

TSXV: EMN ASX: EMN WWW.MN25.CA



Euro Manganese Inc.

2018 ANNUAL REPORT

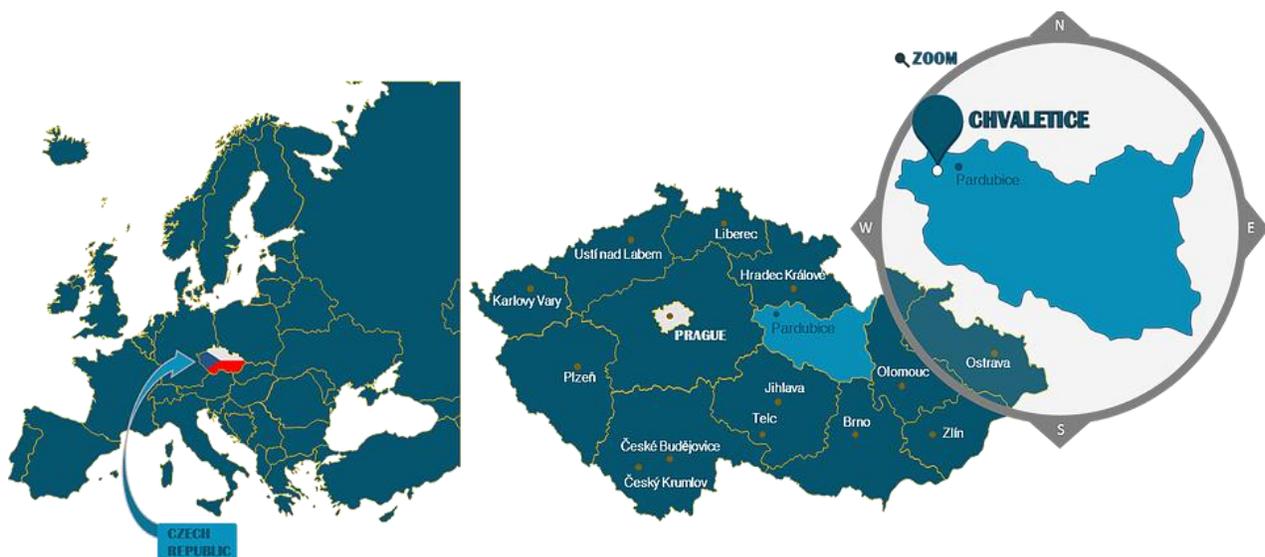
ARBN 627 968 567



CORPORATE DIRECTORY

| | | |
|------------------------------|---|--|
| Board of Directors | Roman Shklanka Marco A. Romero Harvey N. McLeod John Webster Daniel Rosický David B. Dreisinger Gregory P. Martyr Jan Votava | Non-Executive Chairman President and Chief Executive Officer Non-Executive Director Non-Executive Director Non-Executive Director Non-Executive Director Non-Executive Director Managing Director, Mangan Chvaletice s.r.o. |
| Management | Marco A. Romero Pierre F. Massé Thomas Glück Fausto Taddei Jan Votava | President and Chief Executive Officer VP Finance and Chief Financial Officer VP Development VP Corporate Development and Corporate Secretary Managing Director, Mangan Chvaletice s.r.o. |
| Incorporation Details | <i>Business Corporations Act</i> (British Columbia) | |
| Registered Office | Suite 1700 - 666 Burrard Street, Vancouver, British Columbia V6C 2X8 Canada | |
| Head Office | 1500 - 1040 West Georgia Street, Vancouver, British Columbia, V6E 4H8 Canada | Tel: + 1 604 681 1010 |
| Website e-mail | www.mn25.ca info@mn25.ca | |
| Share Registry | <u>Australia:</u> Computershare Investor Services Pty Limited Level 4, 60 Carrington Street Sydney NSW 2000, Australia | <u>Canada:</u> Computershare Investor Services Inc. 510 Burrard Street, 3 rd Floor Vancouver, British Columbia V6C 3B9 Canada |
| Legal Counsel | <u>Australia:</u> MinterEllison Level 40, Governor Macquarie Tower 1 Farrer Place Sydney NSW 2000 Australia | <u>Canada:</u> Stikeman Elliott LLP Suite 1700 - 666 Burrard Street, Vancouver, British Columbia V6C 2X8 Canada |
| Auditors | PricewaterhouseCoopers LLP 250 Howe Street, Suite 1400, Vancouver, British Columbia V6C 3S7 Canada | |

- I. LETTER TO SHAREHOLDERS
- II. CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2018, INCLUDING:
 - MANAGEMENT’S RESPONSIBILITY
 - INDEPENDENT AUDITORS’ REPORT
 - CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
 - CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
 - CONSOLIDATED STATEMENTS OF CASH FLOWS
 - CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
 - NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
- III. MANAGEMENT’S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2018
- IV. MINING TENEMENTS AND MINERAL RESOURCE STATEMENT
- V. CORPORATE GOVERNANCE STATEMENT
- VI. OTHER ASX ANNUAL REPORT INFORMATION



LETTER TO SHAREHOLDERS

10 December 2018

Dear Fellow Shareholders,

2018 has been an active and productive year for Euro Manganese, during which the Company continued to advance its 100%-owned Chvaletice Manganese Project, western Europe's largest manganese resource, towards the ultimate goal of producing ultra high-quality manganese products.

This past year started out with the Company confirming the qualitative and quantitative characteristics of a historical mineral resource, the results of which are reported in a resource estimate that met Canadian NI 43-101 and JORC Code (2012 Edition) standards. Our current resources alone could underpin a 25-year project life at the production scale we are currently targeting. To convert these from Indicated to Measured resources, we recently completed a final phase of infill drilling spread across all three tailings piles, and we drilled and sampled the slopes and embankments of the piles to upgrade the Inferred resources therein. The results of the 2018 drill program will be announced shortly.

In April, the Company obtained a Preliminary Mining Permit, one of the key steps toward final permitting for the Chvaletice Manganese Project, and this was followed in May with an additional exploration license from the Czech Ministry of Environment, which along with the Preliminary Mining Permit, further secures our rights to the Chvaletice tailings deposit.

Throughout the year, we continued an extensive series of laboratory investigations in one of China's leading metallurgical research and development institutes and in several other laboratories around the world, to determine the optimum process to convert the manganese in the Chvaletice tailings into high-purity electrolytic manganese metal ("HPEMM") and high-purity manganese sulfate monohydrate ("HPMSM"). We continued the environmental baseline study for the Chvaletice tailings site and initiated a comprehensive Environmental Impact Assessment ("EIA") in 2018, made possible only after receipt of the Preliminary Mining Permit. The Company initiated a plant site selection and design study, adapting conventional, modern plant technology to meet stringent Czech and European health, safety and environmental regulations, and it initiated scoping and pre-feasibility level process development and engineering, along with preliminary capital and operating costs to estimate the economic viability of the Chvaletice Manganese Project. The completion of these engineering and other studies will be incorporated into the Chvaletice Manganese Project Preliminary Economic Assessment ("PEA") for the production of HPEMM and HPMSM, expected to be released soon.

A recent highlight for the Company was the acquisition of an option to acquire 100% of a company that owns a significant parcel of land suitable for the development of our proposed extraction facility and plant. The 19.94-hectare parcel containing offices, warehouses and other industrial structures is located immediately south of the highway and rail line that bound the Chvaletice tailings deposit. Along with the adjacent property we acquired early in fiscal 2018, we believe this represents a significant step towards de-risking our project.

On the financing front, the Company successfully completed a CAD\$7.5 million private placement in February, comprising both new and existing investors, and during the year, the Company submitted an application to list its CHES Depository Interests ("CDIs") on the ASX and filed a final prospectus with the British Columbia, Alberta and Ontario securities commissions to list its shares in Canada. The dual IPOs straddled our year-end, with the closing of our Australian IPO on the ASX occurring just before the 30th of September and our Canadian IPO on the TSX Venture Exchange occurring just after. On October 2nd, trading of CDIs and shares commenced on the ASX and TSXV, respectively, both under the trading symbol "EMN." Together, the IPOs raised gross proceeds of approximately CAD\$8.6 million.

While much of the above might sound like events occurring in a typical mining company, let us assure you that ours is anything but a typical mining company. Firstly, our flagship Chvaletice Manganese Project is a waste reprocessing project involving the recycling of a historic mining operation's manganese-rich tailings. We will not develop any hard-rock underground or open-pit operations and no crushing or milling of rock is required. Just as important, there will be no significant additional quantities of waste generated. As a result, to date, this project has not experienced opposition from the local communities and residents, or from local and state government agencies. Secondly, the project is strategically located in a sophisticated industrial setting, in the heart of Europe, offering three key benefits:

- Access to excellent infrastructure, including rail, highway, water, gas and power;
- Located in the Czech Republic, a tier-one, sophisticated, stable and business-friendly EU jurisdiction, where the government welcomes foreign direct investment; and
- Offering European consumers of HPEMM and HPMSM, a made-in-Europe strategic alternative or complementary source of high-purity, environmentally-superior manganese products.

In addition to its traditional uses in the production of non-ferrous metal alloys, and high-quality specialty steel and aluminum alloys, high-purity manganese products are key elements in the production of new generation rechargeable, automotive and other lithium ion battery cathodes used in electric vehicles ("EV"), consumer electronics and electrical grid storage solutions, including the storage of wind and solar energy. High purity manganese product demand for all these uses is expected to grow rapidly around the world, particularly as the demand for its use in EVs and the battery industry in general is expected to experience significant growth over the coming decades. As an example, there has been growing investment and plant development in Europe, where the EV investment wave has recently shifted from Asia, and the Chvaletice Manganese Project now sits amidst a major emerging cluster of European automaker EV plants and a rapidly growing ecosystem of battery, components and raw materials suppliers. As a result, we have had, and continue to have, discussions with leading European users of high-purity manganese products, as well as others from Asia and North America.

2018 has been an eventful year for Euro Manganese, and we expect 2019 will be no different. On the back of an updated resource estimate, upgrading resources from Indicated to Measured, and following the completion of a PEA, we expect to initiate work on a feasibility study for the project. We will continue with our land acquisition initiatives, detailed engineering for the proposed plant and tailings extraction operations, as well as the permitting process. Subsequent years' activities should also include obtaining financing for the project, construction and start-up and commissioning, currently targeted for 2022, if all goes well. Needless to say, there remains a lot of work and a number of risks between now and then. Your strong management team and dedicated employees, supported by your board of directors, is working hard on all fronts, and is diligently assessing, addressing and managing risks and opportunities in order for the Chvaletice Manganese Project to reach its full potential and take advantage of a unique market opportunity. As a result, we believe there is a compelling long-term value proposition in developing this project, thereby driving shareholder value.

In conclusion, we would like to take this opportunity to thank all our stakeholders, including shareholders, our fellow directors, executives and employees in both Canada and the Czech Republic, as well as the local communities, residents and governments, for their continued and valued support, guidance and assistance over the past year.

We are all looking forward to continuing progress at Chvaletice.

Yours faithfully,

(Signed) "Roman Shklanka"
Non-Executive Chairman

(Signed) "Marco A. Romero"
Director, President & CEO

Financial Statements

Management's Report.....5
Independent Auditor's Report.....6
Consolidated Statements of Financial Position.....7
Consolidated Statements of Loss and Comprehensive Loss.....8
Consolidated Statements of Changes in Shareholders' Equity.....9
Consolidated Statements of Cash Flows.....10

Notes to the Consolidated Financial Statements

Note 1 - Nature of Operations and Liquidity.....11
Note 2 - Basis of Preparation11
Note 3 - Significant Accounting Policies, Estimates and Judgments12
Note 4 - Exploration and Evaluation Assets.....17
Note 5 - Property and Equipment18
Note 6 - Deferred Consideration.....19
Note 7 - Equity20
Note 8 - Related Party Transactions.....25
Note 9 - Financial Instruments.....25
Note 10 - Financial Risk Management26
Note 11 - Segmented Information.....27
Note 12 - Commitments.....27
Note 13 - Management of Capital.....27
Note 14 - Income Taxes.....28
Note 15 - Events after the Reporting Period.....29

Management's Responsibility for Financial Reporting

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

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

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

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

December 10, 2018

(Signed) "Marco Romero"

President and Chief Executive Officer

(Signed) "Pierre Massé"

Vice President Finance and Chief Financial Officer



December 10, 2018

Independent Auditor's Report

To the Shareholders of Euro Manganese Inc.

We have audited the accompanying consolidated financial statements of Euro Manganese Inc. and its subsidiary, which comprise the consolidated statements of financial position as at September 30, 2018 and 2017, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Euro Manganese Inc. and its subsidiary as at September 30, 2018 and 2017 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

(signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants

Vancouver, British Columbia

Consolidated Statements of Financial Position

Euro Manganese Inc.

(Expressed in Canadian dollars)

| | Note | September 30, 2018 | September 30, 2017 |
|---|------|--------------------|--------------------|
| | | \$ | \$ |
| ASSETS | | | |
| Current assets | | | |
| Cash | | 10,368,002 | 2,860,994 |
| Prepaid expenses | | 124,326 | 129,228 |
| Accounts receivable | | 162,549 | 73,010 |
| | | 10,654,877 | 3,063,232 |
| Non-current assets | | | |
| Exploration and evaluation assets | 4 | 1,249,086 | 1,249,086 |
| Property and equipment | 5 | 369,110 | 8,693 |
| Total assets | | 12,273,073 | 4,321,011 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Accounts payable | | 940,028 | 339,527 |
| Due to related parties | 8 | 320,639 | 116,731 |
| Deferred consideration | 6 | 275,236 | 273,921 |
| | | 1,535,903 | 730,179 |
| Non-current liabilities | | | |
| Deferred consideration | 6 | 240,537 | 450,456 |
| Total liabilities | | 1,776,440 | 1,180,635 |
| EQUITY | | | |
| Share capital | 7 | 19,972,416 | 7,183,542 |
| Equity reserve | | 1,482,544 | 381,086 |
| Deficit | | (10,958,327) | (4,424,252) |
| Total equity | | 10,496,633 | 3,140,376 |
| Total liabilities and shareholders' equity | | 12,273,073 | 4,321,011 |

Nature of operations and liquidity (note 1)

Events after the reporting period (note 15)

Approved on behalf of the Board of Directors on December 10, 2018

"Marco Romero"

Marco Romero, Director

"John Webster"

John Webster, Director

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

Consolidated Statements of Loss and Comprehensive Loss

Euro Manganese Inc.

(Expressed in Canadian dollars)

| | Year ended September 30, | |
|---|--------------------------|-------------------|
| | 2018 | 2017 |
| | \$ | \$ |
| Project evaluation expenses | | |
| Engineering | 1,854,448 | 1,167,653 |
| Drilling, sampling and surveys | 329,595 | 346,025 |
| Metallurgical | 277,209 | 194,593 |
| Remuneration | 683,450 | — |
| Share-based compensation | 216,043 | 76,064 |
| Travel | 233,241 | 215,955 |
| Legal and professional fees | 459,398 | 52,385 |
| Geological | 141,522 | 96,358 |
| Market studies | 142,961 | 28,043 |
| Project management | 146,619 | 112,625 |
| Supplies and rentals | 105,176 | 43,196 |
| Geophysical | — | 43,229 |
| Taxes | — | 22,416 |
| | 4,589,662 | 2,398,542 |
| Other expenses | | |
| Remuneration | 816,105 | 557,363 |
| Share-based compensation | 414,820 | 134,753 |
| Total remuneration | 1,230,925 | 692,116 |
| Legal and professional fees | 121,226 | 67,679 |
| Travel | 149,670 | 58,089 |
| Filing fees | 127,142 | — |
| Accretion expense | 91,396 | 130,573 |
| Office, general and administrative | 107,494 | 34,890 |
| Insurance | 39,899 | 6,938 |
| Office rent | 28,942 | 18,000 |
| Conferences | 20,403 | 3,174 |
| Investor relations | 21,660 | 1,254 |
| Depreciation | 5,656 | 2,101 |
| | 1,944,413 | 1,014,814 |
| Loss and comprehensive loss for the year | 6,534,075 | 3,413,356 |
| Weighted average number of common shares outstanding – basic and diluted | 116,356,568 | 48,864,920 |
| Basic and diluted loss per common share | \$0.06 | \$0.07 |

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

Consolidated Statements of Changes in Shareholders' Equity

Euro Manganese Inc.

(Expressed in Canadian dollars)

| | Attributable to equity shareholders of the Company | | | | |
|--|--|-------------------|--------------------|---------------------|-----------------------------------|
| | Share Capital ⁽¹⁾ | Share Capital | Equity Reserves | Deficit | Shareholders' Equity (Deficit) |
| | # | \$ | \$ | \$ | \$ |
| Balance at September 30, 2016 | 30,036,725 | 1,166,353 | 102,324 | (1,010,896) | 257,781 |
| Shares and warrants issued for cash, net of expenses | 53,517,725 | 5,286,029 | 96,182 | — | 5,382,211 |
| Shares issued as payment of services | 3,570,580 | 376,348 | — | — | 376,348 |
| Warrants issued as payment of services | 559,305 | 54,812 | (28,237) | — | 26,575 |
| Shares issued as deferred consideration repayment | 2,727,275 | 300,000 | — | — | 300,000 |
| Share-based compensation | — | — | 210,817 | — | 210,817 |
| Loss and comprehensive loss for the year | — | — | — | (3,413,356) | (3,413,356) |
| | 60,374,885 | 6,017,189 | 278,762 | (3,413,356) | 2,882,595 |
| Balance at September 30, 2017 | 90,411,610 | 7,183,542 | 381,086 | (4,424,252) | 3,140,376 |
| Shares and warrants issued for cash, net of expenses | 62,750,000 | 11,462,746 | 474,345 | — | 11,937,091 |
| Options exercised | 50,000 | 9,250 | (3,750) | — | 5,500 |
| Shares issued as payment of services | 2,833,940 | 370,875 | — | — | 370,875 |
| Shares issued as part of broker fees | 2,964,050 | 646,003 | — | — | 646,003 |
| Shares issued as repayment of deferred consideration | 1,500,000 | 300,000 | — | — | 300,000 |
| Share-based compensation | — | — | 630,863 | — | 630,863 |
| Loss and comprehensive loss for the year | — | — | — | (6,534,075) | (6,534,075) |
| | 70,097,990 | 12,788,874 | 1,101,458 | (6,534,075) | 7,356,257 |
| Balance at September 30, 2018 | 160,509,600 | 19,972,416 | 1,482,544 | (10,958,327) | 10,496,633 |

⁽¹⁾ On March 20, 2018, at the Company's Annual General and Special Meeting, the shareholders approved the modification to the Company's authorized share structure and the number of issued common shares without par value. All fully paid and issued common shares were subdivided on a basis of one old for five new shares. The comparative information for the year ended September 30, 2017, was restated.

