

For immediate release

16 March 2023

EUROPEAN METALS HOLDINGS LIMITED

Unaudited Interim Financial Report for the six months ended 31 December 2022

The Directors of European Metals Holdings Limited (**ASX & AIM: EMH, OTCQX: EMHXY, ERPNF and EMHLF**) ("European Metals" or the "Company") are pleased to release its interim unaudited financial report for the half-year ended 31 December 2022.

A copy of the European Metals Half Year Report is also available from the Company's website at www.europeanmet.com

ENQUIRIES:

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The information contained within this announcement is deemed by the Company to constitute inside information under the Market Abuse Regulation (EU) No. 596/2014 ("MAR") as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 and is disclosed in accordance with the Company's obligations under Article 17 of MAR. The person who authorised for the release of this announcement on behalf of the Company was Keith Coughlan, Executive Chairman.

DIRECTORS' REPORT

Your directors submit the financial report of the consolidated group for the half year ended 31 December 2022.

Directors

The names of the directors who held office during or since the end of the half year.

Mr Keith Coughlan

Mr Richard Pavlik
Mr Kiran Mazaria
Ambassador Lincoln Palmer Bloomfield, Jr

Executive Chairman
Previously Managing Director
Executive Director
Non-Executive Director
Non-Executive Director

Results of Operations

The consolidated loss for the half year ended 31 December 2022 amounted to \$3,786,950 (2021: \$1,949,974 loss).

Review of Operations

For the reporting period the Company continued to manage the advancement of the Cinovec Lithium/Tin Project in Czech Republic. The macro conditions relative to the Project have been very strong for the period. Despite some recent falls, the lithium price remains at very high levels relative to historic prices, and at a level where the financial parameters of the Project are exceptionally strong. In addition to pricing, the global focus on long term security of strategic metals has increased dramatically and the Company expects this factor to play an increasingly important role in moving the Project towards production.

The reporting period was highlighted by the announcement of very significant developments in the optimisation of the flowsheet for the processing plant.

The Company announced that it had finalised a considerably simplified Lithium Chemical Plant ("LCP") flowsheet with the initial six locked cycle test ("LCTs") providing 99.99% pure Lithium Carbonate. The LCTs were completed at ALS Global in Perth and demonstrated overall lithium recoveries of 88-93%, (refer to the Company's ASX release dated 31 October 2022) **(Simplified Extraction Process delivers exceptionally clean battery grade lithium products with improved economics)**.

The simplified flowsheet precipitates lithium phosphate directly from the polished PLS and then goes on to clean the lithium phosphate to enable precipitation of a much cleaner, crude lithium carbonate. The final purification step of bicarbonation and re-precipitation is the same as in the earlier flowsheet, but the end-product is of even higher quality due to the input crude lithium carbonate being much cleaner. The simplification of the central section of the LCP flowsheet reduces the number of basic chemical engineering unit processes (after the initial roast/water leach) from 15 to 7. The revised process also results in the elimination of all energy-intensive cooling processes.

The Company has been advised by its principal hydrometallurgical adviser, Lithium Consultants Australasia (LCA), that the changes to the LCP noted above are expected to reduce both Capex and Opex in the LCP by 10-20%. The Capex reduction is based upon the fact that the simplified flowsheet requires the use of only two crystallisers vs the four crystallisers and 1 evaporator in the original flowsheet. The similar reduction in Opex is achieved through reduced power use resulting from not having to operate the additional equipment. The Company expects that lower reagent use, and the elimination of all process cooling steps will change the environmental footprint of the project positively, reducing the chemicals and energy required in the LCP process.

The recently completed testwork for the re-engineered LCP flowsheet produced the following crude and battery-grade lithium carbonate products, compared with the published global standard specification, YS/T 582-2013 with the Li_2CO_3 results highlighted in yellow:

	Li_2CO_3 %	Na ppm	K ppm	Mg ppm	Ca ppm	Mn ppm	Fe ppm	Ni ppm	Cu ppm	Zn ppm	Al ppm	Si ppm	Pb ppm	SO_4^{2-} ppm	Cl ppm
YS/T 582- 2013	≥99.5	250	10	80	50	3	10	10	3	3	10	30	3	800	30
Crude LC	99.4	368	3	5	357	0	8	3.4	0.2	1.2	5.1	26	0	4860	<10
Battery- Grade LC	99.99	3	0.8	0.9	2	0.7	6.3	3.4	0.2	1.3	2.8	2.1	0.07	95	<10

As can be seen from the table, the crude lithium carbonate first precipitated (i.e., with no purification or re-precipitation steps) meets the battery-grade specification for 11 of the 14 impurity thresholds.

The battery-grade lithium carbonate recrystallised after a single bicarbonation step shows an exceptionally clean battery-grade material.

