



EUROPEAN METALS

EUROPEAN METALS HOLDINGS LIMITED

ARBN 154 618 989

INTERIM FINANCIAL REPORT

31 DECEMBER 2019

Note: The information contained in this condensed report is to be read in conjunction with European Metals Holding Limited's 2019 annual report and any announcements made by the company during the half-year period ended 31 December 2019

European Metals Holdings Limited
ARBN 154 618 989
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CORPORATE DIRECTORY

Directors

Mr David Reeves	Non-Executive Chairman
Mr Keith Coughlan	Managing Director, CEO
Mr Richard Pavlik	Executive Director
Mr Kiran Morzaria	Non-Executive Director

Company Secretary

Ms Julia Beckett

Registered Office in Australia

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Facsimile: +61 8 6245 2055
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Road Town
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BRITISH VIRGIN ISLANDS

Share Register

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Telephone: +61 8 9323 2000
Facsimile: +61 8 9323 2033

Auditor

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

Securities Exchange Listing – Australia

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

ASX Code: EMH

Registered Office in Czech Republic

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LONDON EC2A 4EB
UNITED KINGDOM

Joint Broker

Shard Capital Partners LLP
23rd Floor, 20 Fenchurch Street
LONDON EC3M 3BY
UNITED KINGDOM

UK Depository

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The Pavilions
Bridgewater Road
BRISTOL BS99 6ZZ
UNITED KINGDOM

Reporting Accountants (UK)

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2 Chapel Court
LONDON SE1 1HH
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Securities Exchange Listing – United Kingdom

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10 Paternoster Square
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AIM Code: EMH

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DIRECTORS' REPORT

Your Directors submit the financial report of the consolidated group for the half year ended 31 December 2019.

Directors

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

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

Results of Operations

The consolidated loss for the half year ended 31 December 2019 amounted to \$1,591,389 (2018: \$2,188,030 loss).

Review of Operations

During the period the Company focused on continued progress in the development of the globally significant Cinovec Lithium/Tin Project in Czech Republic ("the project" or "Cinovec"). The most significant step in the ongoing development of the Cinovec Project is the potential partnership with CEZ Group, one of Europe's largest power utilities. This potential partnership was announced early in the period and has been the primary focus of the Company since then.

CEZ holds an option to acquire 51% of the Cinovec Project under the terms announced (a summary of which follows). This option expires on 31 March 2020 and the Company is confident that CEZ will proceed with the transaction and become an integral part of the development of Cinovec in the future.

Headquartered in the Czech Republic, CEZ is an established, integrated energy group with operations in a number of Central and Southeastern European countries and Turkey. CEZ's core business is the generation, distribution, trade in, and sales of electricity and heat, trade in and sales of natural gas, and coal extraction. CEZ Group has 31,400 employees and annual revenue of approximately AUD 12 billion. The largest shareholder of its parent company, CEZ a. s., is the Ministry of Finance of the Czech Republic with a stake of approximately 70%. The shares of CEZ a.s. are traded on the Prague and Warsaw stock exchanges and included in the PX and WIGCEE exchange indices. As one of the leading Central European power companies, CEZ intends to develop energy storage projects in the Czech Republic and in Central Europe which include energy storage and charging infrastructure and electricity supply, for users of electric vehicles.

