



EUROPEAN METALS

EUROPEAN METALS HOLDINGS LIMITED

ARBN 154 618 989

INTERIM FINANCIAL REPORT

31 DECEMBER 2020

Note: The information contained in this condensed report is to be read in conjunction with European Metals Holding Limited's 2020 annual report and any announcements made by the company during the half-year period ended 31 December 2020

European Metals Holdings Limited
ARBN 154 618 989
INTERIM FINANCIAL REPORT 31 DECEMBER 2020

CORPORATE DIRECTORY

Directors

Mr Keith Coughlan
Mr Richard Pavlik
Mr Kiran Morzaria
Mr Lincoln Palmer Bloomfield, Jr

Executive Chairman
Executive Director
Non-Executive Director
Non-Executive Director

Company Secretary

Mr Dennis Wilkins

Registered Office in Australia

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11 Ventnor Avenue
WEST PERTH WA 6005
Telephone: +61 8 6245 2050
Facsimile: +61 8 6245 2055
Email: www.europeanmet.com

Registered Address & Place of Incorporation

Rawlinson & Hunter
Woodbourne Hall
PO Box 3162
Road Town
TORTOLA VG1 110
BRITISH VIRGIN ISLANDS

Share Register

Computershare Investor Services Limited
Level 11
172 St Georges Terrace
PERTH WA 6000
Telephone: +61 8 9323 2000
Facsimile: +61 8 9323 2033

Auditor

Stantons International Audit & Consulting Pty Ltd
Level 2, 1 Walker Avenue
WEST PERTH WA 6005
Telephone: +61 8 9481 3188
Facsimile: +61 8 9321 1204

Securities Exchange Listing – Australia

Australian Securities Exchange Limited
Level 40, Central Park
152-158 St Georges Terrace
PERTH WA 6000

ASX Code: EMH

Securities Exchange Listing – NASDAQ

Nasdaq Inc
151 W. 42nd Street
New York City
NY 10036 United States

NASDAQ Code: ERPNF

Registered Office in Czech Republic

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The Czech Republic
Telephone: +420 732 671 666

Nominated Adviser & Joint Broker

WH Ireland Ltd
24 Martin Lane
LONDON EC4R 0DR
UNITED KINGDOM

Joint Broker

Shard Capital Partners LLP
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LONDON EC3M 3BY
UNITED KINGDOM

UK Depository

Computershare Investor Services plc
The Pavilions
Bridgewater Road
BRISTOL BS99 6ZZ
UNITED KINGDOM

Reporting Accountants (UK)

Chapman Davis LLP
2 Chapel Court
LONDON SE1 1HH
UNITED KINGDOM

Securities Exchange Listing – United Kingdom

London Stock Exchange plc
10 Paternoster Square
LONDON EC4M 7LS
UNITED KINGDOM

AIM Code: EMH

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DIRECTORS' REPORT

Your Directors submit the financial report of the consolidated group for the half year ended 31 December 2020.

Directors

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

| | | |
|----------------------------------|------------------------|---|
| Mr Keith Coughlan | Executive Chairman | Appointed 30 June 2020 Appointed Director 6 September 2013 |
| Mr Richard Pavlik | Executive Director | Appointed 27 June 2017 |
| Mr Kiran Morzaria | Non-Executive Director | Appointed 10 December 2015 |
| Mr Lincoln Palmer Bloomfield, Jr | Non-Executive Director | Appointed 4 January 2021 |

Results of Operations

The consolidated loss for the half year ended 31 December 2020 amounted to \$2,317,327 (2019: \$1,591,389 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. Global lithium prices steadily increased, with more dramatic increases seen immediately post the period. In addition to the global conditions, support within the European Union (the Company's region of operations) for battery metals project development has increased substantially.

Some significant highlights of the project development and EMH level initiatives for the period are as follows.

• **Partnership with European Union body**

The Company announced a support and financing agreement with KIC InnoEnergy SE ("EIT InnoEnergy") on 28 July 2020. The body is the principal facilitator and organiser of the European Battery Alliance. The purpose of the agreement is to facilitate the accelerated construction financing and ultimate commercialisation of Cinovec, by assisting in:

- Sourcing construction finance;
- Securing grant funding; and
- Assisting in offtake introductions and negotiations.

