

May 14, 2021

**HALF-YEAR RESULTS FOR ANNOUNCEMENT TO THE MARKET**

**To: The Australian Securities Exchange (“ASX”)**

Please be advised that, as of today’s date, Euro Manganese Inc. (the “**Company**”) lodged the following documents with the Canadian securities regulatory authorities in accordance with its obligations under the relevant Canadian reporting requirements:

- a) condensed consolidated interim financial statements for the three and six months ended March 31, 2021 and 2020 (attached as **Appendix 1** to this cover letter); and
- b) the interim Management’s Discussion and Analysis (“MD&A”) for the three and six months ended March 31, 2021 (attached as **Appendix 2** to this cover letter).

Additionally, as requested by ASX, the Company is providing the following information required by paragraph 2 of Appendix 4D:

Paragraph Section of Appendix 4D		Result for Half-Year Ended March 31, 2021 (Canadian dollars, Unaudited)	Result for Half-Year Ended March 31, 2020 (Canadian dollars, Unaudited)	Increase (Decrease) (Canadian dollars, Unaudited)	Percentage Change Increase (Decrease)
2.1	The amount and percentage change up or down from the previous corresponding period of revenue from ordinary activities	Nil	Nil	N/A	N/A
2.2	The amount and percentage change up or down from the previous corresponding period of profit (loss) from ordinary activities after tax attributable to members.	(3,779,654)	(4,029,748)	250,094	(6)%
2.3	The amount and percentage change up or down from the previous corresponding period of net profit (loss) for the period attributable to members	(3,779,654)	(4,029,748)	250,094	(6)%
2.4	The amount per security and franked amount per security of final and interim dividends or a statement that it is not proposed to pay dividends	The Company is not proposing to pay dividends.			
2.5	The record date for determining entitlements to the dividends (if any)	N/A	N/A	N/A	N/A

A brief explanation of the amount and percentage change from the previous corresponding period of profit (loss) from ordinary activities after tax attributable to members is included on pages 16 and 17 of the MD&A attached as Appendix 2 of this letter. Similarly, a brief explanation of the amount and percentage change from the previous corresponding period of profit (loss) for the period is included on pages 16 and 17 of the MD&A.



Sincerely,

*"Marco Romero"*

Marco A. Romero,  
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APPENDIX 1



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

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## Condensed Consolidated Interim Statements of Financial Position

Euro Manganese Inc.

(expressed in Canadian dollars - unaudited)

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

Events after the Reporting Period (Note 7, 13)

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

"Marco Romero"

Marco Romero, Director

"John Webster"

John Webster, Director

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

## Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

Euro Manganese Inc.

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

	Three Months Ended March 31,		Six Months Ended March 31,	
	2021	2020	2021	2020
	\$	\$	\$	\$
<b>Project evaluation expenses</b>				
Engineering	842,756	642,482	1,147,126	1,384,107
Remuneration	200,006	252,339	334,446	515,334
Share-based compensation	188,466	29,557	211,696	68,862
Drilling, sampling and surveys	—	533	—	3,690
Metallurgical	—	—	—	41,408
Travel	—	9,084	—	63,782
Legal and professional fees	42,696	24,498	47,413	136,240
Geological	(6,174)	61,270	—	77,766
Market studies	32,531	38,882	32,531	73,410
Supplies and rentals	4,689	3,595	15,144	16,605
	<b>1,304,970</b>	<b>1,062,240</b>	<b>1,788,356</b>	<b>2,381,204</b>
<b>Other expenses</b>				
Remuneration	377,460	255,213	666,570	576,163
Share-based compensation	122,937	49,961	173,296	125,943
Total remuneration	500,397	305,174	839,866	702,106
Legal and professional fees	133,390	161,730	280,838	243,007
Investor relations	227,795	89,891	358,321	117,381
Product sales and marketing	24,712	70,548	74,892	132,950
Travel	504	48,064	1,290	84,890
Filing and compliance fees	162,944	56,997	237,816	108,802
Office, general and administrative	62,983	36,756	98,220	84,550
Accretion expense	3,712	32,622	9,698	66,044
Insurance	29,187	26,707	56,992	48,039
Conferences	4,655	20,753	4,655	23,138
Depreciation	14,407	18,720	28,710	37,637
	<b>1,164,686</b>	<b>867,962</b>	<b>1,991,298</b>	<b>1,648,544</b>
<b>Loss and comprehensive loss for the period</b>	<b>2,469,656</b>	<b>1,930,202</b>	<b>3,779,654</b>	<b>4,029,748</b>
<b>Weighted average number of common shares outstanding - basic and diluted</b>	<b>321,703,482</b>	<b>176,265,435</b>	<b>303,221,725</b>	<b>175,734,287</b>
<b>Basic and diluted loss per common share</b>	<b>\$0.01</b>	<b>\$0.01</b>	<b>\$0.01</b>	<b>\$0.02</b>

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

## Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

Euro Manganese Inc.

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

	Attributable to equity shareholders of the Company					
	Note	Share Capital	Share Capital	Equity Reserves	Deficit	Shareholders' Equity (Deficit)
		#	\$	\$	\$	\$
Balance at October 1, 2019		175,065,435	22,973,236	2,182,856	(19,275,732)	5,880,360
Shares issued in private placement		1,200,000	300,000	—	—	300,000
Share-based compensation		—	—	194,805	—	194,805
Loss and comprehensive loss for the period		—	—	—	(4,029,748)	(4,029,748)
Balance at March 31, 2020		176,265,435	23,273,236	2,377,661	(23,305,480)	2,345,417
<b>Balance at October 1, 2020</b>		<b>258,162,887</b>	<b>28,608,578</b>	<b>2,592,667</b>	<b>(25,651,225)</b>	<b>5,550,020</b>
Shares issued in private placement, net of expenses		102,111,111	31,688,825	1,666,414	—	33,355,239
Options exercised		492,333	119,371	(48,298)	—	71,073
Warrants exercised for cash		2,856,750	1,025,793	(168,768)	—	857,025
Deferred share consideration	8 d)	—	—	92,850	—	92,850
Share-based compensation		—	—	384,992	—	384,992
Loss and comprehensive loss for the period		—	—	—	(3,779,654)	(3,779,654)
<b>Balance at March 31, 2021</b>		<b>363,623,081</b>	<b>61,442,567</b>	<b>4,519,857</b>	<b>(29,430,879)</b>	<b>36,531,545</b>

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

## Condensed Consolidated Interim Statements of Cash Flows

Euro Manganese Inc.