Summary of the terms of the Agreement

- Pursuant to the Exclusivity and Framework Agreement, CEZ has the option to subscribe through SDAS for such number of Geomet Shares as will result in SDAS holding Geomet Shares comprising fifty-one per cent (51%) of the ownership interests and voting rights in Geomet, attached with the right to receive fifty-one per cent (51%) of dividends, liquidation balance and other proceeds payable by Geomet to Geomet Shareholders following completion of the Subscription.
- The amount to be paid by CEZ to Geomet under the option is in total approximately €34.06m, equivalent (at the time of signing) to approximately £29.15m and AUD55.25m. This compares to EMH's market valuation (at the time of signing) of approximately £32.88m (€38.42m; AUD62.32m). The amounts in GBP and AUD included above have been calculated using an average exchange rate for EUR/GBP and EUR/AUD respectively as at 18 November 2019.
- Completion of the Proposed Subscription is conditional, inter alia, on the satisfaction of the following conditions:
 - (i) completion of due diligence in respect of the Company and the Cinovec Project to the satisfaction of CEZ at its sole discretion;
 - (ii) the passing of the Ordinary Resolution at the Annual General Meeting and delivery of a certified copy of the Ordinary Resolution to CEZ, which was approved by EMH Shareholders on 23 December 2019;
 - (iii) agreement of the initial work programme and budget for Geomet; and
 - (iv) CEZ and EMH agreeing the identity of the Chief Executive Officer, the Chief Operating Officer and the statutory auditor of Geomet to be appointed with effect from completion.
- The Company has agreed to provide CEZ with a period of exclusivity under the Exclusivity and Framework Agreement, with certain break fees payable by the Company if it does not proceed with the Proposed Subscription. In particular, the Company and Geomet have undertaken until 31 March 2020 not to conduct discussions or negotiations or enter into any agreement or arrangement with any person or entity other than CEZ or SDAS in respect of an acquisition of an interest over

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or in, and/or establishment of a joint venture, partnership or other cooperation in connection with, the Cinovec Project and/or Geomet, by any means.

- The Company and CEZ have also agreed the form of Geomet Shareholders' Agreement which sets out their rights and obligations as shareholders in Geomet should CEZ exercise the option. The Geomet Shareholders' Agreement includes certain minority shareholder protections with a number of reserved matters which require the approval of both CEZ and EMH, together with deadlock provisions in the event that on completion of the proposed work programme, the parties disagree on a construction decision.

PROJECT DEVELOPMENT

Extension of Cinovec Exploration Licence

On 5 August 2019, the Company announced the granting of an extension to the Cinovec Exploration Licence that covers the two granted Preliminary Mining Permits ("PMP's").

The granted PMP's convey the sole and exclusive rights upon the Company to apply for a Final Mining Permit, however do not allow for further drilling. As the Company wishes to conduct further metallurgical testing and measured resource drilling, the extension to the exploration license that was due to expire in July 2019 was sought. The licence has now been extended until 31 December 2020.

CAPITAL RAISING:

In August 2019, the Company announced the successful raising of GBP 750,000 via a share placing ("**Placing**") to UK investors.

The use of proceeds was to continue to advance the Company's strategy including:

- To progress the development of the Cinovec Project;
- Progress discussions with CEZ Group; and
- Progress discussions with potential off take and strategic partners.

Post half year-end:

A further placing in January 2020 raised approximately GBP 350,000

The use of proceeds will be used to continue to advance the Company's strategy including:

- To progress the development of the Cinovec Project; and
- Finalise the proposed investment by CEZ Group.

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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 II	Cinovec South	100%	N/A	100%
Extension Under Application	Cinovec I	Cinovec East	100%	N/A	100%

Significant events after the reporting date

400,000 of unlisted options issued to Richard Pavlik expired on 3 January 2020.

On 10 January 2020, the Company announced that it had raised gross proceeds of £350,500 (approximately AUD \$670,000 (before costs)) via a share placing to UK investors. The raising was completed on 29 January 2020 through an issue of 2,295,080 CDIs at a price of 15.25 pence per share.

On 30 January 2020, the Company announced a total of 1,400,000 CDIs have been forfeited by previous executive members of the Company following their resignations. The CDIs that were issued to the previous executive members under the Employee Securities Incentive Plan was announced on 6 June 2018.

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

Auditor's Independence Declaration

The auditor's independence declaration for the half year ended 31 December 2019 has been received and can be found on page 6 of the financial report.