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

Consolidated Statements of Cash Flows

Euro Manganese Inc.

(Expressed in Canadian dollars)

| | Note | Year ended September 30, | |
|---|-------|--------------------------|--------------------|
| | | 2018 | 2017 |
| | | \$ | \$ |
| Operating activities | | | |
| Net loss for the period | | (6,534,075) | (3,413,356) |
| Less non-cash transactions: | | | |
| Share-based compensation | | 630,863 | 210,817 |
| Shares and warrants for services | | 277,771 | 402,923 |
| Depreciation | | 5,656 | 2,101 |
| Accretion expense | 6 | 91,396 | 130,573 |
| | | (5,528,389) | (2,666,942) |
| Changes in non-cash working capital items: | | | |
| Accounts payable | | 377,649 | 300,294 |
| Accounts receivable | | (89,539) | (63,926) |
| Prepaid expenses | | 4,902 | (129,228) |
| Due to related parties | | 237,719 | (70,965) |
| | | 530,731 | 36,175 |
| Cash used in operating activities | | (4,997,658) | (2,630,767) |
| Financing activities | | | |
| Common shares issued for cash, net of expenses | 7 (a) | 12,865,239 | 5,382,211 |
| Exercise of stock options | | 5,500 | — |
| Cash generated from financing activities | | 12,870,739 | 5,382,211 |
| Investing activities | | | |
| Property & equipment acquisition | | (366,073) | (7,843) |
| Cash used in investing activities | | (366,073) | (7,843) |
| Increase in Cash | | 7,507,008 | 2,743,601 |
| Cash - beginning of year | | 2,860,994 | 117,393 |
| Cash - end of year | | 10,368,002 | 2,860,994 |
| Non-cash transactions excluded from above: | | | |
| Common shares issued as payment of financing services | | (682,426) | — |
| Share issue costs | | 682,426 | — |
| Shares issued as payment of broker warrants | | | |
| Equity reserve | | 474,345 | 96,182 |
| Share capital | | (474,345) | (96,182) |
| Issue of employee warrants | | | |
| Equity Reserve | | 116,313 | 28,237 |
| Share Capital | | (116,313) | (28,237) |
| Repayment of deferred consideration commitment | | | |
| Share capital | | 300,000 | 300,000 |
| Deferred share payment commitment | | (300,000) | (300,000) |

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

Notes to the Consolidated Financial Statements

Euro Manganese Inc.

(Expressed in Canadian dollars)

1. Nature of Operations and Liquidity

Euro Manganese Inc. (the "Company") was incorporated as a private company 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 shares commenced trading on the TSX-V and the ASX on October 2, 2018. The Company is focused on the exploration and reclamation of mineral projects in Europe and is currently evaluating the potential development of the Chvaletice deposit, located in the Czech Republic, into a high-purity electrolytic manganese metal ("HPEMM") and high-purity manganese sulphate monohydrate ("HPMSM") project (the "Chvaletice Project").

The Company's corporate offices are located at 1040 West Georgia Street, Suite 1500, Vancouver, B.C., Canada, and its registered offices are located at Suite 1700, 666 Burrard Street, Vancouver, B.C., Canada.

These consolidated financial statements have been prepared on a going concern basis in accordance with International Financial Reporting Standards ("IFRS"), which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

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

At September 30, 2018, the Company's equity totaled \$10,496,633 and working capital totaled \$9,118,974, including cash of \$10,368,002. These capital resources combined with the proceeds from a \$2,500,000 IPO of its shares in Canada, which closed subsequent to year-end, are expected to provide sufficient working capital to fund its corporate and project development costs for at least 12 months from the date of these financial statements.

Additional funding will be required for further exploration and development work including the completion of feasibility studies, environmental studies, permitting, as well as the potential future construction of infrastructure and facilities for the Chvaletice Project. The ability of the Company to arrange such equity or other financing in the future will depend principally upon prevailing market conditions and the performance of the Company. Such additional funding may not be available when needed, if at all, or be available on terms favorable to the Company. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of the Company's principal property and could result in material adjustments to the carrying values of assets.

2. Basis of Preparation

2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board. The accounting policies presented in Note 3 were consistently applied to all periods presented.

These consolidated financial statements were prepared by management and approved by the Board of Directors of the Company (the "Board") on December 10, 2018.

2.2 Basis of measurement

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

Notes to the Consolidated Financial Statements

Euro Manganese Inc.

(Expressed in Canadian dollars)

2. Basis of Preparation (continued)

2.3 Basis of consolidation

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

2.4 Share split - Subdivision of shares on a one-for-five basis

On March 20, 2018, at the Company's Annual General and Special Meeting, the shareholders approved the modification to the Company's authorized share structure and the number of issued common shares without par value. All fully paid and issued common shares were subdivided on a basis of one old for five new shares. As a result, a total of 26,441,308 outstanding common shares of the Company were converted to 132,206,540 new common shares.

To reflect the subdivision of shares on a one-for-five, all shares, options and warrants balances presented in these statements have been increased, where applicable, by a factor of five and their respective unit share price has been reduced by the same ratio.

3. Significant Accounting Policies, Estimates and Judgments

3.1 Foreign currency translation

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

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

3.2 Mineral exploration and evaluation costs

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

Exploration and evaluation costs that are incurred prior to the Company obtaining a material legal interest in a property, are expensed in the period incurred. In addition, exploration and evaluation costs, other than direct acquisition costs, incurred prior to management identifying that the Mineral Resource of a property has economic potential, are expensed in the period incurred.

Exploration and evaluation costs are capitalized as mineral interests when a mineral resource of a property is identified as having economic potential. A mineral resource is considered to have economic potential when it is expected that documented resources can be legally and economically developed considering long-term metal prices.

Notes to the Consolidated Financial Statements

Euro Manganese Inc.

(Expressed in Canadian dollars)

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

Therefore, prior to capitalizing such costs, management determines that the following conditions have been met:

- a) There is a probable future benefit that will contribute to future cash inflows,
- b) The Company can obtain the benefit and control access to it, and
- c) The transaction or event giving rise to the benefit has already occurred.

Once the technical and commercial viability of a property has been determined, the exploration and evaluation assets are first tested for impairment, and then reclassified as a mineral project and carried at cost until it is placed into commercial production, sold, abandoned or determined by management to be impaired.

The capitalized costs of a producing mineral project are amortized on a unit-of-production basis over the estimated ore reserves of the project. Costs incurred after a project is placed into production that increase production volumes or extend the life of the project are capitalized.

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

3.3 Impairment of non-financial assets

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

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

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

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

When an impairment loss reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, provided such revised estimate may not exceed the carrying amount of the asset prior to the recognition of impairment losses recorded in previous periods. A reversal of an impairment loss is recognized immediately in the statement of comprehensive loss.

3.4 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The carrying amount of a replaced asset is derecognized when replaced. IT hardware and software, and equipment and furniture are amortized on a declining balance basis at an annual rate of 30%. Land is not depreciated.

Notes to the Consolidated Financial Statements

Euro Manganese Inc.

(Expressed in Canadian dollars)

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

The Company allocates the amount initially recognized in respect of an item of property and equipment to its significant parts and separately depreciates each such part. Residual values, method of amortization, and useful lives of the assets are reviewed annually and adjusted if appropriate.

Gains and losses on disposals of property and equipment are determined by comparing the proceeds with the carrying amount of the asset and are included as part of other gains and losses in the statement of comprehensive loss.

3.5 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value. There were no cash equivalents at September 30, 2018, and 2017.

3.6 Share and warrant based compensation

- a) Options - Share-based payments to employees are measured at the fair value of the instruments issued, and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of equity instruments issued. If it is determined the fair value of the goods and services cannot be reliably measured and are recorded at the date of the goods or services are received. The corresponding amount is recorded to the option reserves.

The fair value of the options is determined using the Black-Scholes Option Pricing Model or when they are issued in settlement of compensation, measured at the fair value of the services rendered. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest (note 7(b)).

- b) Warrants - Warrant-issued payments to employees or as part of financing efforts are measured, at the time of issue, at the fair value of the services rendered, or, if the value of the services rendered is not determinable, using the Black-Scholes Option Pricing Model.

3.7 Income taxes

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

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

In general, deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantially enacted at the statement of financial position date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets will be recovered.

Deferred tax assets and liabilities where recognized are presented as non-current.

Notes to the Consolidated Financial Statements

Euro Manganese Inc.

(Expressed in Canadian dollars)

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

3.8 Financial instruments

The Company's financial instruments consist of cash, receivables, due from related parties, accounts payable, deferred consideration and due to related parties. Cash, receivables, and due from related parties are designated as loans and receivables. Accounts payable, due to related parties and deferred consideration are classified as other financial liabilities.

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories:

Fair value through profit or loss ("FVTPL") - This category includes derivatives, or assets incurred mainly for the purpose of selling or repurchasing them in the near term. The assets are measured at fair value with gains and losses recognized in the consolidated statement of loss.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. The assets in this category are measured at amortized cost using the effective interest rate method.

Held to maturity investments - This category includes non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company intends to hold to maturity. These assets are measured at amortized cost using the effective interest rate method. Any changes to the carrying amount of the investment, including impairment losses, are recognized in statement of loss and comprehensive loss.

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are measured at fair value with gains and losses recognized in other comprehensive income or loss, except for impairment losses. Interest calculated using the effective interest method and foreign exchange gains and losses on monetary items are recognized in the consolidated statement of loss.

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

Fair value through profit and loss - This category comprises derivatives or liabilities acquired or incurred principally for the purpose of selling or re-purchasing in the near term. The fair value changes are recognized in the consolidated statement of loss.

Other financial liabilities - Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating the accretion charge over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability.

3.9 Related party transactions

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

Notes to the Consolidated Financial Statements

Euro Manganese Inc.

(Expressed in Canadian dollars)

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

3.10 Loss per share

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

3.11 Asset Retirement Obligation

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development and ongoing production of a mineral interest by or on behalf of the Company. Costs for restoration of site damage which is created on an ongoing basis during exploration and evaluation are provided for at their net present values and charged against profits in the period such exploration and evaluation occurs. Discount rates using a risk-free rate that reflects the time value of money are used to calculate the net present value. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. As at September 30, 2018 and 2017, the Company does not have any decommissioning obligations.

3.12 Recent accounting pronouncements

The Company has not applied the following pronouncements that have been issued but are not yet effective:

IFRS 9 - Financial Instruments - The standard is effective for annual reporting periods beginning on or after January 1, 2018. The Company is assessing the impact of this standard and is not expecting to have a material impact upon adoption of this standard.

IFRS 15 - Revenue from Contracts with Customers - The standard is effective for annual reporting periods beginning on or after January 1, 2018. Entities have the option of using either a full retrospective or a modified retrospective approach to adopt the guidance. The Company is not expecting this standard to impact the financial statements.

IFRS 16 - Leases ("IFRS 16") - The new standard on lease accounting was issued on January 13, 2016 and replaces the current guidance in *IAS 17 Lease Accounting*. The new standard results in substantially all lessee leases being recorded on the consolidated statement of financial position. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted. The Company is currently evaluating the impact of this new standard on the Company's financial statement measurements and disclosures. The Company does not anticipate early adoption of this standard.

3.13 Critical Estimates and Judgments

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

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

Notes to the Consolidated Financial Statements

Euro Manganese Inc.

(Expressed in Canadian dollars)

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

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

- a) Management is required to assess impairment in respect of exploration and evaluation assets. The triggering events are defined in IFRS 6 *Exploration for and Evaluation of Mineral Resources ("IFRS 6")*. In making the assessment, management is required to make judgments on the status of each project, future plans towards finding commercial reserves and whether future economic benefits are likely either from exploitation or future sale or whether activities have not reached a stage that permits a reasonable assessment of the existence of reserves. The nature of exploration and evaluation activity is such that only a small proportion of projects are ultimately successful, and some assets are likely to become impaired in future periods.

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

- b) As part of the acquisition of Mangan on May 13, 2016, the Company discounted the \$1.2 million future deferred share consideration at an annual rate of 15%, which represented an estimate of the Company's borrowing rate at the time of the acquisition. The deferred consideration balance is accreted at an annual rate of 15% over the remaining repayment period and the resulting increase is recorded as an annual accretion charge in the statement of loss and comprehensive loss.
- c) Significant estimation is involved in determining the fair value of shares issued by the Company given that the Company was not publicly traded prior to October 2, 2018. Reference is made to the most recent share price negotiated with arms-length third parties when estimating the fair value of shares issued.
- d) Significant judgment was involved in determining the fair value of the penalty shares issuable to certain shareholders if specific future conditions were not met (Note 7). Management considered the Company's previous record of raising financing in making this judgment.

4. Exploration and Evaluation Assets

The Company was formed with the objective of evaluating, acquiring, developing and operating the Chvaletice Project as HPEMM and HPMSM project. The Company holds two exploration licenses for the Chvaletice Project (the "Licenses"), both expiring May 31, 2023. On April 17, 2018, with effect from April 28, 2018, the Company was 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 now 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 mining at the Chvaletice Manganese Project.

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 (see note 6). 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.

Notes to the Consolidated Financial Statements

Euro Manganese Inc.

(Expressed in Canadian dollars)

5. Property and Equipment

| | September 30, 2018 | | |
|---------------------------------|--------------------|------------------------|----------------|
| | Equipment | Land | Total |
| | \$ | \$ | \$ |
| Cost | | | |
| October 1, 2017 | 11,588 | — | 11,588 |
| Additions | 47,344 | 318,729 ^(a) | 366,073 |
| September 30, 2018 | 58,932 | 318,729 | 377,661 |
| Accumulated depreciation | | | |
| October 1, 2017 | (2,895) | — | (2,895) |
| Additions | (5,656) | — | (5,656) |
| September 30, 2018 | (8,551) | — | (8,551) |
| Net Book Value | | | |
| October 1, 2017 | 8,693 | — | 8,693 |
| September 30, 2018 | 50,381 | 318,729 | 369,110 |

^(a) In November 2017, the Company acquired land near the Chvaletice Project area.

| | September 30, 2017 | | |
|---------------------------------|--------------------|----------|----------------|
| | Equipment | Land | Total |
| | \$ | \$ | \$ |
| Cost | | | |
| October 1, 2016 | 3,745 | — | 3,745 |
| Additions | 7,843 | — | 7,843 |
| September 30, 2017 | 11,588 | — | 11,588 |
| Accumulated depreciation | | | |
| October 1, 2016 | (794) | — | (794) |
| Additions | (2,101) | — | (2,101) |
| September 30, 2017 | (2,895) | — | (2,895) |
| Net Book Value | | | |
| October 1, 2016 | 2,951 | — | 2,951 |
| September 30, 2017 | 8,693 | — | 8,693 |

Notes to the Consolidated Financial Statements

Euro Manganese Inc.

(Expressed in Canadian dollars)

6. Deferred Consideration

The deferred consideration relates to the Company's remaining share issuance commitment in connection with the acquisition of its exploration and evaluation assets (note 4). Movement in the deferred consideration during the year is as follows:

| | Year ended September 30, | |
|---|--------------------------|----------------|
| | 2018 | 2017 |
| | \$ | \$ |
| Balance, beginning of the year | 724,377 | 893,804 |
| Accretion during the year | 91,396 | 130,573 |
| Fair value of share consideration issued during the | (300,000) | (300,000) |
| Balance, end of the year | 515,773 | 724,377 |
| Less: current portion | (275,236) | (273,921) |
| | 240,537 | 450,456 |

^(a) On May 9, 2018, the Company issued a total of 1,500,000 shares at \$0.20 per share as repayment of \$300,000 in deferred consideration, and on May 13, 2017, the Company issued a total of 2,727,275 shares at \$0.11 per share as repayment of \$300,000 in deferred consideration.

At September 30, 2018, the Company has a commitment to issue common shares for a cumulative total value of \$600,000. The two remaining \$300,000 payment obligations are due on May 13, 2019 and 2020. The number of shares to be issued will be based on value of the Company's shares at the time of each issuance, or pursuant to an amending agreement between the Company and Mangan's founding shareholders dated June 15, 2018, in cash, at the Company's sole discretion. The amending agreement also indicates that the minimum deemed value of the common shares will not be less than \$0.05 per share, and that that in the event either of the remaining two share issuances result in the deemed value of the shares being below \$0.05 per share, the Company has agreed to settle such payment in cash.

Notes to the Consolidated Financial Statements

Euro Manganese Inc.

