

European Metals Holdings Ltd

(EMH \$0.755) Speculative Buy - Initiation of Coverage

EUROZ HARTLEYS

Analyst	Date	Price Target
Trent Barnett	19 th October 2022	\$2.35/sh

Super leverage. Validation with an offtake would be big catalyst

Event

We initiate coverage on EMH with a Speculative Buy recommendation;

EMH is developing an unconventional lithium deposit (49% EMH) in Czech Republic, called Cinovec. The deposit is low grade, and the mineralogy is a mica deposit (zinnwaldite) - not conventional spodumene, nor brine. However, it is very large, and its location in Europe makes it a strategic asset;

The majority partner in the project is CEZ (51%), a listed company in Czech Republic that is 70% owned by the Czech Govt. We view the partner as a strong ally in progressing the project;

The project is very advanced, with a recent PFS update in January and CEZ expects to make fid in CY23;

The standstill agreement allows CEZ to takeout the remaining balance of the project at an independent valuation, but it is not allowed, by the agreement, to acquire EMH for less than the look through value of the independent valuation;

Czech Republic is the home of Skoda cars (in Mlada Boleslav), which is owned by VW. We expect a transition of Skoda to EV's is highly likely;

The Cinovec project is expected to supply 29ktpa of LC/LiOH in stage 1. There are no current offtakes;

The PFS assumes only 55Mt of the 700Mt resource is mined. We assume a speculative mining inventory of 104Mt in our model;

Total project PFS capex estimate is US\$644m, of which half is attributable to EMH. We assume EMH requires an equity contribution of US\$180m, which assumes conservative gearing and no pre-payments;

Our model assumes no by-credits (the PFS assumes US\$32m pa of by-product credits). We view the by-products as upside, but focus our valuation on the development of the lithium only, to help allow for the commissioning risk of an unconventional project;

The JV is well funded to complete the DFS, with cash of ~€15m (49% attributable to EMH, plus EMH cash on hand of ~A\$20m);

We initiate coverage with a Speculative Buy. The EMH shareprice is a laggard in the lithium space, perhaps given the economics had been marginal on older consensus long run LC estimates (US\$13k/t). However, at more recent long run consensus estimates the project is robust (eg US\$17k/t). At current spot lithium prices, the project is highly viable, even on our 'more conservative than PFS' development assumptions.

Given its advanced stage, and project partners, development certainly solves some supply problems for EU car manufacturers. We believe validation from an offtake would be a big catalyst;

We have a PT of \$2.35/shr, which assumes Cinovec achieves a credible offtake partner and the market pays 20% of our NPV₁₂ spot valuation. We rate EMH as high risk and speculative, because if we enter a falling lithium price environment the project risks may become a big hurdle/focus again. Our base valuation (consistent lithium prices with our coverage list), is 94cps. Our spot price NPV₁₂ is \$12/shr. Hence the extreme leverage for lithium bulls;

European Metals Ltd	Year End 30 June	
Share Price	0.755	A\$/sh
Price Target	2.35	A\$/sh
Valuation	0.94	A\$/sh
		npv (12.0%)

Shares on issue	204	m, diluted *
Market Capitalisation	154	A\$m
Enterprise Value	134	A\$m
Debt (30 Jun 22)	0	A\$m
Cash (30 Jun 22)	20	A\$m
Largest Shareholder	Cadence Minerals Plc	8.1%

Production F/Cast	2023F	2024F	2025F
LC	0.0	0.0	5.6

Assumptions	2023F	2024F	2025F
AUDUSD	0.66	0.71	0.73
Spod	4000	2200	1300
LC (Battery)	55000	24600	18000

Key Financials	2023F	2024F	2025F
Revenue (A\$m)	0	0	68
EBITDA (A\$m)	-5	-5	28
NPAT (A\$m)	-19	-42	-23
Cashflow (A\$m)	-18	-32	-14

CFPS (Ac)	-4.9	-5.9	-2.5
P/CFPS (x)	-15.4	-12.7	-29.9

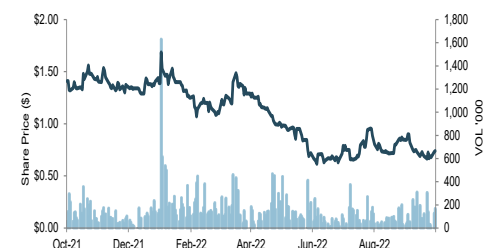
EPS (Ac)	-5	-8	-4
EPS growth (%)	nm	nm	0%
PER (x)	nm	nm	-17.4

EV:EBITDA (x)	nm	nm	26.3
EV:EBIT (x)	nm	nm	154.9

DPS (Ac)	0.0	0.0	0.0
Dividend Yield (%)	0%	0%	0%

ND:Net Debt+Equity (%)	nm	38%	62%
Interest Cover (x)	-	-	0.2

Share Price Chart



Disclaimer

Euroz Hartleys declares that it has acted as underwriter to and/or arranged an equity issue in and/or provided corporate advice to EMH during the last year. Euroz Hartleys has received a fee for these services.

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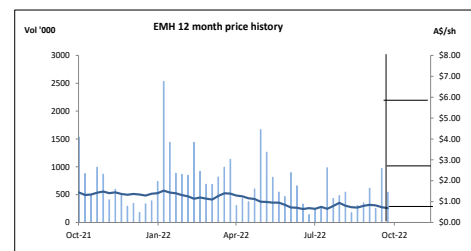
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Key Variables

Val/ Sh		Battery Grade LiOH								
AUDUSD	\$0.94	15,300	17,000	20,400	25,500	34,000	51,000	68,000	85,000	102,000
	15%	\$0.55	\$0.82	\$1.35	\$2.15	\$3.49	\$6.16	\$8.83	\$11.50	\$14.17
	10%	\$0.58	\$0.86	\$1.41	\$2.25	\$3.65	\$6.44	\$9.23	\$12.02	\$14.81
	5%	\$0.61	\$0.90	\$1.48	\$2.36	\$3.82	\$6.75	\$9.67	\$12.59	\$15.52
	0%	\$0.64	\$0.94	\$1.56	\$2.48	\$4.01	\$7.08	\$10.15	\$13.22	\$16.29
	-5%	\$0.67	\$0.99	\$1.64	\$2.61	\$4.22	\$7.46	\$10.69	\$13.92	\$17.15
	-10%	\$0.71	\$1.05	\$1.73	\$2.75	\$4.46	\$7.87	\$11.28	\$14.69	\$18.11
	-15%	\$0.75	\$1.11	\$1.83	\$2.92	\$4.72	\$8.33	\$11.95	\$15.56	\$19.17