EIT InnoEnergy leads the European Battery Alliance which was initiated by the European Commission to create a competitive and sustainable battery cell manufacturing value chain in Europe. Since the initiation of this agreement, overall support for green energy initiatives, the development of a European Battery Industry and the continued growth of the Electric Vehicle industry has increased significantly.

• **Measured Resource Drilling Commenced**

Measured Resource drilling commenced at the Cinovec Project in early August 2020, with the key aims of

- completing a total of nineteen resource drill holes for a total of 5,550 m;
- completing a further two hydro-geological drill holes and four geotechnical drill holes once resource drilling has been completed; and
- the provision of approximately 10t of drill core for further metallurgical testing and to generate samples.

Drilling is aimed at converting a sufficient portion of the existing Indicated Mineral Resource to the Measured Resource category and subsequently to a Mineral Reserve, to cover the first two years of the scheduled mining plan and obtaining a sufficient amount of ore samples for the next phase of metallurgical testing. The majority of the material will be utilised in the pilot scale testing for the Front End Engineering Design ("FEED") Study. A total of nineteen diamond drill holes will be completed for 5,550 metres. A further four geotechnical holes along the planned underground decline route will be drilled and logged subsequent to the completion of the resource drilling. This data will allow final development ready designs to be completed for the declines.

Post period, the Company reported positive results from that portion of this programme that had been completed. The programme has been slightly delayed due to a combination of COVID19 and weather events and is now expected to complete in April 21.

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- **Further International Listing Initiatives**

On 6 December 2020 the Company commenced trading on the US OTC Pink Market (PKC: EMHLF) and on 15 December 2020 also announced that it had been accepted to trade on the globally renowned US based NASDAQ International program (Nasdaq: ERPNF).

The Company anticipates that these initiatives 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. Entry to US markets will increase the ease with which North American investors can purchase European Metals securities. The ASX will continue to be the Company's main listing, with investors able to purchase shares through NASDAQ, OTC Pink, UK-based AIM market and Germany's Frankfurt Börse.

The Company also advised during the period its intention to list on The Prague Stock Exchange 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. These discussions are ongoing.

Corporate and Administration

- **Funding agreements**

The Company entered into two separate funding agreements with 6466 Investments Pty Ltd during the period. The funds were sourced to assist in financing European Investor Relations initiatives, proposed listing in Czech and its ongoing operations. Any funds drawn down were converted to CDI's in the Company at a 15% discount to the 10-day VWAP in the Company's securities. The Company made its first drawdown of A\$250k on 17 July 2020 and completed the issue of 1,049,825 CDIs. On 27 August 2020, the Company announced that it has completed the issue of 927,300 CDIs in respect to the second draw down of the funding facility. The Company received \$250k in respect of the second draw down. The Company made its third drawdown of A\$250k on 23 October 2020 and completed the issue of 723,323 CDIs. On 13 November 2020, the Company completed the issue of 719,821 CDIs in respect of the fourth and final draw down.

The second agreement was entered into on 30 December 2020. This facility was also for \$ 1 million and on largely the same terms. The funds the subject of the second agreement were drawn down post the reporting period.

- **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.

Significant events after the reporting date

On 4 January 2021, the Company announced the appointment of Ambassador Lincoln Palmer Bloomfield, Jr as a Non-Executive Director of the Company. Ambassador Bloomfield is based in Washington, DC, and brings governance and regulatory experience, years of international diplomacy and security expertise to the EMH Board, along with a North American presence while his private sector experience is centered on sustainability, resilience and renewable energy.

On 6 January 2021, the Company completed the issue of 1,463,734 CDIs in respect of the full drawdown of the Fund Facility Agreement between 6466 Investments Pty Ltd and the Company of \$1 million.

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Significant events after the reporting date (continued)

On 18 January 2021, the Company completed the cancellation of 2,000,000 unlisted options (exercise price \$0.25 expiring 31 December 2022) and the issue of 1,613,708 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 8 February 2021, the Company completed the issue of 6,454,546 CDIs to institutional and sophisticated investors at \$1.10 per CDI to raise \$7.1 million. The Placement was well supported, especially by Thematica Future Mobility, a Luxembourg-based green energy fund. The proceeds of the Placement will assist in the further development of the Cinovec Lithium Project, the largest hard rock lithium resource in Europe, and further general working capital.