(Expressed in Canadian dollars)

7. Equity

a) Common shares

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

Issued and outstanding shares at September 30, 2018, were as follows:

| | Share price \$ | Number of common shares | Share capital \$ |
|--|-------------------|-------------------------------|---------------------|
| Balance at September 30, 2017 | | 90,411,610 | 7,183,542 |
| i) Shares issued pursuant to private placement and IPO in Australia and options exercised for cash | | | |
| - Private placements | 0.20 | 37,750,000 | 7,550,000 |
| - Initial public offering ^(a) | 0.24 | 25,000,000 | 6,066,342 |
| | | 62,750,000 | 13,616,342 |
| Less: Cash expenses paid | | | (751,103) |
| | | | 12,865,239 |
| Add: Options exercised | 0.11 | 50,000 | 5,500 |
| Total shares issued for cash | | 62,800,000 | 12,870,739 |
| Less: non-cash expenses: | | | |
| Cash issue cost accrual | | | (245,722) |
| Non-cash share issue costs | | | (682,426) |
| Broker warrants issued and committed to be issued | | | (474,345) |
| | | | (1,402,493) |
| Add: non-cash value of exercised options | | | 3,750 |
| ii) Shares issued for broker fees | 0.20 | 1,714,050 | 342,810 |
| | 0.25 | 1,250,000 | 303,193 |
| | | 2,964,050 | 646,003 |
| iii) Shares issued for services rendered | 0.11 | 2,268,380 | 247,370 |
| | 0.20 | 357,717 | 71,544 |
| | 0.25 | 207,843 | 51,961 |
| | | 2,833,940 | 370,875 |
| iv) Shares issued as deferred consideration repayment | 0.20 | 1,500,000 | 300,000 |
| Balance at September 30, 2018 | | 160,509,600 | 19,972,416 |

(a) Share price for the initial public offering in Australia was AUD0.26.

Notes to the Consolidated Financial Statements

Euro Manganese Inc.

(Expressed in Canadian dollars)

7. Equity (continued)

The following is a summary of shares issued during the year ended September 30, 2018:

i) Shares issued for cash:

- On February 28, 2018, the Company completed a private placement by issuing a total of 37,750,000 common shares at a price of \$0.20 per share for gross cash proceeds of \$7,550,000 (the "February 2018 Private Placement"). Fees incurred with the February 2018 Private Placement, included a commission of \$342,810, paid by the issuance of 1,714,050 shares at \$0.20 per share, and a warrant to purchase 2,856,750 shares at \$0.30 per share exercisable until February 28, 2021, having a fair value of \$168,770.
- On September 28, 2018, the Company completed an IPO in Australia of 25,000,000 fully-paid CHES Depository Interests ("CDIs"), each CDI representing one fully paid common share, for gross proceeds of AUD6,500,000 (\$6,066,342) at a price of AUD0.26 per share. Fees payable to the Australian agent included a commission of AUD390,000, payable AUD65,000 (\$60,639) in cash and AUD325,000 (\$303,193) by way of 1,250,000 CDIs at AUD0.26 per CDI, and a warrant purchase 2,500,000 CDIs at a price of AUD0.375 per CDI exercisable for a period of 36 months from the date of issue, having a fair value of \$305,574.
- Concurrent with the IPO in Australia, the Company also filed a prospectus with the British Columbia, Alberta, and Ontario securities commissions for an IPO of 10,000,000 common shares at a price of \$0.25 per share, for gross proceeds of \$2,500,000. This IPO Closed on October 2, 2018 (note 15).
- Share issuance expenses related to the February 2018 Private Placement and IPOs in Australia and Canada included the \$342,810 and \$303,193 non-cash commissions above, an additional \$36,425 in non-cash financing expenditures and \$751,103 in legal and other financing cash expenditures.
- In December 2017, a total of 50,000 options were exercised at \$0.11 per share for total cash proceeds of \$5,500 and a \$3,750 allocation for the vested value of exercised options.

ii) Shares issued for broker fees:

- As indicated above, the Company issued 1,714,050 shares in connection with the broker's commission of \$342,810 related to the February 28, 2018 Private Placement and 1,250,000 shares in connection with the agent's commission of \$303,193 related to the Australian IPO.

iii) Shares issued for services rendered:

- The Company issued a total of 1,756,975 shares as repayment of \$218,137 in rendered services. The shares were issued at \$0.11, \$0.20 and \$0.25 per share, based on the latest share issue price at the time the services were rendered. A balance of \$36,425 was allocated to share issuance costs.
- A total of 1,076,965 shares were issued in lieu of \$116,313 in services rendered by an officer of the Company.

iv) Shares issued as deferred consideration repayment:

On May 9, 2018 the Company issued a total of 1,500,000 common shares at \$0.20 per share as a partial repayment of the outstanding deferred consideration (note 6).

Notes to the Consolidated Financial Statements

Euro Manganese Inc.

(Expressed in Canadian dollars)

7. Equity (continued)

v) Penalties for failing to obtain a public listing:

In connection with a brokered placement in mid-2017 (the “2017 Brokered Placement”), the Company agreed to issue certain penalty shares for no consideration to the investors of the 2017 Brokered Placement on each of the following conditions: if it failed to file a prospectus in Canada or Australia by March 31, 2018; and if it failed to become publicly listed in Canada or Australia within 18 months August 18, 2017. The Company met both conditions and as a result, the penalties became null and void following the listing of the Company's common shares at the TSX-V and the ASX on October 2, 2018 (note 15).

vi) Escrowed securities

Upon the listing of the Company's CDIs and common shares on the ASX and TSXV, certain of its securities became subject to escrow. Specifically, under National Policy 46-201 Escrow for Initial Public Offerings (“NP 46-201”), 29,045,361 common shares and 5,600,000 options were subject to escrow and are scheduled to be released as follows: 25% on the listing date of October 2, 2018; and 25% after six, twelve and eighteen months. Under the TSX-V's Seed Sale Resale Restrictions (“SSRR”), 778,575 common shares and 225,000 options were subject to escrow and are scheduled to be released as follows: 20% on the listing date on October 2, 2018; and 20% after each of the next four months. Under the ASX Listing Rules, 25,522,290 common shares, 9,550,000 options and 8,684,015 warrants are to be escrowed for a period of up to two years from the ASX listing date of September 28, 2018. As of the date of these consolidated financial statements, 7,261,341 common shares and 1,400,000 options have been released under NP 46-201, and 467,145 common shares and 135,000 options have been released under SSRR.

In many cases, a particular holder, or particular common share, option or warrant, is subject to escrow under one or more of NP 46-201, SSRR and ASX Listing Rules. If a holder of these securities is subject to one or more of these escrow regimes, the particular security will not be released from escrow until the release schedule for all regimes have been met.

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 stock 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 or, if the Company's shares are not traded on a stock exchange, the share value equal to the Company's most recent arm's length equity financing share price.

Current outstanding options have an expiry date of ten years and vest over a period of 24 months. A continuity summary of the stock options granted and outstanding under the Plan is presented below:

Notes to the Consolidated Financial Statements

Euro Manganese Inc.

(Expressed in Canadian dollars)

7. Equity (continued)

| | Year ended | | | |
|---------------------------------|-------------------------|--|-------------------------|--|
| | September 30, 2018 | | September 30, 2017 | |
| | Number of share options | Weighted average exercise price (\$/per share) | Number of share options | Weighted average exercise price (\$/per share) |
| Balance, beginning of the year | 7,250,000 | 0.10 | 1,975,000 | 0.08 |
| Options granted during the | 5,725,000 | 0.20 | 5,275,000 | 0.11 |
| Options exercised during the | (50,000) | 0.11 | — | — |
| Options expired | (149,995) | 0.09 | — | — |
| Options forfeited | (250,005) | 0.10 | — | — |
| Balance, end of the year | 12,525,000 | 0.15 | 7,250,000 | 0.10 |

During the year ended September 30, 2018:

- i) The Company granted, to directors, employees and consultants a total of 700,000 ten-year options with an exercise price of \$0.11 per share, 3,725,000 ten-year options with an exercise price of \$0.20 per share and 1,300,000 ten-year options with an exercise price of \$0.25 per share.
- ii) A total of 50,000 options were exercised at \$0.11 per share.
- iii) On January 9, 2018, a total of 400,000 options, with an average exercise price of \$0.10 per share, expired or were forfeited by employees or consultants that were no longer providing services to the Company.
- iv) The Company recorded share-based compensation expense of \$630,863 (2017 - \$210,817) of which \$216,043 has been allocated to project expenses (2017 - \$76,064) and \$414,820 to administrative expenses (2017 - \$134,753).

The balance of options outstanding and exercisable at September 30, 2018, is as follows:

| Options outstanding & exercisable | | | Options exercisable | |
|-----------------------------------|-------------------------|---|-------------------------------------|---|
| Exercise price (\$/Share) | Number of share options | Weighted average remaining contractual life (years) | Number of share options outstanding | Weighted average remaining contractual life (years) |
| 0.08 | 1,625,000 | 7.6 | 1,625,000 | 7.6 |
| 0.10 | 1,775,000 | 8.4 | 1,249,965 | 8.4 |
| 0.11 | 4,100,000 | 9.0 | 2,499,980 | 9.0 |
| 0.20 | 3,725,000 | 9.4 | 1,241,620 | 9.4 |
| 0.25 | 1,300,000 | 9.9 | 433,333 | 9.9 |
| 0.15 | 12,525,000 | 9.0 | 7,049,898 | 8.7 |

In the year ended September 30, 2018 and 2017, the Company applied the fair value-based method of accounting to determine the value of stock options granted to employees, including directors, and non-employees on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions:

Notes to the Consolidated Financial Statements

Euro Manganese Inc.

(Expressed in Canadian dollars)

7. Equity (continued)

| | Year ended September 30, | |
|-----------------------|--------------------------|--------|
| | 2018 | 2017 |
| Risk free rate | 2.20% | 1.45% |
| Expected life (years) | 9.0 | 9.0 |
| Annualized volatility | 67% | 60% |
| Dividend rate | —% | —% |
| Forfeiture rate | —% | —% |
| Option exercise price | \$0.19 | \$0.11 |
| Grant date fair value | \$0.14 | \$0.07 |

c) Warrants

| | September 30, 2018 | | September 30, 2017 | |
|-------------------------------------|--------------------|---------------------------------|--------------------|---------------------------------|
| | Number of warrants | Weighted-average exercise price | Number of warrants | Weighted-average exercise price |
| | | \$ | | \$ |
| Outstanding, beginning of the year | 2,927,265 | 0.11 | — | — |
| Issued | 2,856,750 | 0.30 | 2,927,265 | 0.11 |
| Exercised | — | — | — | — |
| Expired | — | — | — | — |
| Outstanding, end of the year | 5,784,015 | 0.20 | 2,927,265 | 0.11 |

As at September 30, 2018, the following warrants were outstanding:

| Expiry date | Weighted average exercise price | Number of warrants | Weighted average remaining contractual life (years) |
|-------------------|---------------------------------|--------------------|---|
| June 16, 2019 | 0.11 | 2,042,895 | 0.7 |
| June 30, 2019 | 0.11 | 292,250 | 0.8 |
| July 31, 2019 | 0.11 | 417,295 | 0.8 |
| August 18, 2019 | 0.11 | 174,825 | 0.9 |
| February 28, 2021 | 0.30 | 2,856,750 | 2.4 |
| | 0.20 | 5,784,015 | 1.6 |

As part of the February 2018 Private Placement, the Company issued a total of 2,856,750 three-year broker warrants exercisable at \$0.30 per share. Based on Black-Scholes pricing model using a risk-free rate of 1.96%, an expected life of 3.0 years, an annualized volatility of 60% (based on volatility assumptions of comparable companies), a dividend rate of nil, and a share price of \$0.20, these warrants were assigned an estimated value of \$168,770.

At September 30, 2018, as a result of the IPO in Australia, the Company committed to issue 2,500,000 warrants at \$0.375 per share. Based on Black-Scholes pricing model using a risk-free rate of 2.19%, 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 \$0.25, these warrants were assigned an estimated value of \$305,574. These warrants were issued on October 2, 2018 (note 15).

Notes to the Consolidated Financial Statements

Euro Manganese Inc.

(Expressed in Canadian dollars)

8. Related Party Transactions

Transactions between the Company and its subsidiary have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Company and other related parties are disclosed below. Related parties include the board 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 and the Chief Executive Officer, Chief Financial Officer, the Managing Director of the Company's Czech subsidiary, and the Vice President, Project Development.

During the year ended September 30, 2018, and 2017, the Company incurred the following expenses to officers or directors of the Company or companies with common directors:

| | Year ended September 30, | |
|---|--------------------------|----------------|
| | 2018 | 2017 |
| | \$ | \$ |
| Salaries and consulting fees payable to officers of the Company | 1,269,954 | 645,928 |
| Directors and officers' stock-based compensation | 406,158 | 158,932 |
| | 1,676,112 | 804,860 |

b) Related party transactions during the year

A Company's director is associated with PRK Partners s.r.o. ("PRK"), a legal firm based in the Czech Republic. During the year ended September 30, 2018, PRK's legal fees charged to the Company totaled \$468,540 (2017 - \$43,171).

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

| | September 30, | |
|---|----------------|----------------|
| | 2018 | 2017 |
| | \$ | \$ |
| Salaries and consulting fees from officers of the Company | 64,895 | 64,576 |
| Fees provided by a legal firm associated with a director of the Company | 237,246 | 11,161 |
| Outstanding payable due to officers and directors of the Company | 18,498 | 40,994 |
| | 320,639 | 116,731 |

These transactions were incurred in the normal course of operations.

9. Financial Instruments

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

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

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

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

Notes to the Consolidated Financial Statements

Euro Manganese Inc.

(Expressed in Canadian dollars)

9. Financial Instruments (continued)

The fair values of the Company's cash, accounts receivable, account payable and due to related parties approximate carrying values, which are the amounts recorded on the consolidated statement of financial position due to their short-term nature. There are no financial instruments classified as fair value through profit or loss, or available-for-sale using Level 1 inputs.

10. Financial Risk Management

a) Credit risk

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

At September 30, 2018 and 2017, the Company's maximum exposure to credit risk was its cash balance of \$10,368,002 and \$2,860,994, respectively.

b) Liquidity risk

Liquidity risk is the risk that the Company will incur difficulties meeting its financial obligations as they are due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking harm to the Company's reputation (note 1). At September 30, 2018, the maturity of our accounts payable and due to related parties balances is under 1 year.

c) Market risk

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

Interest rate risk

The Company has cash balances and no interest-bearing debt. The Company invests a portion of its cash in an interest-bearing account with a major Canadian bank.

Foreign currency risk

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

Price risk

The Company is exposed to price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of resources, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

Notes to the Consolidated Financial Statements

Euro Manganese Inc.

(Expressed in Canadian dollars)

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

The following is a maturity profile of financial liabilities and operating and capital commitments presenting undiscounted cash flows at September 30, 2018:

| | Payments due by period: | | | | |
|---|-------------------------|-----------------------|----------------|---------------|---------------|
| | Total | Less than one year | 1 - 2 years | 2 - 3 years | After 3 years |
| | \$ | \$ | \$ | \$ | \$ |
| Minimum office lease payments ⁽¹⁾ | 271,433 | 116,027 | 112,796 | 38,661 | 3,949 |
| Operating expenditure commitments ⁽²⁾ | 923,091 | 923,091 | — | — | — |
| Total contractual obligations | 1,194,524 | 1,039,118 | 112,796 | 38,661 | 3,949 |

⁽¹⁾ The Company has three non-cancellable operating office leases expiring within 2 to 4 years.

⁽²⁾ Operating expenditure commitments relate mostly to the exploration and evaluation work on the Chvaletic Project.

Other commitments include:

- a) The Company's obligation to issue common shares in satisfaction of the remaining deferred consideration relating to Mangan's Acquisition (note 6).
- b) The Company has entered into employment agreements with its executive officers in which the individuals are entitled to a combination of base salary, extended benefits, specified milestones payments, and may be eligible for annual performance-based bonus as determined by the Board in its sole discretion. Following termination without cause, executive officers are also entitled to 12-month written notice or, in one case, a severance equivalent of one year's salary. Further, upon a change of control, as defined in their employment agreements, certain executives are entitled to lump sum payments of between eighteen and twenty-four months of their base salaries. Total maximum commitment upon change of control would amount to \$1.9 million.

Following termination without cause, certain executive officers are also entitled to up to 12-month written notice of termination, a severance equivalent up to one-year salary or, two-year salary if the officer's employment is terminated or unilaterally changed within six months of a Company's change of control.

13. Management of Capital

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, to pursue suitable business opportunities and to maintain a flexible capital structure for its projects for the benefit of its stakeholders. As the Company is in the exploration and evaluation stage and has not achieved commercial operations from its projects, its principal source of funds is from the issuance of common shares. Further information related to liquidity risk is disclosed in note 1 and 10.

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

Notes to the Consolidated Financial Statements

Euro Manganese Inc.

(Expressed in Canadian dollars)

13. Management of Capital (continued)

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

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

The Company is not currently subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management in the period.

14. Income Taxes

A reconciliation of the income tax recoveries at the statutory tax rate of 27% (2017 - 26%) is as follows:

| | September 30, | |
|--|---------------|-------------|
| | 2018 | 2017 |
| | \$ | \$ |
| Loss for the year | (6,534,075) | (3,413,356) |
| Expected income tax recovery | (1,764,200) | (887,472) |
| Non-deductible expenses and other | 201,735 | 145,262 |
| Non-capital losses expired | — | — |
| Effect of foreign tax rates and tax rate changes | 568,908 | 167,898 |
| Effect of deductible temporary difference not recognized | 993,557 | 574,312 |
| Income tax recovery | — | — |

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

| | September 30, | |
|---|---------------|----------|
| | 2018 | 2017 |
| | \$ | \$ |
| Equipment | 13,542 | 3,013 |
| Exploration and evaluation assets | 1,139,862 | 84,315 |
| | 1,153,404 | 87,328 |
| Unrecognized deferred income tax assets | (1,153,404) | (87,328) |
| Deferred income tax assets | — | — |

At September 30, 2018, we had the following estimated tax operating losses available to reduce future taxable income, including losses for which deferred tax assets are not recognized as listed in the table above. Losses expire at various dates and amounts between 2023 and 2037.

| At September 30, 2018 | \$ |
|-----------------------|-----------|
| Canada | 2,356,900 |
| Czech Republic | 926,600 |
| Tax operating losses | 3,283,500 |

Notes to the Consolidated Financial Statements

Euro Manganese Inc.