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



Keith Coughlan
MANAGING DIRECTOR

13 March 2020

13 March 2020

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

Dear Sirs

RE: EUROPEAN METALS HOLDINGS LIMITED

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

As Audit Director for the review of the financial statements of European Metals Holdings Limited for the six months ended 31 December 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours faithfully

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



Samir Tirodkar
Director

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2019

	Note	31 Dec 2019 \$	31 Dec 2018 \$
Revenue – Interest income		8	1,296
Other income		57,072	-
Professional fees		(1,032,942)	(565,398)
Audit and compliance fees		(22,925)	(18,295)
Advertising and promotion		(78,304)	(45,667)
Share based payment expense	7	(45,230)	(909,898)
Depreciation		(676)	(1,089)
Employee benefits		(208,611)	(341,191)
Travel and accommodation		(79,413)	(104,582)
Share registry fees		(60,606)	(57,129)
Insurance		(10,785)	(8,134)
Rent and utilities		(18,825)	(35,658)
Directors Fees		(30,000)	(30,000)
Foreign gain/loss		9,650	-
Other administration expenses		(18,608)	(13,595)
Loss before income tax		(1,540,195)	(2,129,340)
Income tax expense		(51,194)	(58,690)
Loss for the period		(1,591,389)	(2,188,030)
Other comprehensive income			
Items that will not be reclassified to profit or loss		-	-
Items that may be reclassified subsequently to profit or loss			
- Exchange differences on translating foreign operations		(126,507)	334,069
Other comprehensive income/(loss) for the period, net of tax		(126,507)	334,069
Total comprehensive loss for the period		(1,717,896)	(1,853,961)
Net Loss attributable to:			
members of the parent entity		(1,591,389)	(2,188,030)
		(1,591,389)	(2,188,030)
Total Comprehensive loss attributable to:			
members of the parent entity		(1,717,896)	(1,853,961)
		(1,717,896)	(1,853,961)
Basic and diluted loss per CDI	3	(0.01)	(0.02)

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

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note	31 Dec 2019 \$	30 June 2019 \$
CURRENT ASSETS			
Cash and cash equivalents		81,623	426,178
Trade and other receivables		62,514	92,180
Other assets		46,033	23,587
TOTAL CURRENT ASSETS		<u>190,170</u>	<u>541,945</u>
NON-CURRENT ASSETS			
Property, plant and equipment		379,456	385,158
Exploration and evaluation expenditure	4	11,680,927	11,684,072
TOTAL NON-CURRENT ASSETS		<u>12,060,383</u>	<u>12,069,230</u>
TOTAL ASSETS		<u>12,250,553</u>	<u>12,611,175</u>
CURRENT LIABILITIES			
Trade and other payables		201,030	128,977
Provisions – employee entitlements		23,133	23,133
TOTAL CURRENT LIABILITIES		<u>224,163</u>	<u>152,110</u>
TOTAL LIABILITIES		<u>224,163</u>	<u>152,110</u>
NET ASSETS		<u>12,026,390</u>	<u>12,459,065</u>
EQUITY			
Issued capital	5	23,314,305	22,074,314
Reserves	6	6,717,569	6,798,846
Accumulated losses		(18,005,484)	(16,414,095)
TOTAL EQUITY		<u>12,026,390</u>	<u>12,459,065</u>

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

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2019

	Issued Capital	Options, warrants, loan CDIs and performance shares Reserves	Foreign Currency Translation Reserve	Accumulated Losses	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2018	20,413,074	4,303,819	843,485	(13,161,280)	12,399,098
Loss attributable to members of the Company	-	-	-	(2,188,030)	(2,188,030)
Other comprehensive income		-	334,069	-	334,069
Total comprehensive income/(loss) for the period	-	-	334,069	(2,188,030)	(1,853,961)
Transactions with owners, recognised directly in equity					
Shares issued during the period, net of costs	1,665,980	28,672	-	-	1,694,652
Equity based payments	-	909,898	-	-	909,898
Balance at 31 December 2018	22,079,054	5,242,389	1,177,554	(15,349,310)	13,149,687
Balance at 1 July 2019	22,074,314	5,511,581	1,287,265	(16,414,095)	12,459,065
Loss attributable to members of the Company	-	-	-	(1,591,389)	(1,591,389)
Other comprehensive loss		-	(126,507)	-	(126,507)
Total comprehensive income/(loss) for the period	-	-	(126,507)	(1,591,389)	(1,717,896)
Transactions with owners, recognised directly in equity					
Shares issued during the period, net of costs	1,239,991	-	-	-	1,239,991
Equity based payment	-	45,230	-	-	45,230
Balance at 31 December 2019	23,314,305	5,556,811	1,160,758	(18,005,484)	12,026,390

