

## **EUROPEAN METALS HOLDINGS LIMITED**

### **QUARTERLY REPORT - DECEMBER 2020**

In accordance with its obligations to the Australian Stock Exchange ("ASX") European Metals Holdings Limited (ASX & AIM: EMH, NASDAQ: ERPNF) ("**European Metals**" or the "**Company**") is pleased to provide an update on its activities during the three-month period ending 31 December 2020 which highlights the continued progress in the development of the globally significant Cinovec Lithium/Tin Project ("**the Project**" or "**Cinovec**") in Czech Republic. References in the text below, including listing rules, relate to the ASX requirements.

#### **EUROPEAN METALS INCREASES INVESTMENT ACCESS**

- **Commenced trading on NASDAQ International**

On 15 December 2020 the Company announced that it was accepted to trade on the globally renowned US based NASDAQ International OTC program and the Company commenced trading under the code ERPNF.

This program is run by Nasdaq International Securities Exchange (ISE) and the program is designed for non-U.S.-based companies that have Level 1 American Depository Receipts or Canadian and Australian companies that have shares that trade on the OTC market. The Company anticipates that the membership will help grow its global brand, increase liquidity and shape its message to the US investment community. This program will also accelerate the Company's exposure to US shareholders and offers a cost-effective method to access US investment, providing a nexus to the largest capital markets globally.

- **Commenced trading on the OTC Pink Market**

On 6 December 2020 the Company commenced trading on OTC Pink Market under the code PKC: EMHLF.

Entry to the US -based OTC markets, especially NASDAQ, will increase the ease with which North- American investors can purchase European Metals securities.

Investors will still be able to purchase shares through the ASX, NASDAQ, OTC Pink, UK-based AIM market and Germany's Frankfurt Börse.

- **Proposed Czech Listing**

The Company advised on the continued discussions with the Prague Stock Exchange (PSE) regarding the proposed listing of the Company's securities. The discussions with the PSE have indicated a route forward towards listing for the Company. Given the high profile that the Cinovec Project has within the Czech Republic, the Company

would like to provide the opportunity for Czechs to invest directly via their domestic exchange. A PSE listing would further leverage substantial national interest in the Cinovec project, located 100 km north-west of Prague on the Czech Republic border with Germany.

## **EUROPEAN METALS CONFIRMS FURTHER FUNDING AGREEMENT**

On 30 December 2020 the Company was pleased to announce the arrangement of a further funding agreement with 6466 Capital Limited. The agreement allows for the draw down of up to AUD 1 million in tranches as required over 12 months. Any funds drawn down will convert to CDIs in the Company at a price equal to a 15% discount to the 10 - day volume weighted average price of the Company's securities. The issue of shares pursuant to draw downs is not subject to shareholder approval.

## **CORPORATE AND ADMINISTRATION**

### **Senior Management Changes**

On 2 November 2020, the Company announced the appointment of Mr. Dennis Wilkins as Company Secretary. Mr. Wilkins replaced Julia Beckett. Mr. Wilkins is the founder and principal of DWCorporate Pty Ltd, a corporate advisory firm servicing the natural resources industry.

### **Quarterly cashflow report**

In accordance with the ASX Listing Rules, the Company will also today lodge its cashflow report for the quarter ended 31 December 2020. Included in those cashflows are Cinovec associated costs of \$214k in respect of the Company's investment in the Cinovec Lithium Exploration Project in the Czech Republic ("the Project").

### **Payments to Related Parties**

As outlined in the attached Appendix 5B (section 6.1), during the quarter approximately \$76k in payments were made to related parties and their associates for director salaries, consultancy fees, superannuation and other related costs. A portion of these expenses are to be reimbursed directly from Geomet.

### **Coronavirus**

The potential effects of the Cov-19 pandemic continue to be monitored for impact on the Company's operations. While the second wave has had more of an impact than the initial wave (March - May 2020) the Company has continued to use remote meeting tools (Zoom and MS Teams) to maintain project momentum, albeit not as efficiently as physical meetings would have allowed. The Executive Management team closely monitor the ever evolving Cov-19 circumstances and have determined that, so far, the pandemic has not had a material impact on the Company's operations although timelines may be slightly longer than envisaged. Further updates will be provided in the event circumstances change.