A provisional patent application covering the simplified flowsheet has been lodged by the Company on behalf of Geomet s.r.o. to protect what the Company believes to be a very valuable and simple process to produce battery grade lithium carbonate or hydroxide from any lithiferous ore.

The Company has also significantly strengthened the team developing the Cinovec Project, both internally and externally. In November we announced that Marc Rowley, an experienced Lithium Project delivery specialist, had joined the team. Marc managed the delivery of the DFS for the Goulamina Project, in Mali, West Africa for Leo Lithium (recently spun out from Firefinch Limited) which was completed in October 2020 and subsequently updated in December 2021. A final investment decision was made based on the update and the project is now under construction. Prior to his work at Leo Lithium and Firefinch, Marc worked for Altura Mining Limited where he was responsible for the management and delivery of the Pre-Feasibility Study (PFS) and DFS and the engineering, procurement, construction and commissioning for the Pilgangoora Lithium mine in the Pilbara region of Western Australia. It is becoming increasingly difficult to find experienced lithium professionals, and Marc will significantly enhance the Company's expertise in relation to delivery of the DFS for the Lithium Chemical Plant at the Cinovec Project.

Externally, we appointed Panmure Gordon as a Joint Broker. Panmure Gordon are a UK based investment bank providing a full range of services including Capital Raising, Corporate Advisory, Corporate Broking, Investor Relations, Research, Sales and Execution with distribution to the UK, Europe and the US. In October we announced the engagement of Luthardt Investment, a German Strategic Energy Investment Adviser. Luthardt is a Berlin-based consultancy specializing in energy production and government relations support to large infrastructure projects internationally. Luthardt is led by Sven Luthardt, who has broad business experience supporting companies in Europe and the Middle East, particularly in the field of Government relations.

Past reporting period, the Company also appointed DRAGlobal to the development team. This is covered further below.

Otherwise, the period was marked by continued progress by the Company towards finalisation of the Definitive Feasibility Study ("DFS") together with ongoing discussions with prospective off-takers and Project Finance participants. From a macro perspective, the price for lithium remains extremely strong with Lithium Carbonate setting all time high prices in October and the expectation of continuing strong demand within the European Union for lithium resulting from the announcement of Gigafactory production capacities of approximately 120 GWh in 2022. By 2025, this is expected to quadruple to over 500 GWh, and by 2030 potentially fourteenfold to up to 1.7 TWh.

There were also significant macro events within Europe for the period that are likely to have a positive effect on the demand for lithium and the support of the Cinovec Project. Amongst these was the announcement of the European Critical Raw Materials Act by European Commission President Ursula von der Leyen in September which is aimed at securing a sustainable EU supply of critical raw materials for Europe and lessening European dependency on certain other supplies. The formal

by supply of critical raw materials for Europe and ensuring European dependency on certain other supplies. The formal release of the Act is expected mid-March 2023.

Subsequent to the end of the reporting period, the Company made two very significant announcements.

Firstly, the Company was pleased to announce that the Cinovec Project had been declared a Strategic Project by the Just Transition Fund ("JTF") (refer to the Company's ASX release dated 30 January 2023) ([European Union's Just Transition Fund approves Cinovec as a Strategic Project](#)). Geomet s.r.o (the Cinovec project company) will apply for JTF Grant funding for the maximum amount of CZK 1.2B (approx. €49M).

Secondly, the Company was pleased to announce that DRA Global Limited ("DRA") had been appointed to complete the Definitive Feasibility Study ("DFS") for the Cinovec project in the Czech Republic.

With over 30 years' experience in the development and execution of projects, DRA is a recognised leader in the delivery of lithium projects globally.

DRA has the necessary capacity, expertise and track record to deliver the Cinovec DFS in a timely and efficient manner and will be working to build on all of the optimisation work that the Cinovec team completed over the course of 2022 with a view to completion of the DFS in Q4 2023.

DRA's appointment for this vital piece of project development work is testament to both the Company's and its joint-venture partner CEZ s.a. commitment to, and the tremendous prospectivity and value of, the Cinovec Project. The Cinovec Project's in-house team will work closely with DRA to develop and finalise the DFS.

CORPORATE AND ADMINISTRATION

On 9 January 2023, the Company completed the cancellation of 10,000,000 unlisted options (exercise price \$0.25 expiring 31 December 2022) and the issue of 6,343,007 shares/CDIs in lieu of these options in accordance with the terms and conditions of the consultant options held by European Energy and Infrastructure Group Limited. The CDIs have been issued for nil consideration per the terms and conditions of the options.

On 31 January 2023, 1,200,000 warrants with an exercise price of \$1.10 expired.

There were no other matters or circumstances arising since the end of the reporting period that have significantly affected, or may significantly affect, the operations of the Company and the results of those operations or the state of the affairs of the Company in the financial period subsequent to 31 December 2022.

