



**EUROPEAN METALS**

EUROPEAN METALS HOLDINGS LIMITED  
ARBN 154 618 989

**ANNUAL REPORT  
30 JUNE 2019**

# EUROPEAN METALS HOLDINGS LIMITED

ABRN 154 618 989

## ANNUAL REPORT 30 JUNE 2019

### CORPORATE DIRECTORY

#### Directors

Mr David Reeves  
Mr Keith Coughlan  
Mr Richard Pavlik  
Mr Kiran Morzaria

Non-Executive Chairman  
Managing Director and Chief Executive Officer  
Executive Director  
Non-Executive Director

#### Company Secretary

Ms Julia Beckett

#### Registered Office in Australia

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11 Ventnor Avenue  
WEST PERTH WA 6005  
Telephone 08 6245 2050  
Facsimile 08 6245 2055  
Email [www.europeanmet.com](http://www.europeanmet.com)

#### Nominated Advisor & Broker

Beaumont Cornish Limited  
10<sup>th</sup> Floor  
30 Crown Place  
LONDON EC2A 4EB  
UNITED KINGDOM

#### Registered Office in Czech Republic

Jaselska 193/10, Veveri  
602 00 Brno  
Czech Republic  
Tel: +420 732 671 666

#### Registered Address and Place of Incorporation – BVI

Rawlinson & Hunter  
Woodbourne Hall  
PO Box 3162  
Road Town  
Tortola VG1 110  
British Virgin Islands

#### Share Register - Australia

Computershare Investor Services Limited  
Level 11  
172 St Georges Terrace  
Perth WA 6000  
Telephone 1300 850 505 (within Australia)  
Telephone +61 3 9415 4000 (outside Australia)  
Facsimile 1800 783 447 (within Australia)  
Facsimile +61 3 9473 2555 (outside Australia)

#### UK Depository

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

#### Auditor

Stantons International Audit and Consulting Pty Ltd  
Level 2, 1 Walker Avenue  
West Perth WA 6005  
Telephone +61 8 9481 3188  
Facsimile +61 8 9321 1204

#### Reporting Accountants (UK)

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

#### Securities Exchange Listing - Australia

ASX Limited  
Level 40, Central Park  
152-158 St Georges Terrace  
PERTH WA 6000  
ASX Code: EMH

#### Securities Exchange Listing – United Kingdom

London Stock Exchange plc  
10 Paternoster Square  
LONDON EC4M 7LS  
UNITED KINGDOM  
AIM Code: EMH

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## CHAIRMANS LETTER

Dear Shareholders

Welcome to the 2019 Annual Report for European Metals Holdings limited (“European Metals” or “the Company”).

On behalf of the Board of Directors, I am pleased to report on what has been a busy and transformational year for your Company as we continue to advance our strategy to become a Czech based lithium and tin producer.

The year was marked by the completion of the updated Preliminary Feasibility Study (PFS) that through process optimisations and the production of lithium hydroxide saw an increase in NPV to in excess of USD 1 billion dollars. Most importantly, it shows a globally competitive cost of \$3,435/t per tonne of lithium hydroxide. The process improvements not only see improved recoveries, lower reagent consumption and reduced roast times, they also result in a simpler flowsheet which will assist greatly in the physical operation of the circuit.

There has been recent upheaval in the spodumene concentrate market which we believe supports our strategy of becoming an integrated producer of lithium carbonate and/or lithium hydroxide supplying directly into the European market. This strategy eliminates counter party risk and delivers European product into the rapidly expanding European EV and battery storage markets.

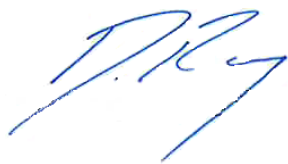
The deposit is uniquely located, being in the centre of the Czech and European car industry and only 90km from the first VW EV factory located in Zwickau, Germany which is due to commence production in November of this year. VW have also recently announced the construction of a 16GWh battery cell factory with Northvolt to service this rapidly growing aspect of their business which will require a steady state of battery materials to satisfy demand.

Subsequent to the year end, we were delighted to announce the potential partnership with CEZ Group (CEZ) one of Central and Eastern Europe’s largest power utilities that is 70% owned by the Czech Government. Due diligence and partnership negotiations have continued since the announcement and we look forward to updating the market in the near term on the outcome of these discussions.

The Company is now entering into detailed engineering, permitting and offtake discussions as it moves towards development on Europe’s largest lithium resource for the benefit of all stakeholders.

Finally, I would like to take this opportunity to thank all staff, advisors, contractors and our shareholders who have supported us over the past year.

I look forward to updating you throughout the new financial year as we continue to advance the Cinovec Lithium/Tin Project.



David Reeves  
**CHAIRMAN**

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### PROJECT REVIEW

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 at 0.45% Li<sub>2</sub>O and 0.04% Sn and an Inferred Mineral Resource of 323.5Mt at 0.39% Li<sub>2</sub>O and 0.04% Sn containing a combined 7.18 million tonnes Lithium Carbonate Equivalent and 263kt of tin reported 28 November 2017. An initial Probable Ore Reserve of 34.5Mt at 0.65% Li<sub>2</sub>O and 0.09% Sn reported 4 July 2017 has been declared to cover the first 20 years mining at an output of 22,500tpa of lithium carbonate reported 11 July 2018.

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.

In June 2019 EMH completed an updated Preliminary Feasibility Study, conducted by specialist independent consultants, which indicated a return post tax NPV of USD1.108B and an IRR of 28.8% and confirmed that the Cinovec Project is a potential low operating cost, producer of battery grade lithium hydroxide or battery grade lithium carbonate as markets demand. It confirmed the deposit is amenable to bulk underground mining. Metallurgical test-work has produced both battery grade lithium hydroxide and battery grade lithium carbonate in addition to high-grade tin concentrate at excellent recoveries. Cinovec is centrally located for European end-users and is well serviced by infrastructure, with a sealed road adjacent to the deposit, rail lines located 5 km north and 8 km south of the deposit and an active 22 kV transmission line running to the historic mine. 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.

#### Project Development

It has been a significant year for the Company from the perspective of Project Development. The updated Preliminary Feasibility Study ("PFS") demonstrates significant improvements in the economics of the project. These improvements stem from the successful completion of optimisation work throughout the year improving recoveries and the economics of the roast process. The successful production of battery grade lithium hydroxide is also a very significant development, from both an economic and market perspective.

The Company announced early in the year the increase in modelled production of battery grade lithium carbonate which was a result of the prior optimisation work. Improved recoveries in the leach circuit, lower cost reagent usage and reduced roast times all contributed to the modelled increase which is likely to improve cash margins by approximately 10%.

Lithium hydroxide test work began following this optimisation with the Company announcing the successful production of battery grade lithium hydroxide earlier this year. This is an important step in the development of the project as it allows the Company to produce either of the main lithium compounds required by the battery industry and therefore deliver whichever product potential off takers will require.

This work culminated in the release of the Company's updated PFS in June 2019. The updated PFS demonstrates very robust economic parameters for the project as outlined below (*all \$ figures are US Dollars and increases refer to the 2017 PFS Lithium Carbonate study*):

- Net estimated overall cost of production post credits: \$3,435 / tonne LiOH.H<sub>2</sub>O;
- Project Net Present Value ("NPV") increases 105% to: \$1.108B (post tax, 8%);
- Internal Rate of Return ("IRR") increased 37% to 28.8% (post tax);
- Total Capital Cost: \$482.6M;
- Annual production of Battery Grade Lithium Hydroxide: 25,267 tonnes;
- Studies are based on only 9.3% of reported Indicated Mineral Resource and a mine life of 21 years processing an average of 1.68 Mtpa ore; and

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#### PROJECT REVIEW

- The process used to produce lithium hydroxide allows for the staging of lithium carbonate and then lithium hydroxide production to minimize capital and startup risk and enables the production of either battery grade lithium hydroxide or carbonate as markets demand.

#### Drill Programme

The Company conducted further drilling during the year following the granting of permits for both geotechnical and Definitive Feasibility Study (“DFS”) level drilling as announced in September 2018.

Geotechnical drilling began in that month focused on confirming the location of the portal and decline for the planned underground operations. Resource drilling for the DFS began in November 2018 and the Company subsequently released the results of this drilling. The highlights of the drill programme were:

- Hole CIS-11 returned 129.3m averaging 0.51% Li<sub>2</sub>O, incl. 2m @ 0.93% Li<sub>2</sub>O, 2m @ 0.93% Li<sub>2</sub>O; 5m @ 0.56% Sn and 0.11% W, 5m @ 0.21% Sn, and 7m @ 0.11% Sn;
- Hole CIS-13 returned 108m averaging 0.45% Li<sub>2</sub>O and 0.11% Sn, incl. 4m @ 0.99% Li<sub>2</sub>O; 6m @ 0.29% Sn, 5m @ 0.34% Sn, 3m @ 0.77% Sn and 0.12% W, and 2m @ 1.03% Sn, incl. 1m @ 1.92% Sn;
- Hole CIS-10 returned 89m averaging 0.47% Li<sub>2</sub>O, incl. 6m @ 1.02% Li<sub>2</sub>O and 6m @ 0.91% Li<sub>2</sub>O; 5m @ 0.26% Sn, 5m @ 0.14% Sn, and 7m @ 0.077% W;
- Hole CIS-12 returned 93m averaging 0.48% Li<sub>2</sub>O, incl. 2m @ 1.32% Li<sub>2</sub>O, 2.4m @ 1.17% Li<sub>2</sub>O and 3m @ 1.08% Li<sub>2</sub>O; 8m @ 0.83% Li<sub>2</sub>O and 0.18% Sn, 4m @ 0.13% Sn, and 5m @ 0.16% W; and
- Hole CIS-14 returned 67m averaging 0.43% Li<sub>2</sub>O (incl. 3m @ 0.99% Li<sub>2</sub>O and 0.18% Sn); 8m @ 0.67% Li<sub>2</sub>O and 0.20% Sn (incl. 4.15m @ 1.00% Li<sub>2</sub>O and 0.35% Sn); 8m @ 0.21% Sn, 4m @ 0.39% Sn; and 3m @ 0.20% Sn.

#### Developments Post 30 June 2019

On 16 July 2019 the Company was very pleased to announce a potential strategic partnership with CEZ Group (CEZ), one of Central and Eastern Europe’s largest power utilities. CEZ is currently conducting due diligence on the Company and Project. The successful outcome of the due diligence process could see CEZ become the largest shareholder and co-development partner for the Cinovec Lithium/Tin Project.

#### Progress of Mining Licence

On 5 August 2019 the Company announced the granting of an extension of the Cinovec Exploration Licence that was due to expire in July 2019. The licence has now been extended until 31 December 2020. Exploration licence covers the two granted Preliminary Mining Permits (PMP) that convey the sole and exclusive rights upon the Company to apply for a Final Mining Permit.

#### Corporate

The Company announced in November 2018 that it had raised gross proceeds of £1,035,500 (~\$1.82 M) via a share placing to Australian and UK investors to advance the Company’s corporate strategy including:

- To progress drilling programme and upgrade the resource model to include measured resources and facilitate an estimation of proven reserves;
- Begin the engineering process for a Definitive Feasibility Study;
- Progress Environmental Impact Assessments for mining and processing;
- Operate a pilot plant for production of samples for marketing; and
- Progress discussions with potential strategic partners.

#### Corporate – Post Period

The successful capital raising of £750,000 via a share placing to UK investors was completed on 30 August 2019 to further this strategy.

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### PROJECT REVIEW

#### Mineral Resource and Ore Reserve Statement

Based upon the Preliminary Feasibility Study undertaken for the Cinovec Project, the Company declares a maiden Probable Ore Reserve of 34.5 Mt @ 0.65% Li<sub>2</sub>O, as detailed below. The Probable Reserves have been declared solely from the Indicated Mineral Resource category and are classified based on a PFS level of study and category of Mineral Resource.

CINOVEC ORE RESERVES SUMMARY					
Category	Tonnes	Li	Li <sub>2</sub> O	Sn	W
	(Millions)	%	%	%	%
Proven Ore Reserves	0	0	0	0	0
Probable Ore Reserves	34.5	0.30	0.64	0.09	0.03
<b>Total Ore Reserves</b>	<b>34.5</b>	<b>0.30</b>	<b>0.64</b>	<b>0.09</b>	<b>0.03</b>

Notes to Reserve Table:

1. Probable Ore Reserves have been prepared by Bara International in accordance with the guidelines of the JORC Code (2012).
2. The effective date of the Probable Ore Reserve is June 2017
3. All figures are rounded to reflect the relative accuracy of the estimate
4. The operator of the project is Geomet S.R.O a wholly-owned subsidiary of EMH. Gross and Net Attributable Probable Ore Reserve are the same.
5. Any apparent inconsistencies are due to rounding errors

The Ore Reserve is based on the Mineral Resource for the Cinovec deposit prepared by Widenbar and Associates and issued in February 2017. The Mineral Resource is reported in the report Cinovec Resource Estimation published by Widenbar and Associates and is reported in accordance with the JORC 2012 guidelines. The table below summarises the Mineral Resource declared.

CINOVEC NOVEMBER 2017 RESOURCE						
	Cutoff	Tonnes	Li	Li <sub>2</sub> O	Sn	W
	%	(Millions)	%	%	%	%
Indicated	0.1%	372.4	0.206	0.44	0.04	0.016
Inferred	0.1%	323.5	0.183	0.39	0.04	0.013
<b>Total</b>	<b>0.1%</b>	<b>695.9</b>	<b>0.195</b>	<b>0.43</b>	<b>0.04</b>	<b>0.014</b>

Notes:

1. Mineral Resources are not Reserves until they have demonstrated economic viability based on a feasibility study or prefeasibility study.
2. Mineral Resources are reported inclusive of any reserves and are prepared by Widenbar in accordance with the guidelines of the JORC Code (2012).
3. The effective date of the Mineral Resource is November 22, 2017.
4. All figures are rounded to reflect the relative accuracy of the estimate.
5. The operator of the project is Geomet s.r.o., a wholly-owned subsidiary of EMH. Gross and Net Attributable resources are the same.
6. Any apparent inconsistencies are due to rounding errors.
7. LCE is Lithium Carbonate Equivalent and is equivalent to Li<sub>2</sub>CO<sub>3</sub>

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### COMPETENT PERSON

Information 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 Reserves is based on, and fairly represents, information and supporting documentation prepared by Mr Jim Pooley. Mr Pooley, who is a Fellow of the Southern African Institute of Mining and Metallurgy, is a full-time employee of Bara International Ltd and produced the estimate based on the Mineral Resource supplied by European Metals. Mr Pooley 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 Pooley consents to the inclusion in this report of the matters based on his information in the form and context that the information appears.



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### DIRECTORS' REPORT

Your Directors' present their report, together with the financial statements of the Group, being the Company and its controlled entities, for the year ended 30 June 2019.

#### Directors

The following persons were Directors of the Company and were in office for the entire year, and up to the date of this report, unless otherwise stated:

Mr David Reeves	Non-Executive Chairman	Appointed 6 March 2014
Mr Keith Coughlan	Managing Director	Appointed 6 September 2013
Mr Richard Pavlik	Executive Director	Appointed 27 June 2017
Mr Kiran Morzaria	Non-Executive Director	Appointed 10 December 2015

#### Company Secretary

The following person held the position of Company Secretary at the end of the financial year:

Ms Julia Beckett holds a Certificate in Governance Practice and Administration and is an Affiliated Member of the Governance Institute of Australia. Julia is a Corporate Governance professional, having worked in corporate administration and compliance for the past 12 years. She has been involved in business acquisitions, mergers, initial public offerings, capital raisings as well as statutory and financial reporting. Julia is also Company Secretary of Calidus Resources Limited (ASX: CAI) Ragnar Metals Limited (ASX: RAG), Doriemus Plc (Joint) (ASX: DOR) and Metminco Limited (Joint) (ASX: MNC) and a number of non-listed companies. Julia has held non-executive director roles for a number of ASX listed companies.

#### Principal Activities

The Company is primarily involved in the development of a lithium and tin project in the Czech Republic.

#### Review of Operations

The 2019 Financial Year has been one of significant growth and development for the Company. For further information refer to the Project Review section of this report.

#### Results of Operations

The consolidated loss for year ended 30 June 2019 amounted to \$3,252,815 (2018 loss: \$4,655,209).

#### Financial Position

The net assets of the Group have increased by \$59,967 to \$12,459,065 at 30 June 2019.

#### Significant Changes in the State of Affairs

The successful capital raising of £750,000 via a share placing (Placing) to UK investors was completed on 30 August 2019. The net proceeds of the Placing will be used to continue to advance EMH's corporate strategy including to progress the development of the Cinovec Project and the progress discussions with CEZ Group and potential off take partners.

#### Dividends Paid or Recommended

No dividends were declared or paid during the year and the Directors do not recommend the payment of a dividend.

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### DIRECTORS' REPORT

#### Information on Directors

<b>David Reeves</b>	Non-Executive Chairman – Appointed 6 March 2014
Qualifications	Mining Engineer
Experience	Mr Reeves is a qualified mining engineer with 30 years' experience globally. Mr Reeves holds a First Class Honours Degree in Mining Engineering from the University of New South Wales, a Graduate Diploma in Applied Finance and Investment from the Securities Institute of Australia and a First Class Mine Managers Certificate of Competency.
Interest in CDIs and Options	Mr Reeves has 300,000 CDIs direct interest and 3,720,244 CDI indirect interest held by Eleanor Jean Reeves <Elanwi A/C>, Mr Reeves' spouse. 1,000,000 Options, 16.6 cents, expire 17 August 2020 542,651 Class A Performance Shares 542,651 Class B Performance Shares
Special Responsibilities	Member of all the Committees
Directorships held in other listed entities	Director of Keras Resources Plc (AIM) Managing Director of Calidus Resources Limited (ASX)
<b>Keith Coughlan</b>	Managing Director (CEO) – Appointed 6 September 2013
Qualifications	BA
Experience	Mr Coughlan has almost 30 years' experience in stockbroking and funds management. He has been largely involved in the funding and promoting of resource companies listed on ASX, AIM and TSX. He has advised various companies on the identification and acquisition of resource projects and was previously employed by one of Australia's then largest funds management organizations.
Interest in CDIs and Options	Mr Coughlan has 850,000 CDIs direct interest and 8,500,000 indirect interest held by Inswinger Holdings Pty Ltd, an entity of which Mr Coughlan is a director and a shareholder. 2,000,000 Options, 16.6 cents, expire 17 August 2020
Special Responsibilities	Member of Audit and Risk Committee Member of Nomination Committee
Directorships held in other listed entities	Non-Executive Chairman of Doriemus plc Non-Executive Director of Calidus Resources Limited Non-Executive Director of Southern Hemisphere Mining Limited Mr Coughlan previously held the position of Non-Executive Chairman of Talga Resources Limited from 17 September 2013 to 8 February 2017.