On 5 March 2021, the Company cancelled 3,000,000 unlisted options (exercise price \$0.25 expiring 31 December 2022) and the issue of 2,435,880 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.

On 5 March 2021, the Company issued 300,000 CDIs in satisfaction of a \$330,000 fee for the provision of digital marketing services and 1,200,000 warrants, exercise price of \$1.10 per warrant expiring on 31 January 2023, to an investor relations consultant.

Other than as outlined above, there were no other significant events after the reporting period.

Geomet Tenement Schedule

| Permit | Code | Deposit | Interest at 1 July 2020 | Acquired / Disposed | Interest at 31 December 2020 |
|---------------------------|-------------|-------------------|-------------------------|---------------------|------------------------------|
| 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 NorthWest | 100% | N/A | 100% |

Auditor's Independence Declaration

The auditor's independence declaration for the half year ended 31 December 2020 has been received and can be found on page 6 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

15 March 2021

15 March 2021

Board of Directors
European Metals Holdings Limited
Suite 2, 11 Ventnor Avenue
West Perth WA 6005

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 2020, 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 LIMITED
(Trading as Stantons International)
(An Authorised Audit Company)



Samir Tirodkar
Director

European Metals Holdings Limited
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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2020

| | Note | 31 Dec 2020 \$ | 31 Dec 2019 \$ |
|---|---------------|-------------------|-------------------|
| Revenue | 4 | 551,480 | - |
| Interest income | | 48 | 8 |
| Other income | | 47,244 | 57,072 |
| Accounting, legal and professional fees | | (735,111) | (1,032,942) |
| Audit fees | | (18,000) | (22,925) |
| Advertising and promotion | | (134,966) | (78,304) |
| Share based payment expense | 7(a) and 7(c) | (918,852) | (45,230) |
| Depreciation | | (678) | (676) |
| Employee benefits | | (298,220) | (208,611) |
| Facility and advance fee | | (60,000) | - |
| Travel and accommodation | | (5,939) | (79,413) |
| Share registry and listing fees | | (112,107) | (60,606) |
| Insurance | | (20,051) | (10,785) |
| Rent and utilities | | (4,900) | (18,825) |
| Directors fees | | (12,000) | (30,000) |
| Foreign gain/loss | | (7,143) | 9,650 |
| Equity accounting on investment in Geomet s.r.o | 5 | (543,603) | - |
| Other administration expenses | | (44,529) | (18,608) |
| Loss before income tax | | (2,317,327) | (1,540,195) |
| Income tax expense | | - | (51,194) |
| Loss for the period | | (2,317,327) | (1,591,389) |
| 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 | | 1,106 | (126,507) |
| - Equity accounting on investment in Geomet s.r.o | 5 | 102,139 | - |
| Other comprehensive income/(loss) for the period, net of tax | | 103,245 | (126,507) |
| Total comprehensive loss for the period | | (2,214,082) | (1,717,896) |
| Net Loss attributable to: | | | |
| members of the parent entity | | (2,317,327) | (1,591,389) |
| | | (2,317,327) | (1,591,389) |
| Total Comprehensive loss attributable to: | | | |
| members of the parent entity | | (2,214,082) | (1,717,896) |
| | | (2,214,082) | (1,717,896) |
| Basic and diluted loss per CDI | 3 | (0.015) | (0.011) |

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

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

| | Note | 31 Dec 2020 \$ | 30 June 2020 \$ |
|---|------|-------------------|--------------------|
| CURRENT ASSETS | | | |
| Cash and cash equivalents | | 431,450 | 58,951 |
| Trade and other receivables | | 25,015 | 17,252 |
| Other assets | | 59,472 | 5,110 |
| TOTAL CURRENT ASSETS | | 515,937 | 81,313 |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | 192 | 869 |
| Investments accounted for using equity method | 5 | 18,525,067 | 18,966,531 |
| TOTAL NON-CURRENT ASSETS | | 18,525,259 | 18,967,400 |
| TOTAL ASSETS | | 19,041,196 | 19,048,713 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | | 344,155 | 924,592 |
| Provisions – employee entitlements | | 69,491 | 54,618 |
| TOTAL CURRENT LIABILITIES | | 413,646 | 979,210 |
| TOTAL LIABILITIES | | 413,646 | 979,210 |
| NET ASSETS | | 18,627,550 | 18,069,503 |
| EQUITY | | | |
| Issued capital | 6 | 25,807,481 | 23,954,204 |
| Reserves | 7 | 8,737,684 | 7,715,587 |
| Accumulated losses | | (15,917,615) | (13,600,288) |
| TOTAL EQUITY | | 18,627,550 | 18,069,503 |

