



EUROPEAN METALS

**European Metals
Holdings Limited**

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**Directors &
Management**

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Non-Executive Chairman

Keith Coughlan
Managing Director

Richard Pavlik
Executive Director

Kiran Morzaria
Non-Executive Director

Julia Beckett
Company Secretary

Corporate Information

ASX: EMH

AIM: EMH

Frankfurt: E861.F

CDIs on Issue: 146.6M

16 July 2019

**FUNDING ARRANGEMENT AND POTENTIAL STRATEGIC
PARTNERSHIP WITH CEZ**

**CEZ is one of Europe's largest power utilities and has an active strategy of
advancing energy storage in Europe**

European Metals Holdings Limited ("**European Metals**" or "**the Company**") is pleased to announce that CEZ Group ("**CEZ**"), one of Central and Eastern Europe's largest power utilities, has today conditionally agreed to provide a EUR 2 million finance facility by way of a convertible loan. CEZ is currently conducting due diligence on the Company and Project. The successful outcome of the due diligence process could see CEZ become European Metals' largest shareholder and co-development partner for the Cinovec Lithium/Tin Project through conversion of the convertible note and subsequent additional investment.

Headquartered in the Czech Republic, CEZ is an established, integrated energy group with operations in a number of Central and Southeastern European countries and Turkey. CEZ's core business is the generation, distribution, trade in, and sales of electricity and heat, trade in and sales of natural gas, and coal extraction. CEZ Group has 31,400 employees and annual revenue of approximately AUD 12 billion.

The largest shareholder of its parent company, CEZ a. s., is the Ministry of Finance of 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.

As one of the leading Central European power companies, CEZ intends to develop energy storage projects in the Czech Republic and in Central Europe which include energy storage and charging infrastructure and electricity supply, for users of electric vehicles.

European Metals Managing Director Keith Coughlan said, "We are delighted to be in advanced discussions with CEZ regarding the future development of the Cinovec Project. CEZ is the largest company in the Czech Republic and one of the leading companies in Central and Eastern Europe, having a strong vision with regards to renewable energy and power storage. Potentially partnering with CEZ further demonstrates EMH's commitment to develop fully the Cinovec Project in conjunction with Czech industry, for the benefit of the country's involvement in the battery and EV industries. With their blend of technical foresight and historic mining experience, CEZ is the ideal partner for the Company."

Funding Facility

The funding facility takes the form of a convertible loan (“Loan”). The key terms of the Loan are as follows:

- Principal amount: EUR 2 million.
- Maturity date: 31 December 2019.
- Interest rate: 7.5% per annum compounded annually.
- Conditions to Loan: The drawdown of the principal amount is subject to certain conditions, including entry into a pledge agreement (see below), and execution of a letter of intent pursuant to which the Company will, subject to applicable regulatory restrictions or the rules of any relevant stock exchange, grant exclusivity to CEZ until 31 December 2019 to carry out due diligence on the Company in respect of a potential acquisition of an interest in the Cinovec Project (“Project”) and/or Geomet.
- Use of funds: The Company shall use the Loan for the purposes of development of the Project.
- Conversion terms:
 - CEZ may elect to convert the principal amount to shares in the Company at any time up to and including the maturity date or in the case of an event of default by the Company or if there is a further financing of the Company.
 - Any conversion shares will be issued at the lower of EUR 0.24305337 (the volume weighted average price on AIM for the month of May 2019 converted to euros) and the actual share price at the time of conversion.
 - The number of conversion shares will be limited such that, *inter alia*, CEZ will not as a result hold a stake in the Company that would require CEZ to make a mandatory offer for the entire issued share capital of the Company or otherwise require the Company to seek shareholder approval for the purposes of the Australian Securities Exchange Listing Rule 7.1.
- Security: As a condition precedent to the provision of the Loan, the parties intend to enter into a pledge agreement in order to secure the obligations of the Company under the Loan agreement, subject to applicable regulatory restrictions or the rules of any relevant stock exchange. Such obligations will be secured for the benefit of CEZ up to EUR 3,000,000 by a pledge over the 76% ownership interest of European Metals (UK) Limited (“EMH UK”) in GEOMET s.r.o. (“Geomet”), including a related negative pledge and prohibition of transferring and/or encumbering any of the 76% ownership interest of EMH UK in Geomet as well as the 24% ownership interest of EMH UK in Geomet.
- Further financing: During the term of the Loan agreement, CEZ has the opportunity to participate in any further new equity and / or debt financing of the Company, subject to certain restrictions.