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<b>Richard Pavlik</b>	Executive Director – Appointed 27 June 2017
Qualifications	Masters Degree in Mining Engineer
Experience	Mr Pavlik is the General Manager of Geomet sro, the Company's wholly owned Czech subsidiary, and is a highly experienced Czech mining executive. Mr Pavlik holds a Masters Degree in Mining Engineer from the Technical University of Ostrava in Czech Republic. He is the former Chief Project Manager and Advisor to the Chief Executive Officer at OKD. OKD has been a major coal producer in the Czech Republic. He has almost 30 years of relevant industry experience in the Czech Republic. Mr Pavlik also has experience as a Project Analyst at Normandy Capital in Sydney as part of a postgraduate program from Swinburne University. Mr Pavlik has held previous senior positions within OKD and New World Resources as Chief Engineer, and as Head of Surveying and Geology. He has also served as the Head of the Supervisory Board of NWR Karbonia, a Polish subsidiary of New World Resources (UK) Limited. He has an intimate knowledge of mining in the Czech Republic.
Interest in CDIs and Options	300,000 CDIs 400,000 Options, 58 cents, expire 3 January 2020
Special Responsibilities	Nil
Directorships held in other listed entities	Nil
<b>Kiran Morzaria</b>	Non-Executive Director – Appointed 10 December 2015
Qualifications	Bachelor of Engineering (Industrial Geology) from the Camborne School of Mines and an MBA (Finance) from CASS Business School
Experience	Mr Morzaria has extensive experience in the mineral resource industry working in both operational and management roles. He spent the first four years of his career in exploration, mining and civil engineering before obtaining his MBA. Mr Morzaria has served as a director of a number of public companies in both an executive and non-executive capacity.
Interest in CDIs and Options	Mr Morzaria has 200,000 direct interest in CDIs. Mr Morzaria is a director and chief executive of Cadence Minerals Plc which owns 27,896,470 CDIs. Mr Morzaria has no control on the acquisition or sale of the shares held by Cadence Minerals plc
Special Responsibilities	Member of Audit and Risk Committee Member of Remuneration Committee
Directorships held in other listed entities	Chief Executive Officer and Director of Cadence Minerals plc and Director of UK Oil & Gas plc. Mr Morzaria was previously a Director of Bacanora Minerals plc.

#### Director Meetings

The number of Directors' meetings and meetings of Committees of Directors held during the year and the number of meetings attended by each of the Directors of the Company during the year is:

Name	Directors' Meetings	
	Number attended	Number eligible to attend
David Reeves	5	5
Keith Coughlan	5	5
Richard Pavlik	5	5
Kiran Morzaria	5	5

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#### Indemnifying officers or auditor

During or since the end of the financial year the Company has given an indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums as follows:

- i. The Company has entered into agreements to indemnify all Directors and provide access to documents, against any liability arising from a claim brought by a third party against the Company. The agreement provides for the Company to pay all damages and costs which may be awarded against the Directors.
- ii. The Company has paid premiums to insure each of the Directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of Director of the Company, other than conduct involving a willful breach of duty in relation to the Company. Under the terms and conditions of the insurance contract, the nature of the liabilities insured against and the premium paid cannot be disclosed.
- iii. No indemnity has been paid to auditors.

#### CDIs under option

Unissued CDIs of European Metals Holdings Limited under option and warrant at the date of this report is as follows:

Expiry date	Exercise Price	Number under option
17 August 2020	16.6 cents	3,750,000
3 January 2020	58.0 cents	400,000
1 January 2021	35.0 cents	200,000
1 June 2021	40.18 cents	100,000
22 November 2021	31.5 cents	116,875

During and since the end of the reporting year, the following options and warrants were issued:

On the 22 November 2018, 116,875 warrants were granted to brokers as a cost of capital raising. The warrants have an exercise of 20 pence (31.5 cents) in line with the capital raise on the 20 November 2018.

On 19 July 2019, the Company issued 200,000 options exercisable at \$0.35 on or before 1 January 2021 and 100,000 options exercisable at \$0.4018 on or before 1 June 2021 to independent consultants in accordance with their consultancy agreements.

No person entitled to exercise the option or warrant has or has any right by virtue of the option or warrant to participate in any share issue of any other body corporate. No options or warrants were exercised during the year or to the date of this report (2018: nil).

#### Performance Shares

Performance shares on issue at the date of this report is as follows:

	Issue date	Expiry date	Number on issue
A Class	18 Dec 2018	18 Dec 2021	5,000,000
B Class	24 Nov 2016	24 Nov 2019	5,000,000

As at the date of this report, 5,000,000 A Class and 5,000,000 B Class Performance Shares were issued to the original vendors of the Cinovec Project. During the financial year, it had become apparent that the B Class Performance Shares approved at the 2016 AGM only represented half the value contemplated by the Original Performance Shares, as a result of the conversion mechanism provided for under the B Class Terms. As an incentive to the vendors, the company issued 5,000,000 A Class Performance Shares on the same terms and conditions as the B Class Performance shares. Refer Note 14(d) for details.

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#### CDIs Issued Under Employee Securities Incentive Plan (ESIP)

CDIs issued under ESIP as at the date of this report is as follows:

Number on issue	Issue date
1,650,000	14 Dec 2017
1,500,000	6 Jun 2018

During the financial year, no CDIs were issued under ESIP.

#### Environmental Regulations

The Group's operations are subject to the environmental risks inherent in the mining industry.

#### Proceedings on Behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

#### Non-audit Services

Stantons International has not provided any non-audit services during the year.

#### Significant events after the reporting date

- On 16 July 2019 the Company was very pleased to announce a potential strategic partnership with CEZ Group (CEZ), one of Central and Eastern Europe's largest power utilities. CEZ is currently conducting due diligence on the Company and Project. The successful outcome of the due diligence process could see CEZ become the largest shareholder and co-development partner for the Cinovec Lithium/Tin Project.
- On 19 July 2019, the Company issued 200,000 options exercisable at \$0.35 on or before 1 January 2021 and 100,000 options exercisable at \$0.4018 on or before 1 June 2021 to independent consultants in accordance with their consultancy agreements.
- On 5 August 2019, the Company announced it has been granted an extension to the Cinovec Exploration Licence.
- On 14 August 2019, the Company completed a share placement issuing 4,166,666 new fully paid ordinary shares raising GBP 750,000 to existing investors.
- The successful capital raising of £750,000 via a share placing (Placing) to UK investors was completed on 30 August 2019. The net proceeds of the Placing will be used to continue to advance EMH's corporate strategy including to progress the development of the Cinovec Project and the progress discussions with CEC Group and potential off take partners.

Except for the matters noted above there have been no other significant events arising after the reporting date.

#### Auditor's Independence Declaration

The auditor's independence declaration for the year ended 30 June 2019 has been received and can be found on page 22 of the financial report.

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### DIRECTORS' REPORT

#### REMUNERATION REPORT (AUDITED)

This report details the nature and amount of remuneration for each Director of the Company, and Key Management Personnel. The directors are pleased to present the remuneration report which sets out the remuneration information for European Metals Holdings Limited's non-executive directors, executive directors and other key management personnel.

#### A. Principles used to determine the nature and amount of remuneration

The remuneration policy of the Group has been designed to align Director and management objectives with shareholder and business objectives by providing a fixed remuneration component, and offering specific long-term incentives based on key performance areas affecting the Group financial results. The Board of the Company believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best management and Directors to run and manage the Group, as well as create goal congruence between Directors, Executives and shareholders.

The Board's policy for determining the nature and amount of remuneration for Board members and Senior Executives of the Group is as follows:

The remuneration policy, setting the terms and conditions for the Executive Directors and other Senior Executives, was developed by the Board. All Executives receive a base salary (which is based on factors such as length of service and experience), superannuation, options and performance incentives. The Board reviews Executive packages annually by reference to the Group's performance, executive performance, and comparable information from industry sectors and other listed companies in similar industries.

Executives are also entitled to participate in the employee share and option arrangements.

All remuneration paid to Directors and Executives is valued at the cost to the Group and expensed.

The Board policy is to remunerate Non-executive Directors at commercial market rates for comparable companies for time, commitment, and responsibilities. The Board determines payments to the Non-executive Directors and reviews their remuneration annually based on market practice, duties, and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to Non-executive Directors is subject to approval by shareholders at the Annual General Meeting. Fees for Non- Executive Directors are not linked to the performance of the Group. However, to align Directors' interests with shareholder interests, the Directors are encouraged to hold CDIs in the Company.

The remuneration policy has been tailored to increase the direct positive relationship between shareholders' investment objectives and Directors' and Executives' performance. Currently, this is facilitated through the issue of options to the majority of Directors and Executives to encourage the alignment of personal and shareholder interests. The Company believes this policy will be effective in increasing shareholder wealth. For details of Directors' and Executives' interests in CDIs, options and performance shares at year end, refer to the remuneration report.

#### B. Details of Remuneration

Details of the nature and amount of each element of the emoluments of each of the KMP of the Company (the Directors) for the year ended 30 June 2019 are set out in the following tables:

The maximum amount of remuneration for non-executive directors is \$300,000 as approved by shareholders.

During the financial period, the Company did not engage any remuneration consultants.

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**REMUNERATION REPORT (AUDITED)**

**2019**

<i>Group Key Management Personnel</i>	Short-term benefits				Post-employment benefits	Long-term benefits	Equity-settled share-based payments		Total	% of remuneration as share based payments
	Salary, fees and leave	Profit share and bonuses	Non-monetary	Other <sup>1</sup>	Super-annuation	Other	Equity <sup>2</sup>	Options <sup>3</sup>		
<b>Directors</b>	\$	\$	\$	\$	\$	\$	\$	\$	\$	
David Reeves	36,000	-	-	-	-	-	86,824	-	122,824	71%
Keith Coughlan	240,000	-	-	34,571	26,084	-	-	-	300,655	-
Kiran Morzaria	24,000	-	-	-	-	-	-	-	24,000	-
Richard Pavlik	165,878	-	-	-	-	-	-	59,117	224,995	26%
<b>Key Management Personnel</b>										
James Carter <sup>(i)</sup>	18,231	-	-	-	1,610	-	-	-	19,841	-
Neil Meadows <sup>(ii)</sup>	183,333	-	-	3,810	17,779	-	260,148	-	465,070	56%
	<b>667,442</b>	<b>-</b>	<b>-</b>	<b>38,381</b>	<b>45,473</b>	<b>-</b>	<b>346,972</b>	<b>59,117</b>	<b>1,157,385</b>	

Notes:

(i) Resigned 21 Sept 2018.

(ii) Resigned 10 June 2019.

**2018**

<i>Group Key Management Personnel</i>	Short-term benefits				Post-employment benefits	Long-term benefits	Equity-settled share-based payments		Total	% of remuneration as share based payments
	Salary, fees and leave	Profit share and bonuses	Non-monetary	Other <sup>1</sup>	Super-annuation	Other	Equity <sup>2</sup>	Options <sup>3</sup>		
<b>Directors</b>	\$	\$	\$	\$	\$	\$	\$	\$	\$	
David Reeves	36,000	-	-	17,000	-	-	209,028	-	262,028	80%
Keith Coughlan	240,000	-	-	-	22,800	-	592,245	-	855,045	69%
Kiran Morzaria	24,000	-	-	-	-	-	139,352	-	163,352	85%
Richard Pavlik	159,542	-	-	-	-	-	209,028	58,388	426,958	63%
<b>Key Management Personnel</b>										
James Carter	30,125	-	-	19,833	2,862	-	-	-	52,820	-
Neil Meadows	76,083	-	-	-	7,228	-	6,228	-	89,539	17%
	<b>565,750</b>	<b>-</b>	<b>-</b>	<b>36,833</b>	<b>32,890</b>	<b>-</b>	<b>1,155,881</b>	<b>58,388</b>	<b>1,849,742</b>	

1. During the year ended 30 June 2019, Mr Coughlan and Mr Meadows received payouts of \$34,571 and \$3,810, respectively, representing unused annual leave.

In the prior period, consulting services of Company Non-Executive Director (David Reeves) and the Company which he controls, Wilgus Investments Pty Ltd. The amounts billed related to this consulting service amounted to nil (2018: \$17,000) based on normal market rates and the amount outstanding at reporting date was nil (2018: nil).

In the prior period, consulting services of Mr Carter and the Company which he controls Stillwater Resources Group Pty Ltd (Stillwater) to provide Chief Financial Officer services to the Company. The amounts billed related to his consulting service amounted to \$nil (2018: \$19,833) based on normal market rates and the amount outstanding at reporting date was nil (2018: nil)

2. Loan CDIs are treated similar to options and value is an estimate calculated using an appropriate mathematical formula based on Black-Scholes option pricing model. The amount disclosed as part of remuneration for the financial year is the amount expensed over the vesting period.
3. The value of the options granted to key management personnel as part of their remuneration is calculated as at the grant date using the Black and Scholes. The amount disclosed as part of remuneration for the financial year is the amount expensed over the vesting period.

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**C. Service Agreements**

It was formally agreed at a meeting of the directors that the following remuneration be established; there are no formal notice periods, leave accruals or termination benefits payable on termination.

Mr Keith Coughlan, Managing Director, to receive a salary of \$240,000 per annum plus SGC of 9.5% from 1 April 2017.

Mr James Carter, Chief Financial Officer, to receive a salary of \$72,300 per annum plus SGC of 9.5% from 1 February 2018. *(Resigned 21 September 2018).*

Mr Neil Meadows, Chief Operating Officer, to receive a salary of \$220,000 per annum plus SGC of 9.5% from 20 February 2018. *(Resigned 10 June 2019)*

**D. Share-based compensation**

During the financial year, nil CDIs were issued to KMP under the Employee Securities Incentive Plan (ESIP) (2018: 3,050,000).

CDIs on issue to KMP under the ESIP are as follows:

30 June 2019	Loan CDIs Grant Details			Exercised		Lapsed/Cancelled		Balance at End of Year		
	Grant Date	No.	Value	No.	Value	No.	Value	No.	No.	Value
			\$		\$		\$	Vested	Not Vested	\$
<b>Group KMP</b>										
David Reeves	30 Nov 2017	300,000	209,028	-	-	-	-	300,000	-	209,028
Keith Coughlan	30 Nov 2017	850,000	592,245	-	-	-	-	850,000	-	592,245
Richard Pavlik	30 Nov 2017	300,000	209,028	-	-	-	-	300,000	-	209,028
Kiran Morzaria	30 Nov 2017	200,000	139,352	-	-	-	-	200,000	-	139,352
James Carter <sup>(i, iii)</sup>	6 June 2018	400,000	106,550	-	-	-	-	-	400,000	106,550
Neil Meadows <sup>(ii, iv)</sup>	6 June 2018	1,000,000	266,376	-	-	-	-	1,000,000	-	266,376
		<b>3,050,000</b>	<b>1,522,579</b>	-	-	-	-	<b>2,650,000</b>	<b>400,000</b>	<b>1,522,579</b>

30 June 2018	Loan CDIs Grant Details			Exercised		Lapsed		Balance at End of Year		
	Grant Date	No.	Value	No.	Value	No.	Value	No	No.	Value
			\$		\$		\$	Vested	Not Vested	\$
<b>Group KMP</b>										
David Reeves	30 Nov 2017	300,000	209,028	-	-	-	-	300,000	-	209,028
Keith Coughlan	30 Nov 2017	850,000	592,245	-	-	-	-	850,000	-	592,245
Richard Pavlik	30 Nov 2017	300,000	209,028	-	-	-	-	300,000	-	209,028
Kiran Morzaria	30 Nov 2017	200,000	139,352	-	-	-	-	200,000	-	139,352
James Carter	6 June 2018	400,000	106,550	-	-	-	-	-	400,000	106,550
Neil Meadows	6 June 2018	1,000,000	266,376	-	-	-	-	-	1,000,000	266,376
		<b>3,050,000</b>	<b>1,522,579</b>	-	-	-	-	<b>1,650,000</b>	<b>1,400,000</b>	<b>1,522,579</b>

Notes:

- (i) Resigned 21 Sept 2018.
- (ii) Resigned 10 June 2019.
- (iii) At 30 June 2019, the Board was in the process of cancelling Mr Carter's CDIs .
- (iv) At 30 June 2019, the Board agreed to not cancel Mr Meadows CDIs upon his resignation and they had fully vested.



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#### REMUNERATION REPORT (AUDITED)

##### Employee Securities Incentive Plan

Key quality employees of European Metals were issued 3,050,000 CDIs under the Employee Securities Incentive Plan in the year ended 30 June 2018. The terms of the employee securities were as follows:

- Employee securities had the following issue price:
  - \$0.725 per CDI for 1,650,000 CDIs
  - \$0.4848 per share for 1,400,000 CDIs
- The employee must remain employed by a member of the Group for one year after the date the employee securities are issued
- 1,650,000 of the employee securities are held in a voluntary holding lock for a period of 12 months from the date of issue, until 14 December 2018
- 1,400,000 of the employee securities are held in a voluntary holding lock until 26 February 2019
- An interest free loan for the full amount to purchase the employee securities will be made available to the employee. The terms of the loan were as follows:
  - The Company agrees to lend the amount equal to the issue price multiplied by the number of employee securities
  - The employee can repay the balance outstanding on the loan at any time
  - The loan is interest free
  - The outstanding amount of the loan will become payable on the earliest of:
    - The repayment date for 1,650,000 CDIs - 15 years after the date of loan advance
    - The repayment date for 1,400,000 CDIs – 7 years after the date of loan advice
    - The employee securities being sold
    - The employee becoming insolvent
    - The employee ceasing to be an employee
    - The employee securities being acquired by a third party by way of an amalgamation, arrangement or formal takeover bid
  - The employee may not repay the balance outstanding on the loan in respect of the employee securities which are in voluntary holding lock.

#### E. Options issued as part of remuneration for the year ended 30 June 2019

No options were issued as part of the remuneration for the year ended 30 June 2019 (2018: nil).

#### F. Options on issue as part of remuneration

30 June 2019	Options Grant Details			Exercised		Lapsed		Balance at End of Year	
	Grant Date	No.	Value <sup>1</sup> \$	No.	Value \$	No.	Value \$	No.	Value \$
<b>Group KMP</b>									
David Reeves	-	-	-	-	-	-	-	-	-
Keith Coughlan	-	-	-	-	-	-	-	-	-
Richard Pavlik	3 January 2017	400,000	177,352	-	-	-	-	400,000	177,352
Kiran Morzaria	-	-	-	-	-	-	-	-	-
James Carter <sup>(i)</sup>	-	-	-	-	-	-	-	-	-
Neil Meadows <sup>(ii)</sup>	-	-	-	-	-	-	-	-	-
		<b>400,000</b>	<b>177,352</b>	-	-	-	-	<b>400,000</b>	<b>177,352</b>

(i) Resigned 21 September 2018

(ii) Resigned 10 June 2019

#### Notes:

1. The value of the options granted to key management personnel as part of their remuneration is calculated as at the grant date using the Black and Scholes. 250,000 of the options issued will vest at completion of the Definitive Feasibility Study and the balance will vest 12 months thereafter. The value of the options have been prorated over the vesting period, therefore, the value has been included in Section B of the remuneration report as at 30 June 2019.

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#### REMUNERATION REPORT (AUDITED)

##### G. Equity instruments issued on exercise of remuneration options

There were no equity instruments issued during the year to Directors or other KMP as a result of options exercised that had previously been granted as compensation.

##### H. Loans to Directors and Key Management Personnel

Apart from Loan CDIs issued to Directors and Key Management Personnel during the year ended 30 June 2018, there were no other loans to Key Management Personnel during the financial year. The deemed value of the Loan on issue to directors was \$1,198,250 based on an issue price of \$0.725 per Loan CDI and the deemed value of the loans issued to other key management personnel was \$678,720 based on the issue price of \$0.4848 per Loan CDI.

##### I. Company performance, shareholder wealth and Directors' and Executives' remuneration

The remuneration policy has been tailored to increase the direct positive relationship between shareholders' investment objectives and Directors' and Executives' performance. This will be facilitated through the issue of options to the majority of Directors and Executives to encourage the alignment of personal and shareholder interests. The Company believes this policy will be effective in increasing shareholder wealth. At commencement of mine production, performance based bonuses based on key performance indicators are expected to be introduced.

##### J. Other information

###### Options held by Key Management Personnel

The number of options to acquire CDIs in the Company held during the 2019 and 2018 reporting period by each of the Key Management Personnel of the Group; including their related parties are set out below.