EH Forecast	Jun-23	Jun-24	Jun-25	Jun-26	Jun-27	Jun-28
AUDUSD	0.66	0.71	0.73	0.74	0.74	0.74
Spodumene	\$4,000	\$2,200	\$1,300	\$1,250	\$1,250	\$1,250
LC - Battery	\$55,000	\$24,600	\$18,000	\$17,000	\$17,000	\$17,000

Our Share Price Sensitivity



Our Market Sensitivity

Valuation - \$0.94/sh

Target Price - \$2.35/sh

Bull Scenario - \$6/sh

-50% of NPV12, spot commodity prices.

Base Scenario - \$2.35/sh

20% of NPV12 spot prices.

Bear Scenario - \$0.70/sh

LiOH price falls below US\$20k/t, and stock trades at discount to valuation.

Company Summary

EMH is developing the Cinovec unconventional lithium project in Czech Republic.

Disclaimer

The projections and information above is based on the set assumptions outlined. Due care and attention has been used in the preparation of this information. However actual results may vary from forecasts and any variation may be materially positive or negative. Forecasts by their very nature, are subject to uncertainty and contingencies, many of which are outside the control of Euroz Hartleys.

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Market Statistics			Year End 30 June			Profit and Loss (A\$m)		2023F	2024F	2025F	2026F	2027F
Share Price	\$0.755	Directors				Net Revenue		0.0	0.0	67.8	252.8	252.8
Market Cap. - ordinary	A\$140m	Keith Coughlan	Exec Chair			Gross Profit		0.0	0.0	33.6	116.8	116.8
Net Cash	\$20m	Richard Pavlik	ED			Total Costs		-4.8	-5.0	-39.5	-141.5	-141.7
Market Cap. - fully dil.	A\$154m	Kiran Morzaria	NE			EBITDA		-4.8	-5.0	28.3	111.3	111.0
		Ambass. L.Bloomfield	JnrNE			- margin		-	-	42%	44%	44%
Issued Capital	186m					Depreciation/Amort		-1.1	-9.9	-23.5	-28.6	-29.8
Options	17.5	Shareholders				EBIT		-5.9	-14.9	4.8	82.6	81.2
Issued Capital *	204m	Cadence Minerals Plc	8.1%			Net Interest		-13.0	-26.9	-28.2	-28.6	-28.5
Issued Capital (fully funded)	543m	Armco Barriers Pty Ltd	7.2%			Pre-Tax Profit		-18.9	-41.8	-23.4	54.0	52.7
EV post capex	A\$747m					Tax Expense		0.0	0.0	0.0	-8.1	-7.9
* diluted for options						Normalised NPAT		-18.9	-41.8	-23.4	45.9	44.8
						Abnormal Items		0.0	0.0	0.0	0.0	0.0
						Reported Profit		-18.9	-41.8	-23.4	45.9	44.8
						Minority		0.0	0.0	0.0	0.0	0.0
						Profit Attrib		-18.9	-41.8	-23.4	45.9	44.8
Asset Valuation						A\$m	A\$/sh					
Cinovec (49%)			595		1.10							
Exploration			100		0.18							
Forwards			0		0.00							
Corporate Overheads			-19		-0.04							
Net Cash (Debt)			20		0.04							
Investments			0		0.00							
Tax (NPV future liability)			-184		-0.34							
Options & Other Equity			1		0.00							
Total			512		0.94							
Spot USD/AUD 0.63 LC \$70,000/t							12.04					
F/Cast Prod. (A\$m)						2023F	2024F	2025F	2026F	2027F		
Processed Grade	0.3%	0.3%	0.3%	0.3%	0.3%							
Produced Battery Grade LC/LiOH -	-	-	5.6	22.5	22.5							
Total Costs per tonne (US\$)	-	-	-10.5	-9.5	-9.5							
EBITDA margin per tonne (US\$)	-	-	7.5	7.5	7.5							
Recovery		75%	75%	75%	75%							
Minining inventory		106	106	104	101							
Ratio Analysis (A\$m)						2023F	2024F	2025F	2026F	2027F		
CF (A\$m)	-17.8	-31.9	-13.6	35.8	74.6							
CF / Sh (Ac/sh)	-4.9	-5.9	-2.5	6.6	13.7							
CF Ratio (x)	(15)	(13)	(30)	11	5							
Earnings (A\$m)	(19)	(42)	(23)	46	45							
EPS (Ac/sh)	(5.2)	(7.8)	(4.3)	8.5	8.2							
EPS Growth (%)	nm	nm										
Earnings Ratio (x)	nm	nm	(17)	9	9							
EV (A\$m) full funded	158	550	747	721	692							
EV : EBITDA (x)	nm	nm	26	6	6							
EV : EBIT (x)	nm	nm	155	9	9							
Net Debt / ND+Eq (%)	nm	38%	62%	55%	48%							
Interest Cover (x)	-	-	0.2	2.9	-							
EBIT Margin (%)	nm	nm	7%	33%	32%							
ROE (%)	nm	nm	nm	20%	16%							
ROA (%)	nm	nm	nm	8%	7%							
Div. (Ac/sh)	-	-	-	-	-							
Div. payout ratio (x)	-	-	-	-	-							
Div. Yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%							
Div. Franking (%)	100%	100%	100%	100%	100%							
						Cash Flow (A\$m)		2023F	2024F	2025F	2026F	2027F
						Operating Cashflow		-4.8	-5.0	14.6	72.6	111.0
						Income Tax Paid		0.0	0.0	0.0	-8.1	-7.9
						Interest & Other		-13.0	-26.9	-28.2	-28.6	-28.5
						Operating Activities		-17.8	-31.9	-13.6	35.8	74.6
						Property, Plant & Equip.		-2.2	-360.7	-182.9	-10.0	-44.3
						Exploration and Devel.		-0.4	-0.4	-0.4	-0.4	-0.4
						Other		0.0	0.0	0.0	0.0	0.0
						Investment Activities		-2.6	-361.1	-183.3	-10.4	-44.7
						Borrowings		360.0	0.0	0.0	0.0	0.0
						Equity or "tbc capital"		257.1	1.4	0.0	0.0	0.0
						Dividends Paid		0.0	0.0	0.0	0.0	0.0
						Financing Activities		617.1	1.4	0.0	0.0	0.0
						Net Cashflow		596.8	-391.6	-196.9	25.4	29.9
						Balance Sheet (A\$m)		2023F	2024F	2025F	2026F	2027F
						Cash		611.6	219.9	23.0	48.4	78.3
						Other Current Assets		1.8	1.8	20.6	74.1	74.2
						Total Current Assets		613.3	221.8	43.6	122.6	152.5
						Property, Plant & Equip.		2.3	353.1	512.4	493.8	508.3
						Exploration		18.3	18.7	19.1	19.5	19.9
						Investments/other		0.0	0.0	0.0	0.0	0.0
						Tot Non-Curr. Assets		20.6	371.8	531.6	513.3	528.2
						Total Assets		633.9	593.6	575.1	635.9	680.7
						Short Term Borrowings		-	-	-	-	-
						Other		0.8	0.8	5.8	20.6	20.7
						Total Curr. Liabilities		0.8	0.8	5.8	20.6	20.7
						Long Term Borrowings		360.0	360.0	360.0	360.0	360.0
						Other		-	-	-	-	-
						Total Non-Curr. Liabil.		360.0	360.0	360.0	360.0	360.0
						Total Liabilities		360.8	360.8	365.8	380.6	380.7
						Net Assets		273.1	232.7	209.3	255.2	300.0
						Net Debt (net cash)		-251.6	140.1	337.0	311.6	281.7
						- including AASB16		-251.6	140.1	337.0	311.6	281.7