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

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CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2019

	31 Dec 2019	31 Dec 2018
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(1,517,223)	(1,123,926)
Interest received	8	1,296
Grant received	42,166	-
Net cash used in operating activities	<u>(1,475,049)</u>	<u>(1,122,630)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for exploration and evaluation expenditure	(119,147)	(798,087)
Payments for property, plant and equipment	-	-
Net cash used in investing activities	<u>(119,147)</u>	<u>(798,087)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of CDIs	1,349,830	1,817,303
Proceeds from related party	-	-
Repayment of related party	-	-
Capital raising costs	(109,839)	(122,651)
Net cash from financing activities	<u>1,239,991</u>	<u>1,694,652</u>
Net decrease in cash and cash equivalents	(354,205)	(226,065)
Cash and cash equivalents at the beginning of the financial period	426,178	2,223,109
Foreign currency translation	9,650	9,583
Cash and cash equivalents at the end of financial period	<u><u>81,623</u></u>	<u><u>2,006,627</u></u>

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

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CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2019

NOTE 1: BASIS OF PREPARATION

Statement of compliance

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

Basis of preparation

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

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Group's 2019 annual financial report for the financial year ended 30 June 2019, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

This report was authorised on 13 March 2020.

Going concern

As per the interim financial statements, the consolidated financial statements have been prepared on the going concern basis. At 31 December 2019, the Group had cash and cash equivalents of \$81,623 and incurred a loss after income tax of \$1,591,389.

The ability of the Group to continue as a going concern and meet its planned exploration, administration and other commitments is dependent upon the Group raising further working capital and/or successfully exploiting its mineral assets. In the event that the Group is not successful in raising further equity or successfully exploiting its mineral assets, the Group may not be able to meet its liabilities as and when they fall due and the realisable value of the Group's current and non-current assets may be significantly less than book values.

Changes in accounting policies, accounting standards and interpretations

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2019. All applicable new standards and interpretations effective since 1 January 2019 have been adopted. There was no significant impact on the Group.

Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below.

Share-based payments

The value attributed to share options, warrants, performance shares, loan CDIs and remuneration shares issued is an estimate calculated using where an applicable mathematical formula based on Black-Scholes option pricing model. The choice of models and the resultant values require assumptions to be made in relation to the likelihood and timing of the conversion of the options, warrants, performance shares, loan CDIs to shares and the value and volatility of the price of the underlying shares. Details of share-based payments assumptions are detailed in Note 7.

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Exploration Assets

Application of New and Revised Accounting Standards

The Group has considered the implications of new or amended Accounting Standards which have become applicable for the current financial reporting period and the group had to change its accounting policies as a result of adopting the following standard:

Initial Application of AASB 16: Leases

The Group has assessed that there are no lease agreements that require the recognition of a right-of-use asset or lease liability in the statement of financial position at the reporting date. Lease agreements currently entered into by the Group are less than 12 months. The Board have assessed that at this point, the leases will not be renew and applied the exemption of short-term leases of AASB 16 para 5.

The Group as lessee

At inception of a contract, the Group assesses if the contract contains a lease or is a lease. If there is a lease present, a right-of-use asset and a corresponding lease liability are recognised by the Group where the Group is a lessee. However, all contracts that are classified as short-term leases (i.e. a lease with a remaining lease term of 12 months or less) and leases of low-value assets are recognised as an operating expenses on a straight-line basis over the term of the lease.

Initially the lease liability is measured at the present value of the lease payments still to be paid at the commencement date. The lease payments are discounted at the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses the incremental borrowing rate.

Lease payments included in the measurement of the lease liability are as follows:

- fixed lease payments less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options;
- lease payments under extension options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, any lease payments made at or before the commencement date and any initial direct costs. The subsequent measurement of the right-of-use assets is at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the lease term or useful life of the underlying asset, whichever is the shortest.

Where a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group anticipates to exercise a purchase option, the specific asset is depreciated over the useful life of the underlying asset.