Geomet Tenement Schedule

Permit	Code	Deposit	Interest at 1 July 2022	Acquired / Disposed	Interest at 31 December 2022
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 East	100%	N/A	100%
	Cinovec III	Cinovec South	100%	N/A	100%
	Cinovec IV	Cinovec North West	100%	N/A	100%

Auditor's Independence Declaration

The auditor's independence declaration for the half year ended 31 December 2022 has been received and can be found on page 10 of the financial report.

This report of the Directors is signed in accordance with a resolution of the Board of Directors.

Keith Coughlan
EXECUTIVE CHAIRMAN

16 March 2023

BACKGROUND INFORMATION ON CINOVEC

PROJECT OVERVIEW

Cinovec Lithium/Tin Project

Geomet s.r.o. controls the mineral exploration licenses awarded by the Czech State over the Cinovec Lithium/Tin Project. Geomet has been granted a preliminary mining permit by the Ministry of Environment and the Ministry of Industry. The company is owned 49% by EMH and 51% by CEZ a.s. through its wholly owned subsidiary, SDAS. Cinovec hosts a globally significant hard rock lithium deposit with a total Measured Mineral Resource of 53.3Mt at 0.48% Li₂O and 0.08% Sn, Indicated Mineral Resource of 360.2Mt at 0.44% Li₂O and 0.05% Sn and an Inferred Mineral Resource of 294.7Mt at 0.39% Li₂O and 0.05% Sn.

Sn containing a combined 1.39 million tonnes Lithium Carbonate Equivalent and 335.1kt of tin (refer to the Company's ASX release dated 13 October 2021) (**Resource Upgrade at Cinovec Lithium Project**).

An initial Probable Ore Reserve of 34.5Mt at 0.65% Li₂O and 0.09% Sn reported 4 July 2017 (**Cinovec Maiden Ore Reserve - Further Information**) has been declared to cover the first 20 years mining at an output of 22,500tpa of lithium carbonate (refer to the Company's ASX release dated 11 July 2018) (**Cinovec Production Modelled to Increase to 22,500tpa of Lithium Carbonate**).

This makes Cinovec the largest hard rock lithium deposit in Europe, the fifth largest non-brine deposit in the world and a globally significant tin resource.

The deposit has previously had over 400,000 tonnes of ore mined as a trial sub-level open stope underground mining operation.

On 19 January 2022, EMH provided an update to the 2019 PFS Update, conducted by specialist independent consultants which, based upon the production of 29,386tpa of lithium hydroxide, indicates a post-tax NPV of USD1.938B and a post-tax IRR of 36.3% 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 (refer to the Company's ASX release dated 19 January 2022) (**PFS Update delivers outstanding results**). 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. As the deposit lies in an active mining region, it has strong community support.

The economic viability of Cinovec has been enhanced by the recent strong increase in demand for lithium 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 South-eastern 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 is one of the ten largest energy companies in Europe, has more than 28,000 employees and annual revenue of approximately EUR 11.39 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 20.5 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 the Czech Republic is a significant contributor to GDP, and the number of EVs in the country is expected to grow significantly in the coming years.

CONTACT

For further information on this update or the Company generally, please visit our website at www.europeanmet.com or see full contact details at the end of this release.

COMPETENT PERSON

Information in this release relating to the FECAB metallurgical testwork is based on technical data compiled or supervised by Mr Walter Mödel, a full-time consultant to Geomet s.r.o the Cinovec project company. Mr Mödel is a member of the Australasian Institute of Mining and Metallurgy (AUSIMM) and a mineral processing professional with over 27 years of experience in metallurgical process and project development, process design, project implementation and operations. Of his experience, at least 5 years have been specifically focused on hard rock pegmatite lithium processing development. Mr Mödel consents to the inclusion in the announcement of the matters based on this information in the form and context in which it appears. Mr Mödel is a participant in the long-term incentive plan of the Company.

Information in this release that relates to exploration results is based on information compiled by Dr Václav Sesulka. Dr Sesulka is a Certified Professional Geologist (certified by the European Federation of Geologists), a member of the Czech Association of Economic Geologists, and a Competent Person as defined in the JORC Code 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Dr Sesulka has provided his prior written consent to the inclusion in this report of the matters based on his information in the form and context in which it appears. Dr Sesulka is an independent consultant with more than 10 years working for the EMH or Geomet companies. Dr Sesulka does not own any shares in the Company and is not a participant in any short or long term incentive plans of the Company.

Mr Grant Harman (B.Sc. Chem Eng, B.Com) is an independent consultant with in excess of 7 years of lithium chemicals experience. Mr Harman supervised and reviewed the metallurgical test work and the process design criteria and flow sheets in relation to the LCP. Mr Harman is a participant in the long-term incentive plan of the Company.