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European Metals Holdings Ltd

(EMH \$0.755) Speculative Buy - Initiation of Coverage

Analysis

EMH plans to mine Zinnwaldite which is a mica mineral. It has complicated mineral chemistry, $\text{KLiFeAl}(\text{AlSi}_3)\text{O}_{10}(\text{OH},\text{F})_2$, and hence is unconventional compared to most lithium projects.

The project is very large though, and its location in Europe means it is strategic. The very high lithium prices also make it highly economic, even allowing for misses versus study estimate.

We initiate coverage with a Speculative Buy recommendation.

PROJECT SUMMARY

- Large 2.25mtpa underground mining operation with paste backfill.
- Underground crushing and conveyor to surface milling.
- Slurry pipeline to beneficiation plant.
- Wet magnetic separation of lithium concentrate.
- Locked Cycle Test verifies production of lithium hydroxide or carbonate from Mica via gypsum & sodium sulphate roast, water leach, purification and product precipitation / crystallization route.
- By-product gravity recovery of tin and tungsten.
- Potash and sodium sulphate by-products from lithium plant.
- Potential for recovery of a pure silica product (glass/ceramics).
- 56% Tailings used for backfill remainder used to rehabilitate adjacent abandoned coal pits.

Source: EMH

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CINOVEC (49%)

EMH is developing the Cinovec project with its partner CEZ.

Cinovec is an unconventional lithium deposit in Europe. It is a very large mica deposit. In other jurisdictions we would be less interested in the project, but Europe is not endowed with lithium deposits, and hence this lithium deposit is rare. Consequently, we see the project as strategic, despite its unconventional processing. The current very high lithium prices make the project highly economic, and so there is now a significant buffer to overcome commissioning problems, should they eventuate. This suggests project development, underpinned by offtakes, is increasingly likely.

The PFS capex estimate is US\$644m. Operating costs, pre-credits, were estimated at US\$6.7kt/LC. Our costs are substantially higher as we always like to err on the conservative. We also do not assume tin credits in our model (PFS estimate ~US\$1k/t), in order to be conservative. The PFS estimates production of 29ktpa.

PFS HIGHLIGHTS



Annual production	29,386 tpa battery grade LiOH.H ₂ O
Total JORC resource	7.39 Mt LCE 0.64 Mt LCE measured 3.88 Mt LCE indicated 2.87 Mt LCE inferred
Construction Capital costs	\$643.8 million
Operating costs (without credits)	\$6,727/t LiOH.H ₂ O
Operating costs (with credits)	\$5,567/t LiOH.H ₂ O
Lithium hydroxide price assumption	\$17,000/t battery grade LiOH.H ₂ O

1 The PFS Update for the production target and forecast financial information was released on 19 January 2022

2 The annual production is stated as 100% lithium hydroxide monohydrate

3 The JORC Resource was updated 13 October 2021

The Company confirms that all material assumptions underpinning the production target and forecast financial information continue to apply and have not materially changed.

\$1.938
Billion

NPV

(8%, after tax)

36.3%

IRR

(after tax)

25 years

Life Of Mine

(based on only 13.1% of Measured and Indicated resource and 7.7% of total resource)

Table 7: Annual Operating Costs per tonne of ore mined

Average Operating Cost (yr. 3-25)	\$M pa	\$t / ROM	\$t / LiOH	% Op Cost
Mining	65.8	24.3	2282	34
Tailings Management	25.6	11.7	888	13
Backfill plant & Infrastructure	10.3	4.7	355	5.2
Processing + Admin	89.5	41	3103	46
Concentrate Transport	2.8	1.3	99	1.4
Total Operating Cost	194	83	6727	100
By-product Revenue Credits	\$M pa	\$t / ROM	\$t / LiOH	
Sn/W (yr3-20)	24	11.1	880	
Potash	8.1	3.7	280	
<i>Excluding Sn/W Royalties & Transportation Cost</i>				
Total Opex (Net of By-product Credits)	162	68.2	5567	

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The flowsheet is described below

Around 2.25 million tonnes of ore per annum is mined and crushed in the underground mine prior to being conveyed 1,167m to the mine portal and stacked on Comminution Plant stockpile (30 kt live capacity), providing a buffer and surge capacity between the underground activities and the processing plants.