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

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2020

| | Issued Capital | Options, warrants, loan CDIs, performance rights and performance shares Reserves | Foreign Currency Translation Reserve | Accumulated Losses | Total |
|--|-------------------|--|--|-----------------------|--------------------|
| | \$ | \$ | \$ | \$ | \$ |
| Balance at 1 July 2019 | 22,074,314 | 5,511,581 | 1,287,265 | (16,414,095) | 12,459,065 |
| Loss attributable to members of the Company | - | - | - | (1,591,389) | (1,591,389) |
| Other comprehensive loss | | - | (126,507) | - | (126,507) |
| Total comprehensive income/(loss) for the period | - | - | (126,507) | (1,591,389) | (1,717,896) |
| Transactions with owners, recognised directly in equity | | | | | |
| Shares issued during the period, net of costs | 1,239,991 | - | - | - | 1,239,991 |
| Equity based payment | - | 45,230 | - | - | 45,230 |
| Balance at 31 December 2019 | 23,314,305 | 5,556,811 | 1,160,758 | (18,005,484) | 12,026,390 |
| Balance at 1 July 2020 | 23,954,204 | 7,950,773 | (235,186) | (13,600,288) | 18,069,503 |
| Loss attributable to members of the Company | - | - | - | (2,317,327) | (2,317,327) |
| Other comprehensive income | | - | 103,245 | - | 103,245 |
| Total comprehensive income/(loss) for the period | - | - | 103,245 | (2,317,327) | (2,214,082) |
| Transactions with owners, recognised directly in equity | | | | | |
| Shares issued during the period, net of costs | 1,853,277 | - | - | - | 1,853,277 |
| Equity based payment | - | 918,852 | - | - | 918,852 |
| Balance at 31 December 2020 | 25,807,481 | 8,869,625 | (131,941) | (15,917,615) | 18,627,550 |

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

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CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2020

| | 31 Dec 2020 | 31 Dec 2019 |
|--|--------------------|--------------------|
| | \$ | \$ |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Revenue received | 551,480 | - |
| Payments to suppliers and employees | (1,427,653) | (1,517,223) |
| Interest received | 48 | 8 |
| Grant received | 55,118 | 42,166 |
| Payments for Cinovec associated costs | (650,410) | - |
| Net cash used in operating activities | (1,471,417) | (1,475,049) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Payments for exploration and evaluation expenditure | - | (119,147) |
| Net cash used in investing activities | - | (119,147) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from issue of CDIs | 1,000,000 | 1,349,830 |
| Proceeds from exercise of options | 858,773 | - |
| Capital raising costs | (5,496) | (109,839) |
| Net cash from financing activities | 1,853,277 | 1,239,991 |
| Net increase/(decrease) in cash and cash equivalents | 381,860 | (354,205) |
| Cash and cash equivalents at the beginning of the financial period | 58,951 | 426,178 |
| Foreign currency translation | (9,361) | 9,650 |
| Cash and cash equivalents at the end of financial period | 431,450 | 81,623 |

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

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CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2020

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 2020 annual financial report for the financial year ended 30 June 2020, 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 15 March 2021.

Going concern

As per the interim financial statements, the consolidated financial statements have been prepared on the going concern basis. At 31 December 2020, the Group had cash and cash equivalents of \$431,450 and incurred a loss after income tax of \$2,317,327.

On 6 January 2021, the Company completed the issue of 1,463,734 CDIs in respect of the full drawdown of the Fund Facility Agreement between 6466 Investments Pty Ltd and the Company of \$1 million. On 8 February 2021, the Company completed a placement to institutional and sophisticated investors at \$1.10 per CDI to raise \$7.1 million. 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 2020 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 2020. All applicable new standards and interpretations effective since 1 January 2020 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.

