technical Reports").

The highlights of the Feasibility Study are as follows:

- Conversion of the Mineral Resource to a 27 million tonne Proven and Probable Reserve (98.3% Proven) with a grade averaging 7.41% Mn. Recycling of the historic tailings without the requirement of any hard rock mining, crushing or milling.
- 25-year project operating life producing 1.19 million tonnes of HPEMM, approximately two-thirds of which is expected to be converted into HPMSM, with the flexibility to supply either product to suit customer preference.
- Saleable product includes 2.5 million tonnes of HPMSM (32.34% Mn) and 372,300 tonnes of HPEMM (99.9% Mn) over the life of project, averaging 98,600 tonnes of HPMSM and 14,890 tonnes of HPEMM annually, principally focused on Europe's rapidly growing EV battery industry.
- Base case after-tax NPV of US\$1.34 billion and pre-tax NPV of US\$1.75 billion, using an 8% real discount rate and risk-adjusted base case price forecast.
- Ungeared after-tax Internal IRR of 21.9% with a 4.1-year payback period; and an ungeared pre-tax IRR of 24.9% with a 3.6-year payback period.
- Initial capital ("Capex") of US\$757.3 million, including contingencies of US\$103.2 million (US\$78.4 million on direct costs and US\$24.8 million of growth capital) and sustaining capital ("Sustaining Capex") of US\$117.0 million over the 25-year life of project.
- Life of project revenues of US\$13.9 billion with gross revenues expected to average US\$554 million per year over the 25-year project life.
- Project earnings before interest, taxes, depreciation and amortization ("EBITDA") and annual average EBITDA forecasted to be US\$8.1 billion and US\$326 million respectively, averaging 58.8% EBITDA over the life of project.
- Base case project economics are based on Tetra Tech adoption of a risk-adjusted short-term price forecast that follows CPM Group's forecast for HPMSM and HPEMM to 2031 and then holds prices flat over the remaining life of project, resulting in average prices of \$4,019 per tonne of HPMSM containing 32.34% Mn and \$10,545/t of HPEMM containing 99.9% Mn.

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

- CPM Group's unaltered price forecast was used as the upside case in the Feasibility Study sensitivity analysis with average life of project prices of \$4,509/t for HPMSM and \$12,075/t for HPEMM.
- Using the upside CPM Group price forecast for HPMSM and HPEMM, after-tax NPV_{8%} increases to US\$1.79 Billion, with an ungeared IRR of 24.1%.
- Project has access to excellent transportation, energy and community infrastructure. Proposed process plant site to be located in an industrially-zoned brownfield site, where a historical process plant generated the Chvaletice tailings.
- Exceptional green project credentials resulting in a significant remediation of the Chvaletice tailings site, arresting the ongoing pollution related to historical tailings disposal activities with opportunities to enhance returns through process optimization initiatives and various government investment incentives and financial support programs that may be available.

Resource and Reserve Estimate

a. Resource Estimate

Tetra Tech was engaged in 2018 to prepare the Resource Estimate for EMN's Chvaletice Manganese Project and to prepare technical reports in accordance with NI 43-101 and the JORC Code. The 43-101 Technical Report, entitled "Technical Report and Mineral Resource Estimate for the Chvaletice Manganese Project, Chvaletice, Czech Republic", with an effective date of December 8, 2018, was filed on SEDAR on January 28, 2019, and the JORC Code Technical Report, entitled "Public Report and Mineral Resource Estimate for the Chvaletice Manganese Project, Chvaletice, Czech Republic", with an effective date of December 8, 2018, was lodged on the ASX announcement platform on February 6, 2019 (together, the "Mineral Resource Estimate").

In 2019, the Company appointed Tetra Tech as the owner's engineering representative for the Feasibility Study, responsible for overseeing the consultants and service providers in connection with the Feasibility Study, and for the preparation of Feasibility Study Technical Reports. No additional drilling or data collection pertaining to the technical disclosure of mineral inventory has been undertaken since the completion of the Mineral Resource Estimate, and the effective date for the Mineral Resource Estimate is revised to July 1, 2022. The Project's combined Measured and Indicated Mineral Resources amount to 26,960,000 tonnes, grading 7.33% total manganese as detailed in the table below.

Tailings Cell #	Classification	Dry In-situ Bulk Density (t/m ³)	Volume (x1,000 m ³)	Tonnage (kt)	Total Mn (%)
#1	Measured	1.52	6,577	10,029	7.95
	Indicated	1.47	160	236	8.35
#2	Measured	1.53	7,990	12,201	6.79
	Indicated	1.55	123	189	7.22
#3	Measured	1.45	2,942	4,265	7.35
	Indicated	1.45	27	39	7.90
Total	Measured	1.51	17,509	26,496	7.32
	Indicated	1.50	309	464	7.85
Combined	Measured and Indicated	1.51	17,818	26,960	7.33

Notes:

1. Estimated in accordance with the Canadian Institution of Mining ("CIM") Definition Standards on Mineral Resources and Mineral Reserves adopted by CIM Council, as amended, which are materially identical to the JORC Code.
2. The Chvaletice Mineral Resource has a reasonable prospect for eventual economic extraction. Mineral Resources do not have demonstrated economic viability.
3. Indicated Resources have lower confidence than Measured Resources.

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

4. A break-even grade of 2.18% total Mn has been estimated for the Chvaletice deposit based on preliminary pre-concentration operating costs of US\$6.47/t feed, leaching and refining operating cost estimates of US\$188/t feed, total recovery to HPEMM and HPMSM of approximately 60.5% and 58.9%, respectively, and product prices of US\$9.60 kg/t for HPEMM and US\$3.72 kg/t for HPMSM (CPM Group Report, June 2022). The actual commodity price for these products may vary.
5. A cut-off grade has not been applied to the block model. The estimated break-even cut-off grade falls below the grade of most of the blocks (excluding 5,000 tonnes which have grades less than 2.18% total Mn). It is assumed that material segregation will not be possible during extraction due to inherent difficulty of grade control and selective mining for this deposit type.
6. Grade capping has not been applied.
7. Numbers may not add exactly due to rounding.

b. Reserve Estimate

Mineral Reserves for the Project are based on the Measured and Indicated Resource and adhere to the guidelines set by the Canadian Institute of Mining ("CIM"), NI 43-101 and the CIM Best Practices. Material economic modifying factors were applied to each block in the block model including mined grade, contained metal, recovery rates for HPEMM and HPMSM, mining operating cost, processing cost (including EMM to MSM conversion cost), residue placement cost, general and administrative costs, site service costs, water treatment, shipping cost, product insurance, and royalties. The Project's combined Proven and Probable Mineral Reserve (effective July 14, 2022) amount to 26,644,000 tonnes, grading at 7.41% total manganese as detailed in the following table:

Tailings Cell #	Classification	Dry In-situ Bulk Density (t/m ³)	Volume (m ³)	Tonnage (metric tonnes)	Total Mn (%)
#1	Proven	1.51	6,651	10,132	7.83
	Probable	1.52	141	208	8.24
#2	Proven	1.53	7,929	12,106	6.91
	Probable	1.54	199	183	7.35
#3	Proven	1.46	2,744	3,979	7.49
	Probable	1.46	25	36	7.98
Total	Proven	1.50	17,325	26,217	7.35
	Probable	1.51	284	427	7.84
Combined	Proven and Probable	1.51	17,609	26,644	7.41

Notes:

1. Estimated in accordance with the CIM Definition Standards on Mineral Resources and Mineral Reserves adopted by CIM Council, as amended, which are materially identical to the JORC Code.
2. The Mineral Resource is inclusive of the Mineral Reserves.
3. Probable Reserves have lower confidence than Proven Reserves. Inferred Resources have not been included in the Reserves.
4. A break-even grade of 2.18% total Mn has been estimated for the Chvaletice deposit based on preliminary pre-concentration operating costs of US\$6.47/t feed, leaching and refining operating cost estimates of US\$188/t feed, total recovery to HPEMM and HPMSM of approximately 60.5% and 58.9% respectively and product prices of US\$9.60 kg/t for HPEMM and US\$3.72 kg/t for HPMSM (CPM Group Report, June 2022). The actual commodity price for these products may vary.
5. Grade capping has not been applied.
6. Numbers may not add exactly due to rounding.
7. Minimal dilution and losses of <1% are expected to occur at the interface between the lower bounds of the tailings cells and original ground as the surface is uneven.

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

Life Cycle Assessment

On August 2, 2022, the Company released the highlights from its LCA for the Project. Euro Manganese engaged Minviro Ltd. ("Minviro"), a UK-based and globally recognized sustainability and life cycle assessment consultancy, and RCS Global Ltd. ("RCS Global"), a leading global auditor of battery material supply chains, to conduct a cradle-to-gate, critically reviewed study quantifying the environmental impacts, including the carbon footprint, of producing high-purity manganese products from manganese-rich historic mine tailings at the Project.