The information in this release that relates to Mineral Resources and Exploration Targets is based on, and fairly reflects, information and supporting documentation prepared by Mr Lynn Widenbar. Mr Widenbar, who is a Member of the Australasian Institute of Mining and Metallurgy and a Member of the Australasian Institute of Geoscientists, 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 has provided his prior written consent to the inclusion in this report of the matters based on his information in the form and context that the information appears. Mr Widenbar does not own any shares in the Company and is not a participant in any short or long term incentive plans of the Company.

16 March 2023

Board of Directors

Dear Sirs

RE: EUROPEAN METALS HOLDINGS LIMITED

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of European Metals Holdings Limited.

As Audit Director for the review of the financial statements of European Metals Holdings Limited for the half- year ended 31 December 2022, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours faithfully

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD

Martin Michalik Director

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2022**

	Note	31 Dec 22	31 Dec 21
		\$	\$
Research and Development rebate		-	56,187
Interest income		146,607	379
Other income	4	564,821	569,858
Share based payment expense	8	(1,915,154)	(185,270)
Equity accounting on investment in Geomet s.r.o	5	(997,169)	(744,108)
Employee benefits		(525,615)	(353,749)
Advertising and promotion		(293,383)	(195,460)
Accounting, legal and professional fees		(161,573)	(597,400)
Directors fees		(112,493)	(50,067)
Share registry and listing fees		(86,571)	(125,295)
Travel and accommodation		(84,989)	-
Insurance		(40,056)	(44,699)
Depreciation and amortisation expense		(24,117)	(16,431)
Audit fees		(22,155)	(18,910)
Finance costs		(1,844)	(1,671)
Foreign gain/(loss)		72,263	(8,466)
Other administration expenses		(305,522)	(234,872)
Loss before income tax		(3,786,950)	(1,949,974)
Income tax expense		-	-
Loss for the period		(3,786,950)	(1,949,974)
Other comprehensive income/(loss)			
Items that will not be reclassified to profit or loss		-	-
Items that may be reclassified subsequently to profit or loss			
- Exchange differences on translating foreign operations		(1,091)	(911)
- Equity accounting - share of the movement in foreign currency translation reserve	5	(923,780)	195,403
Other comprehensive income/(loss) for the period, net of tax		(924,871)	194,492
Total comprehensive loss for the period		(4,711,821)	(1,755,482)
Net Loss attributable to:			
members of the parent entity		(3,786,950)	(1,949,974)
Total Comprehensive loss attributable to:			
members of the parent entity		(4,711,821)	(1,755,482)
Basic and diluted loss per CDI/share	3	(2.04)	(0.01)

The above statement should be read in conjunction with the accompanying condensed notes.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022**

	Note	31 Dec 22 \$	30 Jun 22 \$
CURRENT ASSETS			
Cash and cash equivalents		17,471,739	19,055,509
Trade and other receivables		334,637	782,518
Other assets		544,547	53,094
TOTAL CURRENT ASSETS		<u>18,350,923</u>	<u>19,891,121</u>
NON-CURRENT ASSETS			
Other assets		47,392	47,392
Property, plant and equipment		2,473	-
Right-of-use asset		63,949	87,930
Investments accounted for using equity method	5	15,025,470	16,946,419
TOTAL NON-CURRENT ASSETS		<u>15,139,284</u>	<u>17,081,741</u>
TOTAL ASSETS		<u>33,490,207</u>	<u>36,972,862</u>
CURRENT LIABILITIES			
Trade and other payables		193,477	939,822
Provisions - employee entitlements		229,857	147,048
Lease liability		47,503	45,707
TOTAL CURRENT LIABILITIES		<u>470,837</u>	<u>1,132,577</u>
NON-CURRENT LIABILITIES			
Lease liability		16,527	40,775
TOTAL NON-CURRENT LIABILITIES		<u>16,527</u>	<u>40,775</u>
TOTAL LIABILITIES		<u>487,364</u>	<u>1,173,352</u>
NET ASSETS		<u>33,002,843</u>	<u>35,799,510</u>
EQUITY			
Issued capital	6	47,881,352	47,881,352
Reserves	7	13,274,074	12,283,791
Accumulated losses		(28,152,583)	(24,365,633)
TOTAL EQUITY		<u>33,002,843</u>	<u>35,799,510</u>

The above statement should be read in conjunction with the accompanying condensed notes.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2022**