(expressed in Canadian dollars - unaudited)

		Six Months Ended March 31,	
	Note	2021	2020
		\$	\$
<b>Operating activities</b>			
Net loss for the period		(3,779,654)	(4,029,748)
Less non-cash transactions:			
Share-based compensation		384,992	194,805
Depreciation		28,710	37,637
Loss on disposal of fixed assets		1,176	—
Lease liability accretion		9,698	46,478
Accretion expense	4	—	19,566
		<b>(3,355,078)</b>	<b>(3,731,262)</b>
Changes in non-cash working capital items:			
Accounts payable		286,802	154,875
Share subscription liability		—	203,505
Accounts receivable		(9,366)	(56,253)
Prepaid expenses		34,576	(8,288)
Due to related parties		19,536	150,774
		<b>331,548</b>	<b>444,613</b>
<b>Cash used in operating activities</b>		<b>(3,023,530)</b>	<b>(3,286,649)</b>
<b>Financing activities</b>			
Common shares issued for cash	8	35,394,829	—
Share issue costs paid	8	(1,997,636)	—
Share subscriptions received	8	92,850	536,423
Exercise of warrants	8	857,025	—
Exercise of stock options	8	71,073	—
Lease principal payments		(31,497)	(57,036)
<b>Cash generated from financing activities</b>		<b>34,386,644</b>	<b>479,387</b>
<b>Investing activities</b>			
Option and deposit for land		(107,206)	(6,740)
Property and equipment acquisition	5	(868,599)	(4,317)
<b>Cash used in investing activities</b>		<b>(975,805)</b>	<b>(11,057)</b>
<b>Increase (decrease) in Cash</b>		<b>30,387,309</b>	<b>(2,818,319)</b>
Cash - beginning of period		2,730,739	4,084,694
<b>Cash - end of period</b>		<b>33,118,048</b>	<b>1,266,375</b>
<b>Non-cash transactions excluded from above:</b>			
Shares issued in private placement as settlement of payable		—	300,000
Transfer of reserves on exercise of share options		48,298	—
Fair value of broker warrants issued from private placement		1,666,414	—
Transfer of reserves on exercise of broker warrants		168,768	—
Recognition of liability for land deposits		160,858	—

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

# Notes to the Condensed Consolidated Interim Financial Statements

Euro Manganese Inc.

(expressed in Canadian dollars - unaudited)

## 1. Nature of Operations

Euro Manganese Inc. (the "Company") was incorporated under the British Columbia Business Corporations Act on November 24, 2014. The Company completed an initial public offering ("IPO") of its shares on the Australia Securities Exchange ("ASX") on September 28, 2018, and completed an IPO on the TSX Venture Exchange ("TSX-V") on October 2, 2018. The Company's common shares commenced trading on the TSX-V and CHES Depository Interests ("CDIs", with each CDI representing one common share) started trading on the ASX on October 2, 2018, under the symbols "EMN.V" and "EMN.AX", respectively. The Company is focused on the proposed development of the Chvaletice deposit, which involves the re-processing of a readily leachable manganese deposit hosted in the tailings of a decommissioned mine in the Czech Republic (the "Chvaletice Manganese Project"), for the production of high-purity electrolytic manganese metal ("HPEMM") and high-purity manganese sulphate monohydrate ("HPMSM") and other high-purity manganese products, principally for use in lithium-ion batteries.

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

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

The Company is an early stage resource development company that does not own any properties with established reserves and has no operating revenues. Further, there is no assurance that the evaluation and acquisition activities executed or planned by the Company for the Chvaletice Manganese Project will result in the development of a profitable commercial operation. The Company will most likely continue to operate at a loss while the Company is evaluating the Chvaletice Manganese Project and planning its potential development.

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

## 2. Basis of Preparation

### 2.1 Statement of compliance

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

These condensed consolidated interim financial statements do not include all the information required for full annual financial statements and therefore should be read in conjunction with our audited consolidated financial statements for the year ended September 30, 2020.

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

### 2.2 Basis of measurement

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

## Notes to the Condensed Consolidated Interim Financial Statements

Euro Manganese Inc.

(expressed in Canadian dollars - unaudited)

### 2. Basis of Preparation (continued)

#### **2.3 Basis of consolidation**

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

### 3. Significant Accounting Policies, Estimates and Judgments

#### **3.1 Change in accounting policies**

The accounting policies applied in the preparation of these condensed interim consolidated financial statements are consistent with those applied and disclosed in the Company's audited consolidated financial statements for the year ended September 30, 2020.

#### **3.2 Significant estimates and judgments**

The preparation of financial statements requires the use of estimates and judgments that affect the amounts reported and disclosed in the consolidated financial statements and related notes. These estimates and judgments are based on management's best knowledge of the relevant facts and circumstances, taking into consideration previous experience, but actual results may differ materially from the amounts included in the financial statements. The significant estimates and judgments applied in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those applied and disclosed in Note 3.14 to the Company's audited consolidated financial statements for the year ended September 30, 2020.

#### **3.3 New standards and pronouncements not yet adopted**

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

### 4. Exploration and Evaluation Assets

The Company holds two exploration licenses for the Chvaletice Manganese Project (the "Licenses"), both expiring May 31, 2023. The Company was also issued a Preliminary Mining Permit by the Czech Ministry of Environment, referred to by the Ministry as the prior consent of the establishment of the Mining Lease District (the "Preliminary Mining Permit"). The Preliminary Mining Permit, valid until April 30, 2023, covers the areas included in Licenses and secures the Company's rights for the entire deposit. The Preliminary Mining Permit forms one of the prerequisites for the application for the establishment of the Mining Lease District and represents one of the key steps towards final permitting for the project. The establishment of the Mining Lease District, the application for the final Mining Permit, and applications for permits relating to the construction of infrastructure required for the project, are required prior to operation at the Chvaletice Manganese Project.

## Notes to the Condensed Consolidated Interim Financial Statements

Euro Manganese Inc.

(expressed in Canadian dollars - unaudited)

### 4. Exploration and Evaluation Assets (continued)

The acquisition of Mangan included granting a 1.2% net smelter royalty interest and the issue, over a four-year period, of common shares of the Company in five equal tranches, each valued at \$300,000. The carrying value of the Company's exploration and evaluation assets of \$1,249,086 represents the fair value of the initial share consideration following the acquisition date of Mangan on May 13, 2016, as well as the discounted value of the deferred share consideration, as determined by the Company on the acquisition date. The deferred consideration commitment was fully settled on May 13, 2020.

### 5. Property, Plant and Equipment

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

<sup>(a)</sup> Represents demonstration plant under construction.

## Notes to the Condensed Consolidated Interim Financial Statements

Euro Manganese Inc.

(expressed in Canadian dollars - unaudited)

### 5. Property, Plant and Equipment (continued)

September 30, 2020

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

### 6. EPCS Option and Other Assets

#### a) Option

On October 17, 2018, the Company, through its Czech subsidiary Mangan, made the first option payment of 14 million Czech Koruna (\$815,000) as stipulated in an option agreement for the purchase of a 100% interest in EP Chvaletice s.r.o. ("EPCS") dated on August 13, 2018 ("EPCS Option Agreement"). EPCS is a Czech operating company whose principal asset is a large parcel of industrial zoned land adjacent to the Chvaletice Manganese Project, where the Company proposes to develop its high-purity manganese processing facility.

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

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

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

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

## Notes to the Condensed Consolidated Interim Financial Statements

Euro Manganese Inc.

(expressed in Canadian dollars - unaudited)

### 6. EPCS Option and Other Assets (continued)

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

There was no change in the fair value of the option in the three and six months ended March 31, 2021 (three and six months ended March 31, 2020 - nil).