	Balance at the start of the year	Granted during the year	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable	Unvested
<b>30 June 2019</b>							
David Reeves	1,000,000	-	-	-	1,000,000	1,000,000	-
Keith Coughlan	2,000,000	-	-	-	2,000,000	2,000,000	-
Kiran Morzaria	-	-	-	-	-	-	-
Richard Pavlik	400,000	-	-	-	400,000	-	400,000
James Carter <sup>(i)</sup>	-	-	-	-	-	-	-
Neil Meadows <sup>(ii)</sup>	-	-	-	-	-	-	-
<b>Total</b>	<b>3,400,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,400,000</b>	<b>3,000,000</b>	<b>400,000</b>

	Balance at the start of the year	Granted during the year	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable	Unvested
<b>30 June 2018</b>							
David Reeves	1,000,000	-	-	-	1,000,000	1,000,000	-
Keith Coughlan	2,000,000	-	-	-	2,000,000	2,000,000	-
Kiran Morzaria	-	-	-	-	-	-	-
Richard Pavlik	400,000	-	-	-	400,000	-	400,000
James Carter	-	-	-	-	-	-	-
Neil Meadows	-	-	-	-	-	-	-
<b>Total</b>	<b>3,400,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,400,000</b>	<b>3,000,000</b>	<b>400,000</b>

Notes:

(i) Resigned 21 Sept 2018.

(ii) Resigned 10 June 2019.

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**Chess Depository Interests ('CDIs') held by Key Management Personnel**

The number of ordinary CDIs held in the Company during the 2019 and 2018 reporting period held by each of the Key Management Personnel of the Group; including their related parties are set out below.

The CDIs held directly have been obtained through the Employee Securities Incentive Plan.

<b>2019 Name</b>	<b>Balance at Start of year</b>	<b>Granted as remuneration during the year <sup>1</sup></b>	<b>Issued on exercise of options</b>	<b>Other Changes during the year</b>	<b>Balance at end of year</b>
David Reeves	300,000	-	-	-	300,000
<i>Indirect<sup>1</sup></i>	3,720,244	-	-	-	3,720,244
Keith Coughlan	850,000	-	-	-	850,000
<i>Indirect<sup>2</sup></i>	8,500,000	-	-	-	8,500,000
Kiran Morzaria	200,000	-	-	-	200,000
<i>Indirect<sup>3</sup></i>	27,846,470	-	-	50,000	27,896,470
Richard Pavlik	300,000	-	-	-	300,000
James Carter <sup>(i)</sup>	400,000	-	-	-	400,000
Neil Meadows <sup>(iii)</sup>	1,000,000	-	-	-	1,000,000
<b>Total</b>	<b>43,116,714</b>	<b>-</b>	<b>-</b>	<b>50,000</b>	<b>43,166,714</b>

Notes:

- Mr Reeves has 300,000 CDIs direct interest and 3,720,244 CDI indirect interest held by Eleanor Jean Reeves <Elanwi A/C>, Mr Reeves' spouse.
- Mr Coughlan has 850,000 CDIs direct interest and 8,500,000 indirect interest held by Inswinger Holdings Pty Ltd, an entity of which Mr Coughlan is a director and a shareholder.
- Mr Morzaria has 27,846,470 indirect interest held by Cadence Minerals Plc, an entity of which Mr Morzaria is a director and chief executive.

(i) Resigned 21 September 2018. The balance at end of year represents balance at date of resignation.

(ii) Resigned 10 June 2019. The balance at end of year represents balance at date of resignation.

<b>2018 Name</b>	<b>Balance at Start of year</b>	<b>Granted as remuneration during the year <sup>1</sup></b>	<b>Issued on exercise of options</b>	<b>Other Changes during the year</b>	<b>Balance at end of year</b>
David Reeves	-	300,000	-	-	300,000
<i>Indirect</i>	3,720,244	-	-	-	3,720,244
Keith Coughlan	-	850,000	-	-	850,000
<i>Indirect</i>	8,500,000	-	-	-	8,500,000
Kiran Morzaria	-	200,000	-	-	200,000
<i>Indirect <sup>2</sup></i>	26,860,756	-	-	985,714	27,846,470
Richard Pavlik	-	300,000	-	-	300,000
James Carter	-	400,000	-	-	400,000
Neil Meadows	-	1,000,000	-	-	1,000,000
<b>Total</b>	<b>39,081,000</b>	<b>3,050,000</b>	<b>-</b>	<b>985,714</b>	<b>43,116,714</b>

Notes:

- Issue of Loan CDIs through the Employee Securities Incentive Plan.

2. Mr Morzaria is a director and chief executive of Cadence Minerals Plc. On 24 November 2016, Cadence Minerals Plc acquired a further 5,000,000 CDIs as part of a CDI placement to raise \$2,600,000. On 17 October 2016, Cadence Minerals Plc exercised 2,000,000 listed options at 20 cents. On 20 December 2017, Cadence Minerals Plc acquired a further 985,714 CDIs as part of a CDI placement to raise approximately \$4,000,000.

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**Performance Shares granted to Key Management Personnel**

The number of Performance shares held in the Company during the 2019 reporting period held by each of the Key Management Personnel of the Group:

	Grant Details			Exercised		Lapsed/cancelled		Balance at End of Year	
	Grant Date	No.	Value	No.	Value	No.	Value	No.	Value
			\$		\$		\$	Unvested	\$
<b>30 June 2019</b>									
<b>Group KMP</b>									
David Reeves	A Class 18 Dec 2018	542,651	86,824	-	-	-	-	542,651	86,824
David Reeves	B Class 24 Nov 2016	542,651	289,932	-	-	-	-	542,651	289,932
Keith Coughlan	-	-	-	-	-	-	-	-	-
Richard Pavlik	-	-	-	-	-	-	-	-	-
Kiran Morzaria	-	-	-	-	-	-	-	-	-
James Carter <sup>(i)</sup>	B Class 24 Nov 2016	514,650	274,971	-	-	-	-	514,650	274,971
Neil Meadows <sup>(ii)</sup>	-	-	-	-	-	-	-	-	-
		<b>1,599,952</b>	<b>651,727</b>	-	-	-	-	<b>1,599,952</b>	<b>651,727</b>

(i) Resigned 21 September 2018. The balance at end of year represents balance at date of resignation.

(ii) Resigned 10 June 2019

	Grant Details			Exercised		Lapsed		Balance at End of Year	
	Grant Date	No.	Value	No.	Value	No.	Value	No.	Value
			\$		\$		\$	Unvested	\$
<b>30 June 2018</b>									
<b>Group KMP</b>									
David Reeves	24 Nov 2016	542,651	289,932	-	-	-	-	542,651	289,932
Keith Coughlan	-	-	-	-	-	-	-	-	-
Richard Pavlik	-	-	-	-	-	-	-	-	-
Kiran Morzaria	-	-	-	-	-	-	-	-	-
James Carter	24 Nov 2016	514,650	274,971	-	-	-	-	514,650	274,971
Neil Meadows	-	-	-	-	-	-	-	-	-
		<b>1,057,301</b>	<b>564,903</b>	-	-	-	-	<b>1,057,301</b>	<b>564,903</b>

**Description of Performance Shares**

During the financial year, it had become apparent that the B Class Performance Shares approved at the 2016 AGM only represented half the value contemplated by the Original Performance Shares, as a result of the conversion mechanism provided for under the B Class Terms. As an incentive to the vendors the company issued 5,000,000 A Class Performance Shares on the same terms and conditions as the B Class Performance shares.

The terms of the Performance Shares are as follows:

The 5,000,000 B Class Performance Shares and 5,000,000 A Class Performance Shares will convert in accordance with the below:

- (i) 1,000,000 B Class and 1,000,000 A Class Performance Shares will convert into Shares and an equivalent number of CDIs upon the Company's Mineral Resource at Cinovec South and Cinovec Main being entered in the State Balance. The Performance Shares shall convert into the number of Shares and equivalent number of CDIs equal to 1,000,000 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 the date the Mineral Resource is entered.

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**(Explanatory Note: Under Czech law a mineral resource must be registered and henceforth treated as a resource by the Czech Government before mining licenses can be granted. A mineral resource has to be calculated according to the Czech regulations, and defended in front of a committee of state certified experts);**

- (ii) 1,000,000 B Class and 1,000,000 A Class Performance Shares will convert into Shares and an equivalent number of CDIs upon the issuance of the preliminary mining licenses relating to the Cinovec Project. The Performance Shares shall convert into the number of Shares and equivalent number of CDIs equal to 1,000,000 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 the date the final preliminary mining license is issued; and
- (iii) 3,000,000 B Class and 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 Performance Shares shall convert into the number of Shares and equivalent number of CDIs equal to 3,000,000 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, (together the **Milestones** and each a **Milestone**). For the avoidance of doubt, the number of Shares and equivalent number of CDIs which will be issued on conversion of the B Class Performance Shares will not exceed a ratio of 1 for 1.
- (iv) If the Milestone is not achieved or the Change of Control Event does not occur by the required date, then each Performance Share held by a Holder will be automatically redeemed by the Company for the sum of \$0.000001 within 10 ASX trading days of non-satisfaction of the Milestone.

#### Other transactions with Key Management Personnel

Purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. The Group acquired the following services from entities that are controlled by members of the Group's KMP:

Some Directors or former Directors of the Group hold or have held positions in other companies, where it is considered they control or significantly influence the financial or operating policies of those entities. During the year, the following entities provided corporate services and rental to the Group. Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Entity	Nature of transactions	Key Management Personnel	Total Transactions		Payable Balance	
			2019	2018	2019	2018
			\$	\$	\$	\$
Wilgus Investments Pty Ltd	Rental	David Reeves	40,200	59,000	-	6,270

There were no other transactions with Key Management Personnel during the financial year.

#### End of Remuneration Report

Signed in accordance with a resolution of the Board of Directors.



Keith Coughlan  
**MANAGING DIRECTOR**

Dated at 27 September 2019

27 September 2019

Board of Directors  
European Metals Holdings Limited  
Suite 12, Level 1  
11 Ventnor Avenue  
WEST PERTH WA 6005

Dear Directors

**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 the Audit Director for the audit of the financial statements of European Metals Holdings Limited for the year ended 30 June 2019, 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 audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

**STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD**  
**(Trading as Stantons International)**  
**(An Authorised Audit Company)**



**Samir R Tirodkar**  
**Director**

**EUROPEAN METALS HOLDINGS LIMITED**  
 ABRN 154 618 989  
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**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2019**

	Note	30 June 2019 \$	30 June 2018 \$
Revenue – interest income		1,461	1,599
Other income		424,643	645,554
Professional fees		(1,187,270)	(944,334)
Audit fees	6	(40,000)	(33,175)
Directors’ fees		(60,000)	(60,000)
Share based payments	16	(1,179,090)	(1,216,018)
Advertising and Promotion		(94,879)	(94,951)
Employees’ benefits		(640,291)	(580,751)
Travel and accommodation		(173,619)	(187,683)
Office and rent expense		(64,032)	(83,470)
Insurance expense		(10,764)	(46,777)
Impairment expense		-	(1,880,742)
Share registry expense		(97,211)	(154,844)
Depreciation expense		(4,180)	(1,945)
Other expenses		(127,583)	(17,672)
<b>Loss before income tax</b>		<b>(3,252,815)</b>	<b>(4,655,209)</b>
Income tax expense	3	-	-
<b>Loss for the year</b>		<b>(3,252,815)</b>	<b>(4,655,209)</b>
<b>Other comprehensive income</b>			
Items that may be reclassified subsequently to profit or loss – exchange differences on translating foreign operations		443,780	517,841
Other comprehensive income/(loss) for the year, net of tax		443,780	517,841
<b>Total comprehensive loss for the year attributable to members of the Company</b>		<b>(2,809,035)</b>	<b>(4,137,368)</b>
Basic and diluted loss per CDI (cents)	7	(2.25)	(3.43)

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

**EUROPEAN METALS HOLDINGS LIMITED**  
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**CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019**

	Note	2019 \$	2018 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	8	426,178	2,223,109
Other receivables	9	92,180	32,640
Other assets	10	23,587	11,982
<b>TOTAL CURRENT ASSETS</b>		541,945	2,267,731
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	11	385,158	372,997
Exploration and evaluation expenditure	12	11,684,072	10,169,177
Intangible assets		-	6,056
<b>TOTAL NON-CURRENT ASSETS</b>		12,069,230	10,548,230
<b>TOTAL ASSETS</b>		12,611,175	12,815,961
<b>CURRENT LIABILITIES</b>			
Trade and other payables	13a	128,977	342,214
Provisions – employee entitlements	13b	23,133	74,649
<b>TOTAL CURRENT LIABILITIES</b>		152,110	416,863
<b>TOTAL LIABILITIES</b>		152,110	416,863
<b>NET ASSETS</b>		12,459,065	12,399,098
<b>EQUITY</b>			
Issued capital	14	22,074,314	20,413,074
Reserves	15	6,798,846	5,147,304
Accumulated losses		(16,414,095)	(13,161,280)
<b>TOTAL EQUITY</b>		12,459,065	12,399,098

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



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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2019**

	Issued Capital	Share Based Payment Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total
	\$	\$	\$	\$	\$
<b>Balance at 1 July 2017</b>	15,587,656	3,087,801	325,644	(8,506,071)	10,495,030
Loss attributable to members of the Company	-	-	-	(4,655,209)	(4,655,209)
Other comprehensive income	-	-	517,841	-	517,841
Total comprehensive loss for the year	-	-	517,841	(4,655,209)	(4,137,368)
<b>Transactions with owners, recognised directly in equity</b>					
CDIs issued during the year, net of costs	4,825,418	-	-	-	4,825,418
Equity based payments	-	58,386	-	-	58,386
CDI's issued pursuant to loan plan	-	1,157,632	-	-	1,157,632
<b>Balance at 30 June 2018</b>	<b>20,413,074</b>	<b>4,303,819</b>	<b>843,485</b>	<b>(13,161,280)</b>	<b>12,399,098</b>
<b>Balance at 1 July 2018</b>	20,413,074	4,303,819	843,485	(13,161,280)	12,399,098
Loss attributable to members of the Company	-	-	-	(3,252,815)	(3,252,815)
Other comprehensive income	-	-	443,780	-	443,780
Total comprehensive loss for the year	-	-	443,780	(3,252,815)	(2,809,035)
<b>Transactions with owners, recognised directly in equity</b>					
CDIs issued during the year, net of costs	1,661,240	28,672	-	-	1,689,912
Equity based payments	-	1,179,090	-	-	1,179,090
<b>Balance at 30 June 2019</b>	<b>22,074,314</b>	<b>5,511,681</b>	<b>1,287,265</b>	<b>(16,414,095)</b>	<b>12,459,065</b>

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

**EUROPEAN METALS HOLDINGS LIMITED**  
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**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019**

	Note	30 June 2019 \$	30 June 2018 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Payments to suppliers and employees		(2,714,709)	(1,658,465)
Interest received		1,461	1,599
R&D Rebate		355,745	820,647
<b>Net cash (used in) operating activities</b>	<b>17</b>	<u>(2,357,503)</u>	<u>(836,219)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for exploration and evaluation expenditure		(1,165,022)	(2,190,590)
Payments for property, plant and equipment		-	(4,436)
<b>Net cash (used in) investing activities</b>		<u>(1,165,022)</u>	<u>(2,195,026)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of CDIs		1,817,303	5,018,667
Proceeds from related party		-	200,000
Repayment of related party		-	(200,000)
Capital raising costs paid		(127,391)	(212,674)
<b>Net cash from financing activities</b>		<u>1,689,912</u>	<u>4,805,993</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>		(1,832,613)	1,774,748
Cash and cash equivalents at the beginning of the financial year		2,223,109	446,112
Change in foreign currency held		35,682	2,249
Cash and cash equivalents at the end of financial year		<u>426,178</u>	<u>2,223,109</u>

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

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**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

**(a) Basis of preparation**

These consolidated financial statements and notes represent those of European Metals Holdings Limited (“the Company”) and Controlled Entities (the “Consolidated Group” or “Group”).

The financial statements are general purpose financial statements, which have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Boards (AASB) and the *Corporations Act 2001*. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

The accounting policies detailed below have been adopted in the preparation of the financial report. Except for cash flow information, the financial statements have been prepared on an accrual basis and are based on historical cost, modified, where applicable, by the measurement at fair values of selected non-current assets, financial assets and financial liabilities.

The Group is a listed public company, incorporated in the British Virgin Islands and registered in Australia.

**(i) Accounting policies**

The Group has consistently applied the following accounting policies to all periods presented in the financial statements. The Group has considered the implications of new and amended Accounting Standards applicable for annual reporting periods beginning after 1 January 2018 but determined that their application to the financial statements is either not relevant or not material.

**(ii) Statement of Compliance**

The financial report was authorised for issue on 27 September 2019.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in the financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB.

**(iii) Going Concern**

The directors have prepared the financial statements on going concern basis, which contemplates continuity of normal business activities and the realisation of assets and extinguishment of liabilities in the ordinary course of business.

At 30 June 2019, the consolidated entity comprising the Company and its subsidiaries has incurred a loss for the year amounting to \$3,252,815. The Consolidated entity has a net working capital of \$389,835, current liabilities of \$152,110 and cash and cash equivalents of \$426,178.

The directors consider these funds, combined with the convertible loan arrangement entered into with CEZ Group and the additional funds from any capital raising to be sufficient for planned expenditure on the mineral project for the ensuing 12 months as well as for corporate and administrative overhead costs.

The Company currently has no intention of drawing down the convertible loan, and the option to do so lies entirely with the Company. Although the decision to convert the convertible loan would stay with the lender, the directors believe that the convertible loan will be converted, not requiring the return of the funds received. The directors will review this assessment closer to the maturity date of the loan, should the loan be drawn down.

The directors also believe that they have the capacity to raise additional capital should that become necessary.

For these reasons, the directors believe the going concern basis of preparation is appropriate.

**(iv) Critical accounting estimates and judgements**

The application of accounting policies requires the use of judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognised in the period in which the estimate is revised if it affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

*Share-based payment transactions*

The Group measures the cost of equity-settled transactions with employees by reference to the estimated fair value of the equity instruments at the date at which they are granted. These are expensed over the estimated vesting periods.

**EUROPEAN METALS HOLDINGS LIMITED**  
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**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(iv) Critical accounting estimates and judgements (continued)**

*Impairment of capitalised exploration and evaluation expenditure*

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Group decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Factors that could impact the future recoverability include the level of reserves and resources, future technological changes, which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, profits and net assets will be reduced in the period in which this determination is made.

*Recognition of deferred tax assets*

Deferred tax assets relating to temporary differences and unused tax losses have not been recognised as the Directors are of the opinion that it is not probable that future taxable profit will be available against which the benefits of the deferred tax assets can be utilised.

**(b) Income Tax**

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

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**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(c) Impairment of assets**

At the end of each reporting period the Group assesses whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount in which case the impairment loss is treated as a revaluation decrease.

An assessment is also made at each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

**(d) Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities in the Statement of Financial Position.

**(e) Revenue**

***Interest***

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

**(f) Goods and Services Tax (GST)**

Revenues, expenses, and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

Cash flows are presented in the Statement of Cash Flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

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**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(g) Trade and other receivables**

Trade receivables are measured on initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method, less any allowance for impairment. Trade receivables are generally due for settlement within 30 days. Impairment of trade receivables is continually reviewed and those that are considered to be uncollectible are written off by reducing the carrying amount directly. An allowance account is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms. Factors considered by the Group in making this determination include known significant financial difficulties of the debtor, review of financial information and significant delinquency in making contractual payments to the Group.