	Issued Capital	Reserves	Foreign Currency Translation Reserve	Accumulated Losses	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2021	34,087,930	9,220,602	(467,879)	(17,562,738)	25,277,915
Loss attributable to members of the Company	-	-	-	(1,949,974)	(1,949,974)
Other comprehensive loss	-	-	194,492	-	194,492
Total comprehensive income/(loss) for the period	-	-	194,492	(1,949,974)	(1,755,482)
Transactions with owners, recognised directly in equity					
Shares issued during the period, net of costs	99,960	-	-	-	99,960
Equity based payment	-	83,986	-	-	83,986
Balance at 31 December 2021	<u>34,187,890</u>	<u>9,304,588</u>	<u>(273,387)</u>	<u>(19,512,712)</u>	<u>23,706,379</u>
Balance at 1 July 2022	47,881,352	11,904,132	379,659	(24,365,633)	35,799,510
Loss attributable to members of the Company	-	-	-	(3,786,950)	(3,786,950)
Other comprehensive income	-	-	(924,871)	-	(924,871)

Total comprehensive income/(loss) for the period	-	-	(924,871)	(3,786,950)	(4,711,821)
Transactions with owners, recognised directly in equity					
Equity based payment	-	1,915,154	-	-	1,915,154
Balance at 31 December 2022	47,881,352	13,819,286	(545,212)	(28,152,583)	33,002,843

The above statement should be read in conjunction with the accompanying condensed notes.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF YEAR ENDED 31 DECEMBER 2022

	31 Dec 2022	31 Dec 2021
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Other Income	551,472	551,472
Payments to suppliers and employees	(2,045,776)	(1,419,603)
Interest received	83,540	11,865
Grant received	-	56,187
Payments for Cinovec associated costs	(224,541)	(227,271)
Net cash used in operating activities	(1,635,305)	(1,027,350)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment	(2,610)	-
Net cash used in investing activities	(2,610)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from exercise of options	-	99,960
Payment for lease liability	(24,295)	-
Net cash (used in)/from financing activities	(24,295)	99,960
Net (decrease)/increase in cash and cash equivalents	(1,662,210)	(927,390)
Cash and cash equivalents at the beginning of the financial period	19,055,509	7,880,673
Foreign currency translation	78,440	(8,466)
Cash and cash equivalents at the end of financial period	17,471,740	6,944,817

The above statement should be read in conjunction with the accompanying condensed notes.

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2022

NOTE 1: BASIS OF PREPARATION

Statement of compliance

The half year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost, except where applicable for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half year financial report are consistent with those adopted and disclosed in the Group's 2022 annual financial report for the financial year ended 30 June 2022, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards. This report was authorised on 16 March 2022.

Going concern

As per the interim financial statements, the consolidated financial statements have been prepared on the going concern basis. At 31 December 2022, the Group had cash and cash equivalents of \$17,471,739 and incurred a loss after income tax of \$3,786,950.

The Directors have prepared a cash flow forecast, which indicates that the Group will have sufficient cash flows to meet all commitments and working capital requirements for the 12-month period from the date of signing this financial report.

Based on the cash flow forecasts, the Directors are satisfied that the going concern basis of preparation is appropriate. The Directors are also confident the Group has the ability to raise further funds through capital raisings as and when required to satisfy its operational expenditure commitments.

In determining the appropriateness of the basis of preparation, the Directors have considered the impact of the COVID-19 pandemic on the position of the Group at 31 December 2022 and its operations in future periods.

Changes in accounting policies, accounting standards and interpretations

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2022. All applicable new standards and interpretations effective since 1 January 2022 have been adopted. There was no significant impact on the Group.

Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below.

Share-based payments

The value attributed to share options, warrants, performance rights, performance shares, loan CDIs and remuneration shares issued is an estimate calculated using where applicable, a mathematical formula based on the Black-Scholes option pricing model. The choice of models and the resultant values require assumptions to be made in relation to the likelihood and timing of the conversion of the options, warrants, performance rights, performance shares, loan CDIs to shares and the value and volatility of the price of the underlying shares. Details of share-based payments assumptions are detailed in Note 8.

NOTE 2: OPERATING SEGMENTS

The accounting policies used by the Group in reporting segments are in accordance with the measurement principles of Australian Accounting Standards.

The Group has identified its operating segments based on the internal reports that are provided to the Board of Directors, according to AASB 8 Operating Segments.

Effective 28 April 2020, the Group has a 49% interest in Geomet s.r.o. which is accounted for in accordance with AASB 128 Investment in Associates and Joint Venture. Therefore, the Group has only one operating segment based on geographical location. The Australian segment incorporates the services provided to Geomet s.r.o. in relation to the Cinovec project development along with head office and treasury function. Consequently, the financial information for the sole operating segment is identical to the information presented in these interim financial reports."

NOTE 3: LOSS PER CDI/SHARE

	31 Dec 2022	31 Dec 2021
Basic and diluted loss per CDI/share	(\$2.04)	(\$0.01)
Loss attributable to members of European Metals Holdings Limited	(3,786,950)	(1,949,974)
Weighted average number of CDIs/shares outstanding during the period	186,042,485	175,336,789

NOTE 4: OTHER INCOME

	31 Dec 2022 \$	31 Dec 2021 \$
Service income - Geomet	551,472	551,472
Other Income	13,349	18,386
	<u>564,821</u>	<u>569,858</u>

The Company provides services of managing the Cinovec project development.