#### b) Other assets

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

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

- a) On February 7, 2019, the Company signed an amendment to the EPCS Option Agreement (the "Amendment"), funding, through EPCS, the purchase of several land parcels adjacent to the land owned by EPCS, and thus increasing the Option Agreement value by 3,500,000 Czech Koruna (\$203,220). Pursuant to the Amendment, in the event that EPCS is not ultimately acquired under the EPCS Option Agreement, the ownership of these land parcels will be transferred to Mangan at no additional cost. The Company also incurred transaction costs of \$24,447.
- b) On May 11, 2019, the Company signed a purchase contract with the Municipality of Trnavka for a 2.96-hectare parcel of land adjacent to the Chvaletice Manganese Project tailings, on which the Company plans to construct a visual and acoustic barrier between Trnavka and the Chvaletice Manganese Project tailings. The first payment, representing 10% of the total amount, 202,699 Czech Koruna (\$11,867) was paid on May 20, 2019. Subsequent payments are based on permitting milestones over the period to March 2029.
- c) On December 18, 2020, the Company paid the first installment of \$86,373 pursuant to the agreement with Sprava Nemovitosti Kirchdorfer CZ s.r.o. to acquire a 49,971 m<sup>2</sup> parcel of land, including a rail spur extension that provides additional room and flexibility for the Chvaletice commercial plant layout. The cost of the land is CZK 18,739,125 (approximately \$1.1 million) and is to be paid in five annual installments of approximately \$80,000, followed by the remaining balance of approximately \$700,000 in the final year. The first installment was refundable, subject to a positive environmental due diligence of the site, which was obtained in January 2021. Thereafter, the Company has the option to terminate the contract after the third installment. At March 31, 2021, the Company recognized a liability for the two payments due in October 2021 and 2022 in the total amount of \$160,857. The Company also incurred transaction costs of \$20,834.

### 7. Government Loan

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

## Notes to the Condensed Consolidated Interim Financial Statements

Euro Manganese Inc.

(expressed in Canadian dollars - unaudited)

### 8. Equity

#### a) Common shares

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

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

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

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

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

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

On February 22, 2021, the Company entered into an agreement with EIT InnoEnergy, a Knowledge and Innovation Community supported by the European Institute of Innovation and Technology, securing their support for the Chvaletice Manganese Project. In connection with their support, EIT InnoEnergy will invest €250,000 over three installments that will go towards ongoing work on a detailed feasibility study and demonstration plant. The first investment of €62,500 (\$92,850) was advanced on March 24, 2021. Accordingly, the Company will issue 147,380 common shares to EIT InnoEnergy at the price of \$0.63 per share in connection with the first installment, with such common shares expected to be issued in early January 2022, together with the common shares for the second and third installment of €125,000 and €62,500, respectively, which are expected to be received in the second half of calendar 2021.

## Notes to the Condensed Consolidated Interim Financial Statements

Euro Manganese Inc.

(expressed in Canadian dollars - unaudited)

### 8. Equity (continued)

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

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

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

#### b) Share options

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

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

	March 31, 2021		September 30, 2020	
	Number of share options	Weighted average exercise price (\$ per share)	Number of share options	Weighted average exercise price (\$ per share)
Balance, beginning of the period	19,725,000	0.16	15,500,000	0.17
Options granted	2,350,000	0.61	4,800,000	0.12
Options exercised	(492,333)	0.14	—	—
Options expired	—	—	(575,000)	0.10
Balance, end of the period	21,582,667	0.21	19,725,000	0.16

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

The average fair value of share options granted in the six months ended March 31, 2021, was estimated to be \$0.51 per share option. To determine the fair value of the share options granted to employees and non-employees on the grant date, the Company used the Black-Scholes option pricing model with the following weighted-average assumptions: risk free interest rate of 0.13%, expected life of 9 years, annualized volatility of 90%, dividend and forfeiture rates at nil%, option exercise price of \$0.61 per share option.

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

## Notes to the Condensed Consolidated Interim Financial Statements

Euro Manganese Inc.

(expressed in Canadian dollars - unaudited)

### 8. Equity (continued)

The balance of options outstanding and exercisable at March 31, 2021, is as follows:

Options outstanding & exercisable			Options exercisable		
Exercise price (\$ per share)	Number of share options	Weighted average remaining contractual life (years)	Number of share options	Weighted average remaining contractual life (years)	
0.08	1,625,000	5.1	1,625,000	5.1	
0.10	1,450,000	6.0	1,450,000	6.0	
0.11	7,466,000	8.1	4,832,670	7.3	
0.13	500,000	9.5	166,667	9.5	
0.20	3,600,000	6.9	3,600,000	6.9	
0.25	1,900,000	7.9	1,483,333	7.7	
0.28	2,691,667	7.9	2,691,667	7.9	
0.61	2,350,000	10.0	483,336	10.0	
0.21	21,582,667	7.7	16,332,673	7.1	

#### c) Warrants

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

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

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

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

## Notes to the Condensed Consolidated Interim Financial Statements

Euro Manganese Inc.

(expressed in Canadian dollars - unaudited)

### 8. Equity (continued)

#### d) Deferred share consideration

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

### 9. Related Party Transactions

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

#### a) Key management compensation

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

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

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

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

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

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

These transactions were incurred in the normal course of operations.

## Notes to the Condensed Consolidated Interim Financial Statements

Euro Manganese Inc.

(expressed in Canadian dollars - unaudited)

### 10. Fair Value Measurement of Financial Instruments

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

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

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

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

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

The first option payment pursuant to the EPCS Option Agreement (Note 6) is a derivative. It is a financial instrument measured at fair value through profit and loss using Level 3 inputs as there is no observable market data available. The option was initially recognized at fair value which equaled the initial cash payment of \$815,000 as stipulated in the EPCS Option Agreement. There was no change in the fair value of the EPCS Option in the time from the initial recognition to the period end.

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

### 11. Segmented Information

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

### 12. Commitments

As at March 31, 2021, the Company was committed to make the minimum annual cash payments, as follows:

	Payments due by period		
	Total	Less than one year	1 - 2 years
	\$	\$	\$
Minimum office lease payments <sup>(1)</sup>	9,612	6,456	2,525
Operating expenditure commitments <sup>(2)</sup>	141,149	141,149	—
<b>Total contractual obligations</b>	<b>150,761</b>	<b>147,605</b>	<b>2,525</b>

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

<sup>(2)</sup> Operating expenditure commitments relate to the evaluation work on the Chvaletice Manganese Project.

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

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

## Notes to the Condensed Consolidated Interim Financial Statements

Euro Manganese Inc.

(expressed in Canadian dollars - unaudited)

### 13. Events after the Reporting Period

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

APPENDIX 2



**Euro  
Manganese  
Inc.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE THREE AND SIX MONTHS ENDED MARCH 31, 2021**

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## 1. Introduction

The principal business and current focus of Euro Manganese Inc. (the "Company" or "EMN") is the proposed development of the Chvaletice Manganese Project (the "Project"), which involves the re-processing of a readily leachable manganese deposit, in which the Company has a 100% ownership interest, hosted in the tailings of a decommissioned mine in the Czech Republic. 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. Effective May 1, 2021, the Company's corporate offices were relocated to 700 West Pender Street, Suite 709, Vancouver, B.C., Canada. Its registered offices are located at Suite 1700, Park Place, 666 Burrard Street, Vancouver, B.C., Canada. The Company's common shares are traded on the TSX Venture Exchange ("TSX-V") and CHES Depository Interests ("CDIs", with each CDI representing one common share) are traded on the Australia Securities Exchange ("ASX") under the symbols "EMN.V" and "EMN.AX", respectively.