The results of the LCA validate the environmental value proposition of the Project including multiple environmental benefits from the remediation of the historic tailings area, particularly in terms of soil quality and freshwater quality. Both improve over the lifetime of the Project as remediation avoids the current leaching of metals and reduces the impacts of the historic tailings to soil and water streams. The Company plans to use 100% renewable electricity, which reduces the Global Warming Potential of the project by half compared to the use of non-renewable electricity. Opportunities exist to further reduce the Project's carbon footprint by sourcing reagents from manufacturers with lower environmental impact than those assumed in the study. The Company is committed to identifying and selecting suppliers with commitments to decarbonization.

Delivery of the LCA is timely as EMN continues to engage with customers in the EV battery/automotive space, each of whom are testing and qualifying both the chemistry and environmental credentials of the Company's high-purity manganese products.

The LCA was conducted according to the requirements of ISO-14040:2006 and ISO-14044:2006, which included a critical review by an independent LCA expert, RCS Global Ltd., and provides EMN with an independently verified assessment for financiers and customers. RCS Global also reviewed and commented on the LCA study. Minviro has also completed a benchmarking exercise where the Project's Global Warming Potential was compared against similar projects and operations producing high-purity manganese products. The results of the benchmarking exercise show that the high-purity manganese products from the Chvaletice Project have a carbon footprint that is approximately one-third of the China-based incumbent industry.

Environmental and Social Impact Assessment

In 2019-2020, Bilfinger conducted the Preliminary Environmental and Social Impact Assessment ("EIA Notification") as the first stage of environmental assessment of the Project. Several detailed expert studies were prepared including a comprehensive site-wide Biological Survey, a detailed Air Dispersion model and Study, an Acoustic/Noise Impact Study, a Road and Rail Transportation Study, a site wide Hydrogeological Survey, a Health Impact Assessment, an Impact on Landscape Character study and a Reclamation and Remediation Study. A screening decision summarizing all received comments on the Company's EIA Notification was published by the MoE in December 2020.

No crucial objections and comments were raised within the first phase of the Project's environmental impact assessment (screening procedure). Requirements arising from the first stage of environmental and social assessment were incorporated into the Feasibility Study and Project Design. Documentation for the second and final stage of the Project's Environmental and Social Impact Assessment ("ESIA") is expected to be submitted to the MoE in December 2022, which could potentially enable final environmental permitting for the Project in the first half of 2023.

Commercial and Demonstration Plant Progress Update

The Company's Chvaletice demonstration plant, which is intended to produce the equivalent of 32kg per day of HPEMM or 100kg per day of HPMSM, and will deliver high-purity manganese products to interested prospective customers for testing and qualification, was delivered to site in early-September 2022. Following inspection and assembly, the commissioning commenced on a module-by-module basis in early November 2022. Once commissioned, on-spec products of HPEMM and HPMSM are expected in the first quarter of 2023, after which the Company will then commence deliveries of demonstration plant samples to customers. The demonstration plant will also enable process optimization and testing for final product development and serve as a testing and training facility for future operators. It is expected to operate for up to three years and will also be available for testing of potential additional feedstock for the commercial plant.

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

The Company estimates that the cost, including fabrication, delivery, commissioning, laboratory set-up and an operator training program, as well as the cost of operation for one year, will be approximately US\$5.8 million (\$7.7 million). To the date of this MD&A, the Company made total payments of US\$1.6 million (\$1.9 million) for the demonstration plant and incurred additional expenses of \$1.7 million for permitting and site preparation.

Approximately 55% of the demonstration plant's planned first year production has been allocated to several customers for testing and qualification. These parties and their markets include: a global leading participant in the lithium-ion battery supply chain, for use in NMC cathodes; a company focused on large scale lithium-ion battery manufacturing, for use in NMC cathodes; a global chemicals and specialty materials company, for use in metal hydride for hybrid automobile anodes; and JFE Corporation, a leading Japanese steel producer, for use in specialty steel applications. A further six companies, including European and North American automotive OEMs, battery manufacturers, and cathode manufacturers, who are currently testing pilot plant samples, are expected to request Demonstration Plant samples as part of their strategy to move to local supply chains with full traceability and the highest sustainability standards.

In conjunction with testing and evaluation by these and other parties, and in support of a production decision on the Project being made, the Company is working towards establishing long-term commercial offtake arrangements for the supply of its high-purity manganese products. The Company continues to hold active discussions and negotiations with additional consumers of high-purity manganese products, which include battery, chemical and automobile manufacturers, in Asia, Europe and North America. However, there can be no assurance that these discussions will lead to offtake agreements or commercial or strategic relationships in the near term, if at all.

Following discussions with prospective customers, the Company re-started its pilot plant in 2021 in order to deliver product samples in advance of the production from the Demonstration Plant. This will allow prospective customers to continue or initiate their supply chain qualification of the Company's products in advance of larger samples. The pilot plant produced approximately 37kg of HPEMM and 151kg of HPMSM, which will be tested by certain prospective customers.

Option Agreement and Land Acquisitions

The Company, through its subsidiary, Mangan, entered into an option agreement dated August 13, 2018 (the "EPCS Option Agreement"), to acquire 100% of the equity of EP Chvaletice s.r.o. ("EPCS"), a small Czech steel fabrication company that owns a 19.94 hectare parcel of land. This land is located immediately south of the highway and rail line that bound the Chvaletice tailings deposit. It is also adjacent to the Chvaletice power plant and 1.7-hectare parcel of land and rail siding that was previously acquired by the Company. This strategic land parcel encompasses the intended site of its proposed processing plant. The land is zoned for industrial use and contains numerous buildings, including office, warehousing and other industrial structures, several of which are leased to short-term tenants. The land also contains two rail spurs and is served by gas, water and power.

The Company has the right to acquire EPCS by making payments aggregating 140 million Czech Koruna payable in four cash instalments, the first and second of which were paid on October 17, 2018, and August 13, 2021, respectively, each in the amount of 14 million Czech Koruna (\$815,000 and \$819,576, respectively). Additionally, on August 13, 2021, the Company exercised the option to extend the payment term of the following instalments by one year for a fee of 2.1 million Czech Koruna, payable with the next instalment.

On August 10, 2022, the Company made the third option payment of 42 million Czech Koruna (\$2,304,402) together with the fee for the extension of 2.1 million Czech Koruna (\$115,220). The total value of the instalments, revalued at September 30, 2022, is \$3.94 million. The Company can complete the acquisition of EPCS by making the final instalment of 70,000,000 Czech Koruna (approximately \$3.82 million at September 30, 2022), due upon receipt of all development permits for the Chvaletice Manganese Project, but no later than August 13, 2023, being five years after signing the EPCS Option Agreement.

The Company entered into the following agreements to acquire rights to three additional strategic parcels of land, completing its land assembly for the proposed Chvaletice commercial plant:

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

- i. Purchase from the owner of the nearby Chvaletice power plant, a 1,952 m² section of land encompassing Rail Spur no. 1, through which the proposed Chvaletice process plant will be serviced and connected to existing rail infrastructure. This acquisition is particularly important for the Project, as it provides the Company with a second rail connection, through the existing rail siding of the neighboring power plant. This is expected to provide greater logistical capacity and flexibility for the Project. The cost of the land is 252,762 Czech Koruna (approximately \$14,000). The acquisition of this section of land was completed on April 15, 2021.
- ii. Purchase of a 49,971 m² parcel of land, including a rail spur extension that will provide additional room and flexibility for the definitive Chvaletice commercial plant layout. The cost of the land is 18,739,125 Czech Koruna (approximately \$1.1 million) and can be paid in five 7.5% annual instalments (approximately \$80,000), followed by the remaining balance of approximately \$700,000 in the final year. 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. At September 30, 2022, the remaining balance was revalued at \$77,636. In October 2022, the Company paid the third annual instalment.
- iii. Lease of a 3,504 m² right-of-way for a period of 30 years, with a one-month cancellation notice period, to allow the straightening of a proposed conveyor route. Annual rental will be 60,000 Czech Koruna (approximately \$3,000) and the Company will retain an option to purchase this land.

The area of interest for the Project overlies several privately-owned land parcels with surface rights. To date, Mangan has received the consent to access the site from the landowners whose surface properties underlie the tailings. The Company and the Municipality of Chvaletice, being one of the landowners, 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 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 July 1, 2022, and the first rental payment was made on July 28, 2022.

On June 7, 2022, the Company also signed an agreement with Helot, spol. s.r.o. and Ing. Martin Vanek to acquire 78,437m² in total consisting of several land parcels adjacent to the tailings area that 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 on June 22, 2022. The remaining amount will be paid in two instalments of approximately \$516,000 and \$1,918,000 in January 2023 and 2024, respectively.