### **Performance Shares**

As at 31 December 2020 the issued performance shares including the terms and conditions were as follows:

<b>Number</b>	<b>Description</b>	<b>Summary Terms &amp; Conversion Hurdles</b>
3,000,000	A Class Performance Shares	Convert into Shares and an equivalent number of CDIs upon the completion of a definitive feasibility study (DFS). For clarity, the DFS must be: (i) of a standard suitable to be submitted to a financial institution as the basis for lending of funds for the development and operation of mining activities contemplated in the study; (ii) capable of supporting a decision to mine on the Permits; and (iii)

completed to an accuracy of +/- 15% with respect to operating and capital costs and display a pre-tax net present value of not less than US\$250,000,000. The A Class Performance Shares and B Class Performance Shares shall convert into the number of Shares and equivalent number of CDIs equal to 3,000,000 multiplied by 0.5 and divided by the greater of: (A) \$0.50 per CDI; and (B) the volume weighted average price of CDIs (expressed as a decimal of \$1.00) as calculated over the 5 ASX trading days prior to date of receipt of the completed DFS.

## GEOMET TENEMENT SCHEDULE

Permit	Code	Deposit	Interest at beginning of Quarter	Acquired / Disposed	Interest at end of Quarter
Exploration Area	Cinovec	N/A	100%	N/A	100%
	Cinovec II		100%	N/A	100%
	Cinovec III		100%	N/A	100%
	Cinovec IV		100%	N/A	100%
Preliminary Mining Permit	Cinovec II	Cinovec South	100%	N/A	100%
	Cinovec III	Cinovec East	100%	N/A	100%
	Cinovec IV	Cinovec NorthWest	100%	N/A	100%

## BACKGROUND INFORMATION ON CINOVEC

### PROJECT OVERVIEW

#### Cinovec Lithium/Tin Project ("Cinovec")

Cinovec is the largest hard rock lithium deposit in Europe, the fourth largest non-brine deposit in the world and a globally significant tin resource and is fully funded through to Final Investment Decision, expected early 2022.

Geomet s.r.o. is owned 49% by European Metals and 51% by CEZ a.s. through its wholly owned subsidiary, SDAS and controls the mineral exploration licenses awarded by the Czech State over Cinovec. Cinovec hosts a globally significant hard rock lithium deposit with a total Indicated Mineral Resource of 372.4Mt at 0.45% Li<sub>2</sub>O and 0.04% Sn and an Inferred Mineral Resource of 323.5Mt at 0.39% Li<sub>2</sub>O and 0.04% Sn containing a combined 7.22 million tonnes Lithium Carbonate Equivalent and 263kt of tin. An initial Probable Ore Reserve of 34.5Mt at 0.65% Li<sub>2</sub>O and 0.09% has been declared to cover the first 20 years mining at an output of 22,500tpa of lithium carbonate.

The Preliminary Feasibility Study, conducted by specialist independent consultants, indicated a return post tax NPV of USD1.108B and an IRR of 28.8% and confirmed that the Cinovec Project is a potential low operating cost, producer of battery grade lithium hydroxide or battery grade lithium carbonate as markets demand. It confirmed the deposit is amenable to bulk underground mining. Metallurgical test-work has produced both battery grade lithium hydroxide and battery grade lithium carbonate in addition to high-grade tin concentrate at excellent recoveries. Cinovec is centrally located for European end-users and is well serviced by infrastructure, with a sealed road adjacent to the deposit, rail lines located 5 km north and 8 km south of the deposit and an active 22 kV transmission line running to the historic mine.

The economic viability of Cinovec has been further enhanced by the recent strong

increase in demand for lithium and tin globally, and within Europe specifically.

There are no other material changes to the original information and all the material assumptions continue to apply to the forecasts.

## **BACKGROUND INFORMATION ON CEZ**

Headquartered in the Czech Republic, CEZ a.s. is an established, integrated energy group with operations in a number of Central and Southeastern European countries and Turkey. CEZ's core business is the generation, distribution, trade in, and sales of electricity and heat, trade in and sales of natural gas, and coal extraction. CEZ Group has 33,000 employees and annual revenue of approximately EUR 7.24 billion.

The largest shareholder of its parent company, CEZ a.s., is the Czech Republic with a stake of approximately 70%. The shares of CEZ a.s. are traded on the Prague and Warsaw stock exchanges and included in the PX and WIG-CEE exchange indices. CEZ's market capitalization is approximately EUR 10.9 billion.

As one of the leading Central European power companies, CEZ intends to develop several projects in areas of energy storage and battery manufacturing in the Czech Republic and in Central Europe.

CEZ is also a market leader for E-mobility in the region and has installed and operates a network of EV charging stations throughout Czech Republic. The automotive industry in Czech is a significant contributor to GDP and the number of EV's in the country is expected to grow significantly in coming years.

## **CONTACT**

For further information on this update or the Company generally, please visit our website at [www.europeanmet.com](http://www.europeanmet.com) or see full contact details at the end of this release.