This management's discussion and analysis ("MD&A") of the financial condition and results of operations of Euro Manganese Inc., prepared as of May 13, 2021, supplements, but does not form part of the Company's unaudited condensed consolidated interim financial statements for the three and six months ended March 31, 2021, and the related notes thereto, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), applicable to the preparation of interim financial statements, including IAS 34 *Interim Financial Reporting*.

Additional information relating to the Company, including the Annual Information Form for the year ended September 30, 2020, is available on SEDAR at [www.sedar.com](http://www.sedar.com), and on the Company's website [www.mn25.ca](http://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 17. 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 west of the country's capital, Prague. The Project site is adjacent to established infrastructure, including an 820-megawatt coal-fired power station that supplies the Czech Republic's national grid, a major railway line, a highway and a natural gas line. The surrounding region is industrialized and skilled labour is expected to be available from local markets.

The Chvaletice Manganese 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 and mill. 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 meters in thickness, cover a cumulative surface area of approximately one square kilometre.

The Company has significantly advanced the Chvaletice Manganese Project since 2015 and believes that the Project's environmentally-friendly tailings reprocessing to produce ultra-high-purity manganese products will enable it to become Europe's only primary producer of such products, with a best-in-class environmental footprint. The Chvaletice Manganese 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.

## 2. Overview (continued)

The Chvaletice Manganese Project is targeting production of ultra-high-purity electrolytic manganese metal ("HPEMM") with specifications exceeding 99.9% Mn and ultra-high-purity manganese sulphate monohydrate ("HPMSM") with a minimum manganese content of 32.34%, 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 are suitable for the sustainable and economic 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 is in discussions on technical collaboration with several parties, including battery, chemical and automobile manufacturers, with the intent to enter into memorandums of understanding ("MOU") for the eventual offtake of high purity manganese products from the Project. 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 Chvaletice Manganese Project ("Licenses"), which are both valid until May 31, 2023. In 2018, Mangan was also issued the 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 valid until April 30, 2023. The Preliminary Mining Permit represents one of the key steps towards final permitting for the Chvaletice Manganese 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 Chvaletice Manganese Project, must be submitted and approved prior to any commercial extraction and processing activities at the Chvaletice Manganese Project.

The Company has experienced ongoing collaboration and support for the project at various levels of the Czech Government, who approved the Company's application for certain significant investment incentives in the form of investment tax credits on eligible project expenditures, and, in March 2020, issued a ruling under European Union's Natura 2000 which determined that the Chvaletice Manganese Project is not expected to adversely impact endangered and protected species habitat.

The area of interest for the Chvaletice Manganese Project overlies several privately-owned land parcels with surface rights. To date, Mangan has received the consent to conduct exploration activities and to access the site from the landowners whose surface properties underlie the tailings. At present, Mangan does not hold surface rights to the Chvaletice Manganese Project area, which includes those parcels of land underlying and immediately surrounding the three tailings deposits which comprise the Chvaletice Manganese Project.

The Company is currently negotiating the acquisition of the remaining surface rights, leases, rights of way, or other arrangements in additional areas where it intends to develop its operations, site facilities and infrastructure. There is no guarantee that areas needed for these activities and facilities will be secured. Mangan has, however, signed an option agreement giving it the right to acquire 100% of a company that owns a 19.94-hectare parcel of land intended to be the site of Mangan's ultra-high purity processing plant (section 6 of this MD&A). The Company also agreed to acquire rights to several additional strategic parcels of land, completing its land assembly for the proposed Chvaletice commercial plant.

The land for the proposed processing plant is already zoned for industrial use and the Company has initiated the rezoning process for tailings land. Both adjoining municipalities have voted unanimously to proceed with the required land-use plan change after an intensive community consultation, which has been ongoing for several years with overwhelmingly positive feedback and valuable local resident project planning and design input.

## **2. Overview (continued)**

On March 15, 2019, the Company filed a Technical Report having an effective date of January 29, 2019, prepared by Tetra Tech Canada Inc. ("Tetra Tech"), which reported an updated Mineral Resource estimate and the results of a Preliminary Economic Assessment ("PEA") for the Chvaletice Manganese Project (section 6 of this MD&A).

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

## **3. Financial and Project Highlights in the Three Months Ended March 31, 2021**

The following is a summary of the Company's highlights during the three months ended March 31, 2021, and to the date of this MD&A:

- On May 10, 2021, the Company completed the second tranche of a two-tranche brokered private placement of 50.0 million CDIs at a price of AUD0.60 for aggregate gross proceeds of AUD30.0 million (\$28.6 million) and net proceeds of AUD28.5 million (\$27.2 million). The first tranche, consisting of 41,666,666 CDIs for aggregate gross proceeds of AUD25.0 million (\$23.9 million), closed on March 30, 2021. The second tranche consisted of 8,333,334 CDIs for aggregate gross proceeds of AUD5.0 million (\$4.8 million).
- On February 22, 2021, announced an initial investment of €250,000 in the Project by EIT InnoEnergy, an EU-backed organization, and the assistance to the Company in terms of securing customer off-take agreements and access to Project financing. The first installment of the investment in the amount of €62,500 (\$92,850) was made on March 24, 2021.
- On January 14, 2021, the Company announced the conclusion of a six-month screening of the Project's preliminary Environmental Impact Assessment ("EIA") conducted by the Czech Ministry of Environment (the "Ministry"). Based on the official notification received from the Ministry, the Company can now proceed with the next stage of the environmental permitting process, which is the preparation of the Final EIA.
- On January 7, 2021, the Company completed a non-brokered private placement of 444,445 common shares at a price of CAD \$0.45 per Share, raising \$200,000 for general working capital purposes.

## **4. Outlook**

During the six months ended March 31, 2021, the Company secured what is expected to be sufficient funding to complete the evaluation and pre-development work on the Project, including the completion of its feasibility studies, 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, additional land acquisitions, as well as the potential future construction of infrastructure and facilities for the Chvaletice Manganese Project (section 8 of this MD&A).

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

- taking delivery of, permitting, installing, commissioning and initial year of operation of the demonstration plant to allow the Company to produce bulk, multi-tonne finished product samples for customers' supply chain qualification;

#### **4. Outlook (continued)**

- completion of the feasibility study which includes confirmatory test work and associated engineering activities;
- completion of the Project's environmental impact assessment process;
- continuing discussions and negotiations with potential customers, as well as strategic and financial partners and government agencies, including those related to funding the development of the Chvaletice Manganese Project;
- completion of certain land rights.

The completion of the Chvaletice demonstration plant and commissioning thereof, as well as the completion of the feasibility study and the Final EIA, is now expected in the first quarter of calendar 2022. This could enable the final environmental permitting for the Project in later 2022. However, further disruptions resulting from an extended duration of the COVID-19 pandemic may continue to affect the Company, its suppliers and service providers, and therefore, could result in additional delays in the Company's activities as described above.

As it moves through the feasibility stage and the project pre-development stage, the Company intends to evaluate potential value-enhancing opportunities for the Chvaletice Manganese Project, with the aim of reducing costs and technical risks. These may include optimizing building sizing and layout, equipment selection, solid-liquid separation methods, alternative magnesium removal methods, manganese sulphate crystallization technologies, as well as minimizing energy and water consumption. The Company is also evaluating the possibility of producing additional high-purity manganese products.