The impairment allowance is set equal to the difference between the carrying amount of the receivable and the present value of estimated future cash flows, discounted at the original effective interest rate. Where receivables are short-term discounting is not applied in determining the allowance.

The amount of the impairment loss is recognised in the profit and loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the profit and loss.

**(i) Government Grants**

An unconditional government grant is recognised in profit or loss as other income when the grant becomes receivable. Grants that compensate the Group for expenses incurred are recognised in profit or loss as other income on a systematic basis in the same period in which the expenses are recognised.

Research and development tax incentives are recognised in the statement of profit or loss when received or when the amount to be received can be reliably estimated.

**(j) Employee Benefits**

**Short-term benefits**

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

**Other long-term employee benefits**

Provision is made for the liability due to employee benefits arising from services rendered by employees to the reporting date. Employee benefits expected to be settled within one year together with benefits arising out of wages and salaries, sick leave and annual leave which will be settled after one year, have been measured at their nominal amount. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Contributions made to defined employee superannuation funds are charged as expenses when incurred.

**EUROPEAN METALS HOLDINGS LIMITED**  
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**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(k) Exploration and Evaluation Assets**

Exploration and evaluation costs, including costs of acquiring licenses, are capitalised as exploration and evaluation assets on an area of interest basis. Costs of acquiring licences which are pending the approval of the relevant regulatory authorities as at the date of reporting are capitalised as exploration and evaluation cost if in the opinion of the Directors it is virtually certain the Group will be granted the licences.

Exploration and evaluation assets are only recognised if the rights of tenure to the area of interest are current and either:

The expenditures are expected to be recouped through successful development and exploitation of the area of interest, or Activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed for impairment when:

Sufficient data exists to determine technical feasibility and commercial viability, and

Facts and circumstances suggest that the carrying amount exceeds the recoverable amount (see impairment accounting policy in Note 1(c)). For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which exploration activity relates. The cash generating unit shall not be larger than the area of interest.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified from intangible assets to mining property and development assets within property, plant and equipment.

**(l) Financial Instruments**

***Recognition, initial measurement and derecognition***

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument. Financial instruments (except for trade receivables) are measured initially at fair value adjusted by transaction costs, except for those carried at 'fair value through profit or loss', in which case transaction costs are expensed to profit or loss. Where available, quoted prices in an active market are used to determine the fair value. In other circumstances, valuation techniques are adopted. Subsequent measurement of financial assets and financial liabilities are described below.

Trade receivables are initially measured at the transaction price if the receivables do not contain a significant financing component in accordance with AASB 15.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expired.

***Classification and measurement***

***Financial assets***

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- amortised cost;
- fair value through other comprehensive income (FVOCI); and
- fair value through profit or loss (FVPL).

Classifications are determined by both:

- the contractual cash flow characteristics of the financial assets; and
- the Group's business model for managing the financial asset.

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**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Financial assets at amortised cost*

Financial assets are measured at amortised cost if the assets meet with the following conditions (and are not designated as FVPL);

they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and

the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

*Financial assets at fair value through other comprehensive income*

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding; and

the financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling the financial asset.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI.

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under *AASB 132 Financial Instruments: Presentation* and are not held for trading.

*Financial assets at fair value through profit or loss (FVPL)*

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

***Financial liabilities***

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss.

All interest-related charges and, if applicable, gains and losses arising on changes in fair value are recognised in profit or loss.



CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Impairment**

From 1 July 2018, the Group assesses on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Group applies the simplified approach permitted by AASB, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

**Comparative information**

The Group has applied AASB 9 Financial Instruments retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

**Classification**

Until 30 June 2018, the Group classified its financial assets in the following categories:

financial assets at fair value through profit or loss;  
loans and receivables;  
held-to-maturity investments; and  
available for sale financial assets.

The classification depended on the purpose for which the investments were acquired. Management determined the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluated this designation at the end of each reporting period.

**(m) Trade and other payables**

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial period that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. Trade and other payables are presented as current liabilities unless payment is not due within 12 months.

**(n) Earnings Per CDI**

**Basic earnings per CDI**

Basic earnings per CDI is determined by dividing the profit or loss attributable to ordinary shareholders of the Company, by the weighted average number of CDIs outstanding during the period, adjusted for bonus elements in CDIs issued during the period.

**Diluted earnings per CDI**

Diluted earnings per CDI adjusts the figure used in the determination of basic earnings per CDI to take into account the after income tax effect of interest and other financial costs associated with dilutive potential CDIs and the weighted average number of CDIs assumed to have been issued for no consideration in relation to dilutive potential CDIs, which comprise convertible notes and CDI options granted.

**(o) Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in income in the period in which they are incurred.

**(p) Provisions**

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

**(q) Segment reporting**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segments' results are reviewed by the Group's Managing Director to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) **CDI based payments**

The grant date fair value of CDI-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do not meet the related service and non-market performance conditions at the vesting date. For CDI-based payment awards with non-vesting conditions, the grant date fair value of the CDI-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Loan CDIs are treated similar to options and value is an estimate calculated using an appropriate mathematical formula based on Black-Scholes option pricing model. The choice of models and the resultant Loan CDI value require assumptions to be made in relation to the likelihood and timing of the vesting of the Loan CDIs and the value and volatility of the price of the underlying shares.

(s) **Foreign Currency Transactions and Balances**

Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in Profit or Loss, except where deferred in equity as a qualifying cash flow or net investment hedge. Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in other comprehensive income; otherwise the exchange difference is recognised in Profit or Loss.

Group companies

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

Assets and liabilities are translated at year end exchange rates prevailing at the end of the reporting period;

Income and expenses are translated at average exchange rates for the period; and

Retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations recognised in the other comprehensive income and included in the foreign currency translation reserve in the Statement of Financial Position. These differences are reclassified into Profit or Loss in the period in which the operation is disposed.

(t) **Issued capital**

CDIs are classified as equity. Incremental costs directly attributable to the issue of new CDIs or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new CDIs or options for the acquisition of a new business are not included in the cost of acquisition as part of the purchase consideration.

**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(u) Principles of Consolidation**

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent European Metals Holdings Limited and all of the subsidiaries. Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in Note 20.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between Group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as "non-controlling interests". The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary's net assets on liquidation at either fair value or at the non-controlling interests' proportionate share of the subsidiary's net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income.

**NOTE 2: DETERMINATION OF FAIR VALUES**

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

**CDI-based payment transactions**

The fair value of the employee CDI options and the share appreciation right is measured using the Black-Scholes formula. Measurement inputs include CDI price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019**

**NOTE 3: INCOME TAX**

	<b>30 June 2019</b>	<b>30 June 2018</b>
	<b>\$</b>	<b>\$</b>
<b>(a) Income tax expense</b>	-	-
Current tax	-	-
Deferred tax	-	-
<hr/>		
Deferred income tax expense included in income tax expense comprises:	-	-
(Increase) in deferred tax assets	-	-
Increase in deferred tax liabilities	-	-
<hr/>		
<b>(b) Reconciliation of income tax expense to prima facie tax payable</b>		
Net loss before tax	(3,252,815)	(4,655,209)
Prima facie tax on operating loss at 30% (2018: 27.5%)	(975,845)	(1,280,182)
Add / (Less): Non-deductible items		
-Impairments	439,967	947,825
Current year tax loss not recognised	535,878	332,357
Income tax attributable to operating loss	-	-
<hr/>		
The applicable weighted average effective tax rates are as follows:	Nil%	Nil%
Balance of franking account at year end	Nil	Nil
<b>Deferred tax assets</b>		
Tax losses	1,234,662	706,261
Accruals	12,750	4,950
Capital raising costs	30,574	-
Provisions	13,123	20,529
Unrecognised deferred tax asset	1,291,109	731,740
Set-off deferred tax liabilities	(1,068)	(36,274)
Net deferred tax assets	1,290,041	695,466
<hr/>		
<b>Deferred tax liabilities</b>		
Exploration expenditure	-	(35,295)
Property, plant and equipment	(1,068)	(979)
	(1,068)	(36,274)
Set-off deferred tax assets	1,068	36,274
Net deferred tax liabilities	-	-
<hr/>		
Tax losses		
Unused tax losses for which no deferred tax asset has been recognised	4,115,539	2,568,222
<hr/>		

**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019**

**NOTE 3: INCOME TAX (CONTINUED)**

The Company is registered in the British Virgin Islands (BVI) and the Company is a tax resident of Australia. The unused tax losses are representative of losses incurred in Australia.

There are currently no withholding taxes or exchange control regulations in the BVI applicable to the Company. The Company is subject to the taxation regulations of the Czech Republic where it currently holds mining license via Geomet S.R.O, and also to UK taxation regulations in respect of European Metals (UK) Limited.

**NOTE 4: RELATED PARTY TRANSACTIONS**

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

Other than transactions with Key Management Personnel and their related entities (refer Note 5), there were no other related party transactions during the year.

**NOTE 5: KEY MANAGEMENT PERSONNEL COMPENSATION**

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Group's key management personnel (KMP) for the year ended 30 June 2019 and 30 June 2018.

The totals of remuneration paid to KMP during the year are as follows:

	<b>2019</b>	<b>2018</b>
	\$	\$
Short-term benefits	667,442	565,750
Post-employment benefits	45,473	32,890
Equity settled	406,089	1,214,269
Other payments	38,381	36,833
	<b>1,157,385</b>	<b>1,849,742</b>

**Loans to Key Management Personnel**

Apart from Loan CDIs issued to Directors and Key Management Personnel during the year ended 30 June 2018, there were no other loans to Key Management Personnel during the financial year. The deemed value of the Loan on issue to directors was \$1,198,250 based on an issue price of \$0.725 per Loan CDI and the deemed value of the loans issued to other key management personnel was \$678,720 based on the issue price of \$0.4848 per Loan CDI.

**Other transactions with Key Management Personnel**

Purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. The Group acquired the following services from entities that are controlled by members of the Group's KMP:

Some Directors or former Directors of the Group hold or have held positions in other companies, where it is considered they control or significantly influence the financial or operating policies of those entities. During the year, the following entities provided corporate services and rental to the Group. Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

**EUROPEAN METALS HOLDINGS LIMITED**  
 ABRN 154 618 989  
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**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019**

**NOTE 5: KEY MANAGEMENT PERSONNEL COMPENSATION (continued)**

Entity	Nature of transactions	Key Management Personnel	Total Transactions		Payable Balance	
			2019	2018	2019	2018
			\$	\$	\$	\$
Wilgus Investments Pty Ltd	Rental	David Reeves	40,200	59,000	-	6,270

There were no other transactions with Key Management Personnel during the financial year.

**NOTE 6: AUDITOR'S REMUNERATION**

<b>2019</b>	<b>2018</b>
\$	\$

Details of the amounts paid to the auditor of the Group, Stantons International Audit and Consulting Pty Ltd for audit and non-audit services provided during the year are set out below:

**Auditor's services**

Audit and review of financial report	40,000	33,175
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**NOTE 7: BASIC AND DILUTED LOSS PER CDI**

<b>2019</b>	<b>2018</b>
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Basic and diluted loss per CDI (cents)	(2.25)	(3.43)
Loss attributable to members of European Metals Holdings Limited	(3,252,815)	(4,655,209)
Weighted average number of CDI outstanding during the year	144,514,487	135,979,290

The Group is in a loss making position and it is unlikely that the conversion to, calling of, or subscription for, CDI capital in respect of potential CDIs would lead to diluted earnings per CDI that shows an inferior view of the earnings per CDI. For this reason, the diluted losses per CDI for the year ended 30 June 2019 are the same as basic loss per CDI.

**NOTE 8: CASH AND CASH EQUIVALENTS**

<b>2019</b>	<b>2018</b>
\$	\$

Cash at bank	426,278	2,223,109
Total cash and cash equivalents in the Statement of Cash Flows	426,278	2,223,109

**NOTE 9: OTHER RECEIVABLES**

<b>2019</b>	<b>2018</b>
\$	\$

**CURRENT**

GST and VAT Receivable	33,526	34,526
Other receivables	58,654	(1,886)
	92,180	32,640

Current trade receivables are non-interest bearing and are normally settled on 60-day terms. This balance is current receivables incurred on a day to day operational basis and considered unimpaired.

**NOTE 10: OTHER ASSETS**

<b>2019</b>	<b>2018</b>
\$	\$

**Current**

Prepayments	23,587	11,982
	23,587	11,982

**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019**

**NOTE 11: PROPERTY, PLANT AND EQUIPMENT**

	<b>2019</b>	<b>2018</b>
	\$	\$
Land at cost	371,458	352,660
Buildings at cost	6,160	5,848
Less accumulated depreciation	(767)	(427)
	5,393	5,421
Plant and equipment at cost	14,388	18,641
Less accumulated depreciation	(6,081)	(3,725)
	8,307	14,916
Total Property, Plant and Equipment at cost	392,006	377,149
Less accumulated Depreciation	(6,848)	(4,152)
Total Property, Plant and Equipment	385,158	372,997

**Reconciliation**

Reconciliation of the carrying amounts set out below.

Opening Property, Plant and Equipment	372,997	349,024
Additions	-	5,444
Disposals	-	(1,411)
Depreciation	(4,180)	(4,152)
Foreign currency differences	16,341	24,092
Carrying amount at the end of the year	385,158	372,997

**NOTE 12: EXPLORATION AND EVALUATION EXPENDITURE**

	<b>2019</b>	<b>2018</b>
	\$	\$
<b>Exploration at cost</b>		
Balance at the beginning of the year	10,169,177	9,752,757
Exploration of tenements	1,086,353	1,772,258
Impairment of exploration assets	-	(1,880,742)
Foreign exchange movement	428,542	524,904
	11,684,072	10,169,177

**NOTE 13: TRADE AND OTHER PAYABLES**

	<b>2019</b>	<b>2018</b>
	\$	\$
<b>a) CURRENT</b>		
Trade payables	53,763	263,409
Accrued expenses and other liabilities	75,214	78,805
	128,977	342,214

Payables are normally due for payment within 30 days.

**b) PROVISIONS**

Employee entitlements	23,133	74,649
	23,133	74,649

**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019**

**NOTE 14: ISSUED CAPITAL**

	Number	\$
<b>(a) Issued and paid up capital</b>		
146,642,227 (30 June 2018: 141,464,727 CDIs)	146,642,227	22,074,314
Total issued capital	<b>146,642,227</b>	<b>22,074,314</b>

**(b) Movements in CDIs**

	<u>Date</u>	Number	\$
<b>Balance at the beginning of the year</b>	<b>1 July 2017</b>	<b>130,333,909</b>	<b>15,587,656</b>
CDI issue under the Funding Facility Agreement @ \$0.7061 per CDI	1 August 2017	364,679	257,500
CDI issue under the Funding Facility Agreement @ \$0.7327 per CDI	10 August 2017	351,448	257,505
CDI issue under the Funding Facility Agreement @ \$0.685 per CDI	1 September 2017	375,905	257,495
CDI issued under the Funding Facility Agreement @ \$0.693 per CDI	10 October 2017	371,644	257,550
CDI issue to Directors under the Employee Securities Incentive Plan @ \$0.725 per CDI	14 December 2017	1,650,000	-
CDI capital raising @ \$0.615 per CDI	20 December 2017	6,517,142	4,008,042
CDIs issued under the Employee Securities Incentive Plan @0.4848 per CDI	6 June 2018	1,500,000	-
Capital raising cost		-	(212,674)
<b>Balance at the end of the year</b>	<b>30 June 2018</b>	<b>141,464,727</b>	<b>20,413,074</b>

	<u>Date</u>	Number	\$
<b>Balance at the beginning of the year</b>	<b>1 July 2018</b>	<b>141,464,727</b>	<b>20,413,074</b>
CDI issue under Placement @ \$0.351 per CDI	27 November 2018	5,177,500	1,817,303
Capital raising cost		-	(156,063)
<b>Balance at the end of the year</b>	<b>30 June 2019</b>	<b>146,642,227</b>	<b>22,074,314</b>

**(c) Loan CDIs Reserve**

	<u>Date</u>	Number	Unit Value \$	Total \$	Amount Expensed
<b>Balance at the beginning of the year</b>	1 Jul 2017	-	-	-	-
Loan CDIs Employee Securities Incentive Plan	14 Dec 2017	1,650,000	\$0.69676	1,149,653	1,149,653
Loan CDIs Employee Securities Incentive Plan	6 Jun 2018	1,500,000	\$0.26638	399,564	7,979
<b>Balance at end of the year</b>	30 June 2018	<b>3,150,000</b>	-	-	<b>1,157,632</b>
<b>Balance at beginning of the year</b>	1 July 2018	3,150,000	-	-	1,157,632
CDI movement during the year		-	-	-	285,034
<b>Balance at end of the year</b>	30 June 2019	<b>3,150,000</b>	-	-	<b>1,444,666</b>

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
3. the right to an equal share in the distribution of the surplus assets of the Company on its liquidation.



**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019**

**NOTE 14: ISSUED CAPITAL (continued)**

**(d) Movements Performance Shares**

	<u>Date</u>	<u>Number</u>	<u>\$</u>
Balance at the beginning of the year	1 July 2017	5,000,000	2,671,444
Balance at the end of the year	30 June 2018	5,000,000	2,671,444
Balance at the beginning of the year	1 July 2018	5,000,000	2,671,444
Issue of A Class Performance Shares	18 Dec 2018	5,000,000	800,000
Balance at the end of the year	30 June 2019	10,000,000	3,471,444

During the financial year, it had become apparent that the B Class Performance Shares approved at the 2016 AGM only represented half the value contemplated by the Original Performance Shares, as a result of the conversion mechanism provided for under the B Class Terms. As an incentive to the vendors the company issued 5,000,000 A Class Performance Shares on the same terms and conditions as the B Class Performance shares issued in the 2017 period.

The terms of the Performance Shares are as follows:

The 5,000,000 B Class Performance Shares and 5,000,000 A Class Performance Shares will convert in accordance with the below:

- (i) 1,000,000 B Class and 1,000,000 A Class Performance Shares will convert into Shares and an equivalent number of CDIs upon the Company's Mineral Resource at Cinovec South and Cinovec Main being entered in the State Balance. The Performance Shares shall convert into the number of Shares and equivalent number of CDIs equal to 1,000,000 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 the date the Mineral Resource is entered. (**Explanatory Note:** Under Czech law a mineral resource must be registered and henceforth treated as a resource by the Czech Government before mining licenses can be granted. A mineral resource has to be calculated according to the Czech regulations, and defended in front of a committee of state certified experts);
- (ii) 1,000,000 B Class and 1,000,000 A Class Performance Shares will convert into Shares and an equivalent number of CDIs upon the issuance of the preliminary mining licenses relating to the Cinovec Project. The Performance Shares shall convert into the number of Shares and equivalent number of CDIs equal to 1,000,000 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 the date the final preliminary mining license is issued; and
- (iii) 3,000,000 B Class and 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 Performance Shares shall convert into the number of Shares and equivalent number of CDIs equal to 3,000,000 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, (together the **Milestones** and each a **Milestone**). For the avoidance of doubt, the number of Shares and equivalent number of CDIs which will be issued on conversion of the B Class Performance Shares and A Class Performance Shares will not exceed a ratio of 1 for 1.
- (iv) If the Milestone is not achieved or the Change of Control Event does not occur by the required date, then each Performance Share held by a Holder will be automatically redeemed by the Company for the sum of \$0.000001 within 10 ASX trading days of non-satisfaction of the Milestone. \$2,671,444 has been attributed to the Performance Shares.