## **COMPETENT PERSON**

Information in this release that relates to exploration results is based on information compiled by Dr Pavel Reichl. Dr Reichl is a Certified Professional Geologist (certified by the American Institute of Professional Geologists), a member of the American Institute of Professional Geologists, a Fellow of the Society of Economic Geologists and is a Competent Person as defined in the 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves and a Qualified Person for the purposes of the AIM Guidance Note on Mining and Oil & Gas Companies dated June 2009. Dr Reichl consents to the inclusion in the release of the matters based on his information in the form and context in which it appears. Dr Reichl holds CDIs in European Metals.

The information in this release that relates to Mineral Resources and Exploration Targets has been compiled by Mr Lynn Widenbar. Mr Widenbar, who is a Member of the Australasian Institute of Mining and Metallurgy, is a full time employee of Widenbar and Associates and produced the estimate based on data and geological information supplied by European Metals. Mr Widenbar has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that he is undertaking to qualify as a Competent Person as defined in the JORC Code 2012 Edition of the Australasian Code for Reporting of Exploration Results, Minerals Resources and Ore Reserves. Mr Widenbar consents to the inclusion in this report of the matters based on his information in the form and context that the information appears.

## **CAUTION REGARDING FORWARD LOOKING STATEMENTS**

Information included in this release constitutes forward-looking statements. Often, but not always, forward looking statements can generally be identified by the use of

forward looking words such as "may", "will", "expect", "intend", "plan", "estimate", "anticipate", "continue", and "guidance", or other similar words and may include, without limitation, statements regarding plans, strategies and objectives of management, anticipated production or construction commencement dates and expected costs or production outputs.

Forward looking statements inherently involve known and unknown risks, uncertainties and other factors that may cause the company's actual results, performance and achievements to differ materially from any future results, performance or achievements. Relevant factors may include, but are not limited to, changes in commodity prices, foreign exchange fluctuations and general economic conditions, increased costs and demand for production inputs, the speculative nature of exploration and project development, including the risks of obtaining necessary licences and permits and diminishing quantities or grades of reserves, political and social risks, changes to the regulatory framework within which the company operates or may in the future operate, environmental conditions including extreme weather conditions, recruitment and retention of personnel, industrial relations issues and litigation.

Forward looking statements are based on the company and its management's good faith assumptions relating to the financial, market, regulatory and other relevant environments that will exist and affect the company's business and operations in the future. The company does not give any assurance that the assumptions on which forward looking statements are based will prove to be correct, or that the company's business or operations will not be affected in any material manner by these or other factors not foreseen or foreseeable by the company or management or beyond the company's control.

Although the company attempts and has attempted to identify factors that would cause actual actions, events or results to differ materially from those disclosed in forward looking statements, there may be other factors that could cause actual results, performance, achievements or events not to be as anticipated, estimated or intended, and many events are beyond the reasonable control of the company. Accordingly, readers are cautioned not to place undue reliance on forward looking statements. Forward looking statements in these materials speak only at the date of issue. Subject to any continuing obligations under applicable law or any relevant stock exchange listing rules, in providing this information the company does not undertake any obligation to publicly update or revise any of the forward looking statements or to advise of any change in events, conditions or circumstances on which any such statement is based.

## **LITHIUM CLASSIFICATION AND CONVERSION FACTORS**

Lithium grades are normally presented in percentages or parts per million (ppm). Grades of deposits are also expressed as lithium compounds in percentages, for example as a percent lithium oxide ( $\text{Li}_2\text{O}$ ) content or percent lithium carbonate ( $\text{Li}_2\text{CO}_3$ ) content.

Lithium carbonate equivalent ("**LCE**") is the industry standard terminology for, and is equivalent to,  $\text{Li}_2\text{CO}_3$ . Use of LCE is to provide data comparable with industry reports and is the total equivalent amount of lithium carbonate, assuming the lithium content in the deposit is converted to lithium carbonate, using the conversion rates in the table included below to get an equivalent  $\text{Li}_2\text{CO}_3$  value in percent. Use of LCE assumes 100% recovery and no process losses in the extraction of  $\text{Li}_2\text{CO}_3$  from the deposit.

Lithium resources and reserves are usually presented in tonnes of LCE or Li.