The ore is reclaimed from the stockpile to be delivered to the start of the Front-End Comminution and Beneficiation (FECAB) circuit that comprises two sections of plant, geographically separated and connected by a slurry pipeline. The Comminution Plant currently features a single stage SAG mill is located near the mining portal and delivers milled ore (P80 < 212 µm) via slurry pipeline to the Beneficiation Plant, which is located adjacent to the Lithium Chemical Plant (LCP). The Beneficiation Plant uses Wet High Intensity Magnetic Separation (WHIMS) to separate out the lithium bearing micas (zinnwaldite) and produce a magnetic mica concentrate. The ability to use wet magnetic separation is unique to zinnwaldite ore because zinnwaldite contains iron in its lattice and is paramagnetic. Magnetic separation offers cost and recovery advantages over beneficiation through froth flotation.

The LCP receives the mica concentrate from the Beneficiation plant and extracts the lithium through roasting, water leaching and then purification to produce battery grade lithium carbonate. The plant also produces a potassium sulphate by-product that becomes an additional revenue source. The tailings produced by both processing plants are filtered to produce a filter cake which is dry stacked in the Tailings Storage Facility (TSF). Although higher cost than alternative methods, dry stacking significantly reduces environmental impact.

As confirmed by testwork conducted in both Anzaplan (Germany) and Nagrom (Perth), the quality of the lithium hydroxide produced by the LCP will meet requirements for use in lithium battery manufacturing, for which there is a growing market, strong demand and supply shortages. Current market analysis supports the battery grade lithium hydroxide price of \$17,000/tonne used in the updated economic model.

Natural gas is delivered to the project fence by pipeline, supplying low-cost energy for roasting the mica concentrate and heating the underground mining operations. Electricity requirements will be obtained from a solar power plant which will be supplemented by the existing local grid by constructing a 1,000 m overhead line to the nearby existing switchyard in Teplice (refer to ASX announcement dated 23 November 2021).

Potable and industrial water for processing make-up requirements can be purchased from the local municipality, although dewatering of the mine will supply a significant proportion of process water requirements.

Taken from 19 January 2022 release.

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Cinovec Mineral Resource

Table 1: Cinovec Project Mineral Resource September 2021 (0.1% Li (0.2153% Li₂O) Cut-off)

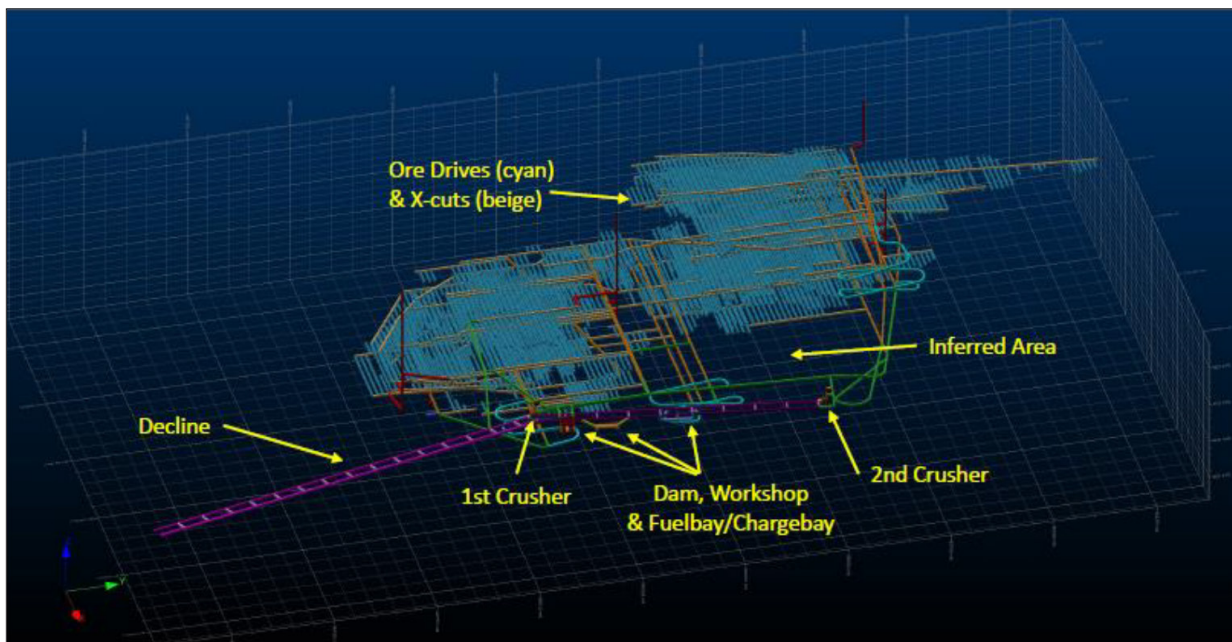
CINOVEC SEPTEMBER 2021 RESOURCE SUMMARY							
	Cut-off	Tonnes	Li	Li ₂ O	Sn	W	LCE
	%	(Millions)	%	%	%	%	MT
MEASURED	0.1 % Li (0.22% Li ₂ O)	53.3	0.22	0.48	0.08	0.02	0.64
INDICATED	0.1 % Li (0.22% Li ₂ O)	360.2	0.20	0.44	0.05	0.02	3.88
MEASURED+INDICATED	0.1 % Li (0.22% Li ₂ O)	413.4	0.21	0.44	0.05	0.02	4.51
INFERRED (approx.)	0.1 % Li (0.22% Li ₂ O)	294.7	0.18	0.39	0.05	0.02	2.87
TOTAL	0.1 % Li (0.22% Li ₂ O)	708.2	0.20	0.42	0.05	0.02	7.39

Notes:

1. Mineral Resources are not Reserves until they have demonstrated economic viability based on a feasibility study or prefeasibility study.
2. Mineral Resources are reported inclusive of any reserves and are prepared by Widenbar in accordance with the guidelines of the JORC Code (2012).
3. The effective date of the Mineral Resource is September 20, 2021.
4. All figures are rounded to reflect the relative accuracy of the estimate.
5. The operator of the project is Geomet s.r.o., 49% owned by EMH and 51% owned by CEZ a.s. Gross and Net resources attributable to EMH are also 49%.
6. Any apparent inconsistencies are due to rounding errors.
7. MT is million tonnes.
8. LCE is Lithium Carbonate Equivalent and is equivalent to Li₂CO₃.