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CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 2: OPERATING SEGMENTS

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

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

The Group currently has one project which takes into account each of the above-mentioned aspects. The principal activities for the project are exploration of lithium, tin, tungsten and other commodities, and the development of the existing resources. The project is likely to use the same resources in future and the nature of the regulatory environment is the Czech Republic. This is expected to be the same for future projects. Accordingly, management has identified one operating segment based on the location of the projects, that being the Czech Republic.

NOTE 3: LOSS PER CDI

	31 Dec 2019	31 Dec 2018
Basic and diluted loss per CDI	(\$0.01)	(\$0.02)
Loss attributable to members of European Metals Holdings Limited	(1,591,389)	(\$2,188,030)
Weighted average number of CDIs outstanding during the period	149,472,842	142,618,409

NOTE 4: EXPLORATION AND EVALUATION EXPENDITURE

	31 Dec 2019	30 June 2019
	\$	\$
Exploration at cost		
Balance at the beginning of the year	11,684,072	10,169,177
Exploration of tenements	117,418	1,086,353
Impairment of exploration assets	-	-
Foreign exchange movement	(120,563)	428,542
	<u>11,680,927</u>	<u>11,684,072</u>

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CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 5: ISSUED CAPITAL

	<u>Number</u>	<u>\$</u>
(a) Issued and paid up capital		
150,808,893 (30 June 2019: 146,642,227 CDIs)	150,808,893	23,314,305
Total issued capital		<u><u>23,314,305</u></u>

(b) Movements in CDIs

	<u>Date</u>	<u>Number</u>	<u>\$</u>
Balance at the beginning of the year	1 July 2018	141,464,727	20,413,074
CDI capital raising @ \$0.3510 per CDI	20 November 2018	5,177,500	1,817,303
Capital raising cost		-	(156,063)
Balance at the end of the year	30 June 2019	146,642,227	22,074,314

	<u>Date</u>	<u>Number</u>	<u>\$</u>
Balance at the beginning of the period	1 July 2019	146,642,227	22,074,314
CDI capital raising @ \$0.324 per CDI	29 August 2019	4,166,666	1,349,830
Capital raising cost		-	(109,839)
Balance at the end of the period	31 December 2019	150,808,893	23,314,305

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.

NOTE 6: RESERVES

	31 Dec 2019	30 June 2019
	\$	\$
Option and Warrant Reserve	642,700	597,470
Performance Shares Reserve	3,471,444	3,471,444
CDIs Reserve	1,442,667	1,442,667
Foreign Currency Translation Reserve	1,160,758	1,287,265
Total Reserves	<u><u>6,717,569</u></u>	<u><u>6,798,846</u></u>

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CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(a) Option and Warrant Reserve	31 Dec 2019	30 June 2019
	\$	\$
Balance at the beginning of the financial year	597,470	474,743
Equity based payment expense	45,230	94,055
Equity based payment as capital raising cost	-	28,672
Balance at the end of the financial period	<u>642,700</u>	<u>597,470</u>

At 31 December 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 consultants on 12 July 2019.
- 100,000 unlisted options exercisable at 40.18 cents on or before 1 June 2021 were issued to consultants on 12 July 2019.
- 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 on 22 November 2018 and yet to be issued at the date of the report.
- 100,000 unlisted options exercisable at 31.10 cents on or before 1 December 2021 were issued to consultants during the period. \$15,428 has been included in share based expenses during the period.

(b) Performance Shares

	Date	Number	\$
Balance at the beginning of the year	1 July 2018	5,000,000	2,671,444
Performance Shares issued (Class A)	18 December 2018	5,000,000	800,000
Balance at the end of the year period	30 June 2019	10,000,000	3,471,444
Balance at the beginning of the period	1 July 2019	10,000,000	3,471,444
Performance Shares Class B lapsed	24 November 2019	(5,000,000)	-
Balance at the end of the period (Class A)	31 December 2019	5,000,000	3,471,444

No performance shares (30 June 2019: 5,000,000 Class A) were issued during the period.