The Company is currently negotiating the acquisition of the balance of the surface rights with the remaining two landowners; however, there can be no assurance that access to the remaining areas will be secured.

High-Purity Manganese Market Overview

High-performance Li-ion batteries are being increasingly used in EVs and other energy storage applications. The manufacturing processes and formulations for Li-ion batteries require reliable, high-purity sources of manganese and other battery raw materials to ensure that the batteries meet increasingly demanding performance, safety and durability standards.

The dominant Li-ion battery cathode chemistry used in EVs is nickel-manganese-cobalt ("NMC"), which accounted for nearly half of all Li-ion batteries produced in 2021, measured by megawatt hours ("MWh"). The amount of these metals can vary within the NMC family, such as NMC811, which is 80% nickel, 10% manganese and 10% cobalt. With the rising raw material prices, battery companies are seeking to reduce the cost of the batteries. Increasing the content of manganese, the least expensive of these battery metals, is gaining traction. These are known as manganese-rich chemistries. As an example, BASF announced plans to scale up production of NMC370 battery, containing 30% nickel, 70% manganese and no cobalt.

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

Additionally, high-purity manganese is now being added to lithium-iron-phosphate ("LFP") chemistries, creating a new family of lithium-manganese-iron-phosphate ("LMFP") chemistries with improved performance, with the manganese content of certain LMFP chemistries as high as 60%. Contemporary Amperex Technology Co., Limited ("CATL"), China's largest battery producer and Tesla's main battery supplier, have reported that they are planning to add manganese to their LFP chemistry, increasing the battery's voltage, thus boosting its energy density by up to 20%. CATL is reportedly starting deliveries of new batteries with the LMFP cathodes to Tesla in the fourth quarter of 2022.

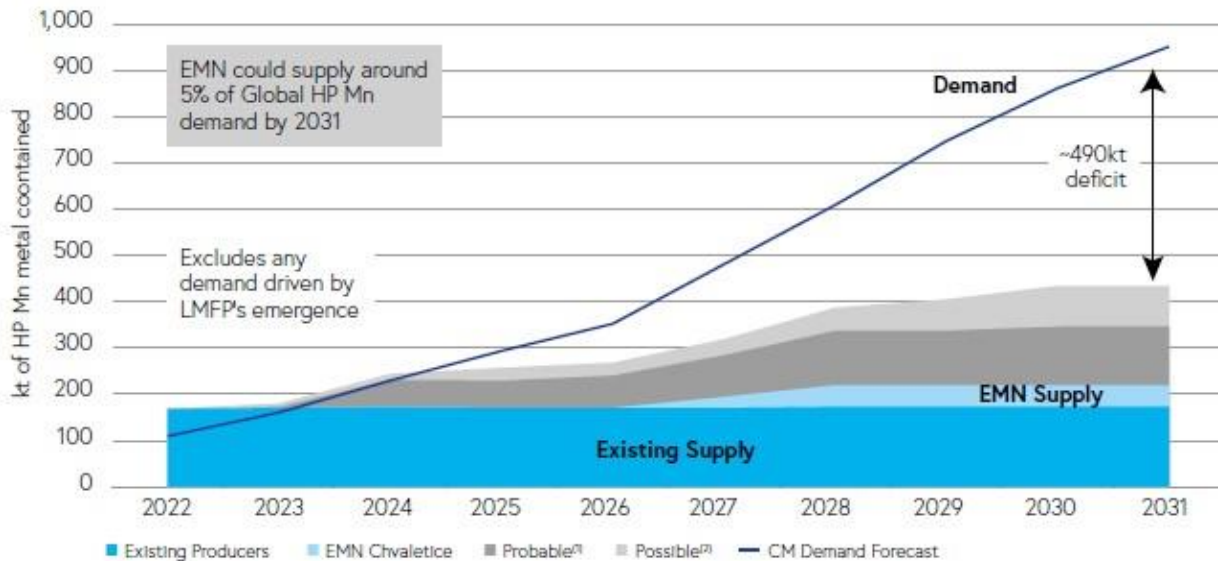
Only certain manganese ores can feasibly and sustainably be used for the specialty, high-end products of the battery industry. A critical factor is availability of the right quality ore in the right location. Carbonate ores, which are rare, are preferred for the production of high-purity manganese, although oxides can be used after roasting or chemical treatment using current commercial processes, resulting in a higher cost of reagents and energy, which can also cause environmental issues.

In connection with the preparation of the Feasibility Study, the Company commissioned the independent research and consultancy firm of CPM Group to provide an HPEMM and HPMSM (collectively described as "High-Purity Manganese" or "HPM") product market outlook study for the Project as follows:

- The market for HPMSM and HPEMM is forecast to be radically transformed as a result of the 'EV revolution'. Most lithium-ion batteries that power electric vehicles are expected to use manganese in their cathodes and these manganese-containing battery chemistries are expected to dominate the battery market for the next two decades.
- As a result, CPM Group expects the demand for high purity manganese to increase 13 times between 2021 and 2031 (from 90 kt to 1.1 million tonnes of Mn contained) and 50 times between 2021 and 2050 (to 4.5 million tonnes of Mn contained).
- The total Mn market in 2022 is approximately 22 million tonnes, with Mn use currently dominated by the steel industry, however, high purity manganese suitable for the battery market makes up less than 0.5% of the global manganese market.
- The bottleneck in supply of HPMSM and HPEMM is the lack of high-purity refining capacity. Known expansions and new projects are unable to satisfy this demand. CPM Group forecasts the 2031 deficit to be 475kt Mn equivalent and if battery demand continues to grow as expected and no additional new projects come to the market, the deficit would increase to 1 million tonnes by 2037.

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

Global High-Purity Manganese Forecasted Supply & Demand (thousand tonnes of Mn)



(1) Probable: existing producer expansions or projects with Feasibility Studies.
(2) Possible: projects yet to produce Feasibility Studies.

Source: E-Source, CPM Group, Industry sources, Euro Manganese analysis.

According to the International Manganese Institute, China produced only 4.2% of the 2021 global output of manganese ore (down 28% from the previous year), while retaining its dominant position as a supplier of high-purity manganese products – more than 91% of the HPMSM suitable for the battery industry originated in China in 2021. China relies heavily on imported ore, mainly from South Africa, Australia, Gabon and Ghana. At present, only about 2.5% of HPMSM suitable for the battery industry is produced in Europe. In discussions with prospective customers, the Company has learned that they are increasingly interested in diversifying their strategic raw material sourcing and wish to promote the creation of independent, local supply chains, particularly in regions such as Europe, where the automobile manufacturing industry employs over 14 million people directly and indirectly and where the automotive companies have made strong commitments to the electrification of their fleets.

Europe is rapidly becoming a major hub in the global electric car and battery industries, with 7 battery cell gigafactories (defined as >1GWh/annum of battery production) in operation now. Local supply chains are being built in Europe and apart from the convenient logistics, companies located within the European single market benefit from frictionless trading and additional benefits (e.g. 5% EU import tariff on imported manganese sulphate monohydrate has been only temporarily suspended until the end of 2023). According to announcements from the battery makers, by 2030 Europe should have 56 battery gigafactories, with more than 1,458 GWh of production capacity installed (30% of global capacity, second after China). CPM Group believes that the entire planned output of the Project can be consumed by the growing lithium-battery sector in Europe.

In addition to the highest product purity possible, European consumers of HPM expect the products they use to be traceable, having 'green credentials', and with a strong preference for locally sourced materials. The local supply chain in Europe is growing rapidly, and, in addition to the battery gigafactories under construction, will soon include five precursor makers, four electrolyte and separator factories, and eight battery pack assembly plants. At least twelve of the gigafactories that consume manganese inputs are or will be located between 200 km and 500 km of the Project, as shown below.

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



7. Annual Financial Review

	Years ended September 30,		
	2022	2021	2020
(expressed in thousands of Canadian dollars, except per share data)	\$	\$	\$
Revenue	—	—	—
Chvaletice Project evaluation expenses	5,671	4,950	3,199
Other evaluation expenses	456	—	—
Other expenses	7,330	4,590	3,178
Net loss for the year attributable to shareholders	13,457	9,540	6,377
Basic and diluted loss per share attributable to shareholders ⁽¹⁾	\$0.03	\$0.03	\$0.03
	As at September 30,		
	2022	2021	2020
	\$	\$	\$
Cash and cash equivalents	21,561	31,219	2,731
Total assets ⁽²⁾	39,896	43,336	5,808
Non-current financial liabilities ⁽²⁾	166	248	40

⁽¹⁾ Fully diluted weighted average common shares outstanding, used in the calculation of diluted net loss per share in each of the periods presented, is not reflective of the outstanding stock options and warrants as their exercises would be anti-dilutive in the net loss per share calculation.

⁽²⁾ Total assets for each year shown include \$1,249,086 in mineral property interest related to the acquisition of the Chvaletice Manganese Project on May 13, 2016, and at September 30, 2022, total assets also include the net smelter royalty buy back from the original owners of Mangan in the amount of \$5,424,458.