Source: EMH

Cinovec to be an underground mine



Source: EMH

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INDUSTRY EXPOSURE

EMH is a developer of a very large lithium asset in Czech Republic. As such it is exposed to the EV industry, but more specifically the European EV industry.

GEOGRAPHIC EXPOSURE

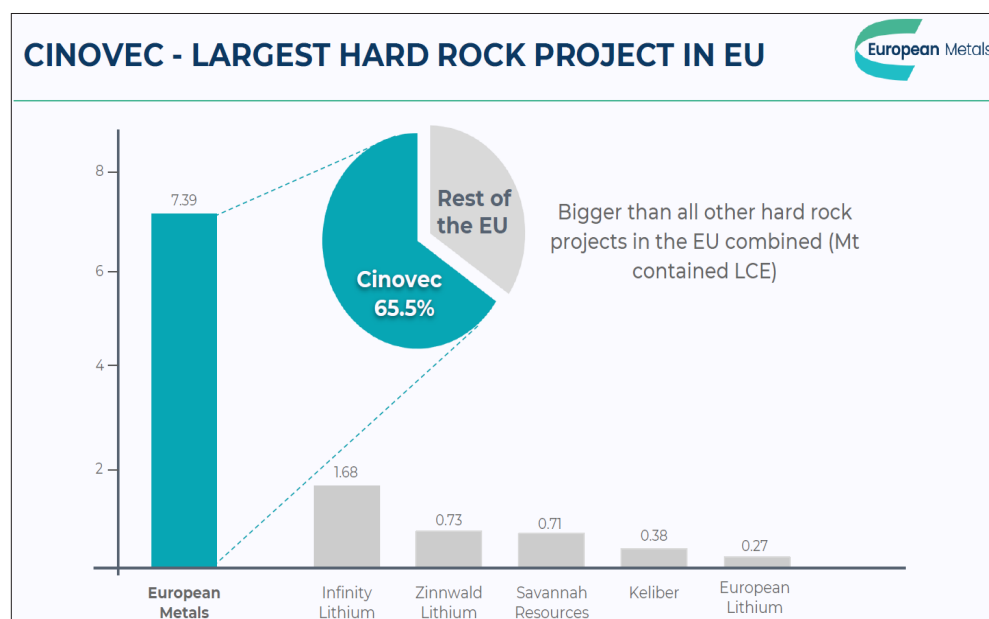
The main asset is located in Czech Republic.



Source: EMH

PEERS AND COMPETITORS

The relevant peers, in our view, are other European lithium deposits.



Source: EMH

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Zinnwaldite, $\text{KLiFeAl}(\text{AlSi}_3\text{O}_{10}(\text{OH},\text{F})_2)$, potassium lithium iron aluminium silicate hydroxide fluoride is a silicate mineral in the mica group. The nearest peer comparison development is INF.asx in Spain.

Cinovec project is a Zinnwaldite mineral, versus more common lithium hardrock minerals below

Mineral name	Chemical formula	Lithium content (Li %)	Appearance (colour and lustre)
Spodumene	$\text{LiAlSi}_2\text{O}_6$	3.7	White, colourless, grey, pink, lilac, yellow or green; vitreous
Lepidolite	$\text{K}_2(\text{Li},\text{Al})_{3-5}\{\text{Si}_{3-7}\text{Al}_{2-1}\text{O}_{20}\}(\text{OH},\text{F})_4$	1.39–3.6	Colourless, grey/white, lilac, yellow or white; vitreous to pearly
Petalite	$\text{LiAlSi}_4\text{O}_{10}$	1.6–2.27	Colourless, grey, yellow or white; vitreous to pearly
Eucryptite	LiAlSiO_4	2.1–5.53	Brown, colourless or white; vitreous
Amblygonite	$\text{LiAl}[\text{PO}_4][\text{F},\text{OH}]$	3.4–4.7	White, yellow or grey; vitreous to pearly
Hectorite	$\text{Na}_{0.3}(\text{Mg},\text{Li})_2\text{Si}_4\text{O}_{10}(\text{OH})_2$	0.54	White, opaque; earthy
Jadarite	$\text{LiNaSiB}_3\text{O}_7(\text{OH})$	7.3	White; porcellaneous

Table 3 The most common lithium-bearing minerals found in economic deposits.

Source: https://www2.bgs.ac.uk/mineralsuk/download/mineralProfiles/lithium_profile.pdf

KEY SUPPLIERS AND CUSTOMERS

There are currently no offtake agreements.

The majority partner (51%) in Cinovec is CEZ. The largest shareholder of the parent company ČEZ is the Czech Republic with a nearly 70%. ČEZ shares are traded on the Prague and Warsaw stock exchanges and included in the PX and WIG-CEE exchange indices.