- Representations, warranties and covenants: The Company has given CEZ certain customary representations and warranties with respect to the Company and its subsidiaries. The Company also covenants, subject to certain exceptions, not to allow a change of control of EMH, EMH UK or Geomet, not to pay or declare any dividends, not to grant security over the group and not to merge, liquidate or cease operations of EMH, EMH UK or Geomet.
- The Loan agreement is legally binding on the parties and is subject to English law.

BACKGROUND INFORMATION ON CINOVEC

PROJECT OVERVIEW

Cinovec Lithium/Tin Project

European Metals, through its wholly owned subsidiary, Geomet s.r.o., controls the mineral exploration licenses awarded by the Czech State over the Cinovec Lithium/Tin Project. Cinovec hosts a globally significant hard rock lithium deposit with a total Indicated Mineral Resource of 372.4Mt @ 0.45% Li₂O and 0.04% Sn and an Inferred Mineral Resource of 323.5Mt @ 0.39% Li₂O and 0.04% Sn containing a combined 7.18 million tonnes Lithium Carbonate Equivalent and 278kt of tin reported 28 November 2017 (**Further Increase in Indicated Resource at Cinovec South**). An initial Probable Ore Reserve of 34.5Mt @ 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 reported 11 July 2018 (**Cinovec Production Modelled to Increase to 22,500tpa of Lithium Carbonate**).

This makes Cinovec the largest lithium deposit in Europe, the fourth 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.

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.

CONTACT

For further information on this update or the Company generally, please visit our website at www.europeanmet.com or contact:

Mr. Keith Coughlan
Managing Director

COMPETENT PERSON

Information in this release that relates to exploration results is based on information compiled by Dr Pavel Reichl. Dr Reichl is a Certified Professional Geologist (certified by the American Institute of Professional Geologists), a member of the American Institute of Professional Geologists, a Fellow of

the Society of Economic Geologists and is a Competent Person as defined in the 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves and a Qualified Person for the purposes of the AIM Guidance Note on Mining and Oil & Gas Companies dated June 2009. Dr Reichl consents to the inclusion in the release of the matters based on his information in the form and context in which it appears. Dr Reichl holds CDIs in European Metals.

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

CAUTION REGARDING FORWARD LOOKING STATEMENTS

Information included in this release constitutes forward-looking statements. Often, but not always, forward looking statements can generally be identified by the use of forward looking words such as “may”, “will”, “expect”, “intend”, “plan”, “estimate”, “anticipate”, “continue”, and “guidance”, or other similar words and may include, without limitation, statements regarding plans, strategies and objectives of management, anticipated production or construction commencement dates and expected costs or production outputs.

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

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

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

any of the forward looking statements or to advise of any change in events, conditions or circumstances on which any such statement is based.

LITHIUM CLASSIFICATION AND CONVERSION FACTORS

Lithium grades are normally presented in percentages or parts per million (ppm). Grades of deposits are also expressed as lithium compounds in percentages, for example as a percent lithium oxide (Li_2O) content or percent lithium carbonate (Li_2CO_3) content.

Lithium carbonate equivalent (“LCE”) is the industry standard terminology for, and is equivalent to, Li_2CO_3 . Use of LCE is to provide data comparable with industry reports and is the total equivalent amount of lithium carbonate, assuming the lithium content in the deposit is converted to lithium carbonate, using the conversion rates in the table included below to get an equivalent Li_2CO_3 value in percent. Use of LCE assumes 100% recovery and no process losses in the extraction of Li_2CO_3 from the deposit.

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

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

Table: Conversion Factors for Lithium Compounds and Minerals

Convert from		Convert to Li	Convert to Li_2O	Convert to Li_2CO_3
Lithium	Li	1.000	2.153	5.325
Lithium Oxide	Li_2O	0.464	1.000	2.473
Lithium Carbonate	Li_2CO_3	0.188	0.404	1.000
Lithium Hydroxide	$\text{LiOH}\cdot\text{H}_2\text{O}$	0.165	0.356	0.880

WEBSITE

A copy of this announcement is available from the Company’s website at www.europeanmet.com.

ENQUIRIES:**European Metals Holdings Limited**

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The information contained within this announcement is considered to be inside information, for the purposes of Article 7 of EU Regulation 596/2014, prior to its release. The person who arranged for the release of this announcement on behalf of the Company was Keith Coughlan, Managing Director.