7. Annual Financial Review (continued)

Year ended September 30, 2022, compared to the year ended September 30, 2021

The loss for the year ended September 30, 2022, of \$13,457,373 compared to a loss of \$9,540,421 for the year ended September 30, 2021, represents an increase of \$3,916,952 or 41.1%. Basic and fully diluted loss per share in the current period remain unchanged at \$0.03 per common share. An overview of the project evaluation and other expenses, and an explanation of the significant variances is as follows:

	Year ended September 30,	
	2022	2021
(expressed in thousands of Canadian dollars, except per share data)	\$	\$
Chvaletice Project evaluation expenses		
Engineering	2,518	2,982
Remuneration	1,585	782
Share-based compensation	489	416
Drilling, sampling and surveys	1	133
Metallurgical	48	—
Travel	103	13
Legal and professional fees	405	373
Geological	57	122
Market studies	221	96
Supplies and rentals	244	33
	5,671	4,950
Other evaluation expenses		
Engineering	123	—
Legal and professional fees	291	—
Travel	57	—
Other income	(15)	—
	456	—
Other expenses		
Remuneration	2,494	1,532
Share-based compensation	2,253	418
Total remuneration	4,747	1,950
Legal and professional fees	809	752
Investor relations	372	606
Product sales and marketing	23	130
Travel	293	17
Filing and compliance fees	371	401
Office, general and administrative	157	181
Insurance	245	119
Conferences	120	39
Depreciation	191	103
Accretion expense	26	21
Interest income	(171)	(24)
Foreign exchange	147	295
	7,330	4,590
Loss and comprehensive loss for the year	13,457	9,540
Basic and diluted loss per common share	\$0.03	\$0.03

7. Annual Financial Review (continued)

Chvaletice Project evaluation costs for the year ended September 30, 2022 and 2021 were \$5,671,342 and \$4,950,474, respectively. The increase in costs over the comparative year is due to the impact of COVID-19 in 2021 on the level of work conducted in connection with the advancement of the Feasibility Study and the planning, permitting and other studies related to the demonstration plant. The delay in securing financing and COVID-19 restrictions prevented the Company from advancing the Project significantly in fiscal 2021, during which work on the Project was restarted. The activities in the current 2022 fiscal year represent work conducted on the Project's Feasibility Study and the Final ESIA. Accordingly, the Chvaletice Project evaluation costs were 15% higher in the year ended September 30, 2022, than in fiscal 2021.

The main cost variances include: an increase of \$803,338 in remuneration as a result of hiring new employees in the Czech Republic, partly in preparation for the installation and commissioning of the demonstration plant; an increase of \$72,785 in share-based compensation due to partial vesting of a share option grant in the year ended September 30, 2022; and a \$210,329 increase in supplies and rentals due to land rental from the Municipality of Chvaletice. Market studies in support of the Feasibility Study resumed after being temporarily suspended in 2021, resulting in an increase of \$125,456 in the current year. Travel also resumed after the easing of COVID-19 pandemic restrictions and resulted in an increase of \$89,510. Additionally, there was a \$47,939 increase in metallurgical expenses due to laboratory scale test work performed for the Feasibility Study and a \$31,784 increase in legal and professional fees related mainly to land purchase negotiations and documentation. The overall increase in the Chvaletice Project evaluation costs was partially offset by a decrease of \$463,500 in engineering costs due to the reduction in level of work required as the Feasibility Study work neared completion; a \$132,052 decrease in drilling, sampling and survey costs as this part of the Feasibility Study work was completed in the previous year; and a \$64,721 decrease in geological costs due to the completion of certain studies in the comparative year.

Other evaluation costs for the year ended September 30, 2022 and 2021 were \$455,769 and nil, respectively. These costs mostly represent the scoping study and due diligence related to the Company's evaluation of opportunities in the North American market, particularly the potential Port of Bécancour site in Québec, Canada. Additionally, the Company has progressed work on the initiatives with Nano One and it has received \$14,897 from IRAP, offsetting a portion of these costs. The IRAP funding is shown as other income within other evaluation costs.

The \$2,740,315 increase in administrative costs for the year ended September 30, 2022, over the same period in 2021 is mainly attributable to: a \$961,492 increase in remuneration due to a higher number of employees in the corporate office in Canada and due to \$307,500 paid to the Company's former President and CEO; an increase of \$1,834,988 in share-based compensation due to partial vesting of a large share option grant in the year ended September 30, 2022; a \$275,718 increase in travel and \$79,364 increase in conferences following the easing of COVID-19 related restrictions; an increase of \$126,138 in insurance due to the higher cost for directors' and officers' insurance; and an \$87,754 increase in depreciation due to a new office lease asset in Canada and a lease asset resulting from the rental of two buildings at the Project site which will host the demonstration plant. Additionally, there was a \$57,003 increase in legal and professional expenses, mainly due to costs for the financial advisor. The overall increase in administrative costs was partially offset by a \$233,388 decrease in investor relations expenses due to fewer campaigns and promotional activities; a \$107,047 decrease in product sales and marketing expenses due to lower activities and resulting decrease in fees; a decrease of \$29,419 in filing and compliance fees as a result of fewer private placements than took place in fiscal 2021; and a \$23,902 decrease in general and administrative expenses due to the Company's office move in 2021. Additionally, there was a \$147,274 foreign exchange gain arising from the revaluation of the liabilities for the royalty buy back, EPCS Option and land deposits; and an increase of \$146,357 from interest earned on the Company's bank deposits.

8. Quarterly Financial Review

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

As at the end of or for the period ending	Jul to Sep'22 \$	Apr to Jun'22 \$	Jan to Mar'22 \$	Oct to Dec'21 \$	Jul to Sep'21 \$	Apr to Jun'21 \$	Jan to Mar'21 \$	Oct to Dec'20 \$
Cash and cash equivalents	21,561	28,026	32,070	29,129	31,219	33,457	33,118	11,394
Total assets	39,896	42,280	44,800	41,589	43,336	44,472	37,276	15,449
Working capital ⁽¹⁾	19,754	26,839	30,676	23,341	26,078	27,821	32,877	11,372
Current liabilities	2,440	1,630	1,823	6,549	5,685	6,025	624	454
Revenue	—	—	—	—	—	—	—	—
Chvaletice Project evaluation expenses	1,739	1,023	1,511	1,399	1,437	1,724	1,305	484
Other evaluation expenses	95	280	71	10	—	—	—	—
Other expenses	2,089	1,804	1,673	1,763	1,256	1,342	1,165	826
Net loss attributable to shareholders	3,923	3,106	3,255	3,172	2,693	3,066	2,470	1,310
Net loss per share, basic and diluted, attributable to shareholders ⁽²⁾	0.01	0.01	0.01	0.01	0.01	0.01	0.01	—

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

(2) Figures may not add to annual results due to rounding.

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

- The quarter ended December 31, 2020, was impacted by the COVID-19 pandemic, causing delays and deferrals of Feasibility Study work and significant cost cutting measures.
- The Company resumed the Feasibility Study work and ordered the demonstration plant in the last quarter of calendar 2020. Chvaletice Project evaluation costs incurred related to the commissioning of studies for the demonstration plant and the initiation of the Feasibility Study.
- In the seven most recent quarters, the Company focused on progressing the Feasibility Study, preparation work and permitting of the demonstration plant and the preparation of the Final ESIA. In the most recent quarter, the Company started incurring expenses related to the evaluation of a potential dissolution plant at the Port of Bécancour in Québec, Canada, which would produce high purity manganese products for the North American EV market.

Fluctuations in the level of quarterly administrative expenditures is mainly attributed to the following:

- The quarter ended December 31, 2020, was impacted by the COVID-19 pandemic, which resulted in significant cost cutting measures, including temporary salary adjustments, re-negotiations, cancellations or interruptions of contracts and restricted travel.
- Other expenses for the most recent seven quarters are higher as a result of an increase in filing and compliance fees relating to the private placements in fiscal 2021, and a higher number of employees in the corporate office in Canada. In the quarter ended December 31, 2021, increased remuneration costs are attributable to the change in the Company's CEO and to non-cash share-based payments in the period.