Once permitted and offtake agreements have been entered into with the Company's potential customers, along with the completion of a positive bankable feasibility study demonstrating both the economic and technical viability of the Project, the Company intends to secure project financing in order to commence construction of the full-scale commercial Chvaletice process plant and related infrastructure. The Company believes that the capacity for project financing is likely to compare advantageously to the majority of mining projects given its safe jurisdiction, quality of potential offtake agreements that are possible in this industry, environmental benefits, and strategic position within the European battery supply chain. 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 cost overrun protection provided by an Engineering Procurement Construction ("EPC") counterparty.

#### **5. Significant Transactions During the Six Months Ended March 31, 2021**

The Company did not complete any additional transactions in the three and six months ended March 31, 2021 other than those described in section 3 of this MD&A.

#### **6. Review of Operations - Chvaletice Manganese Project**

##### *Mineral Resource Estimate*

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

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

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

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

Note <sup>(1)</sup>: Numbers may not add exactly due to rounding.

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

### Option Agreement and Land Acquisitions

The Company, through its subsidiary, Mangan, has 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 high-purity manganese products processing plant. The land is zoned for industrial use and contains numerous buildings, including office, warehousing and other industrial structures, several of which are leased to short-term tenants. The land also contains two rail spurs and is served by gas, water and power.

The Company will have the right to acquire EPCS by making payments aggregating 140 million Czech Koruna payable in three cash instalments, the first of which was paid on October 17, 2018, in the amount of 14 million Czech Koruna (CAD\$815,000). The Company can complete the acquisition of EPCS by making two additional instalments aggregating 126 million Czech Koruna (approx. \$7.50 million) based on permitting milestones or contract anniversary. The next instalment of 42,000,000 Czech Koruna (approximately \$2.50 million at March 31, 2021) which is due within 60 days of final approval of the EIA for the Chvaletice Manganese Project, and no later than three years after signing the EPCS Option Agreement. The three-year term may be extended by up to one year for an additional payment of 2,100,000 Czech Koruna (approximately \$125,082).

A detailed description of the EPCS Agreement is disclosed in Note 6 to the unaudited condensed consolidated interim financial statements for the three and six months ended March 31, 2021.

During the six months ended March 31, 2021, the Company entered into the following agreements to acquire rights to three additional strategic parcels of land, competing 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 m<sup>2</sup> 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).
- ii. Purchase of a 49,971 m<sup>2</sup> 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 installments (approximately \$80,000), followed by the remaining balance of approximately \$700,000 in the final year. The first installment was refundable, subject to a positive environmental due diligence of the site, which was obtained in January 2021. Thereafter, the Company has the option to terminate the contract after the third installment. At March 31, 2021, the Company recognized a liability for the two payments due in October 2021 and 2022 in the total amount of \$160,857.
- iii. Lease of a 3,504 m<sup>2</sup> 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 during calendar 2021.

### *PEA Results*

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

- Recycling of a 27 million tonne Measured and Indicated tailings resource (98.3% Measured) with a combined grade averaging 7.33% Mn, without the requirement of any hard rock mining, crushing or milling;
- 25-year project operating life producing 1.19 million tonnes of HPEMM, with two-thirds expected to be converted into HPMSM with the flexibility to supply either product, to suit customer preference;
- Saleable product includes 404,100 tonnes of HPEMM and 2.35 million tonnes of HPMSM;
- After tax NPV of US\$593 million and pre-tax NPV of US\$782 million, using a 10% real discount rate, and based on average life-of-project HPEMM (containing 99.9% Mn) price of US\$4,617/tonne and an average HPMSM (containing 32.34% Mn) price of US\$2,666/tonne (prices based on a market study prepared for the Company by CPM Group LLC);
- US\$404 million in pre-production capital, US\$24.8 million in sustaining capital, and US\$31 million in working capital, with an ungeared, pre-tax 25.2% IRR with a 4.5-year payback, and a post-tax 22.6% IRR with a 4.9-year payback;
- 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;
- Opportunities exist to enhance returns through process optimization initiatives and various government investment incentives and financial support programs that may be available.

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

### *Feasibility Study and Environmental Impact Assessment*

In 2019, the Company appointed Tetra Tech Canada Inc. ("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 feasibility study report for the Chvaletice Manganese Project. The Company also appointed BGRIMM Technology Group as the lead process plant engineer, who are working closely with Tetra Tech and the Company's other consultants. Together, these firms are conducting the excavation design, process plant design, tailings/residue storage facility design, and other related studies for the project, Tetra Tech will compile the necessary feasibility study inputs.

Additionally, work commenced on the basic design for the rail siding system that will be required as part of the construction, commissioning and operations of the main commercial plant. The Company is also preparing a reagent supply chain strategy plan for the Project, along with an assessment of power supply options both within the Czech Republic and the surrounding EU countries with an emphasis on options to acquire long term zero-carbon and renewable energy. The COVID-19 pandemic caused certain delays in the work on the feasibility study, which fully resumed in November 2020. The Company is targeting completion of the feasibility study in the first quarter of calendar 2022.

The preparation of the Final EIA and related permit application is also underway. In January 2021, the Company received the comments from the Czech Ministry of Environment on the Preliminary EIA, which included the Project Description. The Project Description and Preliminary EIA, which were publicly available for comment to local communities, residents, organizations and regulators, included a description of: the manganese production process and resulting environmental footprint; results of baseline and other studies conducted to date; health, safety and environmental management plans; impact assessment, impact mitigation and avoidance plans and measures; socio-economic impacts on local communities; and reclamation plans and objectives.

The Project Description and the input and comments received, will form the basis for the last stage of the environmental permitting process, in the form of a Final EIA. Subject to the continued advancement of the feasibility study, the Company expects the timely completion of the Final EIA documentation to be submitted to the Czech Ministry of the Environment in the first quarter of calendar 2022 which could enable final environmental permitting for the Project later in 2022.

### *Commercial and Demonstration Plant Progress Update*

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

The Chvaletice demonstration plant, which is intended to replicate the entire process flowsheet proposed in the PEA and to produce the equivalent of 100kg per day of manganese sulphate monohydrate, will also enable process optimization and testing for final product development and serve as a testing and training facility for future operators.

The Company signed a fixed-price, turnkey contract for the supply and commissioning of a technology, equipment package for the demonstration plant, which includes performance guarantees, as well as commissioning services and an operator training program. The detailed design and equipment procurement of the demonstration plant is underway. The delivery of the demonstration plant is expected in the second half of calendar 2021, followed by commissioning in the first quarter of calendar 2022.

## 6. Review of Operations - Chvalětice 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 million (\$7.0 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.

To date, approximately 55% of the demonstration plant's planned first year production of these products has been allocated to several customers for testing and qualification. These parties and their markets include: a global leading participant in the lithium-ion battery supply chain, for use in NMC cathodes; a company focused on large scale lithium-ion battery manufacturing, for use in NMC cathodes; a global chemicals and specialty materials company, for use in metal hydride for hybrid automobile anodes; and JFE Corporation, a leading Japanese steel producer, for use in specialty steel applications.

Upon successful completion of testing and evaluation by these and other parties, and subject to a production decision being made based on the results of a feasibility study, the Company intends to work towards establishing long-term commercial offtake arrangements for the supply of its high purity manganese products. 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.