The terms of the Performance Shares are as follows:

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

- 1,000,000 Class 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);**

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(b) Performance Shares (continued)

- (ii) 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 A Class Performance Shares shall convert into the number of Shares and equivalent number of CDIs equal to 1,000,000 multiplied by 0.5 and divided by the greater of: (A) \$0.50 per CDI; and (B) the volume weighted average price of CDIs (expressed as a decimal of \$1.00) as calculated over the 5 ASX trading days prior to the date the final preliminary mining license is issued; and
- (iii) 3,000,000 A Class Performance Shares will convert into Shares and an equivalent number of CDIs upon the completing of a definitive feasibility study (DFS). For clarity, the DFS must be: (i) of a standard suitable to be submitted to a financial institution as the basis for lending of funds for the development and operation of mining activities contemplated in the study; (ii) capable of supporting a decision to mine on the Permits; and (iii) completed to an accuracy of +/- 15% with respect to operating and capital costs and display a pre-tax net present value of not less than US\$250,000,000. The A Class Performance Shares shall convert into the number of Shares and equivalent number of CDIs equal to 3,000,000 multiplied by 0.5 and divided by the greater of: (A) \$0.50 per CDI; and (B) the volume weighted average price of CDIs (expressed as a decimal of \$1.00) as calculated over the 5 ASX trading days prior to date of receipt of the completed DFS. For avoidance of doubt, the number of Shares and equivalent number of CDIs which will be issued on conversion of the A Class Performance Shares will not exceed a ratio of 1 for 1.

(d) Loan CDIs Reserve

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

	31 Dec 2019	30 June 2019
	\$	\$
Balance at the beginning of the financial year	1,442,667	1,157,632
Loan CDIs issued to employees - equity based expense	-	285,035
Balance at the end of the period	1,442,667	1,442,667

As at 31 December 2019, total CDIs issued was 3,150,000 (30 June 2019: 3,150,000). Subsequent to reporting date, the Company announced a total of 1,400,000 CDIs have been forfeited due to resignations of executive members. The CDIs were issued to the previous executive members under the Employee Securities Incentive Plan on 6 June 2018.

Employee securities incentive plan

An Employee Securities Incentive Plan were approved for the Directors and employees on 14 December 2017 and 6 June 2018 respectively 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.

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(d) Loan CDIs Reserve (Continued)

Employee securities incentive plan (continued)

Repayment date

- i. 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.
- ii. 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

- iii. 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
- iv. 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.

(d) Foreign Currency Translation Reserve

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

	31 December 2019	30 June 2019
	\$	\$
Balance at the beginning of the financial year	1,287,265	843,485
Movement during the period	(126,507)	443,780
Balance at the end of the period	<u>1,160,758</u>	<u>1,287,265</u>

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NOTE 7: SHARE BASED PAYMENT EXPENSE

	Number	Weighted Average Exercise Price
Options Outstanding as at 1 July 2018	4,150,000	\$0.206
Warrants granted during the period	28,672	\$0.315
Options granted during the period	388,203	\$0.264
Options outstanding as at 30 June 2019	4,566,875	\$0.219
Options Outstanding as at 1 July 2019	4,566,875	\$0.219
Options granted during the period (i)	100,000	\$0.311
Options and warrants outstanding as at 31 December 2019	4,666,875	\$0.221

The following option and warrant share-based payment arrangements existed as at 31 December 2019:

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 31 December 2019.

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. \$29,802 was expensed as share-based payment during the period.

On 12 July 2019, 200,000 unlisted options exercisable at 35 cents on or before 1 January 2021 were issued to consultant. The share-based expense of \$23,136 was fully recognised in the profit or loss as at 30 June 2019.

On 12 July 2019, 100,000 unlisted options exercisable at 40.18 cents on or before 1 June 2021 were issued to consultant. The share-based expense of \$11,802 was fully recognised in the profit or loss as at 30 June 2019.

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.

(i) On 10 December 2019, 100,000 unlisted options exercisable at 31.11 cents on or before 1 December 2021 were issued to consultants during the period. The options were valued under the Black and Scholes at \$15,428 with the share based payment recognised as share based payment expense. The key inputs to the models used were as follows.