NOTE 5: INVESTMENT IN ASSOCIATE

	31 Dec 2022 \$	30 June 2022 \$
Opening balance	16,946,419	17,461,027
Share of loss - associates	(997,169)	(1,367,744)
Share of the movement in foreign currency translation reserve - associates	(923,780)	853,136
	<u>15,025,470</u>	<u>16,946,419</u>

Effective 28 April 2020, Geomet was equity accounted for (i.e. 49% of share of the profit or loss of the investee after that date) as Investment in Associate by EMH.

NOTE 6: ISSUED CAPITAL

	31 Dec 2022		30 June 2022	
	Number	\$	Number	\$
(a) Issued and paid up capital				
CDIs/shares	186,042,485	47,881,352	186,042,485	47,881,352
Total issued capital		<u>47,881,352</u>		<u>47,881,352</u>

CDIs/Shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. On a show of hands every holder of a CDI/share present at a meeting in person or by proxy, is entitled to one vote, and in a poll each share is entitled to one vote.

European Metals Holdings Limited is a company limited by shares incorporated in the British Virgin Islands with an authorised

European Metals Holdings Limited is a company limited by shares incorporated in the British Virgin Islands with an authorised share capital of 200,000,000 no par value shares of a single class. Pursuant to the prospectus dated 26 April 2012, the Company issued CDs/shares in July 2012. The holder of the CDs/shares has beneficial ownership in the underlying shares instead of legal title. Legal title and the underlying shares is held by Chess Depositary Nominees Pty Ltd.

Holders of CDs/shares have the same entitlement benefits of holding the underlying shares. Each Share in the Company confers upon the Shareholder:

1. the right to one vote at a meeting of the Shareholders of the Company or on any Resolution of Shareholders;
 2. the right to an equal share in any dividend paid by the Company; and
- the right to an equal share in the distribution of the surplus assets of the Company on its liquidation.

NOTE 7: RESERVES

	31 Dec 2022	30 June 2022
	\$	\$
Option and Warrant Reserve (a)	4,451,521	4,370,589
Performance Shares Reserve (b)	3,471,444	3,471,444
Performance Rights Reserve (c)	4,453,654	2,619,432
Loan CDs Reserve (d)	1,442,667	1,442,667
Foreign Currency Translation Reserve (e)	(545,212)	379,659
Total Reserves	13,274,074	12,283,791

(a) Option and Warrant Reserve

	31 Dec 2022	30 June 2022
	\$	\$
Balance at the beginning of the financial period	4,370,589	4,306,491
Equity based payment expense	80,932	64,098
Balance at the end of the financial period	4,451,521	4,370,589

The following options and warrants existed as at 30 June 2022 and 31 December 2022:

	Expiry date	Balance at 30 June 2022	Issued during the year	Exercised during the year	Expired	Balance at 31 Dec 2022
Options @ 25cents	31 Dec 22	10,000,000	-	(6,343,007)	(3,656,993)	-
Options @ 42cents	23 Oct 23	2,024,000	-	-	-	2,024,000
Options @ 45cents	23 Oct 23	600,000	-	-	-	600,000
Options @ 80cents	31 Dec 23 ²	-	2,000,000	-	-	2,000,000
Warrants @ \$1.10	31 Jan 23	1,200,000	-	-	-	1,200,000
Total		13,824,000	2,000,000	(6,343,007)	(3,656,993)	5,824,000

- 6,343,007 unlisted options were exercised during the period as detailed in the table above. The share capital for the options exercised was issued on 9 January 2023.
- 3,656,993 options exercisable at 0.25 cents on or before 31 December 2022 expired during the period.

(a) Option and Warrant Reserve (continued)

- 2,000,000 options exercisable at \$0.80 on or before 31 December 2023 were granted to consultants on 28 October 2022. The share-based payment expense of \$80,932 was recognized in the statement of profit or loss and other comprehensive income for the period.