The Company continues to hold active discussions and negotiations with several consumers of high-purity manganese products, which include battery, chemical and automobile manufacturers, in Asia, Europe and North America, and expects to allocate the remainder of the demonstration plant's initial year of production in the near term. The Company is also considering extending the life of the demonstration plant to two or possibly three years.

### *High Purity Manganese Market Overview*

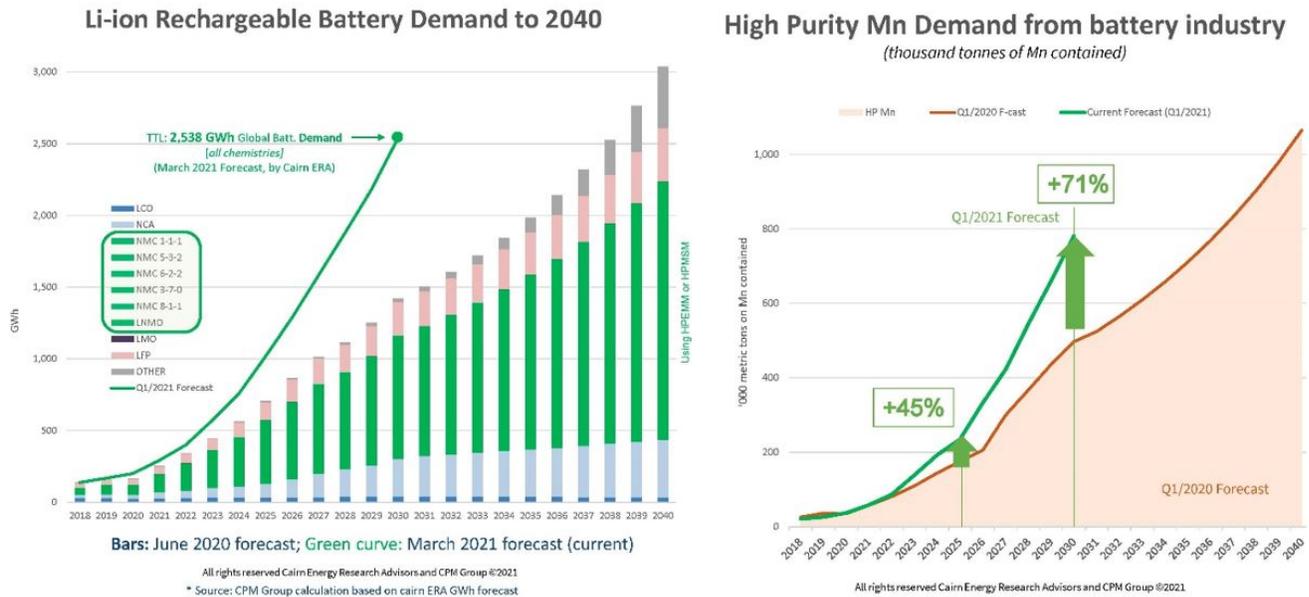
In connection with the preparation of the PEA, the Company commissioned the independent research and consultancy firm of CPM Group LLC ("CPM Group") to provide an HPEMM and HPMSM (collectively described as "High Purity Manganese" or "HPM") product market outlook study for the Chvalětice Manganese Project. Cairn Energy Research Advisors ("Cairn ERA") contributed technical and battery industry inputs to the CPM Group report. The extended executive summary of the CPM market outlook entitled "Market Outlook for High-Purity Electrolytic Manganese Metal and High-Purity Manganese Sulfate Monohydrate" is reproduced in section 19 of the Technical Report. HPM demand figures were updated upwards by Cairn ERA and CPM Group in January 2020 and March 2021.

High-performance NMC Li-ion batteries are being increasingly used in electric vehicles (EVs) and other energy storage applications. In 2020, this battery chemistry accounted for nearly half of all Li-ion batteries produced, if measured by MWh. 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 high-purity manganese materials for the precursor cathode materials of NMC batteries can be supplied in the form of HPEMM and HPMSM.

As a result, demand for high purity manganese is growing rapidly around the world, driven by the growth of the electric vehicle sales and Li-ion battery industry. In the second half of 2020 and the first quarter of calendar 2021, two major electric vehicles manufacturers, Tesla and Volkswagen, made public commitments to manganese-based batteries for their mass-market cars going forward, causing a major revision of the HPM demand projection forecasts, as illustrated on the graphs below. However, 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.

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

In first quarter of calendar 2021, Cairn ERA and CPM Group updated their forecasts of total rechargeable (or secondary) Li-ion battery demand (below, left), as well as HPM demand (below, right), which is now as expected to grow from 36,800 tonnes in 2020 to 780,000 tonnes in 2030.



According to International Manganese Institute, in 2020 China produced only 4.2% of the global output of manganese ore (down 33% from previous year), while retaining its dominant position as a supplier of high purity manganese products – more than 90% of the HPMSM suitable for the battery industry originated in China in 2020. China relies heavily on imported ore, mainly from South Africa, Australia, Gabon and Ghana. At present, only about 3% 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 23 battery cell gigafactories (>1GWh/annum of battery production) expected to be in operation by 2023, with more to come later. Local supply chains are being built in Europe and apart from the convenient logistics, companies located within the European single market benefit from frictionless trading and additional benefits (e.g. imported manganese sulphate monohydrate is currently subject to a 5% EU import tariff). According to announcements from the battery makers, by 2030 Europe should have 43 battery gigafactories, with more than 719 GWh of production capacity installed (24% of global capacity, second after China). The CPM Group believes that the entire planned output of the Chvaletice Manganese Project can be consumed by the growing lithium-battery sector in Europe.

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 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 5 precursor makers, 4 electrolyte and separator factories, and 8 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 Chvaletice Manganese Project, as shown below.

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



## 7. Quarterly Financial Review

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

As at the end of or for the period ending	Jan to Mar'21	Oct to Dec'20	Jul to Sep'20	Apr to Jun'20	Jan to Mar'20	Oct to Dec'19	Jul to Sep'19	Apr to Jun'19
	\$	\$	\$	\$	\$	\$	\$	\$
Cash	33,118	11,394	2,731	442	1,266	2,236	4,085	5,512
Total assets	37,276	15,449	5,808	3,488	4,531	5,562	6,909	8,390
Working capital <sup>(1)</sup>	32,877	11,372	2,922	11	(347)	1,504	3,215	4,814
Current liabilities	624	454	217	791	2,136	1,297	1,028	902
Revenue	—	—	—	—	—	—	—	—
Project evaluation expenses	1,305	484	409	408	1,062	1,319	1,059	1,127
Other expenses	1,165	826	894	636	868	780	751	878
Net loss attributable to shareholders	2,470	1,310	1,303	1,044	1,930	2,099	1,810	2,005
Net loss per share, basic and diluted, attributable to shareholders	0.01	—	0.01	0.01	0.01	0.01	0.02	0.01

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

### Summary of major variations in quarterly financial activities:

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

- At the end of the quarter ended December 31, 2020, the work on the feasibility study resumed and was continuing at full capacity in the most recent quarter.
- During the six quarters leading up to the resumption of the feasibility study work and ordering the demonstration plant in the last quarter of calendar 2020, the Company incurred project evaluation costs related to the commissioning of studies for the demonstration plant, the initiation of the planning stage of the feasibility study, and the advancement of the work on the EIA. The preliminary EIA Notification was filed at the end of the quarter ended June 30, 2020, and the results of the review process were received in January 2021. The Company is now focusing on the preparation of the Final EIA.
- The quarters ended June 30, 2020, September 30, 2020, and December 31, 2020 were impacted by the COVID-19 pandemic, causing delays and deferrals of feasibility study work and significant cost cutting measures.