(Expressed in Canadian dollars)

15. Events after the Reporting Period

- a) On October 2, 2018, the Company completed its initial public offering on the TSX-V of 10,000,000 common shares of the Company at a price of \$0.25 per share, for aggregate gross proceeds of \$2,500,000 (note 7). On October 2, 2018, the Company's CDIs began trading on the ASX and its shares commenced trading on the TSX-V, both under the trading symbol "EMN".

In connection with the IPOs on the ASX and TSX-V, on October 2, 2018, the Company issued broker warrants to purchase 2,500,000 CDIs and 400,000 shares, respectively, at a price of \$0.375 per each expiring October 2, 2021.

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

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

- i. an instalment of 42,000,000 Czech Koruna (approximately \$2.44 million), 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 Option Agreement. The three-year term may be extended under certain circumstances by up to one year; and
- ii. a final payment of 84,000,000 Czech Koruna (approximately \$4.88 million), due upon receipt of all development permits for the Chvaletice Manganese Project, but no later than five years after signing the Option Agreement.

1. Introduction

The Company's principal business and current focus is the evaluation and potential development of the Chvaletice Manganese Project, which involves the re-processing of a manganese deposit hosted in historic mine tailings in the Czech Republic.

This management's discussion and analysis ("MD&A") of the financial condition and results of operations of Euro Manganese Inc. ("EMI" or "the Company"), prepared as of December 10, 2018, supplements, but does not form part of the consolidated financial statements of the Company for the year ended September 30, 2018 (the "September 2018 Financial Statements"), which can be found along with other information of the Company on SEDAR at www.sedar.com. The Company prepares its financial statements in accordance with IFRS, as issued by the International Accounting Standards Board (the "IASB"). The Company's significant accounting policies are set out in Note 3 of the audited consolidated financial statements for the year ended September 30, 2018.

All dollar amounts contained in this MD&A are expressed in Canadian dollars and tabular amounts are expressed in thousands of Canadian dollars, unless otherwise indicated. Further, all common share ("Shares") and per Share amounts in this MD&A have been adjusted to reflect the subdivision of Shares on a one-for-five basis, as approved at the Annual General Meeting of the Company on March 20, 2018 (the "Share Split").

The technical information in this MD&A concerning the Chvaletice Manganese Project was prepared under the supervision of Mr. Gary Nordin, a Qualified Person under NI 43-101.

Additional information relating to the Company is available at the Company's website www.mn25.ca.

2. 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. When the Company discusses its costs and timing of current and proposed evaluation; planning; development; capital expenditures; cash flow; working capital requirements; and the requirement for additional capital; operations; earnings; future prices of high-purity electronic manganese metal ("HPEMM"), high-purity manganese sulphate monohydrate ("HPMSM") and other manganese products; future foreign currency exchange rates; future accounting changes; future resolution of contingent liabilities; or other things that have not yet happened in this review, it is making statements considered to be forward-looking information or forward-looking statements under Canadian Securities laws (collectively, "forward-looking statements").

Forward-looking statements 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.

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 10, 2018, filed on SEDAR at www.sedar.com under the Company's profile.

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.

3. Overview

The Company was incorporated under the British Columbia Business Corporations Act on November 24, 2014. The Company's corporate offices are located at Suite 1500, 1040 West Georgia Street, Vancouver, B.C., Canada and its and registered offices are located at Suite 1700, Park Place, 666 Burrard Street, Vancouver, B.C., Canada.

The Company was formed with the objective of acquiring, evaluating, developing and operating the Chvaletice Manganese Project, a manganese deposit hosted in historic mine tailings, in which the Company has a 100% ownership interest, and which is located in the Czech Republic. The Company's wholly-owned subsidiary, Mangan Chvaletice s.r.o. ("Mangan") holds two licences covering mineral exploration rights for the Chvaletice Manganese Project. The original exploration licence was transferred to Mangan effective January 28, 2015, and was valid until September 30, 2019. On December 4, 2018, this licence was extended until May 31, 2023. On May 4, 2018, the Czech Ministry of Environment issued Mangan an additional exploration licence, valid until May 31, 2023, allowing it to drill the slopes on the perimeter of the tailings piles. On April 17, 2018, with effect from April 28, 2018, Mangan was also issued a Preliminary Mining Permit by the Ministry of Environment, referred to by the Ministry of Environment as the prior consent with the establishment of the Mining Lease District. The Preliminary Mining Permit, valid until April 30, 2023, covers the areas included in the Licences and now secures Mangan's exploration 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. Based on the Preliminary Mining Permit and other documents, including the Environmental Impact Assessment (which may only commence after the Preliminary Mining Permit is issued), Mangan has until April 30, 2023, to apply for the establishment of the Mining Lease District covering the areas included in the Licences. 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 mining at the Chvaletice Manganese Project.

The main activities required for the Chvaletice Manganese Project's full development will incorporate several phases in order to support the construction of a new plant capable of producing HPEMM using a conventional, proven, selenium-free process and, possibly as well, HPMSM for the lithium ion battery industry. The phases include: a) the evaluation of the mineral resource; b) the design of one or more process plants; c) permitting; and d) HPEMM and/or HPMSM market development.

4. Financial and Project Highlights

The following are a summary of the Company's highlights during the year ended September 30, 2018, and to the date of this MD&A:

- Raised \$7,550,000 in February 2018 for the continued evaluation of the Chvaletice Manganese Project.
- Confirmed the qualitative and quantitative characteristics of a historical mineral resource, the results of which are reported in an updated resource estimate that meets Canadian National Instrument 43-101 *Standards of Disclosure for Mineral Projects* ("NI 43-101").
- Continued an extensive series of laboratory investigations in one of China's leading metallurgical research and development institutes and in several other laboratories around the world, to determine the optimum process to convert the manganese in the Chvaletice tailings into HPEMM and/or HPMSM, while meeting the safety and environmental standards of the Czech Republic and European Union.
- Continued the plant site selection, design and localization work, adapting conventional, modern Chinese EMM plant technology to meet stringent Czech and European health, safety and environmental regulations.
- Continued with a scoping and pre-feasibility level process development and engineering, along with preliminary capital and operating cost estimates to confirm and optimize the economic viability of the Chvaletice Manganese Project.
- Continued with a thorough assessment of the potential to produce battery-grade HPMSM, both from Chvaletice HPEMM and directly from Chvaletice tailings concentrates.
- Continued engagement and consultation with local community stakeholders to ensure the Chvaletice Manganese Project is well understood and designed to fit into the local environmental and social setting, and to ensure the Company develops enduring relationships with local residents.
- Continued to develop a deeper understanding of the Lithium-ion battery raw materials supply chain, and continued build a network in the industry, while evaluating opportunities to supply high-purity manganese products to battery makers in Europe, Asia and North America.
- Successfully obtained a Preliminary Mining Permit on April 17, 2018, one of the key steps toward final permitting for the Chvaletice Manganese Project.
- Obtained an additional exploration licence on May 4, 2018 from the Czech Ministry of Environment allowing the Company to drill the slopes on the perimeter of the tailings piles which, along with the Preliminary Mining Permit, further secures Mangan's rights to the entire tailings deposit.
- In June 2018, the Company initiated a two-month 80 holes drilling campaign, spread across all three tailings deposits on the Chvaletice Project designed to increase the confidence of the Mineral Resource estimate.
- In September 2018, the Company submitted an application to list its CHES Depository Interests ("CDIs") on the Australian Securities Exchange ("ASX") and filed a final prospectus with the British Columbia, Alberta and Ontario securities commissions to list its shares in Canada on the TSX-Venture Exchange ("TSX-V"). The Australian initial public offering ("IPO") closing just before year-end and the Canadian IPO closed just after year-end on October

2, 2018. Together, the IPOs raised approximately \$8.6 million in gross proceeds. On October 2, 2018, trading of CDIs and shares commenced on the ASX and TSXV, respectively, both under the trading symbol "EMN".

- On August 13, 2018, through its subsidiary, Mangan, the Company signed an option agreement granting it the right to acquire 100% of the equity of EP Chvaletice s.r.o. ("EPCS"), a company that owns a large parcel of industrial zoned land adjacent to the Chvaletice Manganese Project, where the Company proposes to develop its high-purity manganese processing facility (the "EPCS Option Agreement"), by making payments totalling 140 million Korunas (approximately \$8.31 million) payable in three instalments. On October 17, 2018, Mangan made the first option payment of 14 million Czech Korunas (approximately \$815,000).

5. Significant Transaction During the Year Ended September 30, 2018

The Company signed an engagement letter dated January 24, 2018, with Canaccord Genuity (Australia) Limited (the "Australian Agent") to act as lead agent and sole book runner in connection with:

- a) an issue or sale of securities of the Company via a pre-IPO private placement to raise no less than \$5,000,000, plus up to a \$1,500,000 President's List, (together, the "February 2018 Private Placement"), at a price of \$0.20 per Share; and
- b) a subsequent IPO for the issue or sale of new fully paid CDIs in respect of fully paid Shares to raise no less than \$5,000,000 (the "Australian Offering"), plus a \$1,500,000 President's List issuance at a price of no less than \$0.25 per CDI.

The terms of the engagement letter allowed for the size of the February 2018 Private Placement and the Australian Offering to be increased subject to written agreement from the Company in its sole discretion. Accordingly, the Company and Australian Agent agreed to increase the February 2018 Private Placement to 37,750,000 Shares at a price of \$0.20 per Share, and on February 28, 2018, the Company closed the February 2018 Private Placement for gross proceeds of \$7,550,000. Fees paid to the Australian Agent amounted to 6% of the amount raised by the Australian Agent and were paid by the issuance of 1,515,000 new fully paid Shares at \$0.20 per Share. Further consideration included a warrant to purchase 2,525,000 Shares exercisable at \$0.30 per Share on or before February 28, 2021. Remuneration related to finder fees in connection with a portion of the \$1,500,000 President's List included \$39,810, paid by the issuance of 199,050 Shares at \$0.20 per Share, and warrants to purchase 331,750 Shares exercisable at \$0.30 per Share on or before February 28, 2021. The warrants to purchase an aggregate of 2,856,750 Shares (the "Private Placement Warrants") were valued at \$168,770 using the Black-Scholes option pricing model.

In connection with the filing of a prospectus with the Australian Securities and Investment Commission, on August 22, 2018, the Company signed an Offer Management Agreement with the Australian Agent (the "Offer Management Agreement"), which changed the offering price, as it relates to the Australian Offering, to AUD0.26 per CDI (equivalent to \$0.25 at the AUD:CAD exchange rate on August 22, 2018) (the "Australian Offering Price") and set the number of CDIs offered to a minimum of 20,000,000, with a right to accept oversubscriptions of 14,000,000 CDIs to a maximum offering of 34,000,000 CDIs. The Company and the Australian Agent subsequently fixed the number of CDIs to be issued under the Australian Offering to 25,000,000. The Australian Offering closed on September 28, 2018 and raised AUD6,500,000 (\$6,066,342). Fees payable to the Australian Agent in connection with the Australian Offering included: AUD65,000 in cash (\$60,639); 1,250,000 CDIs in respect of fully paid Shares having a value of AUD325,000 (\$303,193); and warrants entitling the Australian Agent to purchase 2,500,000 CDIs at \$0.375 per CDI for a period of 36 months from the date of issue (the "Australian Agent's IPO Warrant"), which the Company valued at \$305,574 using the Black-Scholes option pricing model.

On March 9, 2018, the Company also signed an engagement letter with Canaccord Genuity corp. (the "Canadian Agent") to act as lead agent for the offering of 6,000,000 Shares in Canada at a price of \$0.25 per Share (the "Canadian Offering"). The Offering was intended to be in place of the President's List issuance of CDIs contemplated under the January 24, 2018 engagement letter between the Company and the Australian Agent and be on substantially the same terms and conditions as the Australian Offering. In connection with the Canadian Offering of 6,000,000 Shares, the Company agreed to pay the Canadian Agent a flat-rate Corporate Finance Fee of \$70,000. On September 21, 2018, the Company signed an Agency Agreement with the Canadian Agent (the "Agency Agreement"), which allowed for an increase to the size of the Canadian Offering to 2,500,000 Shares at a price of \$0.25 per Share (the "Offering Price") for total gross proceeds of up to \$2,500,000. The Canadian Offering closed on October 2, 2018 and raised \$2,500,000. Pursuant to the Agency Agreement, fees payable to the Canadian Agent include the Corporate Finance Fee, plus 6% of the aggregate gross proceeds of the Offering in excess of \$1,500,000, payable 1% or \$10,000 in cash and 5% in fully paid Shares (200,000 shares valued at \$50,000), and warrants entitling the Canadian Agent to purchase 10% of the Shares issued in excess of 6,000,000 Shares (400,000 shares) at an exercise price of \$0.375 per share for a period of 36 months from the date of issue (the "Canadian Agent's Warrant").

Total expenses related to the February 2018 Private Placement, the Canadian Offering and the Australian Offering are \$2,241,170, and include:

- a) cash expenses of \$1,006,825 inclusive of the 1% cash fees of AUD65,000 (\$60,639) and \$10,000 payable in respect of the Australian Offering and Canadian Offering, respectively;
- b) fees paid in Shares on the February 2018 Private Placement, Australian Offering and Canadian Offering valued at \$342,810, \$303,193 and \$50,000, respectively;
- c) other fees paid to consultants related to the IPO of \$36,425; and
- d) the value of the Private Placement Warrants, and Australian Agent's IPO warrant and Canadian Agent's Warrant in the amounts of \$168,770, \$305,574 and \$29,728, respectively.

Expenses related to the February 2018 Private Placement and the Australian Offering have been applied against the gross proceeds of such financings. The expenses related to the Canadian Offering, including the \$10,000 cash fee, the \$50,000 value attributed to the 200,000 Shares and the \$29,728 value attributed to the 200,000 Shares will be applied against the gross proceeds of the Canadian Offering in the period subsequent to the year-end.

6. Review of Operations - Chvaletice Manganese Project

The Chvaletice Manganese Project is located in the Czech Republic, within the townships of Chvaletice and Trnavka, in the Labe River valley. The Czech capital city of Prague is located 90 kilometres to the west. The Chvaletice Manganese Project site is adjacent to established infrastructure, including an 820-megawatt coal-fired power station that supplies the Czech Republic's national grid, a railway line, a highway and a gas line. The surrounding region is industrialized and skilled labor is expected to be available from local markets.

The Chvaletice Manganese Project resource is contained in three 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 manganese and the extraction of pyrite used for the production of sulfuric acid. The tailings cover a cumulative surface area of approximately one square kilometre and were stacked on a flat plain in three separate piles ranging in height from about 12 to 28 meters.

In 2017, the Company conducted an extensive drilling program, using state-of-the-art Sonic sampling technology to sample the tailings for resource estimation and bulk-sampling purposes, conducted a broad range of tests and analyses at leading laboratories in Europe, North America and Asia, and implemented a quality assurance and quality control program to ensure the integrity of its resource estimates. The results of this 2017 work program have been reported on in the technical report dated effective April 27, 2018 (having a release date of May 16, 2018) and entitled "Technical Report on Mineral Resource Estimation for the Chvaletice Manganese Project Chvaletice, Czech Republic" (the "Chvaletice Technical Report"), as prepared by Mr. James Barr, P. Geo, Senior Geologist, and Mr. Jianhui (John) Huang, Ph.D., P. Eng., Senior Metallurgical Engineer, both with Tetra Tech Canada Inc. ("Tetra Tech"), both of which are "qualified persons" under NI 43-101.

The Company conducted an additional phase of drilling at the Chvaletice Manganese Project in July and August 2018, designed to upgrade the confidence level of the resource estimate that was published in Chvaletice Technical Report. A total of 80 holes were drilled, totalling 1,510 metres in length, comprising: 54 Sonic drill holes totalling 1410 metres, consisting of 35 vertical holes, totalling 661 metres, and 19 inclined holes, totalling 749 metres (focused on sampling the embankment of the tailings piles, which was largely classified as an inferred resource following the 2017 drill program, as it could not be accessed using vertical drill holes); and 26 hand-auger holes, totalling 100 metres. A total of 767 samples were sent for assaying and various other tests. An additional 63 samples were sent for analysis, as part of a comprehensive quality assurance/quality control program, that included blind insertion of duplicates, blanks and standards, as well as independent check assays.

Final results were received in late November 2018 and will be incorporated in an updated NI 43:101 Resource Estimate to be prepared by Tetra Tech. The updated Resource Estimate results are expected to be issued in December 2018. The final report for the updated Resource Estimate is expected to be filed in January 2019.

Following the collection of 14.8 tonnes of samples representative of the Chvaletice tailings in the summer of 2017, an extensive metallurgical testwork and process design program was initiated by the Company and is now nearing completion. The focus of the overall program is the development of technically, environmentally and economically robust process flowsheets for the production of ultra-high-purity electrolytic manganese metal and/or ultra-high-purity manganese sulphate monohydrate. The Company expects to make a decision in early 2019 on the flowsheet that will be advanced to the next stage of evaluation and planning, which is expected to be a Feasibility Study.

The metallurgical test work program involved completion of over 535 individual bench and pilot-scale tests, and 8,125 assays. It also entailed extensive equipment vendor testing and third-party exploratory, confirmation and verification tests. The program included beneficiation testwork, principally focused on magnetic separation, as well as leaching, solution purification, solid-liquid separation, wash water reagent recovery, electrowinning and passivation and crystallization tests. It also included 21 days of locked-cycle pilot-scale test runs, on a pilot plant that was purposely built for this program. Preliminary findings to date are encouraging and the resulting product specifications are excellent. Detailed results are being compiled and interpreted. A summary of these findings by Tetra Tech is expected to be presented in the context of a Preliminary Economic Assessment ("PEA") which is expected to be released early in calendar 2019.