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CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2020

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 49% equity investment in Geomet s.r.o. The principal activity of Geomet s.r.o is exploration of Lithium. Accordingly, management has identified one operating segment based on the location of the project, that being the Czech Republic and two geographical segments.

NOTE 3: LOSS PER CDI

| | 31 Dec 2020 | 31 Dec 2019 |
|--|--------------------|--------------------|
| Basic and diluted loss per CDI | (\$0.015) | (\$0.011) |
| Loss attributable to members of European Metals Holdings Limited | (2,317,327) | (1,591,389) |
| Weighted average number of CDIs outstanding during the period | 159,705,051 | 149,472,842 |

NOTE 4: REVENUE

| | 31 Dec 2020 | 31 Dec 2019 |
|--------------------------|--------------------|--------------------|
| | \$ | \$ |
| Service revenue - Geomet | 551,480 | - |

The Company provides services of managing the Cinovec project development.

NOTE 5: INVESTMENT IN ASSOCIATE

| | 31 Dec 2020 | 30 June 2020 |
|--|--------------------|---------------------|
| | \$ | \$ |
| Opening balance/On initial recognition at fair value | 18,966,531 | 18,476,480 |
| Share of (loss)/profit - associates | (543,603) | 490,051 |
| Share of other comprehensive income - associates | 102,139 | - |
| | 18,525,067 | 18,966,531 |

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

NOTE 6: ISSUED CAPITAL

| | 31 Dec 2020 | | 30 June 2020 | |
|---|--------------------|-------------------|---------------------|-------------------|
| | Number | \$ | Number | \$ |
| (a) Issued and paid up capital | | | | |
| 162,613,617 CDIs (30 June 2020: 154,703,973 CDIs) | 162,613,617 | 25,807,481 | 154,703,973 | 23,954,204 |
| Total issued capital | | 25,807,481 | | 23,954,204 |

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CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2020

NOTE 6: ISSUED CAPITAL (CONTINUED)

(b) Movements in CDIs

| | <u>Date</u> | <u>Number</u> | <u>\$</u> |
|---|-------------------------|--------------------|-------------------|
| Balance at the beginning of the period | 1 July 2020 | 154,703,973 | 23,954,204 |
| CDI issue under the Funding Facility Agreement @ A\$0.238 per CDI | 17 July 2020 | 1,049,825 | 250,000 |
| Exercise of unlisted options @ 16.6c | 5 August 2020 | 750,000 | 124,500 |
| Exercise of unlisted options @ 16.6c | 18 August 2020 | 3,000,000 | 498,000 |
| CDI issue under the Funding Facility Agreement @ A\$0.27 per CDI | 27 August 2020 | 927,300 | 250,000 |
| Exercise of unlisted options @ 25c | 17 September 2020 | 50,000 | 12,500 |
| CDI issue under the Funding Facility Agreement @ A\$0.34 per CDI | 23 October 2020 | 723,323 | 250,000 |
| CDI issue under the Funding Facility Agreement @ A\$0.34 per CDI | 13 November 2020 | 719,821 | 250,000 |
| Exercise of unquoted warrants @ £0.20 (36.3c) | 25 November 2020 | 89,375 | 32,483 |
| Exercise of unlisted options @ 35c | 25 November 2020 | 200,000 | 70,000 |
| Exercise of unlisted options @ 40.18c | 21 December 2020 | 100,000 | 40,180 |
| Exercise of unlisted options @ 31.11c | 21 December 2020 | 100,000 | 31,110 |
| Exercise of unlisted options @ 25c | 21 December 2020 | 200,000 | 50,000 |
| Capital raising cost | | - | (5,496) |
| Balance at the end of the period | 31 December 2020 | 162,613,617 | 25,807,481 |

CDIs 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 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 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 CDIs in July 2012. The holder of the CDIs has beneficial ownership in the underlying shares instead of legal title. Legal title and the underlying shares is held by Chess Depository Nominees Pty Ltd.