8. Quarterly Financial Review (continued)

Three months ended September 30, 2022, compared to the three months ended September 30, 2021

The loss for the three months ended September 30, 2022, of \$3,922,555 compared to a loss of \$2,694,937 for the three months ended September 30, 2021, represents an increase of \$1,227,618 or 45.6%. Basic and fully diluted loss per share in the current period remain unchanged at \$0.01 per common share. An overview of the project evaluation and other expenses, and an explanation of the significant variances is as follows:

	Three months ended September 30,	
	2022	2021
(expressed in thousands of Canadian dollars, except per share data)	\$	\$
Chvaletice Project evaluation expenses		
Engineering	512	685
Remuneration	727	261
Share-based compensation	77	86
Drilling, sampling and surveys	—	86
Metallurgical	2	—
Travel	37	13
Legal and professional fees	69	244
Geological	(1)	18
Market studies	110	32
Supplies and rentals	206	12
	1,739	1,437
Other evaluation expenses		
Engineering	20	—
Legal and professional fees	80	—
Travel	10	—
Other income	(15)	—
	95	—
Other expenses		
Remuneration	569	434
Share-based compensation	599	103
Total remuneration	1,168	537
Legal and professional fees	365	249
Investor relations	107	95
Product sales and marketing	14	19
Travel	85	14
Filing and compliance fees	57	92
Office, general and administrative	13	45
Insurance	73	34
Conferences	44	12
Depreciation	63	39
Accretion expense	9	6
Interest income	(75)	(24)
Foreign exchange	166	138
	2,089	1,256
Loss and comprehensive loss for the period	3,923	2,693
Basic and diluted loss per common share	\$0.01	\$0.01

8. Quarterly Financial Review (continued)

Chvaletice Project evaluation costs for the three months ended September 30, 2022 and 2021 were \$1,737,667 and \$1,437,890, respectively. The increase in cost over the comparative quarter in fiscal 2021 is due to the planning, permitting and other studies related to the demonstration plant. The main cost variances include: an increase in remuneration of \$465,283 due to a higher number of employees in the Czech Republic; a \$193,992 increase in supplies and rentals due to land rental from the Municipality of Chvaletice; the resumption of market studies after being temporarily suspended in 2021 which resulted in an increase of \$77,351 in the current quarter; and an increase of \$23,617 in travel due to the resumption of travel after the easing of COVID-19 pandemic restrictions. The overall increase in the Chvaletice Project evaluation costs was partially offset by a \$175,330 decrease in legal and professional fees which was due to lower costs for land purchase negotiations; a decrease of \$173,209 in engineering costs due to the reduction in the level of work required on the Project as the Feasibility Study work was finalized in the current quarter; and a decrease of \$85,961 in drilling, sampling and survey costs as this part of the Feasibility Study work was completed in previous periods.

Other evaluation costs for the three months ended September 30, 2022 and 2021 were \$95,104 and nil, respectively. These costs mostly represent the scoping study and due diligence related to the Company's evaluation of opportunities in the North American market, particularly the potential Port of Bécancour site in Québec, Canada. Additionally, the Company has progressed work on the initiatives with Nano One and the Company has received \$14,897 from IRAP, offsetting a portion of these costs. The IRAP funding is shown as other income within other evaluation costs.

The \$832,738 increase in administrative costs for the three months ended September 30, 2022, compared to the same period in 2021 is mainly attributable to: a \$135,491 increase in remuneration due to a higher number of employees in the corporate office in Canada; an increase of \$495,665 in share-based compensation due to partial vesting of a share option grant in December 2021; a \$115,751 increase in legal and professional expenses related to costs for the project financial advisor; a \$70,798 increase in travel and a \$31,141 increase in conferences due to the easing of COVID-19 restrictions; and an increase of \$39,846 in insurance due to the higher cost for directors' and officers' insurance. The increase of \$23,819 in depreciation is due to a new office lease asset in Canada and a lease asset resulting from the lease of two buildings at the Project site which will host the demonstration plant. Additionally, there was an increase of \$11,608 in investor relations expenses due to a higher number of promotional activities. The overall increase in administrative costs was partially offset by a decrease of \$35,624 in filing and compliance fees as a result of the private placement in the fourth quarter of fiscal 2021; and a \$31,961 decrease in office, general and administrative costs due to the Company's office move in 2021. Additionally, there was an \$28,234 in foreign exchange loss arising from revaluation of the liabilities for the royalty buy back, EPCS Option and land deposits; and a \$50,630 increase in interest earned on the Company's bank deposits.

9. Liquidity and Capital Resources

As at September 30, 2022, the Company held cash and cash equivalents of approximately \$21.6 million. Cash and cash equivalents is held with reputable financial institutions and is invested in highly liquid short-term investments with maturities of one year or less. The funds are not exposed to significant liquidity risk and there are no restrictions on the ability of the Company to use these funds to meet its obligations.

The decrease in cash of \$9.7 million during the year ended September 30, 2022, is a result of \$9.5 million used in operating activities and \$8.2 million used in investing activities, which included the payment for the royalty buy back, the demonstration plant and certain land related payments. This decrease was partially offset by cash generated from financing activities of \$8.1 million. The proceeds of cash in financing activities represents the private placement by the EBRD. Working capital decreased by \$6.3 million during the year ended September 30, 2022, to \$19.8 million from \$26.1 million at September 30, 2021.

Additional funding will be required for the potential future construction of infrastructure and facilities for the Project. The ability of the Company to arrange such funding will depend principally upon prevailing market conditions, the business performance of the Company, and other factors such as disruptions resulting from an extended duration of the COVID-19 pandemic or the Russia-Ukraine conflict. Such funding may not be available when needed, if at all, or be available on terms favourable to the Company and its shareholders. Failure to obtain such additional financing could result in a delay, indefinite postponement or curtailment of further evaluation and development of the Company's principal property.

9. Liquidity and Capital Resources

On June 27, 2022, the Company appointed Stifel as financial advisor to assist with the structuring and securing of financing for the Project of \$757.3 million as well as a working capital facility. The results of the Feasibility Study confirm several factors, including robust project economics, in-demand products, unique environmental credentials, stable jurisdiction and strong support from leading European institutions, that the Company believes make the Project an attractive proposition for potential financial partners. Consequently, the Company has reasonable grounds to assume that it will be able to fund the development of the Project (see also Section 4 of this MD&A).

The Company's commitments at September 30, 2022, are shown in Section 12 of this MD&A.

10. Off Balance Sheet Arrangements

As at September 30, 2022, there are no off-balance sheet arrangements which could have a material impact on current or future results of operations or the financial condition of the Company.

11. Related Party Transactions

At September 30, 2022, key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole, and consisted of the Company's Board of Directors, 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.

	Year ended September 30,	
	2022	2021
	\$	\$
Salaries and fees	2,162,807	1,787,234
Share-based compensation	2,051,389	192,908
	4,214,196	1,980,142

At September 30, 2022, amounts owing to directors and officers of the Company for salaries and directors' fees amounted to \$378,373 (2021 - \$33,803), and includes salary and bonuses owing to the Managing Director of Mangan. Other amounts payable to officers and directors for the reimbursement of office and travel related expenses were \$31,093 at September 30, 2022 (2021 - \$14,998).

12. Contractual Commitments

As at September 30, 2022, the Company was committed to make the minimum annual cash payments, are as follows:

	Payments due by period		
	Total	Less than one year	1 - 2 years
	\$	\$	\$
Minimum lease payments ⁽¹⁾	7,497	7,497	—
Land acquisition payments ⁽²⁾	2,471,441	524,245	1,947,196
Equipment purchases - demonstration plant	891,893	548,000	343,893
Operating expenditure commitments	153,000	152,904	96
Total contractual obligations	3,523,831	1,232,646	2,291,185

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

⁽²⁾ Land acquisition payments relate to land parcels for the residue storage facility layout.

12. Contractual Commitments (continued)

In addition to the commitments disclosed above, 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 one of the owners of the land underlying the tailings, 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 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 July 1, 2022, and the first rental payment was made on July 28, 2022.

The Company is not subject to any externally imposed capital requirements.

13. Outstanding Share Data

The Company's authorized share capital consists of an unlimited number of common shares without par value. The following common shares, stock options and share purchase warrants were outstanding at December 15, 2022:

	Number of securities
Issued and outstanding common shares	402,107,217
Share options	34,320,998
Warrants	8,500,000

14. Proposed Transactions

As at September 30, 2022, there is no proposed asset or business acquisition or disposition being considered that would affect the financial condition, financial performance or cash flows of the Company.

15. Events After the Reporting Period

Subsequent to year end, 991,666 stock options were exercised for proceeds to the Company of \$152,666.

16. Significant Accounting Policies, Estimates and Judgments

Basis of preparation and accounting policies

The Company's annual consolidated financial statements were prepared in accordance with IFRS as issued by the IASB. Detailed description of the Company's significant accounting policies can be found in Note 3 of the Company's audited consolidated financial statements for the year ended September 30, 2022. The impact of future accounting changes is disclosed in Note 3.14 of the September 2022 Financial Statements.

Critical accounting estimates and judgments

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Areas of judgment and key sources of estimation uncertainty that have the most significant effect are disclosed in Note 3.15 of the September 2022 Financial Statements.

17. Financial Instruments and Financial Risk Management

A description of the Company's financial instruments and financial risks that the Company is exposed to and management of these risks can be found in Notes 10 and 11, respectively, of the Company's September 2022 Financial Statements.