During the current financial year, \$800,000 was expensed in relation to the issue of the A Class Performance Shares.

**(e) Capital risk management**

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it may continue to provide returns for shareholders and benefits for other stakeholders.

The capital structure of the Group consists of equity comprising issued capital, reserves and accumulated losses.

Due to the nature of the Group's activities, being mineral exploration, the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings. Therefore, the focus of the Group's capital risk management is to maintain sufficient current working capital position to meet the requirements of the Group to meet exploration programs and corporate overheads. The Group's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required.

**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019**

**NOTE 14: ISSUED CAPITAL (continued)**

The working capital position of the Group at 30 June is as follows:

	<b>2019</b>	<b>2018</b>
	\$	\$
Cash and cash equivalents	426,178	2,223,109
Other receivables	92,180	32,640
Trade and other payables	(128,977)	(342,214)
Employee entitlements	(23,133)	74,649
	<u>366,248</u>	<u>1,988,184</u>

The Group is not subject to any externally imposed capital requirements.

**NOTE 15: RESERVES**

	<b>2019</b>	<b>2018</b>
	\$	\$
Option and Warrant Reserve	597,470	474,743
Performance Shares Reserve	3,471,444	2,671,444
CDIs Reserve	1,442,667	1,157,632
Foreign Currency Translation Reserve	1,287,265	843,485
<b>Total Reserves</b>	<u>6,798,846</u>	<u>5,147,304</u>

**Option and Warrant Reserve**

	<b>2019</b>	<b>2018</b>
	\$	\$
Balance at the beginning of the financial year	474,743	416,357
Equity based payment expense	94,055	58,386
Equity based payment as capital raising cost	28,672	-
Balance at the end of the financial year	<u>597,470</u>	<u>474,743</u>

The options and warrant reserve is used to recognise the fair value of all options and warrants on issue but not yet exercised.

At 30 June 2019 the following options are outstanding:

- 3,750,000 unlisted options exercisable at 16.6 cents on or before 17 August 2020 were issued to key management personnel.
- 400,000 unlisted options were issued on 3 January 2017 to Richard Pavlik a director of the Company with an exercise price of 58 cents and expiry date of 3 January 2020. 250,000 of these options will vest at the completion of the Definitive Feasibility Study and the balance will vest 12 months thereafter.
- 200,000 unlisted options exercisable at 35 cents on or before 1 January 2021 were issued to key management personnel post 30 June 2019. \$23,136 has been included in the share-based expenses for the year.
- 100,000 unlisted options exercisable at 40.18 cents on or before 1 June 2021 were issued to key management personnel post 30 June 2019. \$11,802 has been included in share-based expenses for the year.
- 116,875 warrants exercisable at 20 pence (AUD 31.5 cents) on or before 22 November 2021 were granted to brokers as a cost of capital raising.

**Performance Share Reserve**

The Performance Share reserve records the fair value of the Performance Shares issued.

	<b>2019</b>	<b>2018</b>
	\$	\$
Balance at the beginning of the financial year	2,671,444	2,671,444
Equity based payment	800,000	-
Balance at the end of the financial year	<u>3,471,444</u>	<u>2,671,444</u>

**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019**

**NOTE 15: RESERVES (continued)**

**Loan CDIs Reserve**

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

	<b>2019</b>	<b>2018</b>
	\$	\$
Balance at the beginning of the financial year	1,157,632	-
Loan CDIs issued to directors – equity based expense	-	1,149,653
Loan CDIs issued to employees - equity based expense	285,035	7,979
Balance at the end of the financial year	1,442,667	1,157,632

**Employee securities incentive plan**

During the year remuneration in the form of Employee Securities Incentive Plan were issued to the Directors and employees to attract, motivate and retain such persons and to provide them with an incentive to deliver growth and value to shareholders.

The Loan CDIs represent an option arrangement. Loan CDIs vested immediately. The key terms of the Employee Share Plan and of each limited recourse loan provided under the Plan are as follows:

- i. The total loan equal to issue price multiplied by the number of Plan CDIs applied for (“Advance”), which shall be deemed to have been draw down at Settlement upon issued of the Loan Shares.
- ii. The Loan shall be interest free. However, if the advance is not repaid on or before the Repayment date, the Advance will accrue interest at the rate disclosed in the Plan from the Business Day after the Repayment Date until the date the Advance is repaid in full.
- iii. All or part of the loan may be repaid prior to the Advance repayment Date.

**Repayment date**

- iv. Notwithstanding paragraph iii. above, (“the borrower”) may repay all or part of the Advance at any time before the repayment date i.e. The repayment date for 1,650,000 Director CDIs - 15 years after the date of loan advance and the repayment date for 1,500,000 Employee CDIs – 7 years after the date of loan advice.
- v. The Loan is repayable on the earlier of:
  - (a) The repayment date;
  - (b) The plan CDIs being sold;
  - (c) The borrower becoming insolvent;
  - (d) The borrower ceasing to be employed by the Company; and
  - (e) The plan CDIs being acquired by a third party by way of an amalgamation, arrangement or formal takeover bid for not less than all the outstanding CDIs.

**Loan Forgiveness**

- vi. The Board may, in its sole discretion, waive the right to repayment of all or any part of the outstanding balance of an Advance where:
  - (i) The borrower dies or becomes permanently disabled; or
  - (ii) The Board otherwise determines that such waiver is appropriate
- vii. Where the Board waives repayment of the Advance in accordance with clause 6(a), the Advance is deemed to have been repaid in full for the purposes of the Plan in this agreement.

**Sale of loan CDIs**

- i. In accordance with the terms of the Plan and the Invitation, the Loan CDIs cannot be sold, transferred, assigned, charged or otherwise encumbered with the Plan CDIs except in accordance with the Plan.

**Foreign Currency Translation Reserve**

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

	<b>2019</b>	<b>2018</b>
	\$	\$
Balance at the beginning of the financial year	843,485	325,644
Movement during the year	443,780	517,841
Balance at the end of the financial year	1,287,265	843,485

**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019**

**NOTE 16: SHARE BASED PAYMENT EXPENSE**

No options issued as share-based payments during the current period.

The Company issued 300,000 options post 30 June 2019, which were granted during the period and 116,875 warrants were granted during the year and are yet to be issued.

	Number	Weighted Average Exercise Price
Options outstanding as at 30 June 2017	4,150,000	\$0.206
Options outstanding as at 30 June 2018	4,150,000	\$0.206
Options Outstanding as at 1 July 2018	4,150,000	\$0.206
Warrants granted during the period (i)	28,672	\$0.315
Options granted during the period (ii)	388,203	\$0.264
Options outstanding as at 30 June 2019	4,566,875	\$0.219

**The following option share-based payment arrangements existed 30 June 2019 and 30 June 2018:**

On 17 August 2015 3,750,000 options with an exercise price of 16.6 cents and exercisable on or before 17 August 2020 were granted to directors. These remain outstanding as at 30 June 2019 and 30 June 2018.

On 3 January 2017, 400,000 options with an exercise price of 58 cents and exercisable on or before the 3 January 2020 were granted to a Director of the Company. 250,000 of these options will vest at the completion of the Definitive Feasibility Study and the balance will vest 12 months thereafter. The options were valued under the Black and Scholes at \$177,352. The value of the options has been pro-rated over the vesting period. A fair value adjustment of \$59,117 (2018: 58,386) was recognised as a share based payment in the profit and loss in 2019.

*(i) Warrants granted but not yet issued*

On the 22 November 2018, 116,875 warrants were granted to brokers as a cost of capital raising. The warrants have an exercise of 20 pence (31.5 cents) in line with the capital raise on the 20 November 2018. Warrants are exercisable on or before 22 November 2021. The warrants were valued under the Black and Scholes at \$28,672 with the share based payment recognised as a capital raising cost. The key inputs to the models used were as follows.

Grant date	22 November 2018	Expected life of warrants (years)	3 Years
Dividend yield (%)	Nil	Underlying share price (\$)	\$0.39
Expected volatility (%)	91.27%	Warrant exercise price (\$)	\$0.315
Risk-free interest rate (%)	2.115%	Value of warrant (\$)	\$0.24532

*(ii) Options granted but not yet issued*

On 12 July 2019, 200,000 unlisted options exercisable at 35 cents on or before 1 January 2021 were issued to a consultant post 30 June 2019. The options were valued under the Black and Scholes at \$23,136 with the share based payment recognised in the Statement of Profit or Loss in 2019. The key inputs to the models used were as follows.

Grant date	1 January 2019	Expected life of options (years)	3 Years
Dividend yield (%)	Nil	Underlying share price (\$)	\$0.27
Expected volatility (%)	92.16%	Option exercise price (\$)	\$0.35
Risk-free interest rate (%)	1.85%	Value of option (\$)	\$0.11568

On 12 July 2019, 100,000 unlisted options exercisable at 40.18 cents on or before 1 June 2021 were issued to a consultant post 30 June 2019. The options were valued under the Black and Scholes at \$11,802 with the share based payment recognised in the Statement of Profit or Loss in 2019. The key inputs to the models used were as follows.

Grant date	1 January 2019	Expected life of options (years)	3 Years
Dividend yield (%)	Nil	Underlying share price (\$)	\$0.27
Expected volatility (%)	92.16%	Option exercise price (\$)	\$0.4018
Risk-free interest rate (%)	1.01%	Value of option (\$)	\$0.11802

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**NOTE 16: SHARE BASED PAYMENT EXPENSE (continued)**

The following performance share-based payment arrangements existed at 30 June 2019 and 30 June 2018:

Instruments granted are as follows:

Performance Shares granted are as follows:

Grant Date	2019		2018	
	Number	\$	Number	\$
B Class - 18 November 2016 (related parties)	1,057,301	564,903	1,057,301	564,903
B Class - 18 November 2016 (non-related parties)	3,942,699	2,106,541	3,942,699	2,106,541
A Class- 18 December 2018 (related parties)	1,057,301	169,168	-	-
A Class- 18 December 2018 (non-related parties)	3,942,699	630,832	-	-
	10,000,000	3,471,444	5,000,000	2,671,444

\$800,000 has been attributed to the Performance Shares in the current reporting period (2018: \$2,671,444).

**Fair value of Loan CDIs in existence at 30 June 2019 and 30 June 2018**

The fair value of Loan CDIs granted have been valued using a Black Scholes Methodology, taking into account the terms and conditions upon which the Loan CDIs were granted. The exercise price of the Loan CDI's is equal to the market price of the underlying shares being the VWAP of shares traded on the ASX over the 5 trading days immediately preceding the date of grant.

The following Loan CDIs share-based payment arrangements existed at 30 June 2019 and 30 June 2018

	Number	Value recognised 2019	Value recognised 2018	Value to be recognised in future years
Director Loan CDIs	1,650,000	-	1,149,653	-
Employee Securities Incentive Plan Loan CDIs <sup>1</sup>	1,500,000	285,035	7,979	-

Note:

- These Loan CDIs are being expensed over the vesting period.

A summary of the inputs used in the valuation of the loan CDIs issued to directors are as follows:

Loan CDIs	Keith Coughlan	David Reeves	Richard Pavlik	Kiran Morzaria
Issue price	\$0.725	\$0.725	\$0.725	\$0.725
Share price at date of issue	\$0.70	\$0.70	\$0.70	\$0.70
Grant date	30 November 2017	30 November 2017	30 November 2017	30 November 2017
Expected volatility	143.41%	143.41%	143.41%	143.41%
Expiry date	30 November 2032	30 November 2032	30 November 2032	30 November 2032
Expected dividends	Nil	Nil	Nil	Nil
Risk free interest rate	2.47%	2.47%	2.47%	2.47%
Value per loan CDI	\$0.69676	\$0.69676	\$0.69676	\$0.69676
Number of loan CDIs	850,000	300,000	300,000	200,000
<b>Total value</b>	<b>\$592,245</b>	<b>\$209,028</b>	<b>\$209,028</b>	<b>\$139,352</b>

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**NOTE 16: SHARE BASED PAYMENT EXPENSE (continued)**

A summary of the inputs used in valuation of the loan CDIs issued to employees in the prior year.

<b>Loan CDIs</b>	<b>Tranche 1</b>	<b>Tranche 2 <sup>1</sup></b>	<b>Tranche 3 <sup>2</sup></b>	<b>Tranche 4 <sup>3</sup></b>	<b>Tranche 5 <sup>4</sup></b>
Exercise price	\$0.4848	\$0.4848	\$0.4848	\$0.4848	\$0.4848
Share price at date of issue	\$0.365	\$0.365	\$0.365	\$0.365	\$0.365
Grant date	6 June 2018	6 June 2018	6 June 2018	6 June 2018	6 June 2018
Expected volatility	85.9%	85.9%	85.9%	85.9%	85.9%
Expiry date	6 June 2025	6 June 2025	6 June 2025	6 June 2025	6 June 2025
Expected dividends	Nil	Nil	Nil	Nil	Nil
Risk free interest rate	2.42%	2.42%	2.42%	2.42%	2.42%
Value per loan CDI	\$0.2664	\$0.2664	\$0.2664	\$0.2664	\$0.2664
Number of loan CDIs	550,000	250,000	250,000	200,000	250,000
<b>Total value</b>	<b>\$146,507</b>	<b>\$66,594</b>	<b>\$66,594</b>	<b>\$53,275</b>	<b>\$66,594</b>

Notes:

1. Tranche 2 escrowed until company announcing completion of the definitive feasibility study
2. Tranche 3 escrowed until company announcing construction has commenced at the Cinovec Project
3. Tranche 4 escrowed until the completion of project finance for the Cinovec Project
4. Tranche 5 escrowed until the practical completion of the Cinovec Project

**NOTE 17: CASH FLOW INFORMATION**

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<b>(a) Reconciliation of cash flow from operating activities with the loss after tax</b>		
Loss after income tax	(3,252,815)	(4,655,209)
<i>Adjustments for:</i>		
Exploration costs expensed	-	442,029
Impairment of exploration	-	1,880,742
Share based payments	1,179,090	1,216,018
Unrealised foreign exchange loss/ (gain)	(37,814)	(35,442)
Depreciation expense	4,180	1,945
<i>Changes in assets and liabilities</i>		
Decrease/ (Increase) in other receivables	(59,540)	203,463
(Increase)/ Decrease in other assets	(11,605)	25,623
(Decrease)/ Increase in trade and other payables	(127,483)	9,963
(Decrease)/ Increase in provisions	(51,516)	74,649
Cash flow (used in)/from operating activities	<u>(2,357,503)</u>	<u>(836,219)</u>

**(b) Credit standby facilities**

The Company had no credit standby facilities as at 30 June 2019 and 2018.

**(c) Investing and Financing Activities – Non-Cash**

There were no non-cash movements during the year.

**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019**

**NOTE 18: 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, two or more operating segments may be aggregated into a single operating segment if the segments have similar economic characteristics, and the segments are similar in each of the following respects:

- The nature of the products and services;
- The nature of the production processes;
- The type or class of customer for their products and services;
- The methods used to distribute their products or provide their services; and
- If applicable, the nature of the regulatory environment, for example; banking, insurance and public utilities.

The Group currently has one project which takes into account each of the above mentioned aspects. The principal activity for the project is exploration of Lithium. This is expected to be the same for future projects. Accordingly, management has identified one operating segment based on the location of the project, that being the Czech Republic and two geographical segments.

	Australia \$	Czech \$	Total \$
<b>30 June 2019</b>			
<b>REVENUE</b>			
Interest revenue	1,461	-	1,461
Other revenue	355,745	68,898	424,643
<b>Total segment revenue</b>	<b>357,206</b>	<b>68,898</b>	<b>426,104</b>
Net expenditure	(3,322,556)	(356,363)	(3,678,919)
Loss before income tax	(2,965,350)	(287,465)	(3,252,815)
<b>Segment assets</b>	<b>437,644</b>	<b>12,173,531</b>	<b>12,611,175</b>
<b>Segment liabilities</b>	<b>124,042</b>	<b>28,068</b>	<b>152,110</b>
<b>30 June 2018</b>			
<b>REVENUE</b>			
Interest revenue	1,599	-	1,599
Other Revenue	645,554	-	645,554
<b>Total segment revenue</b>	<b>647,153</b>	<b>-</b>	<b>647,153</b>
Net expenditure	(3,193,197)	(2,109,165)	(5,302,362)
Loss before income tax	(2,546,044)	(2,109,165)	(4,655,209)
<b>Segment assets</b>	<b>2,240,188</b>	<b>10,575,773</b>	<b>12,815,961</b>
<b>Segment liabilities</b>	<b>339,820</b>	<b>77,043</b>	<b>416,863</b>

**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019**

**NOTE 19: FINANCIAL RISK MANAGEMENT**

The Group's financial instruments consist mainly of deposits with banks, equity instruments and accounts receivable and payable.

The main purpose of non-derivative financial instruments is to raise finance for Group's operations. The Group does not speculate in the trading of derivative instruments.

The Group holds the following financial instruments:

	<b>2019</b>	<b>2018</b>
	\$	\$
<b>Financial assets</b>		
Cash and cash equivalents	426,178	2,223,109
Other receivables	92,180	32,640
<b>Total financial assets</b>	518,358	2,255,749
Trade and other payables	128,977	342,214
<b>Total financial liabilities</b>	128,977	342,214

The fair value of the Group's financial assets and liabilities approximate their carrying value.

**Specific Financial Risk Exposures and Management**

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk) credit risk and liquidity risk.

**(i) Market risk**

The Board meets on a regular basis to analyse currency and interest rate exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

**Interest rate risk**

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The Group is also exposed to earnings volatility on floating rate instruments.

Interest rate risk is not material to the Group as no interest bearing debt arrangements have been entered into.

**Price risk**

Price risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Group is not exposed to securities price risk as it does not hold any investments.

**Foreign exchange risk**

Exposure to foreign exchange risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the Group holds financial instruments which are other than the AUD functional currency of the Group.

With instruments being held by overseas operations, fluctuations in foreign currencies may impact on the Group's financial results. The Group's exposure to foreign exchange risk is monitored by the Board. The majority of the Group's funds are held in Australian dollars, British Stirling and Czech Koruna.



**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019**

**NOTE 19: FINANCIAL RISK MANAGEMENT (continued)**

At 30 June 2019, the Group has financial assets and liabilities denominated in the foreign currencies detailed below:

	Amount in CZK	2019 Amount in GBP	Amount in AUD	Amount in CZK	2018 Amount in GBP	Amount in AUD
Cash and cash equivalents in EMHL	-	111,156	-	-	823,600	-
Intercompany payables to EMHL by subsidiaries	-		11,143,599	-	24,608	4,225,696
	-	111,156	11,143,599	-	848,208	4,225,696
5% effect in foreign exchange rates	-	5,558	557,180	-	42,410	211,285

Other than intercompany balances there were no financial assets and liabilities denominated in foreign currencies for EMH UK or Geomet s.r.o..

**(ii) Credit risk**

Credit exposure represents the extent of credit related losses that the Group may be subject to on amounts to be received from financial assets. Credit risk arises principally from trade and other receivables. The objective of the Group is to minimise the risk of loss from credit risk. Although revenue from operations is minimal, the Group trades only with creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is insignificant. The Group's maximum credit risk exposure is limited to the carrying value of its financial assets as indicated on the Statement of Financial Position and notes to the financial statements.