In 2018, the Company initiated hydrological and hydrogeological studies to extend the baseline environmental monitoring program, and initiated a study on mining, tailings storage operations and reclamation design, and waste management plans. Planning and preparation of the Company's Environmental Assessment application has been initiated, with the objective of filing a Project Description/Notification early in 2019 and an Environmental Assessment application shortly thereafter. The Company has also undertaken scoping and pre-feasibility-level process design studies, evaluating plant and site infrastructure layout alternatives, elaboration of preliminary capital and operating cost estimates, planning and extensive environmental impact studies. It has also initiated widespread community and regulatory agency consultations. The Company believes that it must involve local communities in the development of the Chvaletice Manganese Project, and meaningfully incorporate local input to ensure the

project's economic, environmental and social viability. The Company continues to advance its investigations to narrow down potential plant and related facilities site options, and to advance the Company's land acquisition program.

Market research and discussions with potential off-take purchasers are ongoing and are increasingly focused on product specifications, especially those required to meet the requirements of the producers of high-performance Nickel, Manganese and Cobalt ("NMC") lithium-ion battery precursor materials. NMC battery chemistry is progressively emerging as the dominant electric vehicle battery chemistry in the world and is widely expected to experience strong demand growth in the coming decade. High-purity manganese inputs are a vital constituent of this new generation of automotive batteries. The Company's goal is to differentiate itself in this highly competitive market by focusing on the reliable and sustainable European production of the highest quality and purity materials, designing its products to meet what it expects will be increasingly demanding raw material specifications, as the battery industry progresses with the deployment of highly sophisticated low cobalt NMC formulations.

A summary of the Chvalětice Technical Report resources is presented in the table below:

| Cell | Class | Volume (m ³ , '000s) | Tonnes (kt) | Bulk Density (t/m ³) | Total Mn (%) | Soluble Mn (%) |
|--------------|------------------|---------------------------------|---------------|----------------------------------|--------------|----------------|
| T1 | Indicated | 5,684 | 8,832 | 1.55 | 8.08 | 6.46 |
| | Inferred | 1,004 | 1,497 | 1.49 | 8.60 | 6.87 |
| T2 | Indicated | 6,773 | 10,567 | 1.56 | 6.86 | 5.48 |
| | Inferred | 996 | 1,648 | 1.65 | 7.90 | 6.05 |
| T3 | Indicated | 2,772 | 3,973 | 1.43 | 7.34 | 5.78 |
| | Inferred | 250 | 363 | 1.46 | 7.84 | 6.14 |
| Total | Indicated | 15,229 | 23,372 | 1.53 | 7.40 | 5.90 |
| Total | Inferred | 2,250 | 3,508 | 1.56 | 8.21 | 6.43 |

Note ⁽¹⁾: Numbers may not add exactly due to rounding.

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

The original exploration license for the Chvalětice Manganese Project, issued by the Czech Republic's Ministry of the Environment on September 2, 2014, was transferred to Mangan effective January 28, 2015 and is now valid until May 31, 2023 ("Exploration License Trnávka I"). On May 4, 2018, the Czech Ministry of Environment issued Mangan an additional exploration licence allowing it to drill the slopes on the perimeter of the tailings piles ("Exploration License Trnávka II"). Exploration License Trnávka II became effective May 23, 2018 and is valid until May 31, 2023. On April 17, 2018, with effect from April 28, 2018, Mangan was issued a Preliminary Mining Permit by the Ministry of Environment, referred to by the Ministry of Environment 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 Exploration License Trnávka I and the Exploration License Trnávka II (together the "Licenses") and now secures Mangan'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. Based on the Preliminary Mining Permit and other documents, including the Environmental Impact Assessment (which may only commence after the Preliminary Mining Permit is issued), Mangan has until April 30, 2023 to apply for the establishment of the Mining Lease District covering the areas included in the Licenses. 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 mining at the Chvaletice Manganese Project.

At present, Mangan does not hold surface rights to the Chvaletice Manganese Project area, which are considered as those lands of original ground elevation surrounding, and those parcels of original ground underlying and immediately surrounding, the three tailings deposit which comprise the Chvaletice Manganese Project. The area of interest for the Chvaletice Manganese Project overlies 18 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 land owners whose surface properties underlie the tailings. In the future, the Company expects to negotiate the acquisition of surface rights, leases, rights of way, or other arrangements in those areas where it may wish to develop its operations, site facilities and infrastructure. There is no guarantee that areas needed for these activities and facilities will be available.

On August 13, 2018, following completion of legal and financial diligence, the Company, through its subsidiary, Mangan, signed the EPCS Option Agreement giving it the right to acquire 100% of the equity of EPCS, a small Czech steel fabrication company that owns a 19.94 hectare parcel of land located immediately south of the highway and rail line that bound the Chvaletice tailings deposit and immediately adjacent to the Chvaletice power plant and 1.7-hectare parcel of land and rail siding that was acquired by the Company in November 2017. 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 Korunas payable in three cash instalments, the first of which was paid on October 17, 2018, in the amount of 14 million Czech Korunas (approx. CAD\$815,000). The Company can complete the acquisition of EPCS by making two additional instalments aggregating 126 million Korunas (approx. CAD\$7.32 million) as follows:

- a) an instalment of 42,000,000 Czech Koruna (approx. CAD\$2.44 million) ("Second Instalment"), within 60 days of final approval of the environmental impact assessment for the Chvaletice Manganese Project, and no later than three years after signing the EPCS Option Agreement. The three-year term may be extended under certain circumstances by up to one year; and
- b) a final payment of 84,000,000 Czech Koruna (approx. CAD\$4.88 million) ("Final Payment"), due upon receipt of all development permits for the Chvaletice Manganese Project, and no later than five years after signing the EPCS Option Agreement.

The shares of EPCS are being held in escrow pending release of the Final Payment by the Company. To secure the transaction, liens have been placed by the Company on the property and shares of EPCS, while the EPCS Option Agreement is in effect. The vendor of EPCS will continue to operate its steel fabrication business until the Final Payment is received, will retain profits from the business and will remain responsible for any losses incurred by the business during the term of the EPCS Option Agreement. The Company will endeavour to retrain and transition into the proposed Chvaletice Manganese Project workforce as many of the EPCS employees as possible.

7. Outlook

The Company's planned activities for the next twelve months include the completion of the engineering studies mentioned above, which will be incorporated into the Chvaletice Manganese Project PEA for the production of HPEMM and HPMSM, expected to be completed early in 2019. This work program includes: completing the study on mining, tailings storage operations, reclamation design and waste management plans; and advancing investigations to narrow down options for the plant site and related facilities and to advance the Company's land acquisition program.

During the fiscal year 2019, the Company intends to complete the ongoing environmental scoping and baseline studies, hydrogeological studies and, having been issued its Preliminary Mining Permit in April 2018, complete the related planning for, and initiate, an Environmental Impact Assessment for the Chvaletice Manganese Project. Plans also include the completion of the process evaluation studies and related test work for HPMSM. Having recently completed the sonic drilling program in October 2018, the Company expects to upgrade the Mineral Resource estimate for the project to a Measured and Indicated Mineral Resource status.

Discussions with leading Asian, European and North American importers of high-purity manganese products are ongoing. The discussions have centered around the possibility of the Chvaletice Manganese Project's future production providing a competitive and reliable long-term supply of HPEMM and/or HPMSM. However, given that the Chvaletice Manganese Project is still in the exploration and evaluation stage, there can be no assurance that these discussions will lead to offtake agreements, or strategic partnerships in the near term, if at all.

8. Select Annual Financial Information

The following table sets out select annual information, expressed in thousands of Canadian dollars, except for per share data:

| | Years ended September 30, | | |
|--|---------------------------|--------------|------------|
| | 2018 | 2017 | 2016 |
| | \$ | \$ | \$ |
| Revenue | — | — | — |
| Exploration and evaluation expenses Chvaletice | 4,590 | 2,398 | 624 |
| Other expenses | 1,944 | 1,015 | 322 |
| Net loss for the year attributable to shareholders | 6,534 | 3,413 | 946 |
| Basic and diluted loss per share attributable to shareholders ⁽¹⁾ | \$0.06 | \$0.07 | \$0.05 |

| | September 30, | | |
|-----------------------------------|---------------|-------|-------|
| | 2018 | 2017 | 2016 |
| | \$ | \$ | \$ |
| Cash | 10,368 | 2,861 | 117 |
| Total assets | 12,273 | 4,321 | 1,379 |
| Non-current financial liabilities | 241 | 450 | 622 |

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

Management's Discussion and Analysis for the Year Ended September 30, 2018
Euro Manganese Inc.

Total assets for each year shown include \$1,249,086 in mineral property interest related to the acquisition of the Chvaletice Manganese Project on May 13, 2016. Non-current liabilities as at September 30, 2018, 2017 and 2016 represents the non-current portions of the deferred share consideration to be issued in connection with the acquisition of the Chvaletice Manganese Project.

Year ended September 30, 2018, compared to the year ended September 30, 2017

| | Year ended September 30, | |
|---|--------------------------|---------------|
| | 2018 | 2017 |
| (Expressed in thousands of Canadian dollars, except for per share date) | \$ | \$ |
| Exploration and evaluation expenses | | |
| Engineering | 1,854 | 1,168 |
| Remuneration | 683 | — |
| Metallurgical | 277 | 195 |
| Market studies | 143 | 28 |
| Travel | 233 | 216 |
| Share-based compensation | 216 | 76 |
| Geological | 142 | 96 |
| Legal and professional fees | 459 | 52 |
| Project management | 147 | 113 |
| Supplies and rentals | 105 | 43 |
| Drilling, sampling and surveys | 330 | 346 |
| Geophysical | — | 43 |
| Taxes | — | 22 |
| | 4,589 | 2,398 |
| Other expenses | | |
| Remuneration | 816 | 557 |
| Share-based compensation | 415 | 135 |
| Net remuneration | 1,231 | 692 |
| Travel | 150 | 58 |
| Legal and professional fees | 121 | 68 |
| Filing Fees | 127 | — |
| Office, general and administrative | 108 | 35 |
| Accretion expense | 91 | 131 |
| Insurance | 40 | 7 |
| Conferences | 20 | 3 |
| Office rent | 29 | 18 |
| Investor relations | 22 | 1 |
| Depreciation | 6 | 2 |
| | 1,945 | 1,015 |
| Total loss for the year attributable to shareholders | 6,534 | 3,413 |
| Loss per share attributable to shareholders | \$0.06 | \$0.07 |

To date, the Company's operating results have solely reflected the exploration and evaluation activities at its Chvaletic Manganese Project and supporting administrative expenses. Project evaluation costs in the year ended September 30, 2018, increased by approximately \$2.2 million over the same period in 2017. The main cost increases were primarily attributable to: a \$814,575 increase in engineering, metallurgical and geological expenses related to the ongoing PEA report, initiated around the end of June 2017; a \$683,450 increase in remuneration expenditures covering personnel in the Czech Republic primarily due to the hiring of a local management team; a \$407,013 increase in legal and professional costs mainly related to the EPCS Option Agreement; a \$114,918 increase in manganese metal market studies intended to form part of the final PEA report and a \$139,979 increase in share-based compensation being allocated to project personnel.

The PEA study was initiated in mid-2017 and is expected to be completed in 2019. During the year ended September 30, 2018, engineering, remuneration, metallurgical and geological costs amounted to approximately 64% of the total project evaluation costs of the engineering studies. Details of the studies associated with the ongoing PEA studies are described in section 6 of this MD&A.

The \$929,599 increase in administrative costs in the year ended September 30, 2018, over the same period in 2017 is mainly attributable to: a \$258,742 increase in remuneration and a \$280,067 increase in share-based compensation to the Company senior management and directors; an increase of \$108,810 in travel and conference expenses related to an several trips to Asia and Europe for purposes of technical or marketing efforts; a \$53,547 increase in legal and professional fees mainly attributed to quarterly financial reviews by the Company's auditors and other external consultants; a \$32,961 increase in insurance amortization expense related increases in the general liability insurance and the directors and officers insurance policies; a \$147,548 increase in filing fees and investor relation expenditures both related to the Company's ongoing initial public offering in Canada and Australia; and a \$39,177 decrease in the non-cash accretion expense related to the deferred consideration obligation.

9. Select Quarterly Financial Information

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

| | July to Sept '18 | April to June '18 | Jan to March '18 | Oct to Dec '17 | July to Sept '17 | April to June '17 | Jan to March '17 | Oct to Dec '16 |
|---|---------------------|----------------------|---------------------|-------------------|---------------------|----------------------|---------------------|-------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Cash | 10,368 | 6,194 | 7,648 | 1,536 | 2,861 | 3,335 | 185 | 108 |
| Total assets | 12,273 | 7,928 | 9,381 | 3,302 | 4,321 | 4,595 | 1,438 | 1,360 |
| Working capital ⁽¹⁾ | 9,119 | 5,450 | 6,973 | 721 | 2,333 | 2,768 | (328) | (327) |
| Current liabilities | 1,536 | 891 | 825 | 1,005 | 730 | 569 | 513 | 435 |
| Revenue | — | — | — | — | — | — | — | — |
| Project exploration expenses | 1,451 | 1,050 | 969 | 1,119 | 1,488 | 592 | 226 | 92 |
| Other expenses | 631 | 451 | 515 | 348 | 347 | 265 | 195 | 208 |
| Net loss attributable to shareholders | 2,082 | 1,501 | 1,485 | 1,467 | 1,835 | 857 | 421 | 301 |
| Net loss per share, basic and diluted, attributable to shareholders | 0.02 | 0.01 | 0.01 | 0.02 | 0.03 | 0.02 | 0.01 | 0.01 |

⁽¹⁾ 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:

Timing of exploration expenditures:

- At the beginning of January 2017, the Company embarked on a growth phase which marked a significant increase in project related activities. As a result, starting April 2017, the level of quarterly project exploration expenditures significantly increased.
- In June 2017, the Company initiated a drilling and assay program as the first step of a series of studies to be incorporated into the final PEA report. At the same time, the Company also commissioned, from Canadian, European and Chinese engineering consulting firms, various engineering, sampling and surveys, and metallurgical studies, the results of which will be ultimately included in the PEA report. The timing during the year, when studies are performed and or when milestones payments become due, account for the significant movements in project activities on a quarterly and annual basis.
- In order to manage the increased level of engineering consultants and other project activities within the Czech Republic, in October 2017, the Company started hiring local full-time personnel, starting with a full-time Managing Director of Mangan subsequently followed by the hiring of additional technical and administrative personnel. Around the same time, the Company also raised its presence in the country with the opening of offices in Prague and a Project Information Centre in the town of Chvaletice.
- Beginning January 2018, project related costs reflect the hiring of a full-time Vice President, Project Development, to oversee process engineering and overall project development planning.
- The increased involvement of outside advisors in the management of technical issues allowed senior management to concentrate their efforts on raising additional capital for the Company. Consequently, starting at the beginning of October 2017, no additional administrative and overhead charges were allocated to project exploration and evaluation activities.

Timing of administrative expenditures:

The increase in the level of quarterly administrative expenditures is mainly attributed to the combination of:

- Increased remuneration at the beginning January 2018;
- Additional legal and professional costs related to private and IPO financing activities, which also required more senior management time, and
- Increases in non-cash share-based compensation related to option grants to directors, management and employees.

Three months ended September 30, 2018, compared to the three months ended September 30, 2017

| (Expressed in thousands of Canadian dollars, except for per share) | Three months ended September 30, | |
|--|----------------------------------|---------------|
| | 2018 | 2017 |
| | \$ | \$ |
| Exploration and evaluation expenses | | |
| Engineering | 382 | 794 |
| Remuneration | 198 | — |
| Metallurgical | 167 | 169 |
| Market studies | (38) | 1 |
| Travel | 62 | 73 |
| Share-based compensation | 85 | 44 |
| Geological | 30 | 45 |
| Legal and professional fees | 186 | 40 |
| Project management | 60 | 63 |
| Supplies and rentals | 21 | 26 |
| Drilling, sampling and surveys | 299 | 200 |
| Geophysical | — | 43 |
| Taxes | — | (10) |
| | 1,452 | 1,488 |
| Other expenses | | |
| Remuneration | 222 | 164 |
| Share-based compensation | 128 | 67 |
| Net remuneration | 350 | 231 |
| Travel | 50 | 38 |
| Legal and professional fees | 21 | 12 |
| Filing fees | 127 | — |
| Office, general and administrative | 27 | 17 |
| Accretion expense | 18 | 35 |
| Insurance | 11 | 7 |
| Office rent | 8 | 5 |
| Investor relations | 16 | 1 |
| Depreciation | 2 | 1 |
| | 630 | 347 |
| Total loss for the quarter | 2,082 | 1,835 |
| Loss per share | \$0.02 | \$0.02 |

Management's Discussion and Analysis for the Year Ended September 30, 2018

Euro Manganese Inc.

Project evaluation costs for the quarter ended September 30, 2018 and 2017, both totalled \$1,451,760 and \$1,487,930 respectively. The main cost variances include: a decrease of \$215,959 in engineering, remuneration and metallurgical costs related to the PEA; a \$145,267 increase in legal and professional costs related to the August 2018 EPCS Option Agreement giving the Company the right to purchase a Czech entity holding a large land package located near the Chvaletice Project; and a \$99,452 increase in drilling, sampling and surveys attributable to the 2018 drilling program initiated at the beginning of July 2018.