Holders of CDIs 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 2020 | 30 June 2020 |
|--------------------------------------|--------------------|---------------------|
| | \$ | \$ |
| Option and Warrant Reserve | 3,823,296 | 3,036,662 |
| Performance Shares Reserve | 3,471,444 | 3,471,444 |
| Performance Rights Reserve | 132,218 | - |
| Loan CDIs Reserve | 1,442,667 | 1,442,667 |
| Foreign Currency Translation Reserve | (131,941) | (235,186) |
| Total Reserves | 8,737,684 | 7,715,587 |

European Metals Holdings Limited
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**CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE HALF YEAR ENDED 31 DECEMBER 2020**

NOTE 7: RESERVES (CONTINUED)

| (a) Option and Warrant Reserve | 31 Dec 2020 | 30 June 2020 |
|--|--------------------|---------------------|
| | \$ | \$ |
| Balance at the beginning of the financial year | 3,036,662 | 597,470 |
| Equity based payment expense | 786,634 | 2,439,192 |
| Equity based payment as capital raising cost | - | - |
| Balance at the end of the financial period | <u>3,823,296</u> | <u>3,036,662</u> |

The following options and warrants were exercised during the period:

- 3,750,000 unlisted options exercisable at 16.6 cents on or before 17 August 2020 issued to key management personnel on 17 August 2015.
- 200,000 unlisted options exercisable at 35 cents on or before 1 January 2021 issued to consultant on 12 July 2019.
- 100,000 unlisted options exercisable at 40.18 cents on or before 1 June 2021 issued to consultants on 12 July 2019.
- 100,000 unlisted options exercisable at 31.11 cents on or before 1 December 2021 issued to consultants on 6 December 2019.
- 250,000 options exercisable at 25.0 cents on or before 15 June 2022 issued to consultants on 17 July 2020.
- 89,375 warrants exercisable at 20 pence (36.3 cents) on or before 22 November 2021 issued to brokers on 22 November 2018.

The following options were issued during the period:

- On 23 October 2020, 1,000,000 unlisted options exercisable at 45 cents on or before 23 October 2023 were issued to consultants. On 23 October 2020, 2,500,000 unlisted options exercisable at 42 cents on or before 23 October 2023 were issued to consultants. The unlisted options were valued using a Black & Scholes option pricing model. The share-based expense of \$750,303 was recognised in the statement of profit or loss and other comprehensive income for the period.
- On 17 July 2020, the Company issued 250,000 options exercisable at \$0.25 on or before 15 June 2022 to a consultant in accordance with the consultancy agreement dated 15 June 2020. The unlisted options were valued using a Black & Scholes option pricing model. The share-based expense of \$36,331 was recognised in the statement of profit or loss and other comprehensive income for the period. These options were exercised during the period.

No options lapsed during the period.

At 31 December 2020, the following options and warrants are outstanding:

- 27,500 warrants exercisable at 20 pence (36.3 cents) on or before 22 November 2021 granted to brokers.
- 15,000,000 unlisted options exercisable at 25 cents on or before 31 December 2022 granted to consultants.
- 1,000,000 unlisted options exercisable at 45 cents on or before 23 October 2023 granted to consultants.
- 2,500,000 unlisted options exercisable at 42 cents on or before 23 October 2023 granted to consultants.

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**CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2020**

NOTE 7: RESERVES (CONTINUED)

(b) Performance Shares

| | Number | \$ |
|---|------------------|------------------|
| Balance at the beginning and end of the period (Class A) | 3,000,000 | 3,471,444 |

The 3,000,000 A Class Performance Shares will convert in accordance with the below:

3,000,000 A Class Performance Shares will convert into Shares and an equivalent number of CDIs upon the completing 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 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. For avoidance of doubt, the number of Shares and equivalent number of CDIs which will be issued on conversion of the A Class Performance Shares will not exceed a ratio of 1 for 1.

(c) Performance Rights

| | Date | Number | \$ |
|--|-------------------------|--------|----------------|
| Balance at the beginning of the period | 1 July 2020 | - | - |
| Performance Rights granted to Directors on 17 December 2020 ¹ | | - | 132,218 |
| Balance at the end of the period | 31 December 2020 | - | 132,218 |

¹ On 17 December 2020, the shareholders approved the grant of 2,400,000 Performance Rights to Mr. Keith Coughlan and 1,200,000 Performance Rights to Mr. Richard Pavlik. The share-based expense of \$132,218 was recognized in the statement of profit or loss and other comprehensive income for the period. The Performance Rights have yet to be issued as at 31 December 2020. Please refer note 8 for the terms and conditions of the Performance Rights.