The credit quality of the financial assets was high during the year. The table below details the credit quality of the financial assets at the end of the year:

Financial assets	Credit Quality	2019 \$	2018 \$
Cash and cash equivalents held at Komerčni Bank	High	22,715	10,924
Cash and cash equivalents held at Westpac Bank			
• Interest-bearing deposits	High	240,107	735,960
Cash and cash equivalents held at ANZ bank	High	163,356	1,476,225
Other receivables and deposits	High	92,180	32,640
		518,358	2,255,749

**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019**

**NOTE 19: FINANCIAL RISK MANAGEMENT (continued)**

**(iii) Liquidity risk**

Liquidity risk is the risk that the entity will not be able to meet its financial obligations as they fall due. The objective of the Group is to maintain sufficient liquidity to meet commitments under normal and stressed conditions.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed credit facilities. Due to the lack of material revenue, the Group aims at maintaining flexibility in funding by maintaining adequate reserves of liquidity.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting arrangements.

	<b>Carrying Amount</b>	<b>Contractual Cash flows</b>	<b>&lt;3 months</b>	<b>3-6 months</b>	<b>6-24 months</b>
<b>As at 30 June 2019</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Trade and other payables	128,977	128,977	128,977	-	-
	<u>128,977</u>	<u>128,977</u>	<u>128,977</u>	<u>-</u>	<u>-</u>
<b>As at 30 June 2018</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Trade and other payables	342,214	342,214	342,214	-	-
	<u>342,214</u>	<u>342,214</u>	<u>342,214</u>	<u>-</u>	<u>-</u>

**(iv) Cash flow and fair value interest rate risk**

From time to time the Group has significant interest bearing assets, but they are as a result of the timing of equity raising and capital expenditure rather than a reliance on interest income. The interest rate risk arises on the rise and fall of interest rates. The Group's income and operating cash flows are not expected to be materially exposed to changes in market interest rates in the future and the exposure to interest rates is limited to the cash and cash equivalents balances.

**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019**

**NOTE 19: FINANCIAL RISK MANAGEMENT (continued)**

The Group's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities:

	<b>Floating Interest Rate</b>	<b>Non- interest bearing</b>	<b>2019 Total</b>	<b>Floating Interest Rate</b>	<b>Non- interest bearing</b>	<b>2018 Total</b>
	\$	\$	\$	\$	\$	\$
<b>Financial assets</b>						
<i>- Within one year</i>						
Cash and cash equivalents	426,178	-	426,178	2,223,109	-	2,223,109
Other receivables	-	92,180	92,180	-	32,640	32,640
<b>Total financial assets</b>	426,178	92,180	518,358	2,223,109	32,640	2,255,749
<i>Weighted average interest rate</i>	0.11%			0.10%		
<b>Financial Liabilities</b>						
<i>- Within one year</i>						
Trade and other Payables	-	(128,977)	(128,977)	-	(342,214)	(342,214)
<b>Total financial liabilities</b>	-	(128,977)	(128,977)	-	(342,214)	(342,214)
<b>Net financial assets/ (liabilities)</b>	426,178	(36,797)	389,381	2,223,109	(309,574)	1,913,535

**Cash flow sensitivity analysis for variable rate instruments**

A change of 100 basis points in the interest rates at the reporting date would have increased or decreased the Group's equity and profit or loss by \$13,509 (2018: loss \$16,642).

**(v) Net fair value of financial assets and liabilities**

The net fair value of cash and cash equivalents and non-interest bearing monetary assets and financial liabilities approximates their carrying values.

**NOTE 20: CONTROLLED ENTITIES**

Subsidiaries of European Metals Holdings Limited

<b>Controlled entity</b>	<b>Country of Incorporation</b>	<b>Class of Shares</b>	<b>Percentage Owned</b>	
			<b>2019</b>	<b>2018</b>
Equamineral Group Limited (EGL)*	British Virgin Islands	Ordinary	100%	100%
Equamineral SA (ESA Congo)	Republic of Congo	Ordinary	100%	100%
European Metals UK Limited **	United Kingdom	Ordinary	100%	100%
Geomet S.R.O	Czech Republic	Ordinary	100%	100%

\*EGL was incorporated on 8 December 2010 and domiciled in the British Virgin Islands. EGL is the parent company for Equamineral SA (ESA Congo) located in the Republic of Congo. EGL is the beneficial holder of 100% of the issued share capital in Equamineral SA. This company is currently in the process of being deregistered.

\*\*EMH UK Limited is the parent company for Geomet S.R.O

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**NOTE 21: PARENT ENTITY DISCLOSURE**

The following information has been extracted from the books and records of the parent and has been prepared in accordance with Australian Accounting Standards.

**Statement of Financial Position**

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<b>ASSETS</b>		
Current assets	435,430	2,236,630
Non-current assets	2,214	3,512
<b>TOTAL ASSETS</b>	<u>437,644</u>	<u>2,240,142</u>
 <b>LIABILITIES</b>		
Current liabilities	124,043	339,820
<b>TOTAL LIABILITIES</b>	<u>124,043</u>	<u>339,820</u>
 <b>NET ASSETS</b>	<u>313,601</u>	<u>1,900,322</u>
 <b>EQUITY</b>	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Issued capital	22,074,314	20,413,074
Reserves	5,511,581	4,303,818
Accumulated losses	(27,272,294)	(22,816,570)
<b>TOTAL EQUITY</b>	<u>313,601</u>	<u>1,900,322</u>
 <b>Profit or Loss and Other Comprehensive Income</b>		
Loss for the year	(4,455,724)	(4,674,841)
Total comprehensive loss	<u>(4,455,724)</u>	<u>(4,674,841)</u>

**Guarantees**

There are no guarantees entered into by European Metals Holdings Limited for the debts of its subsidiaries as at 30 June 2019.

**Contingent liabilities**

There are no contingent liabilities as at 30 June 2019.

**Commitments**

There were no commitments as at 30 June 2019.

**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019**

**NOTE 22: CAPITAL COMMITMENTS**

There are no capital commitments as at 30 June 2019.

**NOTE 23: CONTINGENT LIABILITIES**

There are no contingent liabilities as at 30 June 2019.

**NOTE 24: SIGNIFICANT EVENTS AFTER THE REPORTING DATE**

- On 16 July 2019 the Company was very pleased to announce a potential strategic partnership with CEZ Group (CEZ), one of Central and Eastern Europe's largest power utilities. CEZ is currently conducting due diligence on the Company and Project. The successful outcome of the due diligence process could see CEZ become the largest shareholder and co-development partner for the Cinovec Lithium/Tin Project.
- On 19 July 2019, the Company issued 200,000 options exercisable at \$0.35 on or before 1 January 2021 and 100,000 options exercisable at \$0.4018 on or before 1 June 2021 to independent consultants in accordance with their consultancy agreements.
- On 5 August 2019, the Company announced it has been granted an extension to the Cinovec Exploration Licence.
- On 14 August 2019, the Company completed a share placement issuing 4,166,666 new fully paid ordinary shares raising GBP 750,000 to existing investors.
- The successful capital raising of £750,000 via a share placing (Placing) to UK investors was completed on 30 August 2019. The net proceeds of the Placing will be used to continue to advance EMH's corporate strategy including to progress the development of the Cinovec Project and the progress discussions with CEC Group and potential off take partners.

Except for the matters noted above there have been no other significant events arising after the reporting date.

**NOTE 25: ACCOUNTING POLICIES**

**(a) New and Revised Accounting Standards Adopted by the Group**

The Group has adopted AASB 15 *Revenue from Contracts with Customers* and AASB 9 *Financial Instruments* which became effective for financial reporting periods commencing on or after 1 January 2018

**AASB 15 Revenue from contracts with customers**

AASB 15 replaces AASB 118 *Revenue*, AASB 111 *Construction Contracts* and several revenue-related Interpretations. AASB 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue to be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has applied the new Standard effective from 1 July 2018 using the modified retrospective approach. Under this method, the cumulative effect of initial application is recognised as an adjustment to the opening balance of retained earnings at 1 July 2018 and comparatives are not restated.

The adoption of AASB 15 does not have a significant impact on the Group as the Group does not currently have any revenue from customers, other than grant income.

**AASB 9 Financial Instruments**

AASB 9 *Financial Instruments* replaces AASB 139 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment, and hedge accounting.

As a result of adopting AASB 9 *Financial Instruments*, the Group has amended its financial instruments accounting policies to align with AASB 9. AASB 9 makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for impairment of financial assets.

There were no financial instruments which the Group designated at fair value through profit or loss under AASB 139 that were subject to reclassification. The Board assessed the Group's financial assets and determined the application of AASB 9 does not result in a change in the classification of the Group's financial instruments.

The adoption of AASB 9 does not have a significant impact on the financial report.

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**NOTE 25: ACCOUNTING POLICIES (continued)**

**(b) New and revised Accounting Standards for Application in Future Periods**

***AASB 16: Leases applies to annual reporting periods beginning on or after 1 January 2019.***

This Standard supersedes AASB 117 *Leases*, Interpretation 4 *Determining whether an Arrangement contains a Lease*, AASB interpretation 115 *Operating Leases-Incentives* and AASB interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of lease*. AASB 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under AASB 117.

The key features of AASB 16 are as follows:

- Lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.
- A lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities.
- Assets and Liabilities arising from the lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend to lease, or not to exercise an option to terminate the lease.
- AASB 16 contains disclosure requirements for leases.

**Lessor accounting**

- AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.
- AASB 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk.

The Group has elected to not early adopt AASB 16, however and has conducted an assessment of the impact of the new standard and have determined that based on the current lease agreements and intentions, there is no quantifiable impact of the application of the standard.

**Other standards not yet applicable**

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

**EUROPEAN METALS HOLDINGS LIMITED**

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**DIRECTORS' DECLARATION**

The Directors of the Company declare that:

1. the financial statements, notes and the additional disclosures are in accordance with the *Corporations Act 2001* including :
  - (a) comply with Accounting Standards;
  - (b) are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, as stated in Note 1 to the financial statements; and
  - (c) give a true and fair view of the financial position as at 30 June 2019 and of the performance for the year ended on that date of the Group.
2. the Chief Executive Officer and Chief Finance Officer have each declared that:
  - (a) the financial records of the Group for the financial year have been properly maintained in accordance with s286 of the *Corporations Act 2001*;
  - (b) the financial statements and notes for the financial year comply with the Accounting Standards; and
  - (c) the financial statements and notes for the financial year give a true and fair view.
3. 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 and is signed for and on behalf of the Directors by:



Keith Coughlan  
**MANAGING DIRECTOR**

Dated at Perth on 27 September 2019

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

**Report on the Audit of the Financial Report**

***Opinion***

We have audited the financial report of European Metals Holdings Limited (the Company), and its subsidiaries (the Group), which comprises the statement of the consolidated financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies, and the directors' declaration

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

***Basis for Opinion***

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Company 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 (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

***Key Audit Matters***

We have determined the matters described below to be key audit matters to be communicated in the report.

We have defined the matters described below to be key audit matters to be communicated in our report. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Key Audit Matters	How the matter was addressed in the audit
<p data-bbox="236 253 759 315"><b>Carrying Value of Exploration and Evaluation Expenditure</b></p> <p data-bbox="236 349 791 506">The Group has capitalised exploration and evaluation expenditure totalling \$11,684,072 (refer to Note 12) in terms of the application of the Group's accounting policy for exploration and evaluation expenditure, as set out in Note 1(k).</p> <p data-bbox="236 539 791 602">The carrying value of Capitalised Exploration and Evaluation expenditure is a key audit matter due to:</p> <ul data-bbox="236 636 791 1077" style="list-style-type: none"> <li data-bbox="236 636 791 698">• The significance of the total balance (92% of total assets);</li> <li data-bbox="236 732 791 920">• The necessity to assess management's application of the requirements of the accounting standard Exploration for and Evaluation of Mineral Resources ("AASB 6"), in light of any indicators of impairment that may be present;</li> <li data-bbox="236 954 791 1077">• The assessment of significant judgements made by management in relation to the Capitalised Exploration and Evaluation Expenditure.</li> </ul>	<p data-bbox="842 349 1398 412">Inter alia, our audit procedures included the following:</p> <ul data-bbox="874 445 1398 1704" style="list-style-type: none"> <li data-bbox="874 445 1398 602">i. Assessing the Group's right to tenure over exploration assets by corroborating the ownership of the relevant licences for mineral resources to government registries and relevant third party documentation;</li> <li data-bbox="874 636 1398 887">ii. Reviewing the directors' assessment of the carrying value of the exploration and evaluation expenditure, ensuring the veracity of the data presented and that management has considered the effect of potential impairment indicators, commodity prices and the stage of the Group's projects against AASB 6;</li> <li data-bbox="874 920 1398 1518">iii. Evaluation of Group documents for consistency with the intentions for the continuing of exploration and evaluation activities in certain areas of interest, and corroborated with enquiries of management. Inter alia, the documents we evaluated included: <ul data-bbox="914 1173 1398 1518" style="list-style-type: none"> <li data-bbox="914 1173 1398 1236">▪ Minutes of meetings of the board and management;</li> <li data-bbox="914 1240 1398 1303">▪ Announcements made by the Group to the Australian Securities Exchange;</li> <li data-bbox="914 1308 1398 1496">▪ Reassessed the discount rate, resource tonnage, current commodity prices in global markets, applied to the pre-existing NPV model of the Cinovec Project and compared with the updated PFS announced on the ASX; and</li> <li data-bbox="914 1500 1398 1518">▪ Cash forecasts;</li> </ul> </li> <li data-bbox="874 1552 1398 1704">iv. Consideration of the requirements of accounting standard AASB 6. We assessed the financial statements in relation to AASB 6 to ensure appropriate disclosures are made.</li> </ul>
<p data-bbox="236 1742 651 1771"><b>Valuation of Share Based Payments</b></p> <p data-bbox="236 1805 791 1962">The Company issued a number of share options and warrants to consultants of the Company, performance shares to related and unrelated parties and expensed the value attributed to the CDIs issued through the non-recourse loans to the employees in the prior period.</p> <p data-bbox="236 1995 791 2101">The Company prepared the valuation of the options, warrants and performance shares and continued the amortisation of the value attributed to the CDIs issued through the non-recourse loans in</p>	<p data-bbox="826 1805 1398 1868">Inter alia, our audit procedures included the following:</p> <ul data-bbox="842 1883 1398 2040" style="list-style-type: none"> <li data-bbox="842 1883 1398 1968">i. We reviewed the inputs used in the models; the underlying assumptions used and discussed with management the justification for inputs;</li> <li data-bbox="842 1995 1398 2040">ii. We assessed the accounting treatment and its application in accordance with AASB 2; and</li> </ul>

accordance to its accounting policy and accounting standard Share-based Payment AASB 2 ("AASB 2").

The valuation of these instruments is a key audit matter as it involved judgement in assessing their fair value and the accounting for them.

iii. We assessed whether the Group's disclosures met the requirements of various accounting standards.

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### ***Other Information***

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance opinion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### ***Responsibilities of the Directors for the Financial Report***

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

### ***Auditor's Responsibilities for the Audit of the Financial Report***

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional skepticism throughout the audit. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report.

The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

We evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in Internal control that we identify during our audit.

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

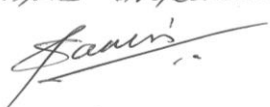
#### **Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 13 to 20 of the directors' report for the year ended 30 June 2019. The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards

#### ***Opinion on the Remuneration Report***

In our opinion, the Remuneration Report of European Metals Holdings Limited for the year ended 30 June 2019 complies with section 300A of the *Corporations Act 2001*.

**STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD**  
**(Trading as Stantons International)**  
**(An Authorised Audit Company)**

*Stantons International Audit and Consulting Pty Ltd*  


**Samir Tirodkar**

Director

West Perth, Western Australia

27 September 2019

# EUROPEAN METALS HOLDINGS LIMITED

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## CORPORATE GOVERNANCE

### ASX CORPORATE GOVERNANCE STATEMENT

This Corporate Governance summary discloses the extent to which the Company will follow the recommendations set by the ASX Corporate Governance Council in its publication 'Corporate Governance Principles and Recommendations (3<sup>rd</sup> Edition)' (**Recommendations**). The Recommendations are not mandatory, however, the Recommendations that will not be followed have been identified and reasons have been provided for not following them.

The Company's Corporate Governance Plan has been posted on the Company's website at [www.europeanmet.com](http://www.europeanmet.com).

PRINCIPLES AND RECOMMENDATIONS	COMPLY	EXPLANATION
<b><i>Principle 1: Lay solid foundations for management and oversight</i></b>		
<p><b>Recommendation 1.1</b></p> <p>A listed entity should have and disclose a charter which:</p> <p>(a) sets out the respective roles and responsibilities of the board, the chair and management; and</p> <p>(b) includes a description of those matters expressly reserved to the board and those delegated to management.</p>	Complying	<p>The Company has adopted a Board Charter.</p> <p>The Board Charter sets out the specific responsibilities of the Board, requirements as to the Boards composition, the roles and responsibilities of the Chairman and Company Secretary, the establishment, operation and management of Board Committees, Directors access to company records and information, details of the Board's relationship with management, details of the Board's performance review and details of the Board's disclosure policy.</p> <p>A copy of the Company's Board Charter is stated in Schedule 1 of the Corporate Governance Plan which is available on the Company's website.</p>
<p><b>Recommendation 1.2</b></p> <p>A listed entity should:</p> <p>(a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and</p> <p>(b) provide security holders with all material information relevant to a decision on whether or not to elect or re-elect a director.</p>	Complying	<p>(a) The Company has detailed guidelines for the appointment and selection of the Board. The Company's Corporate Governance Plan requires the Board to undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director.</p> <p>(b) Material information relevant to any decision on whether or not to elect or re-elect a Director will be provided to security holders in the notice of meeting holding the resolution to elect or re-elect the Director.</p>
<p><b>Recommendation 1.3</b></p> <p>A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.</p>	Complying	<p>The Company's Corporate Governance Plan requires the Board to ensure that each Director and senior executive is a party to a written agreement with the Company which sets out the terms of that Director's or senior executive's appointment.</p>
<p><b>Recommendation 1.4</b></p> <p>The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.</p>	Complying	<p>The Board Charter outlines the roles, responsibility and accountability of the Company Secretary. The Company Secretary is accountable directly to the Board, through the chair, on all matters to do with the proper functioning of the Board.</p>

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<p><b>Recommendation 1.5</b></p> <p>A listed entity should:</p> <p>(a) have a diversity policy which includes requirements for the board:</p> <p style="padding-left: 20px;">(i) to set measurable objectives for achieving gender diversity; and</p> <p style="padding-left: 20px;">(ii) to assess annually both the objectives and the entity's progress in achieving them;</p> <p>(b) disclose that policy or a summary or it; and</p> <p>(c) disclose as at the end of each reporting period:</p> <p style="padding-left: 20px;">(i) the measurable objectives for achieving gender diversity set by the board in accordance with the entity's diversity policy and its progress towards achieving them; and</p> <p style="padding-left: 20px;">(ii) either:</p> <p style="padding-left: 40px;">(A) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or</p> <p style="padding-left: 40px;">(B) the entity's "Gender Equality Indicators", as defined in the Workplace Gender Equality Act 2012.</p>	<p align="center">Complying</p>	<p>(a) The Company has adopted a Diversity Policy.</p> <p style="padding-left: 20px;">(i) The Diversity Policy provides a framework for the Company to achieve a list of 6 measurable objectives that encompass gender equality.</p> <p style="padding-left: 20px;">(ii) The Diversity Policy provides for the monitoring and evaluation of the scope and currency of the Diversity Policy. The company is responsible for implementing, monitoring and reporting on the measurable objectives.</p> <p>(b) The Diversity Policy is stated in Schedule 10 of the Corporate Governance Plan which is available on the company website.</p> <p>(c)</p> <p style="padding-left: 20px;">(i) The measurable objectives set by the Board will be included in the annual key performance indicators for the CEO, MD and senior executives. In addition, the Board will review progress against the objectives in its annual performance assessment.</p> <p style="padding-left: 20px;">(ii) The Company currently has no employees and utilizes external consultants and contractors as and when required.</p> <p style="padding-left: 40px;">The Board will review this position on an annual basis and will implement measurable objectives as and when they deem the Company to require them.</p>
<p><b>Recommendation 1.6</b></p> <p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and</p> <p>(b) disclose in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p align="center">Complying</p>	<p>(a) The Board is responsible for evaluating the performance of the Board and individual directors on an annual basis. It may do so with the aid of an independent advisor. The process for this can be found in Schedule 6 of the Company's Corporate Governance Plan.</p> <p>(b) The Company's Corporate Governance Plan requires the Board to disclose whether or not performance evaluations were conducted during the relevant reporting period.</p> <p style="padding-left: 20px;">Due to the size of the Board and the nature of the business, it has not been deemed necessary to institute a formal documented performance review program of individuals. However, the Chairman intends to conduct formal reviews each financial year whereby the performance of the Board as a whole and the individual contributions of each director are disclosed. The Board considers that at this stage of the Company's development an informal process is appropriate.</p>