Engineering, remuneration, geological and metallurgical costs for the quarter ended September 30, 2018, represent approximately 54% of the total project evaluation costs for the quarter and are related to: a tailings/residue facility design study; studies related to test work, process and infrastructure design; the initiation of a wide range of bench and pilot scale tests and investigations to determine the optimum process to re-process Chvaletice tailings and recover manganese to produce HPEMM and HPMSM; scoping and pre-feasibility-level process design studies, evaluating plant and site infrastructure layout alternatives, developing preliminary capital and operating cost estimates, planning and carrying out extensive environmental studies, and conducting widespread community consultations.

The \$284,355 increase in administrative costs for the quarter ended September 30, 2018, is mainly attributable to: a \$127,142 increase in fees payable to Canadian and Australian security exchanges covering initial listing fees; a \$59,000 increase in remuneration mainly attributable to \$40,000 in quarterly directors' fees paid, first implemented in the quarter ended March 2018; a \$61,107 increase in non-cash share-based compensation related to new options granted to directors and officers during the year ended September 30, 2018; and a \$17,028 decrease in non-cash accretion expense related to the deferred consideration obligation which decreased by \$300,000 from the prior period.

10. Liquidity and Capital Resources

As at September 30, 2018, the Company held cash of approximately \$10.4 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.

Cash increased by \$7.5 million during the year ended September 30, 2018, primarily due to the February 2018 Private Placement and the Australian IPO, which raised aggregate gross proceeds of \$13.6 million, less cash expenses of \$0.8 million. Cash generated from financing activities were offset by cash used in net operating activities of \$5.0 million for the year ended September 30, 2018, as well as by cash used to acquire land and equipment near the project area in the amount of \$0.4 million.

As at September 30, 2018, the Company had working capital of \$9.1 million which compares to working capital at September 30, 2017, of \$2.3 million. The increase in working capital was due to the February 2018 Private Placement and the Australian Offering, offset by operating expenditures and the acquisition of land and equipment, as described above. Subsequent to year-end, cash and working capital was impacted by: the closing of the \$2.5 million Canadian Offering on October 2, 2018; and the first option payment of 14 million Czech Korunas (approximately \$815,000) on October 17, 2018 pursuant to the EPCS Option Agreement.

Management's Discussion and Analysis for the Year Ended September 30, 2018

Euro Manganese Inc.

The Company's capital resources at September 30, 2018, combined with the net proceeds from the Offering, are expected to provide sufficient working capital to fund its corporate and project development costs for at least 12 months. As an early exploration stage corporation, the Company does not own any properties with established Mineral Reserves and has no operating revenues and is unable to self-finance its operations. Accordingly, the only source of future funds presently available to the Company is through the issuance of share capital. The ability of the Company to arrange such equity financings in the future will depend principally upon prevailing market conditions and the business performance of the Company. Its inability to raise additional funds in the future may require the Company to curtail or terminate its activities and may result in material adjustments to the carrying values of assets.

The Company is not subject to any externally imposed capital requirements. As of the date of this MD&A, other than as described in section "Contractual Commitments", the Company had no material contractual obligations which required minimum annual cash payments.

In the Company's prospectus for the Canadian IPO dated September 21, 2018, the Company provided a listing of the expected use of proceeds in connection with the prospectus offerings in Australia and Canada. Due to the short period between the receipt of funds from the Australian offering and the year end at September 30, 2018, we have not yet used the proceeds from the offering. The funds from the Canadian offering were received after the period end on October 2, 2018.

11. Off Balance Sheet Arrangements

As at September 30, 2018, 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.

12. Related Party Transactions

For the year ended September 30, 2018, 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 September 30, 2018, 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 non-executive Chairman, President and Chief Executive Officer, Chief Financial Officer, Corporate Secretary and Vice President, Corporate Development and Managing Director of Mangan.

| | Twelve months ended September 30, | |
|--|-----------------------------------|---------|
| | 2018 | 2017 |
| | \$ | \$ |
| Salaries and consulting fees payable to officers and directors of the Company ⁽¹⁾ | 1,269,954 | 645,928 |
| Directors and officers' stock-based compensation | 406,158 | 158,932 |
| Total remuneration | 1,676,112 | 804,860 |
| Fees provided by a legal firm associated with a director of the Company | 468,540 | 43,171 |

For the year ended September 30, 2018, salaries and consulting fees to officers of the Company were \$1,153,286 (2017 - \$645,928) and comprised \$288,000 (2017 - \$252,000) to the President and CEO, \$266,263 (2017 - \$238,687) to the CFO, \$224,013 (2017 - \$155,241) to the Vice President Development, and \$375,011 (2017 - nil) to the Managing Director of Mangan. Non-executive directors' fees for the year ended September 30, 2018 were \$116,667

Management’s Discussion and Analysis for the Year Ended September 30, 2018
Euro Manganese Inc.

(2017 -nil). Share-based compensation to the officers and directors for year ended September 30, 2018 was \$307,232 (2017 - \$158,932).

Fees provided by PRK Raft a.s. (“PRK”), a legal firm associated with Daniel Rosický, a director of the Company, for the year ended September 30, 2018 amounted to \$468,540 (2017 - \$43,171). The current year fees primarily related to the EPCS Option Agreement.

As at September 30, 2018, amounts owing to directors and officers of the Company for salaries and directors fees amounted to \$64,895 (2017 - \$64,576) and included \$33,481 owing to the Managing Director of Mangan and \$31,414 owing in directors’ fees. As at September 30, 2018, fees owing to PRK amounted to \$237,246 (2017 - \$11,161). Other amounts payable to officers and directors for the reimbursement of travel related expenses were \$18,498 for the year ended September 30, 2018 (2017 - \$40,994).

13. Contractual Commitments

Pursuant to the Mangan Acquisition Agreement, dated May 13, 2016, the Company committed to five issuances of Shares, each valued at \$300,000. As at September 30, 2018, the Company’s remaining commitment includes two equal \$300,000 annual equity instalments, on May 13 in each of 2019 and 2020. The number of shares to be issued will be based on value of the Company’s shares at the time of each issuance, or pursuant to an amending agreement between the Company and Mangan’s founding shareholders dated June 15, 2018, in cash, at the Company’s sole discretion. The amending agreement also indicates that the minimum deemed value of the common shares will not be less than \$0.05 per share, and that that in the event either of the remaining two share issuances result in the deemed value of the shares being below \$0.05 per share, the Company has agreed to settle such payment in cash.

In connection with the acquisition of Mangan, the Chvaletice Manganese Project is subject to a 1.2% net smelter royalty interest. Mangan has a right of first refusal on the sale of all or a part of the royalties held by Mangan’s founding shareholders and has 90 calendar days to match any bona fide and binding offer accepted by any of the royalty holders.

The Company has entered into employment agreements with its executive officers in which the individuals are entitled to a combination of base salary; extended benefits; specified milestones payments; and may be eligible for annual performance-based bonus as determined by the Board in its sole discretion. Following termination without cause, executive officers are also entitled to 12-month written notice or, in one case, a severance equivalent of one year’s salary. Further, upon a change of control, as defined in their employment agreements, certain executives are entitled to lump sum payments of between eighteen and twenty-four months of their base salaries.

Contractual committed undiscounted cash flow requirements as at September 30, 2018, are as follows:

| | Payments due by period: | | | | |
|--|-------------------------|-----------------------|----------------|---------------|---------------|
| | Total | Less than one year | 1 - 2 years | 2 - 3 years | After 3 years |
| | \$ | \$ | \$ | \$ | \$ |
| Minimum office lease payments ⁽¹⁾ | 271,433 | 116,027 | 112,796 | 38,661 | 3,949 |
| Operating expenditure commitments ⁽²⁾ | 923,091 | 923,091 | — | — | — |
| Total contractual obligations | 1,194,524 | 1,039,118 | 112,796 | 38,661 | 3,949 |

⁽¹⁾ The Company has three non-cancellable operating office leases expiring within 2 to 4 years.

⁽²⁾ Operating expenditure commitments relate mostly to the exploration and evaluation work on the Chvaletice Project.

14. Outstanding Share Data

The Company's authorized share capital consists of an unlimited number of common shares without par value. The following common shares, stock options and share purchase warrants were outstanding at December 10, 2018:

| | Number of securities |
|--------------------------------------|-----------------------------|
| Issued and outstanding common shares | 170,709,600 |
| Share options | 12,525,000 |
| Warrants | 8,684,015 |

Certain number of common share and share options escrowed. For detail on the number of escrowed securities and the timing of their release refer to note 7vi) of the Company's consolidated financial statements

15. Proposed Transactions

As at September 30, 2018, there are no proposed asset or business acquisition or disposition being considered that would affect the financial condition, financial performance or cash flows of the Company.

16. Significant Accounting Policies, Estimates and Judgments

Basis of preparation and accounting policies

Our consolidated financial statements have been prepared in accordance with IFRS as issued by the IASB and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). 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, 2018. The impact of future accounting changes is disclosed in note 3.12. to our consolidated financial statements.

Critical accounting estimates and judgments

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Areas of judgment and key sources of estimation uncertainty that have the most significant effect are disclosed in note 3.13. of our consolidated financial statements for the year ended September 30, 2018.

17. Financial Instruments and Financial Risk Management

A description of the Company's financial instruments and financial risks that the Company is exposed to and management of these risks can be found in notes 9 and 10, respectively, of the Company's consolidated financial statements for the year ended September 30, 2018.

18. 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 consolidated financial statements for the year ended September 30, 2018 and 2017 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 consolidated financial statements for the year ended September 30, 2018 and 2017 fairly present in all material respects the financial condition, results of operations and cash flow of the Company.

In contrast to the usual certificate required for non-venture issuers under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings (NI 52-109), namely, Form 52-109F1, this Form 52-109F1 – IPO/RTO does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of

- i. controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- ii. a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate. Investors should be aware that inherent limitations on the ability of certifying officers of an issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 in the first financial period following

- completion of the issuer's initial public offering in the circumstances described in s. 4.3 of NI 52-109;
- completion of a reverse takeover in the circumstances described in s. 4.4 of NI 52-109; or
- the issuer becoming a non-venture issuer in the circumstances described in s. 4.5 of NI 52-109;

may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

19. Events after the Reporting Period

On October 2, 2018, the Company completed its IPO on the TSX-V of 10,000,000 Shares of the Company at a price of \$0.25 per Share, for aggregate gross proceeds of \$2,500,000. Also, on October 2, 2018, the Company's CDIs began trading on the ASX and its Shares commenced trading on the TSX-V, both under the trading symbol "EMN". In connection with the IPOs on the ASX and TSX-V, on October 2, 2018, the Company issued warrants to purchase 2,500,000 CDIs and 400,000 shares, respectively, at a price of \$0.375 per share expiring October 2, 2021 (see also section 5 of this MD&A).

On October 17, 2018 the Company, through its Czech subsidiary Mangan, made the first option payment of 14 million Czech Korunas (approximately \$815,000) pursuant to the EPCS Option Agreement (see section 6 of this MD&A).

MINING TENEMENTS AND MINERAL RESOURCE STATEMENT

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

| Tenement | License Status | Reference | Note | Interest Acquired During Year | Interest Divested During Year | Interest Held at Year-end |
|---------------------------|---------------------------|---------------------|------|-------------------------------|-------------------------------|---------------------------|
| Trnávka I | Exploration | 631/550/14-Hd | 1 | - | - | 100% |
| Preliminary Mining Permit | Preliminary Mining Permit | MZP/2018/550/387-HD | 2 | 100% | - | 100% |
| Trnávka II | Exploration | MZP/2018/550/386-HD | 3 | 100% | - | 100% |

Notes:

1. Exploration license 631/550/14-Hd was issued by the Czech Ministry of Environment on 2 September 2014 in favour of GET s.r.o and subsequently transferred to Mangan Chvaletice s.r.o. effective 25 September 2015, and was valid until 30 September 2019. On 4 December 2018, Mangan received a renewal and extension of this license until 31 May 2023.
2. The Preliminary Mining License is the prior consent of the Ministry of Environment of the Czech Republic for the establishment of the Mining Lease District, issued 17 April 2018, with effect 28 April 2018. The Preliminary Mining License is valid until 30 April 2023, and covers the areas covered by Exploration License Trnávka I and Trnávka II.
3. Exploration license MZP/2018/550/386-HD was issued by the Czech Ministry of Environment on 4 May 2018 in favour of Mangan Chvaletice s.r.o., effective 23 May 2018, and is valid until 31 May 2023.

Mineral Resources Statement:

The Company reviews and reports its mineral resources at least annually. The date of reporting is 30 September each year, to coincide with the Company's end of financial year balance date. If there are any material changes to its mineral resources over the course of the year, the Company is required to report these changes. As at the end of the previous balance sheet date, the Company had no such resources. Mineral Reserves have not been defined for the property.

Effective 27 April 2018 (with a release date of 21 June 2018), the Company issued an initial mineral resource statement for the Chvaletice Manganese Project in the Czech Republic. The report was prepared in accordance with Canadian National Instrument 43-101 and JORC Code (2012 Edition). The mineral resource estimate is summarised below:

| Cell | Class | Volume (m ³ , '000s) | Tonnes (kt) | Bulk Density (t/m ³) | Total Mn (%) | Soluble Mn (%) |
|--------------|------------------|---------------------------------|---------------|----------------------------------|--------------|----------------|
| T1 | Indicated | 5,684 | 8,832 | 1.55 | 8.08 | 6.46 |
| | Inferred | 1,004 | 1,497 | 1.49 | 8.60 | 6.87 |
| T2 | Indicated | 6,773 | 10,567 | 1.56 | 6.86 | 5.48 |
| | Inferred | 996 | 1,648 | 1.65 | 7.90 | 6.05 |
| T3 | Indicated | 2,772 | 3,973 | 1.43 | 7.34 | 5.78 |
| | Inferred | 250 | 363 | 1.46 | 7.84 | 6.14 |
| Total | Indicated | 15,229 | 23,372 | 1.53 | 7.40 | 5.90 |
| Total | Inferred | 2,250 | 3,508 | 1.56 | 8.21 | 6.43 |

Notes:

1. Mineral Resources do not have demonstrated economic viability but have reasonable prospects for eventual economic extraction. Inferred Resources have lower confidence than Indicated Resources. The estimate of Mineral Resources may be materially affected by environmental, permitting, legal, title, taxation, sociopolitical, marketing, or other relevant issues.
2. Numbers may not add exactly due to rounding.
3. The independent mineral resource estimates for the Chvaletice Manganese project was prepared by Tetra Tech Canada Inc. ("Tetra Tech") and is reported and classified in accordance with the guidelines of the 2012 Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code 2012) and the Canadian National Instruments 43-101.

Governance Arrangements and Internal Controls: The Company has ensured that the mineral resources quoted are subject to good governance arrangements and internal controls. The mineral resources reported have been based on information compiled by Mr. James Barr, P. Geo, Senior Geologist, and Mr. Jianhui (John) Huang, Ph.D., P. Eng., Senior Metallurgical Engineer, both with Tetra Tech. Messrs. Barr and Huang are consultants to the Company and have sufficient experience in the field of activity being reported to qualify as Competent Persons as defined in the 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resource and Ore Reserves, and both are Qualified Persons under National Instrument 43-101 – 'Standards of Disclosure for Mineral Projects'. The consultants have also undertaken reviews of the quality and suitability of the underlying information used to generate the resource estimation. In addition, technical information concerning the Chvaletice Manganese Project is reviewed by Mr. Gary Nordin, a consultant to the Company and its Chief Geologist, and a Qualified Person under NI 43-101.

Competent Persons and Qualifying Person Statements

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

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



(ARBN 627 968 567)

Corporate Governance Statement

Overview

Euro Manganese Inc. (the “**Company**”) believes in the importance of a strong board of directors (“**Board**”) and sound corporate governance policies and practices to direct and manage its business affairs. The Company considers that good corporate governance enhances its performance, and is essential to retaining the trust of shareholders, attracting the right people to the organisation and maintaining its social license in the communities in which it operates.

Canadian Corporate Governance

The Board is responsible for the overall corporate governance of the Company, and it recognises the need for the highest standards of ethical behaviour and accountability. It is committed to administering its corporate governance structures to promote integrity and responsible decision making.

The Company is incorporated in the Province of British Columbia, Canada and its shares were listed on the TSX Venture Exchange (“**TSXV**”) on 2 October 2018. Accordingly, the Board seeks to apply the corporate governance practices and procedures set out in National Policy 58-201 – *Corporate Governance Guidelines* (“**NP 58-201**”) (published by the British Columbia Securities Commission and other Canadian corporate securities regulators) where possible, having regard to the Company’s size and the nature of its operations.

Compliance with ASX Recommendations

The corporate governance principles and practices adopted by the Company may depart from those generally applicable to ASX-listed companies under the Corporate Governance Principles and Recommendations’ (Third Edition) (“**ASX Recommendations**”) published by the ASX Corporate Governance Council.

The Company was officially admitted to the ASX on 28 September 2018 and adopted the new ASX Recommendations in August 2018 in preparation for listing on ASX. Prior to this date, the Company did not adopt any of the ASX Recommendations.

From August 2018, the Company sets out below its “if not why not” report in relation to those matters of corporate governance where the Company’s practice departs from the ASX Recommendations, to the extent that they are currently applicable to the Company.

Corporate Governance Documents

Copies of the Company’s corporate governance mandates, policies and charters are available on its website, <https://www.mn25.ca>.