(d) Loan CDIs Reserve

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

| | 31 Dec 2020 | 30 June 2020 |
|--|--------------------|---------------------|
| | \$ | \$ |
| Balance at the beginning of the financial year | 1,442,667 | 1,442,667 |
| Loan CDIs issued to employees - equity based expense | - | - |
| Balance at the end of the period | 1,442,667 | 1,442,667 |

As at 31 December 2020, total CDIs issued was 1,750,000 (30 June 2020: 1,750,000).

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CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 7: RESERVES (CONTD.)

(e) Foreign Currency Translation Reserve

The foreign currency translation reserve records exchange differences arising on translation of foreign controlled subsidiaries.

| | 31 December 2020 | 30 June 2020 |
|--|-------------------------|---------------------|
| | \$ | \$ |
| Balance at the beginning of the financial year | (235,186) | 1,287,265 |
| Movement during the period | 103,245 | (1,582,667) |
| Derecognition of foreign currency reserve | - | 60,216 |
| Balance at the end of the period | <u>(131,941)</u> | <u>(235,186)</u> |

NOTE 8: SHARE BASED PAYMENT EXPENSE

| | Number | Weighted Average Exercise Price |
|---|-------------------|---------------------------------------|
| Options and warrants outstanding as at 1 July 2019 | 4,566,875 | \$0.219 |
| Options granted during the period | 15,100,000 | \$0.250 |
| Options lapsed | (400,000) | \$0.580 |
| Options and warrants outstanding as at 30 June 2020 | <u>19,266,875</u> | <u>\$0.236</u> |
| Options and warrants outstanding as at 30 June 2020 | 19,266,875 | \$0.236 |
| Options issued during the period (i) | 3,750,000 | \$0.417 |
| Options exercised | (4,400,000) | \$0.188 |
| Warrants exercised | (89,375) | \$0.363 |
| Options and warrants outstanding as at 31 December 2020 | <u>18,527,500</u> | <u>\$0.283</u> |

(i) Share based payments during the period:

On 23 October 2020, 1,000,000 unlisted options exercisable at 45 cents on or before 23 October 2023 were issued to a consultant. The options were valued under the Black and Scholes at \$256,390 with the share based payment expense of \$64,098 recognised in the current period. The key inputs to the models used were as follows.

| | | | |
|-----------------------------|----------------|----------------------------------|---------|
| Grant date | 8 October 2020 | Expected life of options (years) | 3 Years |
| Dividend yield (%) | Nil | Underlying share price (\$) | \$0.43 |
| Expected volatility (%) | 100% | Option exercise price (\$) | \$0.45 |
| Risk-free interest rate (%) | 0.15% | Value of option (\$) | \$0.256 |

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CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2020

NOTE 8: SHARE BASED PAYMENT EXPENSE (CONTD.)

(i) Share based payments during the period:

On 23 October 2020, 2,500,000 unlisted options exercisable at 42 cents on or before 23 October 2023 were issued to a consultant. The options vest immediately. The options were valued under the Black and Scholes at \$686,205 as share based payment expense. The key inputs to the models used were as follows.

| | | | |
|-----------------------------|-------------------|----------------------------------|---------|
| Grant date | 21 September 2020 | Expected life of options (years) | 3 Years |
| Dividend yield (%) | Nil | Underlying share price (\$) | \$0.44 |
| Expected volatility (%) | 100% | Option exercise price (\$) | \$0.42 |
| Risk-free interest rate (%) | 0.24% | Value of option (\$) | \$0.274 |

On 17 July 2020, the Company issued 250,000 options exercisable at \$0.25 on or before 15 June 2022 to a consultant in accordance with the consultancy agreement dated 15 June 2020. The unlisted options vest immediately. The options were valued at \$36,331 using a Black & Scholes option pricing model with the share based payment recognised as share based payment expense. The key inputs to the models used were as follows.

| | | | |
|-----------------------------|--------------|----------------------------------|---------|
| Grant date | 15 June 2020 | Expected life of options (years) | 2 Years |
| Dividend yield (%) | Nil | Underlying share price (\$) | \$0.26 |
| Expected volatility (%) | 100% | Option exercise price (\$) | \$0.25 |
| Risk-free interest rate (%) | 0.26% | Value of option (\$) | \$0.145 |