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		<p>The review will assist to indicate if the Board's performance is appropriate and efficient with respect to the Board Charter.</p> <p>The Board regularly reviews its skill base and whether it remains appropriate for the Company's operational, legal and financial requirements. New Directors are obliged to participate in the Company's induction process, which provides a comprehensive understanding of the Company, its objectives and the market in which the Company operates.</p> <p>Directors are encouraged to avail themselves of resources required to fulfil the performance of their duties.</p>
<p><b>Recommendation 1.7</b></p> <p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of its senior executives; and</p> <p>(b) disclose in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>Complying</p>	<p>(a) The Board is responsible for evaluating the performance of senior executives. The Board is to arrange an annual performance evaluation of the senior executives.</p> <p>(b) The Company's Corporate Governance Plan requires the Board to conduct annual performance of the senior executives. Schedule 6 'Performance Evaluation' requires the Board to disclose whether or not performance evaluations were conducted during the relevant reporting period.</p> <p>During the financial year an evaluation of performance of the individuals was not formally carried out. However, a general review of the individuals occurs on an on-going basis to ensure that structures suitable to the Company's status as a listed entity are in place.</p>
<p><b>Principle 2: Structure the board to add value</b></p>		
<p><b>Recommendation 2.1</b></p> <p>The board of a listed entity should:</p> <p>(a) have a nomination committee which:</p> <p>(i) has at least three members, a majority of whom are independent directors; and</p> <p>(ii) is chaired by an independent director, and disclose:</p> <p>(iii) the charter of the committee;</p> <p>(iv) the members of the committee; and</p> <p>(v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues</p>	<p>Part - Complying</p>	<p>(a) The Nomination Committee was formed on 26 August 2015. There are currently two members of the Committee being Mr Reeves (Chairman) and Mr Coughlan. Given the Company's present size and scope of the Company's operations, no efficiencies or benefits would be gained by having a third member. The Board intends to re-evaluate the requirement for another member as the Company's operations increase in size and scale.</p> <p>The role and responsibilities of the Nomination Committee are outlined in Nomination Committee Charter available online on the Company's website.</p> <p>The Board devotes time at board meetings to discuss board succession issues. All members of the Board are involved in the Company's nomination process, to the maximum extent permitted under the Corporations Act and ASX Listing Rules.</p>

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<p>and to ensure that the board has the appropriate balance of skills, experience, independence and knowledge of the entity to enable it to discharge its duties and responsibilities effectively.</p>		<p>The Board regularly updates the Company's board skills matrix (in accordance with recommendation 2.2) to assess the appropriate balance of skills, experience, independence and knowledge of the entity.</p>																																		
<p><b>Recommendation 2.2</b></p> <p>A listed entity should have and disclose a board skill matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.</p>	<p>Complying</p>	<table border="1"> <thead> <tr> <th data-bbox="884 517 1209 622">Board Skills Matrix</th> <th data-bbox="1209 517 1396 622">Number of Directors that Meet the Skill</th> </tr> </thead> <tbody> <tr> <td data-bbox="884 622 1209 696">Executive &amp; Non- Executive experience</td> <td data-bbox="1209 622 1396 696">4</td> </tr> <tr> <td data-bbox="884 696 1209 770">Industry experience &amp; knowledge</td> <td data-bbox="1209 696 1396 770">4</td> </tr> <tr> <td data-bbox="884 770 1209 819">Leadership</td> <td data-bbox="1209 770 1396 819">4</td> </tr> <tr> <td data-bbox="884 819 1209 893">Corporate governance &amp; risk management</td> <td data-bbox="1209 819 1396 893">4</td> </tr> <tr> <td data-bbox="884 893 1209 943">Strategic thinking</td> <td data-bbox="1209 893 1396 943">4</td> </tr> <tr> <td data-bbox="884 943 1209 1016">Desired behavioural competencies</td> <td data-bbox="1209 943 1396 1016">4</td> </tr> <tr> <td data-bbox="884 1016 1209 1066">Geographic experience</td> <td data-bbox="1209 1016 1396 1066">4</td> </tr> <tr> <td data-bbox="884 1066 1209 1115">Capital Markets experience</td> <td data-bbox="1209 1066 1396 1115">4</td> </tr> <tr> <td colspan="2" data-bbox="884 1115 1209 1142"><i>Subject matter expertise:</i></td> </tr> <tr> <td data-bbox="884 1142 1209 1191">- accounting</td> <td data-bbox="1209 1142 1396 1191">3</td> </tr> <tr> <td data-bbox="884 1191 1209 1240">- capital management</td> <td data-bbox="1209 1191 1396 1240">4</td> </tr> <tr> <td data-bbox="884 1240 1209 1290">- corporate financing</td> <td data-bbox="1209 1240 1396 1290">4</td> </tr> <tr> <td data-bbox="884 1290 1209 1339">- industry taxation <sup>1</sup></td> <td data-bbox="1209 1290 1396 1339">0</td> </tr> <tr> <td data-bbox="884 1339 1209 1388">- risk management</td> <td data-bbox="1209 1339 1396 1388">4</td> </tr> <tr> <td data-bbox="884 1388 1209 1438">- legal<sup>2</sup></td> <td data-bbox="1209 1388 1396 1438">0</td> </tr> <tr> <td data-bbox="884 1438 1209 1487">- IT expertise <sup>2</sup></td> <td data-bbox="1209 1438 1396 1487">1</td> </tr> </tbody> </table> <p>(1) Skill gap noticed however an external taxation firm is employed to maintain taxation requirements.</p> <p>(2) Skill gap noticed however an legal firm is employed on an adhoc basis to maintain IT requirements.</p>	Board Skills Matrix	Number of Directors that Meet the Skill	Executive & Non- Executive experience	4	Industry experience & knowledge	4	Leadership	4	Corporate governance & risk management	4	Strategic thinking	4	Desired behavioural competencies	4	Geographic experience	4	Capital Markets experience	4	<i>Subject matter expertise:</i>		- accounting	3	- capital management	4	- corporate financing	4	- industry taxation <sup>1</sup>	0	- risk management	4	- legal <sup>2</sup>	0	- IT expertise <sup>2</sup>	1
Board Skills Matrix	Number of Directors that Meet the Skill																																			
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- legal <sup>2</sup>	0																																			
- IT expertise <sup>2</sup>	1																																			
<p><b>Recommendation 2.3</b></p> <p><b>A listed entity should disclose:</b></p> <p>(a) the names of the directors considered by the board to be independent directors;</p> <p>(b) if a director has an interest, position, association or relationship of the type described in Box 2.3 of the ASX Corporate Governance Principles and Recommendation (3rd Edition), but the board is of the opinion that it does not compromise the independence of the director, the nature of</p>	<p>Complying</p>	<p>(a) The Board Charter provides for the disclosure of the names of Directors considered by the Board to be independent. None of the directors are independent directors. The details of the directors are disclosed in the Annual Report and Company website.</p> <p>(b) The Board Charter requires Directors to disclose their interest, positions, associations and relationships and requires that the independence of Directors is regularly assessed by the Board in light of the interests disclosed by Directors. Details of the Directors interests,</p>																																		



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<p>the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and</p> <p>(c) the length of service of each director</p>		<p>positions associations and relationships are provided in the Annual Reports and Company website.</p> <p>(c) The Board Charter provides for the determination of the Directors' terms and requires the length of service of each Director to be disclosed. The length of service of each Director is provided in the Annual Reports and Company website.</p>
<p><b>Recommendation 2.4</b></p> <p>A majority of the board of a listed entity should be independent directors.</p>	<p align="center">Not-complying</p>	<p>The Board Charter requires that where practical the majority of the Board will be independent.</p> <p>Given the Company's present size and scope it is currently not Company policy to have a majority of Independent Directors.</p> <p>Details of each Director's independence are provided in the Annual Reports and Company website.</p>
<p><b>Recommendation 2.5</b></p> <p>The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.</p>	<p align="center">Not-complying</p>	<p>The Board Charter provides that where practical, the Chairman of the Board will be a non-executive director.</p> <p>Mr David Reeves is the Chairman of the Board and is not an independent director.</p> <p>Keith Coughlan is the Managing Director of the Company and is not an independent director.</p> <p>If the Chairman resigns the Board will consider appointing a lead independent Director.</p>
<p><b>Recommendation 2.6</b></p> <p>A listed entity should have a program for inducting new directors and providing appropriate professional development opportunities for continuing directors to develop and maintain the skills and knowledge needed to perform their role as a director effectively.</p>	<p align="center">Complying</p>	<p>The Board Charter states that a specific responsibility of the Board is to procure appropriate professional development opportunities for Directors. The Board is responsible for the approval and review of induction and continuing professional development programs and procedures for Directors to ensure that they can effectively discharge their responsibilities.</p>
<b>Principle 3: Act ethically and responsibly</b>		
<p><b>Recommendation 3.1</b></p> <p>A listed entity should:</p> <p>(a) have a code of conduct for its directors, senior executives and employees; and</p> <p>(b) disclose that code or a summary of it.</p>	<p align="center">Complying</p>	<p>(a) The Corporate Code of Conduct applies to the Company's directors, senior executives and employees.</p> <p>(b) The Company's Corporate Code of Conduct is in Schedule 2 of the Corporate Governance Plan which is on the Company's website.</p>
<b>Principle 4: Safeguard integrity in financial reporting</b>		
<p><b>Recommendation 4.1</b></p> <p>The board of a listed entity should:</p> <p>(a) have an audit committee which:</p> <p style="padding-left: 20px;">(i) has at least three members, all of whom are non-executive directors and</p>	<p align="center">Part-Complying</p>	<p>(a) The Audit and Risk Committee was formed on 26 August 2015, with directors appointed as members of the Committee, being Mr Kiran Morzaria (Chairman), Mr Reeves and Mr Coughlan. Given the Company's present size and scope of the Company's operations, no efficiencies or benefits would be gained by having a third non-executive director member.</p>



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<p>a majority of whom are independent directors; and</p> <p>(ii) is chaired by an independent director, who is not the chair of the board,</p> <p>and disclose:</p> <p>(iii) the charter of the committee;</p> <p>(iv) the relevant qualifications and experience of the members of the committee; and</p> <p>(v) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its financial reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</p>		<p>The Board intends to re-evaluate the requirement for another member as the Company's operations increase in size and scale.</p> <p>The role and responsibilities of the Audit and Risk Committee are outlined in Audit and Risk Committee Charter available online on the Company's website.</p> <p>The Board devote time at annual board meetings to fulfilling the roles and responsibilities associated with maintaining the Company's internal audit function and arrangements with external auditors. All members of the Board are involved in the Company's audit function to ensure the proper maintenance of the entity and the integrity of all financial reporting.</p>
<p><b>Recommendation 4.2</b></p> <p>The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.</p>	<p>Complying</p>	<p>The Company's Corporate Governance Plan states that a duty and responsibility of the Board is to ensure that before approving the entity's financial statements for a financial period, the CEO and CFO have declared that in their opinion the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.</p>
<p><b>Recommendation 4.3</b></p> <p>A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.</p>	<p>Complying</p>	<p>The Company's Corporate Governance Plan provides that the Board must ensure the Company's external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.</p>
<p><b><i>Principle 5: Make timely and balanced disclosure</i></b></p>		
<p><b>Recommendation 5.1</b></p> <p>A listed entity should:</p> <p>(a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and</p> <p>(b) disclose that policy or a summary of it.</p>	<p>Complying</p>	<p>(a) The Board Charter provides details of the Company's disclosure policy. In addition, Schedule 7 of the Corporate Governance Plan is entitled 'Disclosure – Continuous Disclosure' and details the Company's disclosure requirements as required by the ASX Listing Rules and other relevant legislation.</p> <p>(b) The Board Charter and Schedule 7 of the Corporate Governance Plan are available on the Company website.</p>

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<b>Principle 6: Respect the rights of security holders</b>		
<p><b>Recommendation 6.1</b></p> <p>A listed entity should provide information about itself and its governance to investors via its website.</p>	<p>Complying</p>	<p>Information about the Company and its governance is available in the Corporate Governance Plan which can be found on the Company's website.</p>
<p><b>Recommendation 6.2</b></p> <p>A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.</p>	<p>Complying</p>	<p>The Company has adopted a Shareholder Communications Strategy which aims to promote and facilitate effective two-way communication with investors. The Shareholder Communications Strategy outlines a range of ways in which information is communicated to shareholders.</p> <p>The Shareholder Communications Strategy can be found in Schedule 11 of the Board Charter which is available on the Company website.</p>
<p><b>Recommendation 6.3</b></p> <p>A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.</p>	<p>Complying</p>	<p>The Shareholder Communications Strategy states that as a part of the Company's developing investor relations program, Shareholders can register with the Company Secretary to receive email notifications of when an announcement is made by the Company to the ASX, including the release of the Annual Report, half yearly reports and quarterly reports. Links are made available to the Company's website on which all information provided to the ASX is immediately posted.</p> <p>Shareholders are encouraged to participate at all EGMs and AGMs of the Company. Upon the despatch of any notice of meeting to Shareholders, the Company Secretary shall send out material with that notice of meeting stating that all Shareholders are encouraged to participate at the meeting.</p>
<p><b>Recommendation 6.4</b></p> <p>A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.</p>	<p>Complying</p>	<p>Security holders can register with the Company to receive email notifications when an announcement is made by the Company to the ASX.</p> <p>Shareholders queries should be referred to the Company Secretary at first instance.</p>
<b>Principle 7: Recognise and manage risk</b>		
<p><b>Recommendation 7.1</b></p> <p>The board of a listed entity should:</p> <p>(a) have a committee or committees to oversee risk, each of which:</p> <ul style="list-style-type: none"> <li>(i) has at least three members, a majority of whom are independent directors; and</li> <li>(ii) is chaired by an independent director, and disclose:</li> <li>(iii) the charter of the committee;</li> </ul>	<p>Complying</p>	<p>(a) The Audit and Risk Committee was formed on 26 August 2015, with directors appointed as members of the Committee, being Mr Kiran Morzaria, Mr Reeves and Mr Coughlan.</p> <p>The role and responsibilities of the Audit and Risk Committee are outlined in Schedule 3 of the Company's Corporate Governance Plan available online on the Company's website.</p> <p>The Board devote time at annual board meeting to fulfilling the roles and responsibilities associated with overseeing risk and maintaining the entity's risk management framework and</p>

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<p>(iv) the members of the committee; and</p> <p>(v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the process it employs for overseeing the entity's risk management framework.</p>		<p>associated internal compliance and control procedures.</p>
<p><b>Recommendation 7.2</b></p> <p>The board or a committee of the board should:</p> <p>(a) review the entity's risk management framework with management at least annually to satisfy itself that it continues to be sound, to determine whether there have been any changes in the material business risks the entity faces and to ensure that they remain within the risk appetite set by the board; and</p> <p>(b) disclose in relation to each reporting period, whether such a review has taken place.</p>	<p>Complying</p>	<p>(a) The Company process for risk management and internal compliance includes a requirement to identify and measure risk, monitor the environment for emerging factors and trends that affect these risks, formulate risk management strategies and monitor the performance of risk management systems. Schedule 8 of the Corporate Governance Plan is entitled 'Disclosure – Risk Management' and details the Company's disclosure requirements with respect to the risk management review procedure and internal compliance and controls.</p> <p>(b) The Board Charter requires the Board to disclose the number of times the Board met throughout the relevant reporting period, and the individual attendances of the members at those meetings. Details of the meetings will be provided in the Company's Annual Report.</p>
<p><b>Recommendation 7.3</b></p> <p>A listed entity should disclose:</p> <p>(a) if it has an internal audit function, how the function is structured and what role it performs; or</p> <p>(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.</p>	<p>Complying</p>	<p>Schedule 3 of the Company's Corporate Plan provides for the internal audit function of the Company. The Board Charter outlines the monitoring, review and assessment of a range of internal audit functions and procedures.</p>
<p><b>Recommendation 7.4</b></p> <p>A listed entity should disclose whether, and if so how, it has regard to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.</p>	<p>Complying</p>	<p>Schedule 3 of the Company's Corporate Plan details the Company's risk management systems which assist in identifying and managing potential or apparent business, economic, environmental and social sustainability risks (if appropriate). Review of the Company's risk management framework is conducted at least annually, and reports are continually created by management on the efficiency and effectiveness of the Company's risk management framework and associated internal compliance and control procedures.</p>

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<b>Principle 8: Remunerate fairly and responsibly</b>		
<p><b>Recommendation 8.1</b></p> <p>The board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <p style="margin-left: 20px;">(i) has at least three members, a majority of whom are independent directors; and</p> <p style="margin-left: 20px;">(ii) is chaired by an independent director, and disclose:</p> <p style="margin-left: 20px;">(iii) the charter of the committee;</p> <p style="margin-left: 20px;">(iv) the members of the committee; and</p> <p style="margin-left: 20px;">(v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</p>	<p>Part - Complying</p>	<p>The Remuneration Committee was formed on 26 August 2015, with directors appointed as members of the Committee, being Mr Reeves (Chairman) and Mr Morzaria. Given the Company's present size and scope of the Company's operations, no efficiencies or benefits would be gained by having a third member. The Board intends to re-evaluate the requirement for another member as the Company's operations increase in size and scale.</p> <p>The role and responsibilities of the Remuneration Committee are outlined in Remuneration Committee Charter available online on the Company's website.</p> <p>The Board devote time at annual board meetings to fulfilling the roles and responsibilities associated with setting the level and composition of remuneration for Directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</p>
<p><b>Recommendation 8.2</b></p> <p>A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives and ensure that the different roles and responsibilities of non-executive directors compared to executive directors and other senior executives are reflected in the level and composition of their remuneration.</p>	<p>Complying</p>	<p>The Company's Corporate Governance Plan requires the Board to disclose its policies and practices regarding the remuneration of non-executive, executive and other senior directors.</p>
<p><b>Recommendation 8.3</b></p> <p>A listed entity which has an equity-based remuneration scheme should:</p> <p>(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and</p> <p>(b) disclose that policy or a summary of it.</p>	<p>Complying</p>	<p>(a) Company's Corporate Governance Plan states that the Board is required to review, manage and disclose the policy (if any) on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme. The Board must review and approve any equity based plans.</p> <p>(b) A copy of the Company's Corporate Governance Plan is available on the Company's website.</p>

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#### QCA CORPORATE GOVERNANCE REPORT

The following sets out the Company's Corporate Governance Report in accordance with the AIM Rules for Companies, a copy of which is also available from the Company's website at:

<https://www.europeanmet.com/wp-content/uploads/2018/09/Corporate-Governance-Website-Disclosure-EMH-Sept-2018-Final.pdf>

#### INTRODUCTION

In April 2018, the Quoted Companies Alliance (QCA) published an updated version of its Code which provides UK small and mid-sized companies such as European Metals Limited with a corporate governance framework that is appropriate for a Company of our size and nature. The Board considers the principles and recommendations contained in the QCA Code are appropriate and have therefore chosen to apply the QCA Code.