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

Disclosure Controls and Procedures

The Company's management, under the supervision of the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) are responsible for establishing and maintaining adequate disclosure controls and procedures. Disclosure controls and procedures are designed to provide reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, is made known to the CEO and CFO during the reporting period. The Company's CEO and CFO believe that the Company's disclosure controls and procedures are effective in providing reasonable assurance that information required to be disclosed under applicable securities regulations is recorded, processed, summarized and reported within the time periods specified in the securities legislation.

Management, including the CEO and CFO, has evaluated the design and operating effectiveness of the Company's disclosure controls and procedures as of September 30, 2022. Based on this evaluation, management concluded that the Company's disclosure controls and procedures, as defined in NI 52-109 - Certification of Disclosure in Issuer's Annual and Interim Filings, are effective to achieve the purpose for which they have been designed.

Internal Controls Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Company uses the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") internal control framework to design internal controls over financial reporting.

Internal control over financial reporting includes those policies and procedures that: (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and disposition of assets, (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that receipts and expenditures are being made only in accordance with authorizations of management and directors of the Company, and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on the financial statements.

Because of their inherent limitations, internal controls over financial reporting can provide only reasonable assurance and may not prevent or detect misstatements. The design, maintenance and testing of any system of controls is based in part upon certain assumptions about the likelihood of future events, and any control system may not succeed in achieving its stated goals under all potential future conditions.

Management, under the supervision and with the participation of our CEO and CFO, has evaluated the effectiveness of the design and operating effectiveness of the Company's internal control over financial reporting as of September 30, 2022. Based on its evaluation, management concluded that the Company's internal controls over financial reporting, as defined in NI 52-109 - Certification of Disclosure in Issuer's Annual and Interim Filings, are effective to achieve the purpose for which they have been designed.

19. Forward-Looking Statements and Risks Notice

Certain statements in this MD&A constitute "forward-looking statements" or "forward-looking information" within the meaning of applicable securities laws. Such statements and information involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company, its projects, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or information. Such statements can be identified by the use of words such as "may", "would", "could", "will", "intend", "expect", "believe", "plan", "anticipate", "estimate", "scheduled", "forecast", "predict" and other similar terminology, or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved.

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

Results of the Feasibility Study constitutes forward-looking information or statements, including but not limited to estimates of internal rates of return (including any pre-tax and after-tax internal rates of return), payback periods, net present values, future production, assumed prices for HPMSM and HPEMM, ability of the Company to achieve a pricing premium for its products, proposed extraction plans and methods, operating life estimates, cash flow forecasts, metal recoveries and estimates of capital and operating costs. Such forward-looking information or statements also include, but are not limited to, statements regarding the Company's intentions regarding the Project in the Czech Republic, the development of the Project, the ability to source green power and other requirements for the Project, the completion and submission of an environmental and social impact assessment, statements regarding the ability of the Company to obtain remaining surface rights, the benefits of remediating the historic tailings areas, the growth and development of the high purity manganese products market, the desirability of the Company's products, the growth of the EV industry, the use of manganese in batteries, the manganese project supply line, support from European financial institutions, and the Company's ability to obtain financing for the Project.

Readers are cautioned not to place undue reliance on forward-looking information or statements. Forward-looking statements are subject to a number of risks and uncertainties that may cause the actual results of the Company to differ materially from those discussed in the forward-looking statements and, even if such actual results are realized or substantially realized, there can be no assurance that they will have the expected consequences to, or effects on, the Company.

Factors that could cause actual results or events to differ materially from current expectations include, among other things: the ability to develop adequate processing capacity; the availability of equipment, facilities, and suppliers necessary to complete development; the cost of consumables and extraction and processing equipment; risks and uncertainties related to the ability to obtain, amend, or maintain necessary licenses, or permits, risks related to acquisition of surface rights; risks and uncertainties related to expected production rates; timing and amount of production and total costs of production; the potential for unknown or unexpected events to cause contractual conditions to not be satisfied; the failure of parties to contracts with the Company to perform as agreed; risks and uncertainties related to the accuracy of mineral resource and reserve estimates, the price of HPEMM and HPMSM, power supply sources and price, reagent supply resources and prices, future cash flow, total costs of production, and diminishing quantities or grades of mineral resources and reserves; changes in Project parameters as plans continue to be refined; risks related to global epidemics or pandemics and other health crises, including the impact of the novel coronavirus (COVID-19); availability and productivity of skilled labour; risks and uncertainties related to interruptions in production; unforeseen technological and engineering problems; the adequacy of infrastructure; risks related to Project working conditions, accidents or labour disputes; social unrest or war; the possibility that future results will not be consistent with the Company's expectations; risks relating to variations in the mineral content and grade within resources from that predicted; variations in rates of recovery and extraction; developments in EV battery markets and chemistries; and risks related to fluctuations in currency exchange rates, changes in laws or regulations; and regulation by various governmental agencies. For a further discussion of risks relevant to The Company, see "Risk Factors" in the Company's annual information form for the year ended September 30, 2022, available on the Company's SEDAR profile at www.sedar.com.

All forward-looking statements are made based on the Company's current beliefs as well as various assumptions made by the Company and information currently available to the Company. Generally, these assumptions include, among others: the presence of and continuity of manganese at the Project at estimated grades; the ability of the Company to obtain all necessary land access rights; the availability of personnel, machinery, and equipment at estimated prices and within estimated delivery times; currency exchange rates; manganese sales prices and exchange rates assumed; growth in the manganese market; appropriate discount rates applied to the cash flows in economic analyses; tax rates and royalty rates applicable to the proposed operations; the availability of acceptable Project financing; anticipated extraction losses and dilution; success in realizing proposed operations; and anticipated timelines for community consultations and the impact of those consultations on the regulatory approval process.

Although the forward-looking statements contained in this MD&A are based upon what management of the Company believes are reasonable assumptions, the Company cannot assure investors that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this MD&A and are expressly qualified in their entirety by this cautionary statement. Subject to applicable securities laws, the Company does not assume any obligation to update or revise the forward-looking statements contained herein to reflect events or circumstances occurring after the date of this MD&A.

MINING TENEMENTS AND MINERAL RESOURCE / RESERVE STATEMENT

Mining Tenements Held by the Company and the Percentage Interest held in each Mining Tenement:

Tenement	License Status	Reference	Note	Interest Acquired During Year	Interest Divested During Year	Interest Held at Year-end
Trnávka I	Exploration	631/550/14-Hd	1	-	-	100%
Trnávka II	Exploration	MZP/2018/550/386-HD	2	-	-	100%
Preliminary Mining Permit	Preliminary Mining Permit	MZP/2021/550/768-HD	3	-	-	100%

Notes:

1. Exploration license 631/550/14-Hd, issued by the Czech Ministry of Environment in favour of Mangan Chvaletice s.r.o. ("Mangan") was originally valid until 31 May 2023 and on 2 July 2021, Mangan received an extension of this license until 31 May 2026.
2. Exploration license MZP/2018/550/386-HD, issued by the Czech Ministry of Environment in favour of Mangan was originally valid until 31 May 2023 and on 2 July 2021, Mangan received an extension of this license until 31 May 2026.
3. The Preliminary Mining Permit is the prior consent of the Ministry of Environment of the Czech Republic for the establishment of the Mining Lease District and covers the areas covered by Exploration Licenses Trnávka I and Trnávka II. The Preliminary Mining Permit was originally valid until 30 April 2023 and was replaced by a new Preliminary Mining License valid until 31 May 2026.

Mineral Resource Estimate:

The Company reviews and reports its mineral resources at least annually. The date of reporting is 30 September each year, to coincide with the Company's end of fiscal year. If there are any material changes to its mineral resources over the course of the year, the Company is required to report these changes.

Tetra Tech Canada Inc. ("Tetra Tech") was engaged to oversee the planning and execution of sampling and assaying, to prepare the Resource Estimate for the Company's *Chvaletice Manganese Project*, to prepare the Technical Report in accordance with NI 43-101 - *Standards of Disclosure for Mineral Projects ("NI 43-101")*, and to prepare the independent JORC Code technical report in accordance with the Joint Ore Reserves Committee Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves 2012 Edition ("JORC Code"). The 43-101 Technical Report, entitled "Technical Report and Mineral Resource Estimate for the Chvaletice Manganese Project, Chvaletice, Czech Republic", with an effective date of December 8, 2018, was filed on SEDAR on January 28, 2019, and the JORC Code Technical Report, entitled "Public Report and Mineral Resource Estimate for the Chvaletice Manganese Project, Chvaletice, Czech Republic", with an effective date of December 8, 2018, was lodged on the ASX announcement platform on February 6, 2019, (together, the "Mineral Resource Estimate").