On 17 December 2020, the shareholders approved the grant of 2,400,000 Performance Rights to Mr. Keith Coughlan and 1,200,000 Performance Rights to Mr. Richard Pavlik, with the vesting terms as below:

1. Class A shall vest upon an announcement by the Company to the ASX stating that the Company has executed an offtake agreement for at least 25% of the product planned to be produced from the Cinovec Project.
2. Class B shall vest upon the attainment of Project Finance for the Cinovec Project.
3. Class C shall vest upon an announcement by the Company to the ASX stating that the Company has made a Decision to Mine in respect of the Cinovec Project.

The Performance Rights will expire three years from the date of issue, after which the Performance Rights lapse and may no longer be exercised or converted. These Performance Rights have yet to be issued as at 31 December 2020.

| | Number granted | Grant date | Exercise price | Term of maturity | Share price on grant date | Total fair value | % vested |
|---------|-----------------------|-------------------|-----------------------|-------------------------|----------------------------------|-------------------------|-----------------|
| Class A | 1,200,000 | 17 Dec 20 | Nil | 3 years | \$0.87 | \$1,044,000 | Nil |
| Class B | 1,200,000 | 17 Dec 20 | Nil | 3 years | \$0.87 | \$1,044,000 | Nil |
| Class C | 1,200,000 | 17 Dec 20 | Nil | 3 years | \$0.87 | \$1,044,000 | Nil |

The total fair value of the Performance Rights is expensed over the estimated vesting periods. The share-based expense of \$132,218 was recognized in the statement of profit or loss and other comprehensive income for the period.

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NOTE 9: RELATED PARTY TRANSACTIONS

There have been no significant related party transactions since the last annual reporting date.

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

Ambassador Lincoln Palmer Bloomfield, Jr was appointed as a Non-Executive Director of the Company on 4 January 2021.

On 6 January 2021, the Company completed the issue of 1,463,734 CDIs in respect of the full drawdown of the Fund Facility Agreement between 6466 Investments Pty Ltd and the Company of \$1 million.

On 18 January 2021, the Company completed the cancellation of 2,000,000 unlisted options (exercise price \$0.25 expiring 31 December 2022) and the issue of 1,613,708 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 8 February 2021, the Company completed the issue of 6,454,546 CDIs to institutional and sophisticated investors at \$1.10 per CDI to raise \$7.1 million.

On 5 March 2021, the Company cancelled 3,000,000 unlisted options (exercise price \$0.25 expiring 31 December 2022) and the issue of 2,435,880 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.

On 5 March 2021 the Company issued 300,000 CDIs in satisfaction of a \$330,000 fee for the provision of digital marketing services and 1,200,000 warrants, exercise price of \$1.10 per warrant expiring on 31 January 2023, to an investor relations consultant.

Other than as outlined above, there were no other significant events after the reporting period.

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DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. The financial statements and notes set out on pages 7 to 18:
 - (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 2020 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 become 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

15 March 2021

**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
EUROPEAN METALS HOLDINGS LIMITED**

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of European Metals Holdings Limited ('the Company') and the entities it controlled ('the Group'), which comprises the consolidated statement of financial position as at 31 December 2020, 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, 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 the Group does not comply with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2020 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 Company on 15 March 2021.

Responsibility of the Directors for the Financial Report

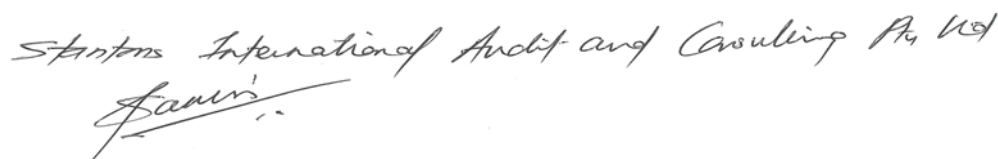
The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with the Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the 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 Group's financial position as at 31 December 2020 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
(Trading as Stantons International)
(An Authorised Audit Company)



Stantons International Audit and Consulting Pty Ltd
Samir

Samir Tirodkar
Director

15 March 2021
West Perth, Western Australia