(b) Performance Shares Reserve

	Date	Number	\$
Balance at the beginning of the period (Class A)	1 July 2022	-	3,471,444
Balance at end of the period	31 Dec 2022	-	3,471,444

(c) Performance Rights Reserve

	31 Dec 2022		30 June 2022	
	Number	\$	Number	\$
Balance at the beginning of the period	5,800,000	2,619,432	3,600,000	-
Performance rights granted to directors on 17 Dec 2020	-	623,014	-	1,896,130
Performance Rights granted to a consultant on 24 Nov 2021	-	24,223	100,000	107,440
Performance Rights granted to employee on 2 Mar 2022	-	515,803	1,200,000	344,803
Performance Rights granted to a consultant on 2 Mar 2022	-	389,646	900,000	271,059
Performance Rights granted to a consultant on 29 Aug 2022 ¹	750,000	222,591	-	-
Performance Rights granted to employee on 12 Dec 2022 ²	450,000	28,644	-	-
Performance Rights granted to employee on 13 Dec 2022 ²	300,000	18,180	-	-
Performance Rights granted to employee on 14 Dec 2022 ²	170,000	12,121	-	-
Balance at the end of the period	7,470,000	4,453,654	5,800,000	2,619,432

¹ On 29 August 2022, the directors approved the grant of 750,000 Performance Rights to a consultant for remuneration of consultant fees, expiring on 2 March 2025. The share-based expense of \$222,591 was recognized in the statement of profit or loss and other comprehensive income for the period. Please refer note 8 for the terms and conditions of the Performance Rights.

² On 8 December 2022, the directors approved the grant of 920,000 Performance Rights to employees as part of their remuneration. Grant Date was reached when the employees signed the offer letter agreements, and the performance rights were therefore granted on 12 December 2022 (450,000 performance rights, expiring 2 March 2025), 13 December 2022 (300,000 performance rights, expiring 2 March 2025) and 14 December 2022 (170,000 performance rights, expiring 20 December 2025). Share-based expense of \$58,945 was recognized in the statement of profit or loss and other comprehensive income for the period. Please refer note 8 for the terms and conditions of the Performance Rights.

(d) Loan CDs Reserve

The CDs reserve records the fair value of the Loan CDs issued.

	31 Dec 2022		30 June 2022	
	Number	\$	Number	\$
Balance at the beginning of the financial period	1,350,000	1,442,667	1,350,000	1,442,667
Balance at the end of the period	1,350,000	1,442,667	1,350,000	1,442,667

(e) Foreign Currency Translation Reserve

The foreign currency translation reserve records exchange differences arising on translation of foreign controlled subsidiary and associate.

	31 Dec 2022	30 June 2022
	\$	\$
Balance at the beginning of the financial year	379,659	(467,879)
Transfer of foreign currency to profit or loss on deregistration of EQHSA	-	(16,709)
Movement during the period	(924,871)	864,247
Balance at the end of the period	(545,212)	379,659

NOTE 8: SHARE BASED PAYMENT EXPENSE

During the period, the Group incurred a share-based payment expense for a total of \$1,915,154 resulting from the transactions detailed below.

1. Share based payments granted during the period:

On 29 August 2022, 750,000 Performance Rights were granted to a consultant for remuneration of consultant fees with the vesting terms as below, with the performance rights split equally across the tranches:

- Tranche 1 shall vest upon an announcement by the Company of an offtake agreement for at least 25% of the product planned to be produced from the Cinovec Project.
- Tranche 2 shall vest upon the attainment of Project Finance for the Cinovec Project.
- Tranche 3 shall vest upon an announcement by the Company to the ASX on a Decision to Mine in respect of the Cinovec Project.

The Performance Rights have a total fair value on grant date of \$547,500. The total fair value of the Performance Rights is expensed over the estimated vesting periods. The share-based expense of \$222,591 was recognized in the statement of profit or loss and other comprehensive income for the period. As at 31 Dec 2022, management has indicated that they expect the performance rights for all tranches to vest fully as at 30 June 2023.

On 8 December 2022, the directors approved the grant of 920,000 Performance Rights to employees as part of their remuneration. Grant Date was reached when the employees signed the offer letter agreements, and the performance rights were therefore granted on 12 December 2022 (450,000 performance rights), 13 December 2022 (300,000 performance rights) and 14 December 2022 (170,000 performance rights).

The vesting terms were as follows:

- Tranche 1 (250,000 performance rights) shall vest upon the completion of the Definitive Feasibility Study ("DFS") for the Cinovec Project showing that the Project is Commercially viable at LiOH price of USD 17,000 per tonne.
- Tranche 2 (250,000 performance rights) shall vest upon the attainment of Project Finance for the Cinovec Project.
- Tranche 3 (350,000 performance rights) shall vest upon an announcement by the Company to the ASX on a Decision to Mine in respect of the Cinovec Project.
- Tranche 4 (70,000 performance rights) shall vest upon successful completion of the pilot, being the production of battery grade LiC or LiOH in accordance with standards YS/T 582-2013 and GB/T 26008-2020 or any other applicable standard for battery grade LiC or battery grade LiOH.
- Tranche 5 (100,000 performance rights) shall vest upon satisfactory completion of the detailed designs of the plant in connection with the project, such designs to be completed no later than 4 years from 4 October 2022.

The Performance Rights have a total fair value on grant date of \$502,500. The total fair value of the Performance Rights is expensed over the estimated vesting periods. The share-based expense of \$58,945 was recognized in the statement of profit or loss and other comprehensive income for the period. As at 31 Dec 2022, management has indicated that they expect the performance rights for all tranches to vest fully as at 30 June 2023.