In mid-2019, the Company appointed Tetra Tech as the owner's engineering representative for the feasibility study, responsible for overseeing the consultants and service providers in connection with the feasibility study, and for the preparation of the NI 43-101/JORC Code feasibility study report for the Chvaletice Manganese Project. The 43-101 technical report, entitled "Technical Report and Feasibility Study for the Chvaletice Manganese Project, Chvaletice, Czech Republic", with an effective date of July 27, 2022, was filed on SEDAR on September 9, 2022, and the JORC Code technical report, entitled "Public Report and Feasibility Study for the Chvaletice Manganese Project, Chvaletice, Czech Republic", with an effective date of July 27, 2022, was lodged on the ASX announcement platform on September 14, 2022. These reports were prepared by Mr. James Barr, P. Geo, Senior Geologist, Mr. Jianhui (John) Huang, Ph.D., P. Eng., Senior Metallurgical Engineer, Mr. Hassan Ghaffari, P. Eng., M.A.Sc., Senior Process Engineer, Mr. Chris Johns, P. Eng., Senior Geotechnical Engineer, and Mrs. Maureen Marks, P. Eng., Senior Mining Engineer.

No additional drilling or data collection pertaining to the technical disclosure of mineral inventory has been undertaken since the completion of the Mineral Resource Estimate, and the effective date for the Mineral Resource Estimate is revised to July 1, 2022. The Project's combined Measured and Indicated Mineral Resources amount to 26,960,000 tonnes, grading 7.33% total manganese as detailed below.

Chvaletice Mineral Resource Statement (effective July 1, 2022)

Historic Tailings Cell	In-situ Dry Bulk Density (t/m ³)	Volume (x1,000 m ³)	Tonnage (kt)	Grade Mn (% total Mn)
Cell #1				
Measured	1.52	6,577	10,029	7.95
Indicated	1.47	160	236	8.35
Cell #2				
Measured	1.53	7,990	12,201	6.79
Indicated	1.55	123	189	7.22
Cell #3				
Measured	1.45	2,942	4,265	7.35
Indicated	1.45	27	39	7.90
Total Measured	1.51	17,509	26,496	7.32
Total Indicated	1.50	309	464	7.85
Combined Measured + Indicated	1.51	17,818	26,960	7.33

Notes:

1. Estimated in accordance with the Canadian Institution of Mining ("CIM") Definition Standards on Mineral Resources and Mineral Reserves adopted by CIM Council, as amended, which are materially identical to JORC Code.
2. The Chvaletice Mineral Resource has a reasonable prospect for eventual economic extraction. Mineral Resources do not have demonstrated economic viability.
3. Indicated Resources have lower confidence than Measured Resources.
4. A break-even grade of 2.18% tMn has been estimated for the Chvaletice deposit based on preliminary pre-concentration operating costs of US\$6.47/t feed, leaching and refining operating cost estimates of US\$188/t feed, total recovery to HPEMM and HPMSM of approximately 60.5% and 58.9%, respectively, and product prices of US\$9.60 kg/t for HPEMM and US\$3.72 kg/t for HPMSM (GPM Group Report, June 2022). The actual commodity price for these products may vary.
5. A cut-off grade has not been applied to the block model. The estimated break-even cut-off grade falls below the grade of most of the blocks (excluding 5,000 tonnes which have grades less than 2.18% total Mn). It is assumed that material segregation will not be possible during extraction due to inherent difficulty of grade control and selective mining for this deposit type.
6. Grade capping has not been applied.
7. Numbers may not add exactly due to rounding.

RESERVE ESTIMATE

Mineral Reserves for the Chvaletice Manganese Project are based on the Measured and Indicated Resource and adhere to the guidelines set by the Canadian Institute of Mining ("CIM"), NI 43-101 and the CIM Best Practices which are materially identical to the JORC Code. Material economic modifying factors were applied to each block in the block model including mined grade, contained metal, recovery rates for HPEMM and HPMSM, mining operating cost, processing cost, (including EMM to MSM conversion cost), residue placement cost, general and administrative costs, site service costs, water treatment, shipping cost, product insurance, and royalties. The Chvaletice Manganese Project's combined Proven and Probable Mineral Reserve amount to 26,644,000 tonnes, grading at 7.41% total manganese as detailed below.

Chvaletice Mineral Reserve Statement (effective July 14, 2022)

Historic Tailings Cell	In-situ Dry Bulk Density (t/m ³)	Volume (x1,000 m ³)	Tonnage (kt)	Grade Mn (% total Mn)
Cell #1				
Proven	1.51	6,651	10,132	7.83
Probable	1.52	141	208	8.24
Cell #2				
Proven	1.53	7,929	12,106	6.91
Probable	1.54	119	183	7.35
Cell #3				
Proven	1.46	2,744	3,979	7.49
Probable	1.46	25	36	7.98
Total Proven	1.50	17,325	26,217	7.35
Total Probable	1.51	284	427	7.84
Combined Proven + Probable	1.51	17,609	26,644	7.41

Notes:

1. Estimated in accordance with the CIM Definition Standards on Mineral Resources and Mineral Reserves adopted by CIM Council, as amended, which are materially identical to the JORC Code.
2. The Mineral Resource is inclusive of the Mineral Reserves.
3. Probable Reserves have lower confidence than Proven Reserves. Inferred Resources have not been included in the Reserves.
4. A break-even grade of 2.18% total Mn has been estimated for the Chvaletice deposit based on preliminary pre-concentration operating costs of \$6.47/t feed, leaching and refining operating cost estimates of \$188/t feed, total recovery to HPEMM and HPMSM of approximately 60.5% and 58.9% respectively and product prices of US\$9.60 kg/t for HPEMM and US\$3.72 kg/t for HPMSM (CPM Group Report, June 2022). The actual commodity price for these products may vary.
5. Grade capping has not been applied.
6. Numbers may not add exactly due to rounding.
7. Minimal dilution and losses of <1% are expected to occur at the interface between the lower bounds of the tailings cells and original ground as the surface is uneven.

Governance Arrangements and Internal Controls: The Company has ensured that the mineral resources quoted are subject to good governance arrangements and internal controls. The mineral resources and reserves reported have been based on information compiled by Mr. James Barr, P. Geo, Senior Geologist, Mrs. Maureen Marks, P.Eng., and Mr. Jianhui (John) Huang, Ph.D., P. Eng., Senior Metallurgical Engineer, all with, or formerly with, Tetra Tech. Messrs. Barr and Huang, and Mrs. Marks are consultants to the Company and have sufficient experience in the field of activity being reported to qualify as Competent Persons as defined in the 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resource and Ore Reserves, and both are Qualified Persons under National Instrument 43-101 – ‘Standards of Disclosure for Mineral Projects’. The consultants have also undertaken reviews of the quality and suitability of the underlying information used to generate the resource estimation. In addition, technical information concerning the Chvaletice Manganese Project is reviewed by Ms. Andrea Zaradic, P. Eng., the Company’s Vice President Operations, and a Qualified Person under NI 43-101. Ms. Zaradic is not independent within the meaning of NI 43-101.

Competent Persons and Qualifying Person Statements

The information in this annual report that relates to Mineral Resources and Mineral Reserves in relation to the Chvaletice Manganese Project is based on information compiled by Messrs. Barr and Huang, and Mrs. Marks, of Tetra Tech, all of whom are members of the Engineers and Geoscientists of British Columbia. Messrs. Barr and Huang, and Mrs. Marks, are consultants to the Company and have sufficient experience in the style of mineralisation and to the activity undertaken to qualify as Competent Persons as defined in the 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resource and Ore Reserves and are Qualified Persons under National Instrument 43-101 – ‘Standards of Disclosure for Mineral Projects’. Messrs. Barr and Huang, and Mrs. Marks consent to the inclusion in the annual report of the matters based on this information in the form and context in which it appears.

The technical reports and competent persons reports relating to Mineral Resources and Mineral Reserves are available to view on the Company's website at www.mn25.com and the ASX Market Announcement Platform, respectively. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and that all material assumptions in the market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Persons' and Qualifying Persons' findings are presented have not been materially modified from the original market announcements.

For personal use only

OTHER ASX ANNUAL REPORT INFORMATION

The following information is provided pursuant to ASX Listing Rule 4.10, of Chapter 4 – Periodic Disclosure, and is complete unless the specific requirement is not applicable to Euro Manganese Inc. or unless the Company has received a waiver with respect to such requirement:

Corporate Governance Statement

The Company's Corporate Governance Statement is provided on the Company's website at <https://www.mn25.ca/corporate-governance-statement>

Names of Substantial Shareholders

There are no substantial holders of the Company as of 30 November 2022.