<https://www.cez.cz/en/home>

CEZ is large, well funded company

UNDER THE CURRENT STRATEGY WE ARE ACCELERATING DEVELOPMENT. WE WANT TO ACHIEVE 40% INCREASE IN EBITDA BY 2030 ON COMPARABLE POWER PRICES



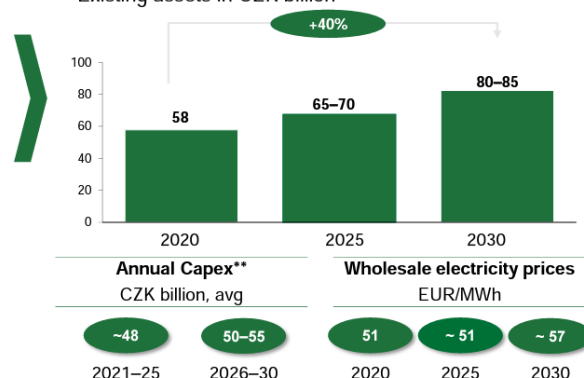
Vision 2030

CLEAN ENERGY OF TOMORROW

- I Decarbonize generation portfolio and reach climate neutrality
- II Provide best energy solutions and highest quality customer experience on the market

EBITDA* of CEZ Group

Existing assets in CZK billion



* Assuming forward power prices from March 2021, which were escalated; carbon allowance price assumption for 2020: 25 EUR/t; 2025: 41 EUR/t; 2030: 46 EUR/t.
 ** Capex and financial investments

Source: CEZ

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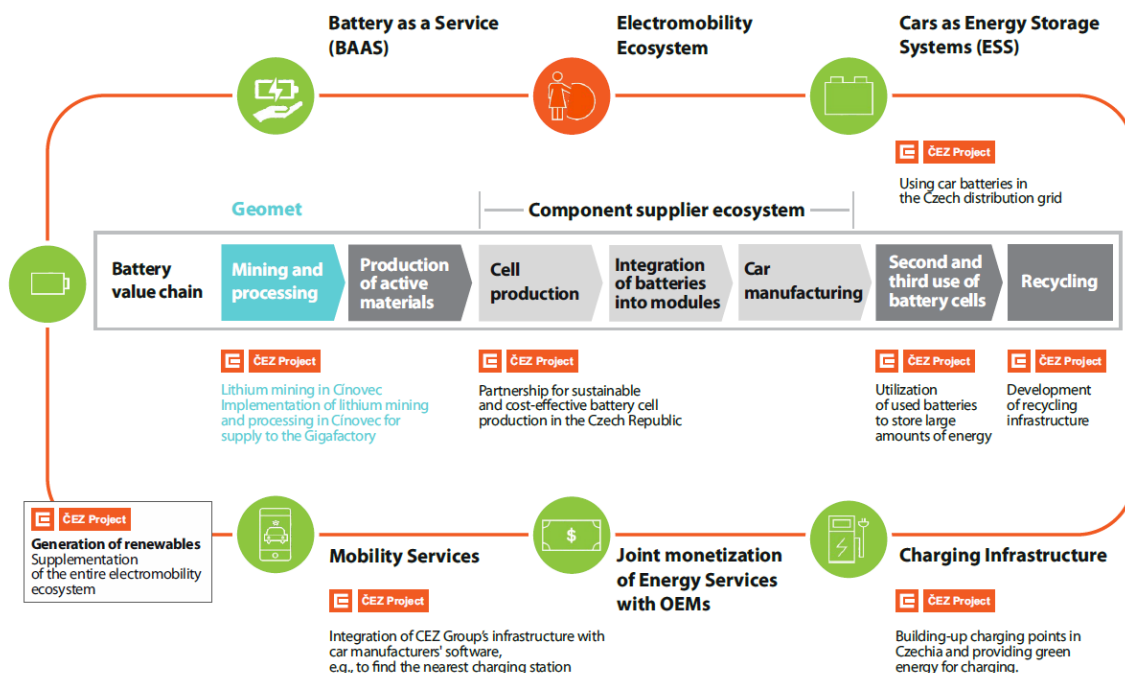
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EUROZ HARTLEYS

CEZ business plan for EV



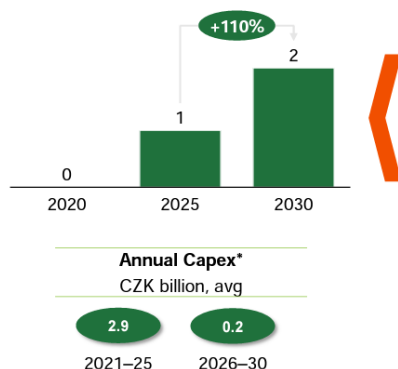
Source: CEZ

CEZ targeting FID on Cinovec CY'23

AREAS OF BATTERY PRODUCTION AND ELECTROMOBILITY WILL BE ADDITIONAL SOURCES OF GROWTH



Proportional EBITDA of battery related activities* in CZK billion



Lithium mining and processing in Cinovec

- CEZ Group owns 51% stake in Geomet, which owns rights to deposit
- Pilot ore-processing line is being prepared
- Preparation of technical and financial feasibility study under way
- In 2023 a decision on mining feasibility

Battery production

- We are discussing possibilities of partnerships on battery production factory

Electromobility infrastructure

- We will be quadrupling charging capacity and will operate at least 800 stations by 2025

Source: CEZ

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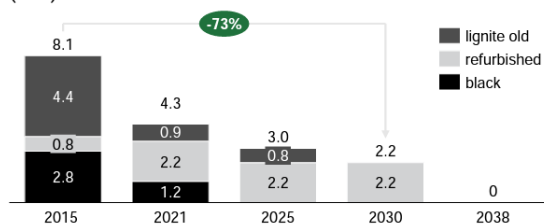
EUROZ HARTLEYS

CEZ has coal mining assets

WE WILL REDUCE SHARE OF OUR COAL GENERATION TO 12.5% IN 2030, AND COMPLETELY EXIT COAL BY 2038



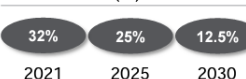
Expected development of installed capacity in coal (GW)



Share of coal related revenue *



Share of coal on generation



* Share of sales of electricity, Sales of heat sales and revenues from externally sold coal on consolidated revenues