Date

This statement is current as at 10 December 2018 and has been approved by the Board of Directors of the Company.

| | ASX RECOMMENDATION | COMPLIED WITH? | COMMENT |
|-----------|---|--------------------------|---|
| 1. | Principle 1 – Lay solid foundations for management and oversight | | |
| | A listed entity should establish and disclose the respective roles and responsibilities of its board and management and how their performance is monitored and evaluated. | | |
| 1.1 | <p>ASX Recommendation 1.1</p> <p>A listed entity should disclose:</p> <p>a. the respective roles and responsibilities of its board and management; and</p> <p>b. those matters expressly reserved to the board and those delegated to management.</p> | <p>Yes</p> <p>Yes</p> | <p>The Company has a formal Board Charter (a copy is located on the Company's website) which sets out those matters reserved for the Board and those delegated to management.</p> <p>The Board's functions include, among other things, developing and setting the Company's strategic direction in conjunction with management, overall review of performance against targets and objectives, reviewing management's performance, ensuring the Company has adequate systems and internal controls together with appropriate monitoring of compliance activities, approval and compliance with policies including health, safety and environment and reporting to shareholders on the direction and performance of the Company.</p> <p>The Board has also established various committees to assist in carrying out its duties. These Committees include the Audit Committee, and the Governance, Compensation, Nominating and Sustainability Committee (the "GCNS Committee").</p> <p>The Chief Executive officer ("CEO"), supported by senior executives, is responsible for the day-to-day management of the Company's affairs and the implementation of strategy and policy initiatives.</p> |
| 1.2 | <p>ASX Recommendation 1.2</p> <p>A listed entity should:</p> <p>a. undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and</p> <p>b. provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.</p> | <p>Yes</p> <p>Yes</p> | <p>Before the Company proposes to appoint a new Director, appropriate checks are undertaken which include but are not limited to reviewing the person's character, experience, education, work experience and criminal record. Interviews with the potential candidates are conducted by existing Directors to make sure their experience, personality and ethics are an appropriate fit for the strategic direction of Company. Appropriate discussions with third parties who know the proposed Director may also be undertaken.</p> <p>Directors' biographical details, including their relevant qualifications, experience and the skills they bring to the Board are detailed on the Company website and in the Annual Report. Details of any other public company directorships held are also provided in the Annual Report. Director's biographical details are also included in the notice of annual general meeting when a Director stands for re-election.</p> |
| 1.3 | <p>ASX Recommendation 1.3</p> <p>A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.</p> | Partially complied with. | <p>All senior executives, including the Company's non-independent, executive directors, have a written employment agreement with the Company setting out the terms of their appointment.</p> <p>As a matter of practice, the Company does not currently enter into written formal agreements with its non-executive (independent) directors. All Directors are provided with copies of the board mandate, sub-committee mandates, and all other codes of conduct and policies outlining their responsibilities and company policies that they are expected to abide by.</p> <p>Additionally, the Company enters into a formal indemnity agreement with each director and senior executive upon their commencement with the Company.</p> |
| 1.4 | <p>ASX Recommendation 1.4</p> <p>The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.</p> | Not followed | <p>Given the Company's current size and stage of development, the company does not have a separate Corporate Secretary. Prior to 1 November 2018, the Company's VP Finance and Chief Financial Officer also acted as the Company's Corporate Secretary and reported to the President & CEO. Effective 1 November 2018, the Company hired a new executive as VP Corporate Development, who also acts as the Company's Corporate Secretary, reporting to the President & CEO.</p> <p>The CEO and the Corporate Secretary communicate regularly with the board Chair on matters having to do with the proper functioning of the board and its committees. All board meeting agendas are approved by the Chair.</p> |

| | ASX RECOMMENDATION | COMPLIED WITH? | COMMENT |
|-----|---|--|---|
| 1.5 | <p>ASX Recommendation 1.5</p> <p>A listed entity should:</p> <p>a. have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;</p> <p>b. disclose that policy or a summary of it; and</p> <p>c. disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either:</p> <ol style="list-style-type: none"> 1. the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or 2. if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act. | <p>Partially followed.</p> <p>Yes</p> <p>No</p> <p>No</p> <p>Not applicable.</p> | <p>The Diversity policy was established and approved by the Board on 14 December 2017. Given the Company's current size and stage of development, it is not practical to set measurable objectives for achieving gender diversity. The Company has a policy to select the best available officers and staff for each relevant position in a non-discriminatory manner based on merit.</p> <p>A copy of the Diversity Policy is disclosed on the Company's website.</p> <p>Not done to date given The Company's current size and stage of development.</p> <p>Not done to date given the Company's current size and stage of development, and there are requirements to have such disclosures under Canadian securities laws or the requirements of TSXV.</p> <p>The Company is a Foreign company and is not subject to the Workplace Gender Equality Act. Canada has no mandated/legislated requirements for gender equality for company directors or senior management.</p> |
| 1.6 | <p>ASX Recommendation 1.6</p> <p>A listed entity should:</p> <p>a. have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and</p> <p>b. disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p> | <p>Yes</p> <p>Not done in reporting period.</p> | <p>The processes for periodic Board member performance evaluation are incorporated into the Board mandate and mandate of the GCNS Committee – both of which were approved by the Board on 14 December 2017, and are disclosed on the Company's website.</p> <p>Through the GCNS Committee, the Board will assess the overall effectiveness of (i) the Board as a whole, (ii) individual directors (including the Chairman, and any Lead Director, if appointed) and (iii) each of the committees (other than the GCNS Committee which shall be evaluated by the full Board) from a corporate governance perspective and compliance with the relevant mandate, charter or terms of reference as applicable. In connection with such evaluations, each director will be required to provide his or her assessment of the effectiveness of the Board and each committee as well as the performance of the individual directors, annually. Such evaluations take into account the competencies and skills each director is expected to bring to his or her particular role on the Board or on a committee, as well as any other relevant facts.</p> <p>The Audit Committee must also assess, on an annual basis, its effectiveness.</p> <p>Given that the Board mandate and mandate of the GCNS Committee were both approved by the Board on 14 December 2017, no evaluations were completed during the reporting period ended 30 September 2018.</p> |
| 1.7 | <p>ASX Recommendation 1.7</p> <p>A listed entity should:</p> <p>a. have and disclose a process for periodically evaluating the performance of its senior executives; and</p> | <p>Yes</p> | <p>The Board Mandate provides for the monitoring of management's successes, which involves assessing the performance of senior executives. The performance of the CEO is evaluated by the Chairman with input from the Board and the review is then discussed with the Board. The CEO will also evaluate the performance of key executives on an annual basis. Due to the Company's current size and stage of development, no senior executive evaluations have been completed to date.</p> |

| | ASX RECOMMENDATION | COMPLIED WITH? | COMMENT |
|--|---|---|--|
| | b. disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process. | Not done to date. | Given that the Board mandate was approved by the Board on 14 December 2017, no management evaluations were completed during the reporting period ended 30 September 2018. The Company intends to carry out these evaluations on a calendar year basis, in late 2018. |
| 2. Principle 2 – Structure the board to add value | | | |
| A listed entity should have a board of an appropriate size, composition, skills and commitment to enable it to discharge its duties effectively. | | | |
| 2.1 | <p>ASX Recommendation 2.1</p> <p>The board of a listed entity should:</p> <p>a. have a nomination committee which:</p> <ol style="list-style-type: none"> has at least three members, a majority of whom are independent directors; and is chaired by an independent director, and disclose: <ol style="list-style-type: none"> the charter of the committee; the members of the committee; and as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or <p>b. if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</p> | <p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Not applicable.</p> | <p>The GCNS Committee is composed of a minimum of three directors, the majority of whom shall be independent directors. Current members of the GCNS Committee include Harvey N. McLeod, John Webster, and Marco Romero, with Messrs. McLeod and Webster being independent directors. Harvey N. McLeod is the current chair of the committee.</p> <p>The GCNS Charter is disclosed on the Company's website. The members of the GCNS committee are disclosed above and on the Company's website.</p> <p>Since its formation 14 December 2017 to the end of the reporting period on 30 September 2018, the GCNS Committee held three meetings, each of which was attended by all three committee members.</p> |
| 2.2 | <p>ASX Recommendation 2.2</p> <p>A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.</p> | Not followed | <p>The Company does not currently have a formal skills or diversity matrix in relation to the Board members. The Board considers that such a matrix is not necessary given the current size and stage of the Company's development.</p> <p>However, as a matter of practice, the Board requires that each director:</p> <ul style="list-style-type: none"> possess the skills and experiences required to carry out their duties and functions; and demonstrate a track record of honesty, integrity, ethical behaviour, fairness and responsibility and a commitment to representing the long-term interests of the Company's shareholders. <p>The Board endeavours to ensure that the Board is comprised of individuals with varying backgrounds, who have (either collectively or individually) significant experience in running and managing public companies, particularly in the resource sector. The significant and relevant board experience is set out in each Director's biography on the Company's website and in the Company's Annual Report.</p> <p>The Board may adopt a formal skills matrix at a later time as the Company's operations grow and evolve.</p> |

| | ASX RECOMMENDATION | COMPLIED WITH? | COMMENT |
|-----|--|----------------------------------|--|
| 2.3 | <p>ASX Recommendation 2.3</p> <p>A listed entity should disclose:</p> <p>a. the names of the directors considered by the board to be independent directors;</p> <p>b. if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and</p> <p>c. the length of service of each director.</p> | <p>Yes</p> <p>N/A</p> <p>Yes</p> | <p>The Board currently consists of eight members, a majority of whom are independent. Marco A. Romero is not independent as he is the President and CEO of the Company, and Jan Votava is not independent as he is Managing Director of Mangan Chvaletice s.r.o., the Company's wholly-owned subsidiary. Roman Shklanka, David B. Dreisinger, Daniel J. Rosický, Harvey N. McLeod, Gregory Martyr and John Webster are considered independent as none of them is an adviser or supplier to the Company or has any other material contractual relationship with the Company other than their position as a Director.</p> <p>The Company has determined that there are no known conflicts of interest.</p> <p>Each director has served since their appointments shown opposite their names:</p> <p>Roman Shklanka – 25 November 2014; Marco A. Romero - 25 November 2014; Harvey N. McLeod – 14 September 2015; John Webster -14 September 2015; David B. Dreisinger – 14 September 2015; Daniel J. Rosický – 11 January 2016; Jan Votava – 21 September 2017; and Gregory P. Martyr – 20 March 2018.</p> |
| 2.4 | <p>ASX Recommendation 2.4</p> <p>A majority of the board of a listed entity should be independent directors.</p> | Yes | <p>The Board currently comprises a majority of independent directors (six independent directors and two non-independent directors). Refer to Recommendation 2.3 for further information.</p> |
| 2.5 | <p>ASX Recommendation 2.5</p> <p>The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.</p> | Yes | <p>The Company has adopted the recommendation that the Chairman should be independent. Roman Shklanka is non-Executive Chairman of the Board and is independent. The CEO is Marco A. Romero.</p> |
| 2.6 | <p>ASX Recommendation 2.6</p> <p>A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.</p> | Yes | <p>In conjunction with the GCNS Committee, the Board oversees the establishment of suitable orientation programs for new Directors and continuing education opportunities for all Directors. New Directors are provided with corporate policies, historical information about the Company, management reports, Chvaletice Manganese Project site visits, as well as information on the Company's performance and its strategic plan with an outline of the general duties and responsibilities entailed in carrying out their duties.</p> <p>The Company also encourages Directors to attend, enrol or participate in courses and/or seminars dealing with financial literacy, corporate governance and related matters. Each Director of the Company has the responsibility for ensuring that he maintains the skill and knowledge necessary to meet his obligations as a Director.</p> |

| | ASX RECOMMENDATION | COMPLIED WITH? | COMMENT |
|-----------|--|---|---|
| 3. | Principle 3 – Act ethically and responsibly | | |
| | A listed entity should act ethically and responsibly. | | |
| 3.1 | <p>ASX Recommendation 3.1</p> <p>A listed entity should:</p> <p>a. have a code of conduct for its directors, senior executives and employees; and</p> <p>b. disclose that code or a summary of it.</p> | <p>Yes</p> <p>Yes</p> | <p>The Board adopted and approved a Code of Ethics and Business Conduct on 14 December 2017. All Directors, senior executives & employees are required to read and acknowledge (in writing) their having read the code. A copy of the Company's Code of Ethics and Business Conduct is disclosed on the Company's website.</p> |
| 4. | Principle 4 – Safeguard integrity in corporate reporting | | |
| | A listed entity should have formal and rigorous processes that independently verify and safeguard the integrity of its corporate reporting. | | |
| 4.1 | <p>ASX Recommendation 4.1</p> <p>The board of a listed entity should:</p> <p>a. have an audit committee which:</p> <ol style="list-style-type: none"> 1. has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and 2. is chaired by an independent director, who is not the chair of the board, <p>and disclose:</p> <ol style="list-style-type: none"> 3. the charter of the committee; 4. the relevant qualifications and experience of the members of the committee; and 5. in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or <p>b. if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</p> | <p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Not applicable.</p> | <p>All members of Audit Committee are non-executive directors, John Webster, Roman Shklanka and David Dreisinger, and all are independent.</p> <p>John Webster is the chair of the Audit Committee, is independent and is not the Chair of the Board.</p> <p>A copy of the Audit Committee Charter is available on the Company's website.</p> <p>The relevant qualifications and experience of the Committee members is included in Directors' Report contained in the Annual Report.</p> <p>Since its formation 14 December 2017 to the end of the reporting period on 30 September 2018, the Audit Committee held three meetings, of which John Webster attended all three, and Roman Shklanka and David Dreisinger attended two.</p> |
| 4.2 | <p>ASX Recommendation 4.2</p> <p>The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.</p> | <p>Yes</p> | <p>As a foreign registered company, the Company is not required to comply with the annual financial reporting requirements of the Corporations Act. The Company is therefore not required to provide these declarations in accordance with section 295A of the Corporations Act.</p> <p>However, in accordance with the requirements of Canadian securities law (National Instrument 52-109), the chief executive officer and chief financial officer of the Company are required to formally certify financial statements filed by the Company. As part of this certification process, the chief executive officer and chief financial officer are required to provide a certificate declaring that they have each reviewed the financial statements, the financial statements contain no misrepresentations and that they fairly present, in all material respects, the financial condition, results of operations and cash flows of the Company.</p> |

| | ASX RECOMMENDATION | COMPLIED WITH? | COMMENT |
|---|--|-----------------------|--|
| 4.3 | <p>ASX Recommendation 4.3</p> <p>A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.</p> | Yes | The Company will request that a representative of its external auditor attend each annual general meeting and be available to answer any shareholder questions concerning the conduct of the audit and the preparation and content of the auditor's report. |
| <p>5. Principle 5 – Make timely and balanced disclosure</p> | | | |
| <p>A listed entity should make timely and balanced disclosure of all matters concerning it that a reasonable person would expect to have a material effect on the price or value of its securities.</p> | | | |
| 5.1 | <p>ASX Recommendation 5.1</p> <p>A listed entity should:</p> <p>a. have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and</p> <p>b. disclose that policy or a summary of it.</p> | <p>Yes</p> <p>Yes</p> | <p>The Board has adopted a Continuous Disclosure Policy which raises awareness of the Company's obligations under the continuous disclosure regime; establishes a process to ensure that information about the Company, which may be market sensitive and which may require disclosure, is brought to the attention of the person(s) primarily responsible for ensuring that the Company complies with its continuous disclosure obligations in a timely manner and is kept confidential; and sets out the obligations of Directors, officers, employees and contractors of the Company to ensure that the Company complies with its continuous disclosure obligations.</p> <p>A copy of the Continuous Disclosure Policy is located on the Company's website.</p> |
| <p>6. Principle 6 – Respect the rights of security holders</p> | | | |
| <p>A listed entity should respect the rights of its security holders by providing them with appropriate information and facilities to allow them to exercise those rights effectively.</p> | | | |
| 6.1 | <p>ASX Recommendation 6.1</p> <p>A listed entity should provide information about itself and its governance to investors via its website.</p> | Yes | The Company provides information about itself and its governance to investors via its website. The Corporate Governance tab/menu provides access to all Committee Charters and other relevant Corporate Governance Policies |
| 6.2 | <p>ASX Recommendation 6.2</p> <p>A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.</p> | Yes | <p>The Board aims to ensure that shareholders are provided with all of the information necessary to assess the performance of the Company. The Company follows the principles outlined in its Continuous Disclosure policy to ensure all investors are fully informed on the activities of the Company. The CEO is responsible for other investor relations activities with the assistance of the VP Corporate Development and Company Secretary.</p> <p>Shareholders or the public may make enquires to the Company via its website. Shareholder queries are dealt with on an individual basis and any requested information is provided whenever possible. Significant shareholder queries are brought to the attention of management or the Board.</p> |
| 6.3 | <p>ASX Recommendation 6.3</p> <p>A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.</p> | Yes | Prior to each meeting of shareholders, the Company disseminates a notice of meeting and an information circular which informs of all matters to be put to the meeting, encourages participation of shareholders in such meetings and sets out the processes of facilitating participation. |

| | ASX RECOMMENDATION | COMPLIED WITH? | COMMENT |
|-----|--|----------------|---|
| 6.4 | <p>Recommendation 6.4</p> <p>A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.</p> | Yes | <p>The Company considers that communicating with shareholders by electronic means is an efficient way to distribute information in a timely and convenient manner. Canadian law does not permit the Company to send all types of disclosure documents to shareholders electronically. However, as a matter of practice, the Company provides shareholders with the option to receive communications from the Company electronically, wherever possible. Existing shareholders are able and encouraged to:</p> <ul style="list-style-type: none"> • consent to receiving communications electronically (where permitted by law) by completing and returning a consent form which may be obtained from the Company or its securities registry; and • subscribe to the Company's mailing list, to receive ongoing updates in relation to the Company and its operations via email. |

7. Principle 7 – Recognise and manage risk

A listed entity should establish a sound risk management framework and periodically review the effectiveness of that framework.