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

- Other expenses for the quarter ended March 31, 2020 are higher than the prior two quarters, as a result of increased professional fees resulting from the hiring of a financial adviser, increased investor relations, and higher product sales and marketing expenses relating to the MoUs signed by the Company.
- The quarters ended June 30, 2020, and September 30, 2020, were 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 quarter are higher as a result of increased investor relations expenses due to the engagement of service providers in Australia and due to an increase filing and compliance fees relating to the private placements completed in the six months ended March 31, 2021.

## 7. Quarterly Financial Review (continued)

Three months ended March 31, 2021 compared to the three months ended March 31, 2020

(expressed in thousands of Canadian dollars, except per share data)	Three months ended March 31,	
	2021	2020
	\$	\$
<b>Project evaluation expenses</b>		
Engineering	843	642
Remuneration	200	252
Share-based compensation	188	30
Legal and professional fees	43	24
Geological	(6)	61
Market studies	33	39
Travel	—	9
Drilling, sampling and surveys	—	1
Supplies and rentals	4	4
	<b>1,305</b>	<b>1,062</b>
<b>Other expenses</b>		
Remuneration	377	255
Share-based compensation	123	50
Total remuneration	500	305
Legal and professional fees	133	162
Investor relations	228	90
Product sales and marketing	25	70
Travel	1	48
Filing and compliance fees	163	57
Office, general and administrative	63	37
Accretion expense	4	33
Insurance	29	27
Conferences	5	20
Depreciation	14	19
	<b>1,165</b>	<b>868</b>
<b>Loss and comprehensive loss for the period</b>	<b>2,470</b>	<b>1,930</b>
<b>Basic and diluted loss per common share</b>	<b>\$0.01</b>	<b>\$0.01</b>

## 7. Quarterly Financial Review (continued)

Project evaluation costs for the three months ended March 31, 2021 and 2020, were \$1,304,970 and \$1,062,240, respectively. The increase in cost over the comparative quarter in fiscal 2020 is due to the level of work conducted in each period on the Project's in connection with the advancement of the feasibility study work and the planning, permitting and other studies related to the demonstration plant. The main cost variances include: an increase of \$200,274 in engineering costs which include environmental costs; an increase of \$158,909 in share-based compensation due to option grants in the second quarter of fiscal 2021 compared to no options grants in the comparative quarter in 2020; an increase of \$18,198 in legal and professional fees related mainly to land purchase negotiations. Market studies were temporarily suspended which resulted in a decrease of \$6,351. Remuneration in the Czech Republic decreased by \$52,333 as a result of the Company's cost cutting measures in 2020. Travel costs decreased by \$9,084 due to travel restrictions resulting from the global COVID-19 pandemic.

The \$296,724 increase in administrative costs for the three months ended March 31, 2021, compared to the same period in 2020, is mainly attributable to: a \$195,223 increase in remuneration due to a higher number of employees in the corporate office in Canada; a \$137,904 increase in investor relations expenses due to the engagement of investor relations services in Australia and Canada in the current period and an increase of \$105,947 in filing and compliance fees as a result of the larger private placement in the second quarter of fiscal 2021 than in the comparative period. The overall increase in administrative costs was partially offset by: a \$45,836 decrease in product sales and marketing; a \$28,340 decrease in legal and professional expenses due to the reduction in fees paid to the Company's financial adviser; decreases of \$47,560 in travel and \$16,098 in conferences due to the COVID-19 restrictions; and a decrease of \$28,910 in accretion expense due to a decrease in amortization of leases and the repayment of deferred consideration in May 2020.

## 7. Quarterly Financial Review (continued)

Six months ended March 31, 2021 compared to the six months ended March 31, 2020

(expressed in thousands of Canadian dollars, except per share data)	Six months ended March 31,	
	2021	2020
	\$	\$
<b>Project evaluation expenses</b>		
Engineering	1,147	1,384
Remuneration	334	515
Share-based compensation	212	69
Geological	—	78
Drilling, sampling and surveys	—	4
Metallurgical	—	41
Travel	—	64
Legal and professional fees	47	136
Market studies	33	73
Supplies and rentals	15	17
	<b>1,788</b>	<b>2,381</b>
<b>Other expenses</b>		
Remuneration	667	576
Share-based compensation	173	126
Total remuneration	840	702
Legal and professional fees	281	243
Investor relations	358	117
Product sales and marketing	75	133
Travel	1	85
Filing and compliance fees	238	109
Office, general and administrative	98	85
Accretion expense	10	66
Insurance	57	48
Conferences	5	23
Depreciation	29	38
	<b>1,992</b>	<b>1,649</b>
<b>Loss and comprehensive loss for the period</b>	<b>3,780</b>	<b>4,030</b>
<b>Basic and diluted loss per common share</b>	<b>\$0.01</b>	<b>\$0.02</b>

## 7. Quarterly Financial Review (continued)

Project evaluation costs for the six months ended March 31, 2021 and 2020, were \$1,788,356 and \$2,381,204, respectively. These activities represent work conducted on the Project's feasibility study, the EIA, and planning and permitting work related to the Chvaletice demonstration plant. Project evaluation activities were impacted by the COVID-19 pandemic commencing in mid-March 2020 and continued throughout most of calendar 2020. Work on the feasibility study resumed in November 2020, following the completion of the first tranche of an \$11 million private placement in late October 2020, and was fully underway again in the first quarter of calendar 2021. Accordingly, project evaluation costs were lower in the six months ended March 31, 2021 than in the comparative period in fiscal 2020. The main cost variances include: a decrease of \$236,981 in engineering costs which include environmental costs; a \$41,408 decrease in metallurgical costs and a \$77,766 decrease in geological costs, which in both periods related to the preparation of the EIA Notification and the feasibility study. Market studies were temporarily suspended which resulted in a decrease of \$40,879. Legal and professional fees decreased by \$88,827 from the comparative period, which included legal costs related to land purchase negotiations and other general advisory services. Remuneration in the Czech Republic decreased by \$180,888 as a result of the cost cutting measures in 2020 and travel decreased by \$63,782, due to the global COVID-19 pandemic travel restrictions. The overall decrease in project evaluation costs was partially offset by an increase of \$142,834 in share-based compensation due to stock options grants in the current six-month period.

The \$342,754 increase in administrative costs for the six months ended March 31, 2021, compared to the same period in fiscal 2020, is mainly attributable to: a \$240,940 increase in investor relations expenses due to the engagement of investor relations services in Australia and Canada in the current period; an increase of \$129,014 in filing and compliance fees as a result of two private placements in the current period. Remuneration increased by \$137,760 due to a higher number of employees in the corporate office in Canada and share-based compensation also increased by \$47,353. The overall increase in administrative costs was partially offset by a decrease of \$83,600 in travel and \$18,483 in expenses for conference due to the COVID-19 restrictions; a \$58,058 decrease in product sales and marketing; and a \$56,346 decrease in accretion expense due to the repayment of the deferred consideration in May 2020 and a decrease in the amortization of leases and the repayment of deferred consideration in May 2020.