Coal fired power plants are being gradually closed

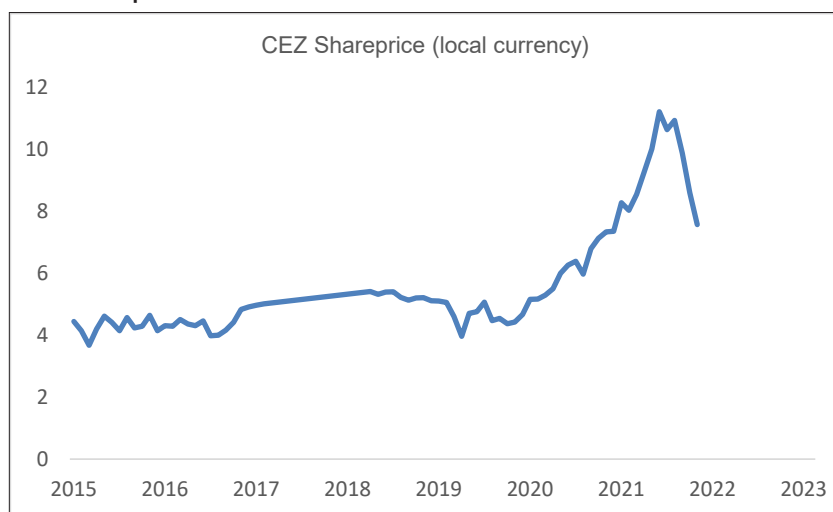
- No new coal capacity investments commitment
- Coal capacity was reduced 1,719 MW in 2020, further 500 MW has been closed in 2021.
- Post 2030 only 3 upgraded units planned to be in operations
- Coal exit by 2038** in line with recommendation of Czech Coal Commission **or earlier** depending on the legal framework (current government is targeting 2033)

Coal extracted is mainly used in own power plants and declining

- CEZ Group produced 15.9 million tones of coal, out of which only 26% is sold externally
- Volume of extracted coal is expected to decline to 8 million tones in 2030 reflecting the reduction of CEZ Group's coal capacities.
- Termination of coal mining by 2038** in line with recommendation of Czech Coal Commission, i.e. much earlier than depletion of coal reserves

Source: CEZ

CEZ Shareprice



Source: IRESS

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MANAGEMENT, DIRECTORS AND MAJOR SHAREHOLDERS

Economic Exposure of Board		Total Options & Perf rights	Shares (#)	Total Economic Exposure (millions)	Rank
Directors	Position				
Keith Coughlan	Exec. Chairman	2,400,000	9,350,000	11,750,000	1
Richard Pavlik	Exec Dir	1,200,000	300,000	1,500,000	2
Kiran Morzaria	Non-Exec (director of Cadence Minerals Plc)	0	200,000	200,000	3
Ambass. Lincoln Bloomfield Jnr	Non-Exec	0	122,500	122,500	4

Source: EMH

Keith Coughlan - Executive Chairman

Keith has almost 30 years' experience in stockbroking and funds management. He has been largely involved in the funding and promoting of resource companies listed on the ASX, AIM and TSX. He has advised various companies on the identification and acquisition of resource projects and was previously employed by one of Australia's then largest funds.

Keith was previously the Non-Executive Chairman of ASX listed Talga Resources Limited and a Non-Executive Director of Calidus Resources Limited. He is currently the Non-Executive Chair of Doriemus PLC.

Keith is a member of the Audit & Risk Committee and Nomination Committee.

Kiran Morzaria - Non-Executive Director

Kiran is currently Chief Executive Officer and Director of the Company's largest shareholder, Cadence Minerals.

Kiran holds a Bachelor of Engineering (Industrial Geology) from the Camborne School of Mines and an MBA (Finance) from CASS Business School. He has extensive experience in the mineral resource industry working in both operational and management roles. Kiran spent the first four years of his career in exploration, mining and civil engineering before obtaining his MBA. He has served as a director of a number of public companies in both an executive and non-executive capacity.

Kiran is the Chair of the Audit & Risk Committee and a member of the Remuneration Committee and Nomination Committee.

Richard Pavlik - Executive Director

Richard is the Chief Advisor to the CEO of Geomet s.r.o., the Company's Czech subsidiary, and is a highly experienced Czech mining executive. He holds a Masters Degree in Mining Engineer from the Technical University of Ostrava in Czech Republic. He is the former Chief Project Manager and Advisor to the Chief Executive Officer at OKD. OKD has been a major coal producer in the Czech Republic. He has almost 30 years of relevant industry experience in the Czech Republic.

Richard also has experience as a Project Analyst at Normandy Capital in Sydney as part of a postgraduate programme from Swinburne University. He has held previous senior positions within OKD and New World Resources as Chief Engineer, and as Head of Surveying and Geology. He has also served as the Head of the Supervisory Board of NWR Karbonia, a Polish subsidiary of New World Resources (UK) Limited. He has an intimate knowledge of mining in the Czech Republic.

Richard is a member of the Audit & Risk Committee, Remuneration Committee and Nomination Committee.

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Ambassador Lincoln P. Bloomfield, Jr. - Non-Executive Director

Lincoln is a former US official specialising in foreign policy and international security, having held policy positions in five previous administrations, most recently in 2008 as a Presidential Envoy with the rank of Ambassador. He has dealt with a wide range of issues and has experience working effectively with governments in Europe and around the world. He also has many years of experience working with companies in the private sector, primarily involving renewable energy technology, private equity, and security issues.

For eight years until 2016, Lincoln was Chairman of the Stimson Center in Washington DC, one of the top-rated think tanks in America. During his service as US Assistant Secretary of State for Political Military Affairs, Lincoln was the US Government regulator responsible for industry compliance with defence export law and regulation. He serves and has previously served on for-profit and non-profit Boards

Board biographies are sourced from the Company website.

Major Shareholders

There are two substantial shareholders.

- Cadence Minerals Plc (8.1%) which is listed on AIM (ticker KDNC)
- Armco Barriers Pty Ltd (7.2%).

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Options, Convertibles and Unpaid Capital

The capital structure is mainly ordinary shares, with a small number of options, performance shares and (warrants convert 1:1)

Debt

We assume US\$505m of project debt for the construction (~A\$360m net for EMH).

Hedging

There is no hedging.

Capex requirements

As an underground mining operation, we expect reasonable maintenance capex.

Free cash flow

We do not estimate free cash flow for a considerable time.