| | | | |
|-----|---|---|---|
| 7.1 | <p>ASX Recommendation 7.1</p> <p>The board of a listed entity should:</p> <p>a. have a committee or committees to oversee risk, each of which:</p> <ol style="list-style-type: none"> 1. has at least three members, a majority of whom are independent directors; and 2. is chaired by an independent director, and disclose: 3. the charter of the committee; 4. the members of the committee; and 5. as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or <p>b. if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.</p> | <p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Not applicable.</p> | <p>The Company has delegated risk oversight and risk management to the Audit Committee. Risk oversight and risk management are also a part of the overall responsibilities of the Board.</p> <p>The audit committee is comprised of three non-executive directors, all of which are independent. John Webster is the current chair of the Audit Committee.</p> <p>A copy of the Audit Committee Charter is available on the Company's website.</p> <p>John Webster, Roman Shklanka and David Dreisinger, all of which are independent. John Webster is the current chair.</p> <p>Since its formation 14 December 2017 to the end of the reporting period on 30 September 2018, the Audit Committee held three meetings, of which John Webster attended all three, and Roman Shklanka and David Dreisinger attended two.</p> |
| 7.2 | <p>ASX Recommendation 7.2</p> <p>The board or a committee of the board should:</p> <p>a. review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and</p> <p>b. disclose, in relation to each reporting period, whether such a review has taken place.</p> | <p>Yes</p> <p>Yes</p> | <p>The Company has recently commenced an organisation wide risk review to identify potential business risks, with such risks then being assessed and ranked using the Company's risk matrix. The effectiveness of controls in place to address each risk is to be reviewed on a regular basis and, where the residual risk is considered outside of acceptable limits, further controls and risk mitigation measures are to be developed and implemented.</p> |

| | ASX RECOMMENDATION | COMPLIED WITH? | COMMENT |
|-----|--|-----------------------------------|---|
| 7.3 | <p>Recommendation 7.3</p> <p>A listed entity should disclose:</p> <p>a. if it has an internal audit function, how the function is structured and what role it performs; or</p> <p>b. if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.</p> | <p>Not applicable.</p> <p>Yes</p> | <p>Given its size and current stage of development, the Company does not have a formal internal audit function. Under the Audit Committee Charter, the Audit Committee is responsible for (amongst other things) inquiring as to the adequacy of the Company's system of internal controls and reviewing periodic reports from management regarding internal controls, which includes assessing risk with respect to financial reporting. The Audit Committee provides quarterly reports to the Board in this regard, and the Board is responsible for overseeing the processes implemented to ensure the integrity of the Company's internal control and management information systems.</p> <p>The processes that the Board and Audit Committee employ for evaluating and continually improving the effectiveness of the Company's risk management and control processes are set out in Recommendation 7.1 above.</p> |
| 7.4 | <p>ASX Recommendation 7.4</p> <p>A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.</p> | <p>Yes</p> | <p>The Company is a mineral exploration company whose primary focus is the evaluation and development of the Chvaletice manganese project in the Czech Republic. The Company is therefore exposed to economic, environmental and social sustainability risks.</p> <p><u>Economic risks:</u> The Company considers that the following (non-exhaustive) operational risks are inherent in the industry in which it operates:</p> <ul style="list-style-type: none"> • fluctuations in commodity prices and exchange rates; • accuracy of mineral reserve and resource estimates; • reliance on licenses, permits and approvals from governmental authorities, as well as the Company's ability to secure surface rights over the claims which comprise its Chvaletice Manganese Project; • the intensively competitive nature of the mineral exploration and extraction industry for financial resources and technical expertise; • ability to obtain additional financing; • the dependence on key personnel, employees and consultants; • access to infrastructure and critical supplies; and • changed operating, market or regulatory environments, and in-country risks. <p>The Audit Committee Charter provide for the establishment, maintenance and evaluation of risk management systems, to manage and minimise risks to the Company.</p> <p><u>Environmental risk:</u> All phases of the Company's operations are subject to environmental regulation. Environmental legislation is evolving in a manner which requires increasingly strict standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for corporations and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations, including its ability to develop the Chvaletice Manganese Project, capital and operating expenditures, earnings and competitive position.</p> <p>The area covered by the Company's Chvaletice Manganese Project has been significantly impacted by past mining and other heavy industrial activities. Czech law exempts land owners and developers from impacts prior to 1989. Mining activity at the Chvaletice Manganese Project predates 1975. The Company is, however, responsible for any new disturbances and impacts that it may cause.</p> <p>Environmental baseline studies have been in progress since the summer of 2016. These include hydrological sampling and monitoring, as well as fauna and flora surveys. As part of the permitting for the project, the Company will adhere to Czech environmental regulations, standards and best practices for an Environmental Monitoring and Management Plan, including waste water, waste and tailings storage, air, noise and other environmental regulations.</p> <p>The Company has initiated pro-active and regular consultation with community stakeholders, which are expected to intensify as the evaluation and planning for the Chvaletice Manganese Project advances. The Company's subsidiary,</p> |

| ASX RECOMMENDATION | COMPLIED WITH? | COMMENT |
|--------------------|----------------|---|
| | | <p>Mangan, opened a Project Information Center in November 2017 in the Town of Chvalteice's Municipal Culture House to provide local residents with opportunities to learn about the Chvalteice Manganese Project and to provide feedback and suggestions.</p> <p>Due to the location of the Chvalteice Manganese Project on the shore of the Labe River, there is potential for environmental sensitivities related to run-off and potential impacts to local groundwater. Adequate additional baseline environmental data collection and planning will be required to ensure the effects to the receiving environment are well understood. This baseline work has been initiated and is ongoing.</p> <p><u>Social sustainability risks:</u> The Company emphasizes a safe and secure working environment and recognizes the importance of operating in a sustainable manner. The Company has adopted a Code of Ethics and Business Conduct which sets out the standards which guide the conduct of its business and the behavior of its directors, officers, employees and consultants. All new employees must read, and acknowledge that they will abide by, the Code when hired. The Code, among other things, sets out standards in areas relating to the Company's: commitment to health and safety in its business operations; compliance with applicable occupational health and safety laws and regulations; promoting and providing a work environment in which individuals are treated with respect, and are free of all forms of discrimination and abusive and harassing conduct; providing employees with equal opportunity; and ethical business conduct and legal compliance.</p> <p>The Code also requires the Company to conduct its exploration, development and mining operations using environmental best practices with a goal of protecting human health, minimizing impact on the ecosystem and returning exploration and mining sites to a high environmental standard, and always in compliance with all applicable environmental laws and regulations. Further, the Code requires that the Company conduct its operations with a view to respecting and enhancing the economic and social situations of the communities in which the Company operates.</p> <p>The Company has also adopted a Whistleblowing Policy wherein employees and consultants of the Company are provided with the mechanics by which they may raise concerns with respect to falsification of financial records, unethical conduct, harassment, theft, and violation of the Code, or any other "wrong-doing" in a confidential, anonymous process.</p> <p>More information on the environmental and social responsibility risks and how the company manages such risks can be found on the Company's website under https://www.mn25.ca/ethics</p> |

8. Principle 8 – Remunerate fairly and responsibly

A listed entity should pay director remuneration sufficient to attract and retain high quality directors and design its executive remuneration to attract, retain and motivate high quality senior executives and to align their interests with the creation of value for security holders.

| | | | |
|-----|---|---|--|
| 8.1 | <p>ASX Recommendation 8.1</p> <p>The board of a listed entity should:</p> <p>a. have a remuneration committee which:</p> <ol style="list-style-type: none"> 1. has at least three members, a majority of whom are independent directors; and 2. is chaired by an independent director, and disclose: 3. the charter of the committee; 4. the members of the committee; and | <p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Yes</p> | <p>The Company has established a GCNS Committee which has been delegated responsibility of, among other things, making recommendations to the board regarding Director remuneration, as well as executive remuneration.</p> <p>The GCNS Committee is composed of a minimum of three directors, the majority of whom shall be independent directors.</p> <p>Harvey N. McLeod, an independent director, is the current chair of the GCNS Committee.</p> <p>The Company has adopted a charter for the GCNS Committee, a copy of which is available on the Company's website.</p> <p>Current members of the GCNS Committee include Harvey N. McLeod, John Webster, and Marco Romero.</p> |
|-----|---|---|--|

| | ASX RECOMMENDATION | COMPLIED WITH? | COMMENT |
|-----|---|----------------------------------|--|
| | <p>5. as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>b. if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</p> | <p>Yes</p> <p>Not applicable</p> | <p>Since its formation 14 December 2017 to the end of the reporting period on 30 September 2018, the GCNS Committee held three meetings, each of which was attended by all three committee members.</p> |
| 8.2 | <p>ASX Recommendation 8.2</p> <p>A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.</p> | Yes | <p>The structure of non-executive Director remuneration is clearly distinguishable from that of executive Directors and other senior executives. Non-executive Directors are remunerated on a fixed fee basis for time and responsibility as part of an aggregate remuneration approved by shareholders. Non-executive and executive Directors are eligible to receive incentive stock options under the Company's shareholder approved stock option plan. As of the date hereof, non-executive and executive Directors hold an aggregate of 6,675,000 stock options to purchase shares in the Company, representing 53.29% of the total incentive options outstanding. Senior executives are remunerated on an annual basis based on a combination, and in some cases are eligible for pre-defined bonuses based on the achievement of certain milestones. Senior officers of the Company are also eligible to receive incentive stock options under the Company's shareholder approved stock option plan.</p> <p>Further details regarding the remuneration practices and policies for the Company's Directors and officers are included in the Remuneration Report that forms part of the Directors' Report within the Annual Report. Additionally, this information can be found in the information circular which informs of all matters to be put to shareholders at an annual general meeting of the Company.</p> |
| 8.3 | <p>ASX Recommendation 8.3</p> <p>A listed entity which has an equity-based remuneration scheme should:</p> <p>a. have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and</p> <p>b. disclose that policy or a summary of it.</p> | <p>Yes</p> <p>Yes</p> | <p>The Company's only equity-based remuneration scheme is its Stock Option Plan which governs the issuance of incentive stock options to directors, officers, employees and consultants. The plan was ratified by the shareholders of the Company on 11 June 2018.</p> <p>The Company's Securities Trading Policy prohibits participants of any equity-based remuneration scheme entering into transactions which limits the economic risk of a participant.</p> <p>A copy of the Company's Insider Trading Policy is available on the Company's website</p> |

OTHER ASX ANNUAL REPORT INFORMATION

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

Corporate Governance Statement

The Company's Corporate Governance Statement is provided in the preceding section of this Annual Report.

Names of Substantial Shareholders

The names of the substantial shareholders, as of 30 November 2018, are as follows:

| Shareholder | Shares/CDIs held | Percentage interest |
|--------------------------------------|------------------|---------------------|
| Terra Capital Natural Resources Fund | 15,373,077 | 9.01% |
| Roman Shklanka | 10,103,335 | 5.92% |
| Marco A. Romero | 9,713,000 | 5.69% |
| Tribeca Investment Partners Pty Ltd. | 8,675,000 | 5.08% |

Number of Holders of Each Class of Securities⁽¹⁾

The Company's authorized share capital consists of an unlimited number of Shares without par value. As at 30 November 2018, 170,706,600 Shares (including CDIs) are issued and outstanding and held by 392 shareholders, one of which (CDS & Co.) holds 51,715,324 Shares on behalf of 19 nominee and depository entities. In addition, as of 10 December 2018, there were 12,525,000 Shares issuable on the exercise of incentive stock options held by twenty-three option holders, and 8,684,015 Shares issuable on the exercise of common share purchase warrants held by two warrant holders.

Voting Rights

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

Distribution of Holders⁽¹⁾

As at 30 November 2018, the distribution of shareholders was as follows:

| Size of holding | Number of holders |
|------------------|-------------------|
| 1 – 1,000 | 5 |
| 1,000 – 5,000 | 15 |
| 5,001 – 10,000 | 68 |
| 10,001 – 100,000 | 206 |
| 100,000 and over | 98 |
| Total | 392 |

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

As of 30 November 2018, there were approximately nine holders of the Company's Shares/CDIs with less than a Marketable Parcel, based on the closing price of the CDIs on the ASX as of that date of A\$0.26.

Name of Corporate Secretary

During the reporting period and up to 31 October 2018, the Company's VP Finance and Chief Financial Officer, Mr. Pierre Massé, was the Corporate Secretary of the Company. Effective 1 November 2018, Mr. Fausto Taddei was appointed Vice President Corporate Development and Corporate Secretary.

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

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

Registered Office:

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

Canada:

1500 - 1040 West Georgia Street, Vancouver, British Columbia,
V6E 4H8 Canada
Tel: + 1 604 681 1010

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

The Register of securities is kept at the following offices

Australia:

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

Canada:

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

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

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

Number and Class of Restricted Securities

The following information is provided as of 30 November 2018.

Under ASX Listing Rules, Shares, options and warrants held by certain promoters, related parties, and consultants will be escrowed for a period of up to two years from the ASX listing date of 28 September 2018. The following securities are escrowed until the following scheduled release dates:

| Date to be released from Escrow | Shares/CDIs | Options | Warrants |
|---------------------------------|-------------------|------------------|------------------|
| 14 December 2018 | 369,555 | 150,000 | - |
| 21 December 2018 | 28,000 | - | - |
| 12 January 2019 | 461,222 | - | - |
| 21 February 2019 | 320,186 | 1,325,000 | - |
| 9 May 2019 | 1,500,000 | - | - |
| 15 August 2019 | - | 900,000 | - |
| 28 September 2020 | 22,843,327 | 7,175,000 | 8,684,015 |
| Total | 25,522,290 | 9,550,000 | 8,684,015 |

Number and Class of Restricted Securities (continued)

In accordance with Canada's National Policy 46-201 – *Escrow for Initial Public Offerings* ("NP 46-201"), the following Shares and options are escrowed until the following scheduled release dates:

| Date to be released from Escrow | Shares | Options | Warrants |
|---------------------------------|-------------------|------------------|----------|
| 2 April 2019 | 7,261,340 | 1,400,000 | - |
| 2 October 2019 | 7,261,340 | 1,400,000 | - |
| 2 April 2020 | 7,261,340 | 1,400,000 | - |
| Total | 21,784,020 | 4,200,000 | - |

In addition to the foregoing escrow provisions, in accordance with the TSXV's Seed Share Resale Restrictions, the following Shares and options are escrowed until the following scheduled release dates:

| Date to be released from Escrow | Shares | Options | Warrants |
|---------------------------------|----------------|---------------|----------|
| 2 January 2019 | 155,715 | 45,000 | - |
| 2 February 2019 | 155,715 | 45,000 | - |
| Total | 311,430 | 90,000 | - |

In many cases, a particular holder, or any particular share, option or warrant, will fall into one or more of the above categories. If a holder of these securities is subject to one or more of these escrow regimes, the securities will not be released from escrow until the release schedule for all regimes have been met. Given this overlap, on any particular release date, despite a security being released from a particular escrow regime, such security may still be in escrow under another regime.

Particulars of Unquoted Equity Securities

Unquoted equity securities include options and warrants to purchase shares.

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

As of 30 November 2018, there were 12,525,000 Shares issuable on the exercise of incentive stock options held by twenty-three option holders, having the following exercise prices and expiry dates:

| Number of Options | Exercise Prices (CAD\$) | Expiry Date |
|-------------------|-------------------------|-------------------|
| 1,625,000 | C\$0.08 | 16 May 2026 |
| 200,000 | C\$0.10 | 14 June 2026 |
| 1,575,000 | C\$0.10 | 06 April 2027 |
| 3400,000 | C\$0.11 | 22 September 2027 |
| 700,000 | C\$0.11 | 14 December 2027 |
| 3,225,000 | C\$0.20 | 21 February 2028 |
| 500,000 | C\$0.20 | 20 March 2028 |
| 1,300,000 | C\$0.25 | 15 August 2028 |

In connection with fees related to private equity placements 2017 and early 2018, and the initial public offerings of CDIs in Australia and Shares in Canada, the Company issued the broker and agent warrants entitling the holders to purchase 8,684,015 Shares on the exercise of warrants having the following exercise prices and expiry dates:

| Number of Warrants | Exercise Prices (CAD\$) | Expiry Date |
|--------------------|-------------------------|------------------|
| 2,042,895 | C\$0.11 | 16 June 2019 |
| 292,250 | C\$0.11 | 30 June 2019 |
| 417,295 | C\$0.11 | 31 July 2019 |
| 174,825 | C\$0.11 | 18 August 2019 |
| 2,856,750 | C\$0.30 | 28 February 2021 |
| 2,900,000 | C\$0.375 | 02 October 2021 |

Review of Operations and Activities for the Reporting Period

A review of operations of the consolidated entity for the reporting period ended 30 September 2018 is provided in Management's Discussion and Analysis included in this Annual Report immediately following the consolidated financial statements for the same period.

Additional information on the Company, its directors and executive management, and risk factors faced by the Company can be found in the Company's Annual Information Form for the year ended 30 September 2018, dated 10 December 2018, a copy of which is lodged with ASX (www.asx.com.au) and on SEDAR (at www.sedar.com), both under the Company's profile.

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

Details of a Current On-market Buy-back

None.

Use of Cash in a Manner Consistent with Business Objectives

The Company has used its cash and assets in a form readily convertible into cash that it had at the time of listing in a way consistent with its stated business objectives.

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

None.

Details of Securities Purchased On-market during the Reporting Period

None.

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

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

Other Information:

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

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

Other Information (continued):

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

Note 1: In Canada, in order for shares to settle and trade on the TSXV, shares must be held through a nominee or depository that is a participant in the Canadian Depository for Securities ("CDS"). Participants in CDS include brokers in Canada and other registered entities. Through participant accounts in CDS, the ultimate shareholder is able to make and settle trades on TSXV. As at 30 November 2018, 51,715,324 shares were held through CDS in 19 participant accounts. The Company is not readily able to determine the range of distribution for these 51,715,324 shares held in CDS and how many shareholders, if any, hold less than a marketable parcel of the Company's shares. Accordingly, the distribution of shareholders and the number of shareholders with less than a marketable parcel of the Company's shares/CDIs may not be accurate.