The standard conversion factors are set out in the table below:

### **Table: Conversion Factors for Lithium Compounds and Minerals**

Convert from		Convert to Li	Convert to Li <sub>2</sub> O	Convert to Li <sub>2</sub> CO <sub>3</sub>	Convert to LiOH.H <sub>2</sub> O
Lithium	Li	1.000	2.153	5.325	6.048
Lithium Oxide	Li <sub>2</sub> O	0.464	1.000	2.473	2.809
Lithium Carbonate	Li <sub>2</sub> CO <sub>3</sub>	0.188	0.404	1.000	1.136
Lithium Hydroxide	LiOH.H <sub>2</sub> O	0.165	0.356	0.880	1.000
Lithium Fluoride	LiF	0.268	0.576	1.424	1.618

## WEBSITE

A copy of this announcement is available from the Company's website at [www.europeanmet.com](http://www.europeanmet.com).

The information contained within this announcement is considered to be inside information, for the purposes of Article 7 of EU Regulation 596/2014, prior to its release.

This announcement has been approved for release by the Board.

## Appendix 5B

### Mining exploration entity or oil and gas exploration entity quarterly cash flow report

#### Name of entity

European Metals Holding Limited (ASX: EMH)

#### ABN

55 154 618 989

#### Quarter ended ("current quarter")

31 December 2020

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
<b>1.</b>	<b>Cash flows from operating activities</b>		
1.1	Receipts from associate	273	551
1.2	Payments for		
	(a) exploration & evaluation	-	-
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(60)	(146)
	(e) administration and corporate costs	(644)	(1,204)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	-
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	12	55

1.8	Other (Cinovec associated costs)	(214)	(683)
<b>1.9</b>	<b>Net cash from / (used in) operating activities</b>	<b>(633)</b>	<b>(1,427)</b>

<b>2.</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) exploration & evaluation	-	-
	(e) investments	-	-
	(f) other non-current assets	-	-
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>-</b>	<b>-</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	500	1,000
3.3	Proceeds from exercise of options	224	859
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(10)	(60)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>714</b>	<b>1,799</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
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4.1	Cash and cash equivalents at beginning of period	350	59
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(633)	(1,427)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	714	1,799
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>431</b>	<b>431</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	431	350
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>431</b>	<b>350</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1	76
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

Amounts paid to directors and their associates as director remuneration. A portion of these expenses are to be reimbursed directly from Geomet.

<b>7.</b>	<b>Financing facilities</b> <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	<b>Total financing facilities</b>	-	-
7.5	<b>Unused financing facilities available at quarter end</b>		-
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		



On 31 December 2020, the Company announced the arrangement of a further funding agreement with 6466 Capital Limited. The agreement allows for the draw down of up to AUD 1 million in tranches as required over 12 months. Any funds drawn down will convert to CDI's in the Company at a price equal to a 15% discount to the 10 - day volume weighted average price of the Company's securities. The issue of shares pursuant to draw downs is not subject to shareholder approval.

The Company made its full drawdown of AUD 1 million on 6 January 2021 and completed the issue of 1,463,734 CDIs.

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (item 1.9)	(633)
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	-
8.3 Total relevant outgoings (item 8.1 + item 8.2)	(633)
8.4 Cash and cash equivalents at quarter end (item 4.6)	431
8.5 Unused finance facilities available at quarter end (item 7.6 - \$1 million received, R&D refund of \$289k expected in the next quarter and \$217k receipt from Geomet in January 2021)	1,506
8.6 Total available funding (item 8.4 + item 8.5)	1,937
8.7 <b>Estimated quarters of funding available (item 8.6 divided by item 8.3)</b>	<b>3.06</b>
<i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i>	
8.8 If item 8.7 is less than 2 quarters, please provide answers to the following questions:	
8.8.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer: N/A	
8.8.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer: N/A	
8.8.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
Answer: N/A	
<i>Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.</i>	

## Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 29 January 2021

Authorised by: The Board

(Name of body or officer authorising release - see note 4)

#### Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee - eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

#### ENQUIRIES:

##### **European Metals Holdings Limited**

Keith Coughlan, Executive Chairman

Tel: +61 (0) 419 996 333

Email: keith@europeanmet.com

Kiran Morzaria, Non-Executive  
Director

Tel: +44 (0) 20 7440 0647

Tel: +61 (0) 417 945 049

Dennis Wilkins, Company Secretary

Email: dennis@europeanmet.com

##### **WH Ireland Ltd (Nomad & Joint Broker)**

Tel: +44 (0) 20 7220 1666

James Joyce/James Sinclair-Ford  
(Corporate Finance)

Harry Ansell/Jasper Berry  
(Broking)

##### **Shard Capital (Joint Broker)**

Tel: +44 (0) 20 7186 9950

Damon Heath

Erik Woolgar

##### **Blytheweigh (Financial PR - UK)**

Tel: +44 (0) 20 7138 3222

Tim Blythe

Megan Ray

##### **Chapter 1 Advisors (Financial PR - Aus)**

Tel: +61 (0) 433 112 936

David Tasker

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