Dividends

We do not expect dividends for a considerable time.

FX exposure

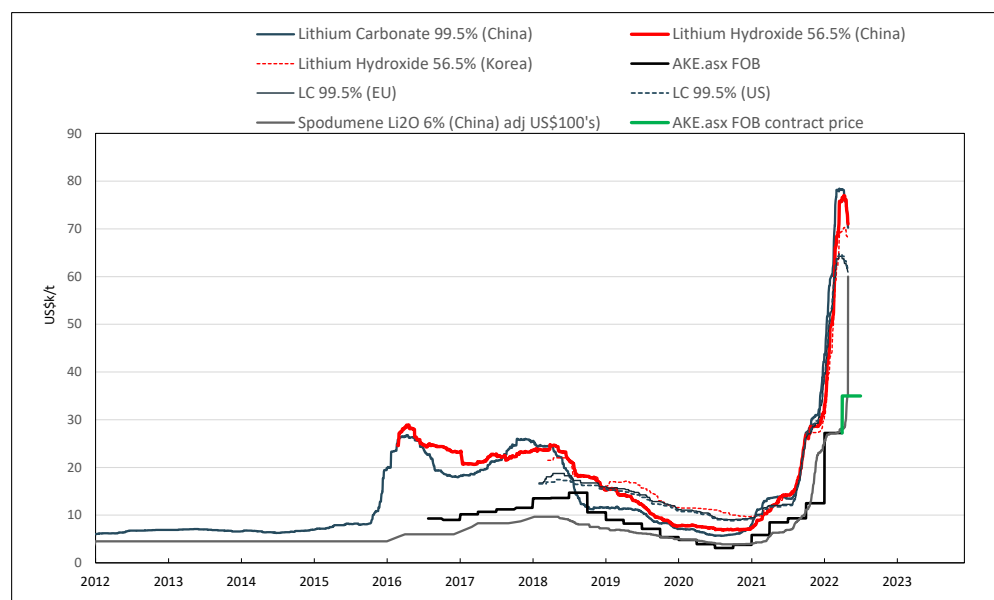
Costs will be in Czech Koruna, which closely tracks the Euro.

Interest Rate exposure

We expect minimal some interest rate exposure even once debt financing is in place.

Commodity price exposure

EMH is exposed to the downstream lithium chemicals prices.



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VALUATION

Our model is more conservative versus the pfs on all parameters except mine life (we are double the PFS minelife) and we also incorporate and expansion to 55ktpa in FY28;

We assume higher cash costs (EH US\$8k/t, PFS US4.9k/t);

We assume no by-product credits (PFS US\$32m pa);

We assume capex of US\$800m and another 20% working capital (PFS capex US\$644m);

We assume LiOH stage 1 production of 27ktpa (PFS 29.4ktpa);

We assume US\$180m of new equity for EMH;

We assume recoveries 75%, versus PFS 82%;

We assume a mining inventory of 104Mt (PFS 54Mt);

Using our base case lithium prices, our NPV₁₂ valuation for EMH is \$0.94. De-risked, our NPV₈ is \$1.65. For a large company with a low cost of capital, our NPV₆ is \$2.30.

On spot prices, our NPV₁₂ is \$12/shr.

	Units	PFS	Euroz Hartleys	Euroz Hartleys versus PFS
Production Rate - LiOH	ktpa	29	22	-23.6%
Mining Inventory	Mt	55	106	92.3%
Lithium Grade	%	0.28%	0.25%	-10.7%
Sn Grade	%	0.06%	0.00%	-100.0%
W grade	%	0.02%	0.00%	-100.0%
Recovery	%	82%	75%	-8.5%
Sale price assumptions - LiOH	US\$/Tonne	17,000	17,000	0.0%
Capital Investment (at start-up)	US\$ million	644	800.0	24.2%
Cash Cost (Opex, C1)	US\$/tonne LCE	6,727	8,293	23.3%

Source: Euroz Hartleys

Base Valuation

Valuation	\$ m	\$/EMH
Cinovec (49%)	595	1.10
Exploration	100	0.18
Forwards	0	0.00
Corporate Overheads	-19	-0.04
Net Cash (Debt)	20	0.04
Investments	0	0.00
Tax (NPV future liability)	-184	-0.34
Options & Other Equity	1	0.00
Total	512	0.94

Source: Euroz Hartleys

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PRICE TARGET

Our price target is based on weighted scenarios, including spot valuation.

Price Target Methodology	Weighting	Spot	12 mth out
NPV ₁₂ base case	14%	\$0.94	\$0.95
NPV ₈ base case	24%	\$1.65	\$1.78
NPV ₁₂ at spot commodity and fx prices	1%	\$12.04	\$13.96
NPV ₈ spot prices	1%	\$19.10	\$20.63
Cash Backing	15%	\$0.10	\$1.24
20% of NPV ₁₂ spot prices	45%	\$2.41	\$2.79
Risk weighted composite		\$1.94	
12 Months Price Target		\$2.35	
Shareprice - Last		\$0.755	
12 mth total return (% to 12mth target + dividend)		211.1%	

Source: Euroz Hartleys Estimate

RISKS

The key risks are earnings disappointments given the industry is volatile and earnings can disappoint due to commodity prices, cost overruns, project delays, environmental regulations, taxation/royalties changes, cost inflation or lower production. Although some earnings disappointments can be short term and only a timing issue, other disappointments can be materially value destructive and can sometimes overhang stocks for a long period of time (for example environmental mismanagement). Such disappointments can be very difficult to predict and share price reactions can be severe and immediate upon disclosure by the company. High financial leverage (if it exists at that time) would add to the problem. Another key risk for miners is maintaining and extending mine life or making the prudent decision to close a mine, given mines are depleted and many have reasonably short lives and often with reducing economics.

SIMPLE S.W.O.T. TABLE

STRENGTHS	European location
	Very large contained lithium
	Large partner
WEAKNESSES	Unconventional
	Low grade
OPPORTUNITIES	Expansions
	Very high spot lithium prices
THREATS	Financing
	Metallurgy
	Approvals

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