Number of Holders of Each Class of Securities⁽¹⁾

The Company's authorized share capital consists of an unlimited number of Shares without par value. As of 30 November 2022, 401,115,551 Shares (including CDIs) were issued and outstanding and held by 6,814 shareholders, one of which (CDS & Co.) held 132,488,702 Shares on behalf of 31 nominee and depository entities. As of 15 December 2022, following the exercise of 991,666 stock options, the number of Shares issued and outstanding was 402,107,217 and there were 34,320,998 Shares issuable on the exercise of incentive stock options held by thirty-five option holders, and 8,500,000 Shares issuable on the exercise of common share purchase warrants held by one warrant holder.

Voting Rights

All of the Shares (including CDIs) rank equally as to voting rights, participation in a distribution of the assets of the Company on a liquidation, dissolution or winding-up of the Company and entitlement to any dividends declared by the Company. The holders of the Shares are entitled to receive notice of, and to attend and vote at, all meetings of shareholders, with each Share carrying the right to one vote. In the event of the liquidation, dissolution or winding-up of the Company, or any other distribution of the assets of the Company among its shareholders for the purpose of winding-up its affairs, the holders of the Shares will be entitled to receive, on a pro rata basis, all of the assets remaining after the payment by the Company of all of its liabilities. The holders of Shares are entitled to receive dividends as and when declared by the Board in respect of the Shares on a pro rata basis. The Shares do not carry any pre-emptive, subscription, redemption or conversion rights.

Distribution of Holders⁽¹⁾

As of 30 November 2022, the distribution of shareholders was as follows:

Size of holding	Number of holders	Percentage
1 – 1,000	868	12.74%
1,000 – 5,000	2,892	42.44%
5,001 – 10,000	1,205	17.68%
10,001 – 100,000	1,651	24.23%
100,001 and over	198	2.91%
Total	6,814	100.00%

Holders with Less than a Marketable Parcel of the Company's Main Class of Securities⁽¹⁾

As of 30 November 2022, there were approximately 1,400 holders of the Company's Shares/CDIs with less than a Marketable Parcel, based on the closing price of the CDIs on the ASX as of that date of A\$0.335.

Name of Corporate Secretary

Mr. Fausto Taddei is Vice President Corporate Development and Corporate Secretary.

Address and Telephone Number of the Company's Registered Office in Australia and its Principal Administrative Office

The Company has no registered or administrative offices in Australia. The Company's registered and principal administrative offices are located at:

Registered Office:

Suite 1700 - 666 Burrard Street, Vancouver, British
Columbia
V6C 2X8 Canada

Canada:

#709 - 700 West Pender Street,
Vancouver, British Columbia,
V6C 1G8 Canada
Tel: + 1 604 681 1010

Address and Telephone Number of Each Office at which a Register of Securities is Kept

The Register of securities is kept at the following offices

Australia:

Computershare Investor Services Pty Limited
Level 4, 60 Carrington Street
Sydney NSW 2000, Australia
Toll Free 1300 855 080
Toll +61 (03) 9415 4000

Canada:

Computershare Investor Services Inc.
510 Burrard Street, 3rd Floor
Vancouver, British Columbia V6C 3B9
Canada
Tel: + 1 604 661 9400

A list of Other Stock Exchanges on which any of the Company's Securities are Quoted

The Company's Common Shares are quoted on the TSX Venture Exchange ("TSXV") under the symbol "EMN" and on the OTCQX Best Market ("OTCQX") under the symbol "EUMNF."

Number and Class of Restricted Securities

As of 30 November 2022, there are no restricted securities.

Particulars of Unquoted Equity Securities

Unquoted equity securities include options and warrants to purchase shares.

The Board has adopted a stock option plan (the "Stock Option Plan") whereby the maximum number of Shares that may be reserved for issuance under outstanding stock options is 10% of the Company's issued and outstanding Shares on a non-diluted basis, as constituted on the date of any grant of options under the Stock Option Plan. The purpose of the Stock Option Plan is to allow the Company to grant options to directors, officers, employees and consultants, as additional compensation and as an opportunity to participate in the success of the Company. The granting of such options is intended to align the interests of such persons with that of the Company's shareholders.

Particulars of Unquoted Equity Securities (continued)

As of 30 November 2022, there were 35,312,664 Shares issuable on the exercise of incentive stock options held by thirty-five option holders, having the following exercise prices and expiry dates:

Number of Options	Exercise Prices (CAD\$)	Expiry Date
1,350,000 ⁽¹⁾	\$0.08	16 May 2026
1,025,000 ⁽¹⁾	\$0.10	06 April 2027
2,300,000 ⁽¹⁾	\$0.11	22 September 2027
475,000	\$0.11	14 December 2027
2,375,000 ⁽¹⁾	\$0.20	21 February 2028
500,000	\$0.20	20 March 2028
1,000,000	\$0.25	15 August 2028
2,041,665 ⁽¹⁾	\$0.28	14 February 2029
150,000	\$0.25	14 May 2029
150,000	\$0.25	12 August 2029
166,666	\$0.25	06 April 2030
3,762,667	\$0.11	11 September 2030
500,000	\$0.125	22 September 2030
2,250,000	\$0.61	30 March 2031
500,000	\$0.59	22 June 2031
16,116,666	\$0.58	20 December 2031
500,000	\$0.4775	25 April 2032
150,000	\$0.4775	16 August 2032

(1) On 12 December 2022, Options expiring on the following dates were exercised by two former employees: 200,000 options expiring 16 May 2026; 125,000 options expiring 06 April 2027; 250,000 options expiring 22 September 2027; 250,000 options expiring 21 February 2028; and 166,666 options expiring 14 February 2029.

As of 30 November 2022, the Company has outstanding the following broker warrants entitling the holder to purchase Shares on the exercise of warrants having the following exercise prices and expiry dates:

Number of Warrants	Exercise Prices (CAD\$)	Expiry Date
2,500,000	\$0.58	10 May 2023
3,000,000	\$0.30	16 December 2023
3,000,000	\$0.35	16 December 2023

Review of Operations and Activities for the Reporting Period

A review of operations of the consolidated entity for the reporting period ended 30 September 2022 is provided in Management's Discussion and Analysis included in this Annual Report immediately following the consolidated financial statements for the same period.

Additional information on the Company, its directors and executive management, and risk factors faced by the Company can be found in the Company's Annual Information Form for the year ended 30 September 2022, dated 15 December 2022, a copy of which is lodged with ASX (www.asx.com.au) and on SEDAR (at www.sedar.com), both under the Company's profile.

Details of director and executive compensation will be included in the Management's Information Circular for the Annual General Meeting of shareholders.

Details of a Current On-market Buy-back

None.

Shares and Options Issued under the Stock Option Plan

The following table represents the number of Shares exercised and the number of Options expired, forfeited and granted under the Company's Stock Option Plan for the reporting period ended 30 September 2022:

Date of Issue	Number of Securities	Issue Price (CAD\$)	Description
20 December 2021	16,150,000 Options	\$0.58	Option Grant
25 April 2022	500,000 Options	\$0.4775	Option Grant
18 May 2022	75,000 Options	\$0.08	Expiry of Options
18 May 2022	50,000 Options	\$0.10	Expiry of Options
18 May 2022	150,000 Options	\$0.11	Expiry of Options
18 May 2022	50,000 Options	\$0.20	Expiry of Options
18 May 2022	100,000 Options	\$0.61	Forfeiture of Options
18 May 2022	33,334 Options	\$0.58	Forfeiture of Options
16 August 2022	150,000 Options	\$0.4775	Option Grant

Summary of Securities Approved for the purposes of Item 7 of section 611 of the Corporations Act which have not yet been completed

None.

Details of Securities Purchased On-market during the Reporting Period

None.

Names of any Person having a Beneficial Ownership of more than 10% of any Class of Securities of Voting or Equity Securities and the Number of Securities in which each Substantial Holder has an interest:

To the best of the Company's knowledge, there are no persons having beneficial ownership of more than 10% of any class of any securities of the Company.

Other Information:

The Company was incorporated under the *Business Corporations Act* (British Columbia) on 24 November 2014.

The Company is not subject to chapters 6, 6A, 6B and 6C of the *Corporations Act* (Australia) dealing with the acquisition of its shares (including substantial holdings and takeovers).

There are no limitations on the acquisition of securities imposed by the jurisdiction in which the Company is incorporated and registered, and there are no limitations on the acquisition of securities imposed under the Company's articles of incorporation.

Note 1: In Canada, in order for shares to settle and trade on the TSXV, shares must be held through a nominee or depository that is a participant in the Canadian Depository for Securities ("CDS"). Participants in CDS include brokers in Canada and other registered entities. Through participant accounts in CDS, the ultimate shareholder is able to make and settle trades on TSXV. As of 30 November 2022, 132,488,702 shares were held through CDS in 31 participant accounts. The Company is not readily able to determine the range of distribution for these 132,488,702 shares held in CDS and how many shareholders, if any, hold less than a marketable parcel of the Company's shares. Accordingly, the distribution of shareholders and the number of shareholders with less than a marketable parcel of the Company's shares/CDIs may not be accurate.