The updated 2018 QCA Code has 10 principles that should be applied. Each principle is listed below together with an explanation of how the Company applies or otherwise departs from each of the principles.

#### PRINCIPLE ONE

##### *Business Model and Strategy*

The Company is a minerals exploration and development company and has a clear and definitive vision of the Company's purpose, business model and strategy, being to develop the Cinovec lithium-tin project. The Company is currently preparing a definitive feasibility study.

European Metals owns 100% of the Cinovec lithium-tin project in the Czech Republic, through its wholly owned subsidiary Geomet s.r.o.. Cinovec is an historic mine incorporating a significant undeveloped lithium-tin resource with by-product potential including tungsten, rubidium, scandium, niobium and tantalum and potash. Cinovec hosts a globally significant hard rock lithium deposit with a total Indicated Mineral Resource of 348Mt @ 0.45% Li<sub>2</sub>O and 0.04% Sn and an Inferred Mineral Resource of 309Mt @ 0.39 Li<sub>2</sub>O and 0.04% Sn containing a combined 7.0 million tonnes Lithium Carbonate Equivalent and 263kt of tin.

An initial Probable Ore Reserve of 34.5Mt @ 0.65% Li<sub>2</sub>O and 0.09% Sn has been declared to cover the first 20 years mining at an output of 20,800tpa 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.

#### PRINCIPLE TWO

##### *Understanding Shareholder Needs and Expectations*

The Board is committed to maintaining good communication and having constructive dialogue with its shareholders. The Company has close ongoing relationships with its private shareholders. Institutional shareholders and analysts have the opportunity to discuss issues and provide feedback at meetings with the Company. In addition, all shareholders are encouraged to attend the Company's Annual General Meeting. Investors also have access to current information on the Company through its website, [www.europeanmet.com](http://www.europeanmet.com), and via Keith Coughlan, Managing Director, who is available to answer investor relations enquiries.

The Company has adopted a Shareholder Communications Strategy which aims to promote and facilitate effective two-way communication with investors. The Shareholder Communications Strategy outlines a range of ways in which information is communicated to shareholders.

The Shareholder Communications Strategy can be found in Schedule 11 of the Board Charter which is available on the Company website, [www.europeanmet.com/corporate-governance](http://www.europeanmet.com/corporate-governance).

#### PRINCIPLE THREE

##### *Considering wider stakeholder and social responsibilities*

The Board recognises that the long term success of the Company is reliant upon the efforts of the employees of the Company and its contractors, suppliers, regulators and other stakeholders.

The Company has close ongoing relationships with a broad range of its stakeholders and provides them with the opportunity to raise issues and provide feedback to the Company.

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#### PRINCIPLE FOUR

##### *Risk Management*

The Audit and Risk Committee was formed on 26 August 2015, with directors appointed as members of the Committee, being Mr Kiran Morzaria, Mr Reeves and Mr Coughlan. The role and responsibilities of the Audit and Risk Committee are outlined in Schedule 3 of the Company's Corporate Governance Plan available online on the Company's website, [www.europeanmet.com/corporate-governance](http://www.europeanmet.com/corporate-governance).

The Board devotes time at board meetings to fulfilling the roles and responsibilities associated with overseeing risk and maintaining the entity's risk management framework and associated internal compliance and control procedures.

The Company process for risk management and internal compliance includes a requirement to identify and measure risk, monitor the environment for emerging factors and trends that affect these risks, formulate risk management strategies and monitor the performance of risk management systems. Schedule 8 of the Corporate Governance Plan is entitled 'Disclosure – Risk Management' and details the Company's disclosure requirements with respect to the risk management review procedure and internal compliance and controls.

The Board Charter requires the Board to disclose the number of times the Board met throughout the relevant reporting period, and the individual attendances of the members at those meetings. Details of the meetings will be provided in the Company's Annual Report.

#### PRINCIPLE FIVE

##### *A Well Functioning Board of Directors*

The Board currently comprises of 4 members: 2 Executive members (the Managing Director, Keith Coughlan and Executive Director, Richard Pavlik) and 2 Non-Executive members (the Chairman, Dave Reeves and Non-executive Director, Kiran Morzaria). Biographical details of the current Directors are set out within Principle Six below. Pursuant to Article 8.5 of the Company's Articles of Association, at each annual general meeting one third of the directors (or, if their number is not a multiple of three, the number nearest to but not more than one-third shall retire from office by rotation. A retiring director shall be eligible for re-election. All the Executive Directors are full time and the Non-Executive Directors are considered to be part time but are expected to provide as much time to the Company as is required.

All letters of appointment of Directors are available for inspection at the Company's registered office during normal business hours. The Board elects a Chairman to chair every meeting.

All letters of appointment of Directors are available for inspection at the Company's registered office during normal business hours. The Board elects a Chairman to chair every meeting.

The Board holds formal meetings periodically as issues arise and require more details. The Directors are in contact and discuss all necessary issues on a regular basis and to ensure that the Non-Executive Directors while not involved in the day to day running of the Company are still kept up to date on a regular basis.

The Company has established Audit, Remuneration, and Nomination committees, particulars of which are set out in Principle Nine below.

The QCA recommends a balance between executive and non-executive Directors and recommends that there be two independent non-executives. The Board Charter provides for the disclosure of the names of Directors considered by the Board to be independent.

Mr Morzaria is a Board nominee of Cadence Minerals Plc (previously named Rare Earth Minerals Plc), which owns 26,860,756 CDIs in the Company. Mr Morzaria is also a director and chief executive of Cadence Minerals Plc. On this basis, Mr Morzaria is not an independent Non-executive Director. Mr Reeves is interested in CDIs, options and Class B Performance Shares, and on this basis is also not an independent Non-executive Director. However, the Board believes that both Mr Reeves and Morzaria are relevant qualified professionals and with an understanding of what is expected of a Non-Executive Director and discharge their duties as Non-Executive Directors in an effective and appropriate manner on behalf of shareholders as a whole.

Given the Company's present size and scope of the Company's operations, no efficiencies or benefits would be gained appointing a Senior Independent Director ("SID"). The Board intends to re-evaluate the requirement for a SID as the Company's operations increase in size and scale.

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The details of the directors are disclosed in the Annual Report and Company website, [www.europeanmet.com/directors-and-senior-management](http://www.europeanmet.com/directors-and-senior-management).

The Board Charter requires Directors to disclose their interest, positions, associations and relationships and requires that the independence of Directors is regularly assessed by the Board in light of the interests disclosed by Directors. Details of the Directors interests, positions associations and relationships are provided in the Annual Reports and Company website, [www.europeanmet.com/directors-and-senior-management](http://www.europeanmet.com/directors-and-senior-management).

The Board Charter provides for the determination of the Directors' terms and requires the length of service of each Director to be disclosed. The length of service of each Director is provided in the Annual Reports and Company website, [www.europeanmet.com/directors-and-senior-management](http://www.europeanmet.com/directors-and-senior-management). The Corporate Code of Conduct, which applies to the Company's directors, senior executives and employees. is in Schedule 2 of the Corporate Governance Plan which is on the Company's website, [www.europeanmet.com/corporate-governance](http://www.europeanmet.com/corporate-governance).

### PRINCIPLE SIX

#### *Appropriate Skills and Experience of the Directors*

The Company believes the current balance of skills in the Board as a whole, reflects a very broad range of commercial and professional skills across geographies and industries and each of the Director's has experience in public markets. An assessment of the Board's skills and expertise is also set out in the Corporate Governance Report included in the Company's Annual Report and Accounts, and which is available on the Company's website, <https://www.europeanmet.com/shareholdercentre-reports>.

The Board shall review annually the appropriateness and opportunity for continuing professional development whether formal or informal.

Profiles of the Directors are set out below:

#### **Mr David Reeves – Non-executive Chairman**

Mr Reeves is a qualified mining engineer with 25 years' experience globally. Mr Reeves holds a First Class Honours Degree in Mining Engineering from the University of New South Wales, a Graduate Diploma in Applied Finance and Investment from the Securities Institute of Australia and a First Class Mine Managers Certificate of Competency. Mr Reeves is the Managing Director of Calidus Resources Limited (ASX). Mr Reeves is currently a member of the Remuneration Committee, Audit and Risk Committee and Nomination Committee.

#### **Mr Keith Coughlan – Managing Director**

Mr Coughlan has almost 30 years' experience in stockbroking and funds management. He has been largely involved in the funding and promoting of resource companies listed on ASX, AIM and TSX. He has advised various companies on the identification and acquisition of resource projects and was previously employed by one of Australia's then largest funds management organizations. Mr Coughlan is currently Non-executive Director of Calidus Resources Limited (ASX), Doriemus Limited (ASX) and Southern Hemisphere Mining Limited (ASX). He previously held the position of Non-executive Chairman of Talga Resources Limited (ASX) from 17 September 2013 to 8 February 2017. Mr Coughlan is currently a member of the Audit and Risk Committee and Nomination Committee.

#### **Mr Richard Pavlik – Executive Director**

Mr Pavlik is the General Manager of Geomet s.r.o., the Company's wholly owned Czech subsidiary, and is a highly experienced Czech mining executive. Mr Pavlik holds a Masters Degree in Mining Engineer from the Technical University of Ostrava in Czech Republic. He is the former Chief Project Manager and Advisor to the Chief Executive Officer at OKD. OKD has been a major coal producer in the Czech Republic. He has almost 30 years of relevant industry experience in the Czech Republic. Mr Pavlik also has experience as a Project Analyst at Normandy Capital in Sydney as part of a postgraduate program from Swinburne University. Mr Pavlik has held previous senior positions within OKD and New World Resources as Chief Engineer, and as Head of Surveying and Geology. He has also served as the Head of the Supervisory Board of NWR Karbonia, a Polish subsidiary of New World Resources (UK) Limited. He has an intimate knowledge of mining in the Czech Republic

#### **Mr Kiran Morzaria – Non-executive Director**

Mr Morzaria has a Bachelor of Engineering (Industrial Geology) and an MBA (Finance). He has extensive experience in the mineral resource industry working in both operational and management roles. He spent the first four years of his career in exploration, mining and civil engineering before obtaining his MBA. Mr Morzaria has served as a director of a number of public companies in both an executive and non-executive capacity. Mr Morzaria is a Director and Chief Executive of Cadence



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Minerals plc (AIM) and a director of UK Oil & Gas plc (AIM). He was previously a Director of Bacanora Minerals plc (AIM). Mr Morzaria is currently a member of the Remuneration Committee and the Audit and Risk Committee.

The CFO is not currently a member of the Board, which the Company believes is acceptable given the current focus of the Company on preparation of a definitive feasibility on the Cinovec deposit. As the scale and complexity of the Group develops, the Board will consider any further appointments to the Board as appropriate. The Company's Chief Financial Officer, James Carter, is a CPA and Chartered Company Secretary with 20 years' international experience in the mining industry and he is currently the Chief Financial Officer (CFO) of Keras Resources Plc (AIM).

#### **PRINCIPLE SEVEN**

##### ***Evaluation of Board Performance***

The Board is responsible for evaluating the performance of the Board and individual directors on an annual basis. It may do so with the aid of an independent advisor. The process for this can be found in Schedule 6 of the Company's Corporate Governance Plan which requires the Board to disclose whether or not performance evaluations were conducted during the relevant reporting period.

Due to the size of the Board and the nature of the business, it has not been deemed necessary to institute a formal documented performance review program of individuals. However, the Chairman intends to conduct formal reviews each financial year whereby the performance of the Board as a whole and the individual contributions of each director are disclosed. The Board considers that at this stage of the Company's development an informal process is appropriate.

The review will assist to indicate if the Board's performance is appropriate and efficient with respect to the Board Charter.

The Board regularly reviews its skill base and whether it remains appropriate for the Company's operational, legal and financial requirements. New Directors are obliged to participate in the Company's induction process, which provides a comprehensive understanding of the Company, its objectives and the market in which the Company operates.

Directors are encouraged to avail themselves of resources required to fulfil the performance of their duties.

#### **PRINCIPLE EIGHT**

##### ***Corporate Culture***

The Corporate Code of Conduct applies to the Company's directors, senior executives and employees.

The purpose of the Corporate Code of Conduct is to provide a framework for decisions and actions in relation to ethical conduct in employment. It underpins the Company's commitment to integrity and fair dealing in its business affairs and to a duty of care to all employees, clients and stakeholders. The document sets out the principles covering appropriate conduct in a variety of contexts and outlines the minimum standard of behaviour expected from employees.

The directors consider that at present the Company has an open culture facilitating comprehensive dialogue and feedback and enabling positive and constructive challenge. The Company has adopted, with effect from the date on which its shares were admitted to AIM, a code for Directors' and employees' dealings in securities which is appropriate for a company whose securities are traded on AIM and is in accordance with the requirements of the Market Abuse Regulation which came into effect in 2016.

#### **PRINCIPLE NINE**

##### ***Maintenance of Governance Structures and Processes***

The QCA Code recommends that the Company maintains governance structures and processes in line with its culture and appropriate to its size and complexity.

Ultimate authority for all aspects of the Company's activities rests with the Board, the respective responsibilities of the Chairman and Chief Executive Officer arising as a consequence of delegation by the Board. The Board has adopted appropriate delegations of authority which set out matters which are reserved to the Board. The Chairman is responsible for the effectiveness of the Board, while management of the Company's business and primary contact with shareholders has been delegated by the Board to the Managing Director.

The Board has established the following committees.



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#### CORPORATE GOVERNANCE

##### *Audit and Risk Committee*

The Audit and Risk Committee was formed on 26 August 2015, with directors appointed as members of the Committee, being Mr Kiran Morzaria, Mr Reeves and Mr Coughlan. The role and responsibilities of the Audit and Risk Committee are outlined in Schedule 3 of the Company's Corporate Governance Plan available online on the Company's website, [www.europeanmet.com/corporate-governance](http://www.europeanmet.com/corporate-governance).

This committee has primary responsibility for monitoring the Financial Reporting function and internal controls in order to ensure that the financial performance of the Company is properly measured and reported. The committee receives the financial reports from the executive management and auditors relating to the interim and annual accounts and the accounting and internal control systems in use throughout the Company. The Audit Committee shall meet not less than twice in each financial year and it has unrestricted access to the Company's auditors.

##### *Remuneration Committee*

The Remuneration Committee was formed on 26 August 2015, with directors appointed as members of the Committee, being Mr Kiran Morzaria, Mr Reeves. The role and responsibilities of the Remuneration Committee are outlined in Schedule 3 of the Company's Corporate Governance Plan available online on the Company's website, [www.europeanmet.com/corporate-governance](http://www.europeanmet.com/corporate-governance).

The Remuneration Committee reviews the performance of the executive directors and employees and makes recommendations to the Board on matters relating to their remuneration and terms of employment. The Remuneration Committee also considers and approves the granting of share options pursuant to the share option plan and the award of shares in lieu of bonuses pursuant to the Company's Remuneration Policy.

##### *Nominations Committee*

The Nominations Committee was formed on 26 August 2015, with directors appointed as members of the Committee, being Mr Reeves and Mr Coughlan. The role and responsibilities of the Nominations Committee are outlined in Schedule 3 of the Company's Corporate Governance Plan available online on the Company's website, [www.europeanmet.com/corporate-governance](http://www.europeanmet.com/corporate-governance).

#### **PRINCIPLE TEN**

##### ***Shareholder Communication***

The Board is committed to maintaining good communication and having constructive dialogue with its shareholders. The Company has close ongoing relationships with its private shareholders. Institutional shareholders and analysts have the opportunity to discuss issues and provide feedback at meetings with the Company. In addition, all shareholders are encouraged to attend the Company's Annual General Meeting.

Investors also have access to current information on the Company through its website, [www.europeanmet.com](http://www.europeanmet.com), and via Keith Coughlan, Managing Director, who is available to answer investor relations enquiries.

The Company shall include, when relevant, in its annual report, any matters of note arising from the audit or remuneration committees.

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### ADDITIONAL INFORMATION

The following additional information is required by the Australian Securities Exchange Ltd in respect of listed public companies only.

#### 1 Shareholding as at 18 September 2019

##### (a) Distribution of Shareholders

Category (size of holding)	Number of Shareholders
1 – 1,000	104
1,001 – 5,000	234
5,001 – 10,000	155
10,001 – 100,000	280
100,001 – and over	127
	900

(b) The number of shareholdings held in less than marketable parcels is 159.

##### (c) Voting Rights

The voting rights attached to each class of equity security are as follows:

146,642,227 CDIs

- Each CDI is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

##### (d) 20 Largest Shareholders — CDIs as at 18 September 2019

Rank	Shareholder	Number of CDIs	% Held
1.	J P Morgan Nominees Australia Pty Limited	22,472,298	14.90
2.	Citicorp Nominees Pty Limited	17,034,002	11.30
3.	Armco Barriers Pty Ltd	13,000,000	8.62
4.	Inswinger Holdings Pty Ltd	8,500,000	5.64
5.	Jim Nominees Limited <Jarvis>	5,675,013	3.76
6.	Mrs Eleanor Jean Reeves <Elanwi A/C>	3,720,244	2.47
7.	Barclays Direct Investing Nominees Limited <Client1>	3,332,013	2.21
8.	Vidacos Nominees Limited <Clrlux>	3,258,471	2.16
9.	Hargreaves Lansdown (Nominees) Limited <15942>	2,807,235	1.86
10.	Hargreaves Lansdown (Nominees) Limited <Vra>	2,623,713	1.74
11.	Lawshare Nominees Limited <Sipp>	2,375,411	1.58
12.	Interactive Investor Services Nominees Limited <Smktisas>	2,372,818	1.57
13.	Hsdl Nominees Limited	1,993,312	1.32
14.	Hsbc Global Custody Nominee (Uk) Limited <777329>	1,910,000	1.27
15.	Mr Neil Thacker Maclachlan	1,707,483	1.13
16.	Cgwl Nominees Limited	1,703,433	1.13
17.	Share Nominees Ltd	1,553,785	1.03
18.	Interactive Investor Services Nominees Limited <Smktnoms>	1,529,579	1.01
19.	Hsdl Nominees Limited <Maxi>	1,401,481	0.93
20.	Lichter Services Pty Ltd <Lichter Family S/F A/C>	1,388,000	0.92
<b>Total Top 20 Shareholders</b>		<b>100,358,291</b>	<b>66.55</b>

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#### ADDITIONAL INFORMATION

- 2** The name of the Company Secretary is Ms Julia Beckett.
- 3** The address of the principal registered office in Australia is Suite 12, Level 1, 11 Ventnor Avenue, West Perth WA 6005. Telephone +61 8 6245 2050.
- 4** **Registers of securities are held at the following addresses**  
Computershare Investor Services Limited  
Level 11  
172 St Georges Terrace  
Perth, Western Australia 6000
- 5** **Securities Exchange Listing**  
Quotation has been granted for all the CDIs of the Company on all Member Exchanges of the Australian Securities Exchange Limited.
- 6** **Unquoted Securities**  
A total of 4,450,000 options over unissued CDIs are on issue.  
A total of 5,000,000 A Class Performance Shares  
A total of 5,000,000 B Class Performance Shares
- 7** **Use of Funds**  
The Company has used its funds in accordance with its initial business objectives.

#### TENEMENT SCHEDULE

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