## 8. Liquidity and Capital Resources

As at March 31, 2021, the Company held cash of approximately \$33.1 million. Cash is held with reputable financial institutions and is invested in highly liquid short-term investments with maturities of three months or less. The funds are not exposed to significant liquidity risk and there are no restrictions on the ability of the Company to use these funds to meet its obligations.

The increase in cash of \$30.4 million during the six months ended March 31, 2021, is a result of cash used in operating and investing activities of \$3.0 million and \$1.0 million, respectively, offset by \$34.4 million generated from financing activities which included two private placements in the period and certain warrant and share option exercises. The use of cash in investing activities represents the first instalment paid for the demonstration plant and certain land related payments. Working capital increased by \$30.0 million during the six months ended March 31, 2021, to \$32.9 million from \$2.9 million at September 30, 2020.

Additional funding will be required for the potential future construction of infrastructure and facilities for the Chvaletice Manganese Project. The ability of the Company to arrange such equity financings will depend principally upon prevailing market conditions, the business performance of the Company, and other factors such as further disruptions resulting from an extended duration of the COVID-19 pandemic. 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.

## 8. Liquidity and Capital Resources (continued)

### Contractual Commitments

As at March 31, 2021, the Company was committed to make the minimum annual cash payments, as follows:

	Payments due by period		
	Total	Less than one year	1 - 2 years
	\$	\$	\$
Minimum office lease payments <sup>(1)</sup>	9,612	6,456	2,525
Operating expenditure commitments <sup>(2)</sup>	141,149	141,149	—
<b>Total contractual obligations</b>	<b>150,761</b>	<b>147,605</b>	<b>2,525</b>

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

<sup>(2)</sup> Operating expenditure commitments relate to the evaluation work on the Chvaletice Manganese Project.

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

The Company agreed to acquire rights to three additional strategic parcels of land, completing its land assembly for the proposed Chvaletice commercial plant, as detailed in section 6.

The Company is not subject to any externally imposed capital requirements. Detailed description of the Company's additional commitments can be found in note 14 of the Company's audited consolidated financial statements for the year ended September 30, 2020.

## 9. Off-Balance Sheet Arrangements

As at March 31, 2021, there are no off-balance sheet arrangements which could have a material impact on current or future results of operations or the financial condition of the Company.

## 10. Related Party Transactions

For the three and six months ended March 31, 2021 and 2020, amounts paid to related parties were incurred in the normal course of operations and measured at the exchange amount, which is the amount of consideration established and agreed to by the transacting parties.

At March 31, 2021, key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole, and consisted of the Company's directors and officers, including its: a) non-executive Chairman, b) President and Chief Executive Officer, c) Chief Financial Officer, d) Vice President, Corporate Development and Corporate Secretary, e) Vice President, Operations, f) Chief Technology Officer and g) Managing Director of the Company's Czech subsidiary.

## 10. Related Party Transactions (continued)

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

Fees paid to PRK Partners s.r.o. ("PRK"), a legal firm associated with a former director and former advisory board member, for the three and six months ended March 31, 2021, amounted to \$14,721 (three and six months ended March 31, 2020 - \$33,491). The current and prior period fees related to general legal services and various land purchase negotiations. Fees paid to the advisory board members for the three and six months ended March 31, 2021 amounted to \$15,000 (2019 - nil).

At March 31, 2021, amounts owing to directors and officers of the Company for salaries and directors fees amounted to \$32,916 (September 30, 2020 - \$16,158), and solely represents salary owing to the Managing Director of Mangan. Fees owing to PRK amounted to \$3,393 (September 30, 2020 - \$576). Other amounts payable to officers and directors at March 31, 2021 for the reimbursement of office related expenses were \$3,944 (September 30, 2020 - \$3,983).

## 11. Outstanding Share Data

The Company's authorized share capital consists of an unlimited number of common shares without par value. The following common shares, stock options and share purchase warrants were outstanding at May 13, 2021:

	Number of securities
Issued and outstanding common shares	372,023,082
Share options	21,516,000
Warrants	8,900,000

## 12. Proposed Transactions

At March 31, 2021, there are no proposed asset or business acquisitions, or disposition being considered that would affect the financial condition, financial performance or cash flows of the Company.

## 13. Events After the Reporting Period

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

## 14. 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, 2020, and changes to the existing and new accounting policies can be found in the Company's unaudited condensed consolidated interim financial statements for the three and six months ended March 31, 2021. The impact of future accounting changes is disclosed in Note 3.3 to the unaudited condensed consolidated interim financial statements for the three and six months ended March 31, 2021.

### *Significant accounting estimates and judgments*

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Areas of judgment and key sources of estimation uncertainty that have the most significant effect are disclosed in Note 3.13 of the Company's consolidated financial statements for the year ended September 30, 2020, and in Note 3.2 of the Company's unaudited condensed consolidated interim financial statements for the three and six months ended March 31, 2021.

## 15. 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 11 and 12, respectively, of the Company's consolidated financial statements for the year ended September 30, 2020.

## 16. Internal Controls over Financial Reporting and Disclosure Controls and Procedures

Management has established processes to provide them with sufficient knowledge to support representations that they have exercised reasonable diligence that: (i) the condensed consolidated interim financial statements for the three and six months ended March 31, 2021, do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made; and (ii) the condensed consolidated interim financial statements for the three and six months ended March 31, 2021, fairly present in all material respects the financial condition, results of operations and cash flow of the Company.

There was no change in the Company's internal controls over financial reporting that occurred during the three and six months ended March 31, 2021, that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

### *Disclosure Controls and Procedures*

Disclosure controls and procedures have been designed to provide reasonable assurance that all relevant information required to be disclosed by the Company's is accumulated and communicated to senior management as appropriate to allow timely decisions regarding required disclosure. The Company's President and Chief Executive Officer and Chief Financial Officer have concluded, based on their evaluation of the design of the disclosure controls and procedures that as of March 31, 2021, the Company's disclosure controls and procedures provide reasonable assurance that material information is made known to them by others within the Company are appropriately designed.

## **16. Internal Controls over Financial Reporting and Disclosure Controls and Procedures (continued)**

### *Limitations of Controls and Procedures*

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

## **17. Forward-Looking Statements and Risks Notice**

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

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

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

## 17. Forward-Looking Statements and Risks Notice (continued)

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

The Company is engaged in the evaluation, exploration and development of mineral projects which, by their nature, are speculative. Accordingly, the Company is subject to risks associated with its industry and business, including but not limited to: risks inherent in the mineral exploration and evaluation and mineral extraction business; commodity price fluctuations; competition for mineral properties; mineral resources and reserves and recovery estimates; currency fluctuations; interest rate risk; financing risk; environmental risk; country risk; permitting risk; political risk; legal proceedings; and numerous other risks. A summary of the risks relating to the business of the Company and industry-related risks, and risks relating to the Company's Shares is included in the Company's Annual Information Form dated December 16, 2020, filed on SEDAR at [www.sedar.com](http://www.sedar.com) under the Company's profile. Additional risks associated with the COVID-19 global pandemic are discussed in section 2 of this MD&A.

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