2. Share-based payment arrangement granted in prior years and existing during the half-year ended 31 December 2022:

- On 17 December 2020, 3,600,000 Performance Rights were issued to Directors. The Performance Rights were valued at 3,132,000 at grant date and are being expensed over the vesting period ending 30 June 2023. The share-based payment expense of \$623,014 was recognized in the statement of profit or loss and other comprehensive income for the period.

- On 24 November 2021, 100,000 Performance Rights were issued to a consultant. The Performance Rights were valued at 76,750 at grant date and are being expensed over the vesting period ending 30 June 2023. The share-based payment expense of \$24,223 was recognized in the statement of profit or loss and other comprehensive income for the period.
- On 22 February 2022, 900,000 Performance Rights were issued to a consultant. The Performance Rights were valued at \$1,044,000 at grant date and are being expensed over the vesting period ending 30 June 2023. The share-based payment expense of \$389,696 was recognized in the statement of profit or loss and other comprehensive income for the period.
- On 27 February 2022, 1,200,000 Performance Rights were issued to a consultant. The Performance Rights were valued at \$1,368,000 at grant date and are being expensed over the vesting period ending 30 June 2023. The share-based payment expense of \$515,807 was recognized in the statement of profit or loss and other comprehensive income for the period.

NOTE 9: RELATED PARTY TRANSACTIONS

Transactions between related parties are at arms' length and on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

During the period, the Company received \$551,472 (2021: \$551,472) from its associate, Geomet s.r.o for providing services of managing the Cinovec project development. In addition, the Company's associate Geomet s.r.o reimbursed direct costs of the Company of \$419,171 (2021: \$229,160). The Company's Directors also received remuneration from Geomet s.r.o in arms length transaction during the financial year.

Purchases from related parties are made on terms equivalent to those that prevail in arms length transactions. From July 2022 to October 2022, the Company received accounting and bookkeeping services of \$35,977.70 plus GST from Everest Corporate, a company controlled by the spouse of Executive Chairman, Keith Coughlan. Amount payable to Everest Corporate as at 31 Dec 2022 was \$nil (2021: \$12,528).

From October 2022, the Company received accounting and bookkeeping services of \$21,750 plus GST from Nexia, a company at which the spouse of Executive Chairman, Keith Coughlan, acts as key management personnel. Amount payable to Nexia as at 31 Dec 2022 was \$7,975 (2021: \$nil).

The Company received rental income of \$13,349.18 plus GST from Everest Corporate for subletting the office in West Perth, until October 2022.

On 24 November 2021, the Company granted 100,000 performance rights to Everest Corporate, a company controlled by the spouse of Executive Chairman, Keith Coughlan. The performance rights have a expiry date which is 3 years from the date of issue.

There were no other transactions with related parties during the financial year.

NOTE 10: CONTINGENT LIABILITIES AND COMMITMENTS

There has been no change in contingent liabilities and commitments since the last annual reporting date.

NOTE 11: EVENTS SUBSEQUENT TO REPORTING DATE

On 9 January 2023, the Company completed the cancellation of 10,000,000 unlisted options (exercise price \$0.25 expiring 31 December 2022) and the issue of 6,343,007 shares/CDIs in lieu of these options in accordance with the terms and conditions of the consultant options held by European Energy and Infrastructure Group Limited. The CDIs have been issued for nil consideration per the terms and conditions of the options.

On 31 January 2023, 1,200,000 warrants with an exercise price of \$1.10 expired.

There were no other matters or circumstances arising since the end of the reporting period that have significantly affected, or may significantly affect, the operations of the Company and the results of those operations or the state of the affairs of the Company in the financial period subsequent to 31 December 2022.

DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. The financial statements and notes set out on pages 11 to 21:
 - (a) comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Act 2001, and
 - (b) give a true and fair view of the Consolidated entity's financial position as at 31 December 2022 and of its performance for the half-year ended on that date.
2. In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they became due and payable.

This declaration is made in accordance with a resolution of the Board of Directors made pursuant to section 303(5) of the Corporations Act 2001 and is signed for and on behalf of the Directors by:

Keith Coughlan
EXECUTIVE CHAIRMAN

16 March 2023

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of European Metals Holdings Limited, which comprises the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, condensed notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of European Metals Holdings Limited does not comply with the *Corporations Act 2001* including:

- (a) giving a true and fair view of European Metals Holdings Limited's financial position as at 31 December 2022 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* has been given to the directors of the Group on 16 March 2023.

Responsibility of the Directors for the Financial Report

The directors of European Metals Holdings Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD (An Authorised Audit Company)

Martin Michalik
Director

West Perth, Western Australia

16 March 2023



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