Grant date	2 January 2019	Expected life of options (years)	3 Years
Dividend yield (%)	Nil	Underlying share price (\$)	\$0.27
Expected volatility (%)	97.5%	Option exercise price (\$)	\$0.311
Risk-free interest rate (%)	0.92%	Value of option (\$)	\$0.1543

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NOTE 7: SHARE BASED PAYMENT EXPENSE

The following share-based payment arrangements existed as at 31 December 2019:

Grant Date	Number	\$
18 December 2018 – Class A Performance Shares (related Parties)	1,057,301	169,168
18 December 2018 – Class A Performance Shares (non-related parties)	3,942,699	630,832
Total	5,000,000	800,000

No additional performance shares were issued during the period.

Fair value of Loan CDIs in existence at 31 December 2019

The fair value of the 3,150,000 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. Loan CDIs share-based payment has been fully expensed as at 31 December 2019.

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
Total value	\$592,245	\$209,028	\$209,028	\$139,352

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NOTE 7: SHARE BASED PAYMENT EXPENSE (CONTINUED)

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

Loan CDIs	Tranche 1	Tranche 2 ¹	Tranche 3 ²	Tranche 4 ³	Tranche 5 ⁵
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
Total value	\$146,507	\$66,594	\$66,594	\$53,275	\$66,594

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

Subsequent to reporting date, the Company announced a total of 1,400,000 CDIs have been forfeited due to resignations of executive members. The CDIs were issued to the previous executive members under the Employee Securities Incentive Plan on 6 June 2018.

NOTE 8: RELATED PARTY TRANSACTIONS

The related party transactions of the half-year financial report are consistent with those adopted and disclosed in the Company's 2019 annual financial report for the financial year ended 30 June 2019.

NOTE 9: CONTINGENT LIABILITIES AND COMMITMENTS

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

NOTE 10: EVENTS SUBSEQUENT TO REPORTING DATE

400,000 of unlisted options issued to Richard Pavlik expired on 3 January 2020.

On 10 January 2020, the Company announced that it had raised gross proceeds of £350,500 (approximately AUD \$670,000 (before costs)) via a share placing to UK investors. The raising was completed on 29 January 2020 through an issue of 2,295,080 CDIs at a price of 15.25 pence per share.

On 30 January 2020, the Company announced a total of 1,400,000 CDIs have been forfeited by previous executive members of the Company following their resignations. The CDIs that were issued to the previous executive members under the Employee Securities Incentive Plan was announced on 6 June 2018.

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

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DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. The financial statements and notes set out on pages 7 to 20:
 - (a) comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Act 2001, and
 - (b) give a true and fair view of the Consolidated entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date.
2. In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



Keith Coughlan
MANAGING DIRECTOR

13 March 2020

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of European Metals Holdings Limited, which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the half-year ended on that date, condensed notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for European Metals Holdings Limited (the consolidated entity). The consolidated entity comprises both European Metals Holdings Limited (the Company) and the entities it controlled during the half year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of European Metals Holdings Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Whilst we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by the directors or management.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, has been provided to the directors of European Metals Holdings Limited on 13 March 2020.

Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

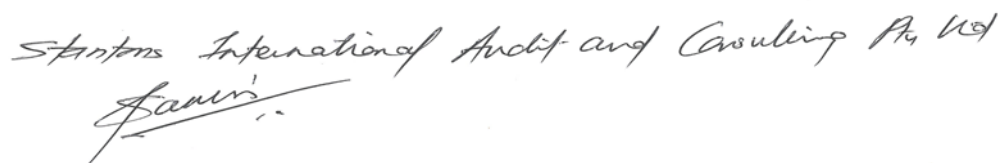
Material Uncertainty Regarding Going Concern

Without modifying our conclusion expressed above, attention is drawn to the following matter.

As referred to in Note 1 to the financial statements, the consolidated financial statements have been prepared on the going concern basis. At 31 December 2019, the Group had cash and cash equivalents of \$81,623 and incurred a loss after income tax of \$1,591,389.

The ability of the Group to continue as a going concern and meet its planned exploration, administration and other commitments is dependent upon the Group raising further working capital and/or successfully exploiting its mineral assets. In the event that the Group is not successful in raising further equity or successfully exploiting its mineral assets, the Group may not be able to meet its liabilities as and when they fall due and the realisable value of the Group's current and non-current assets may be significantly less than book values.

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

A handwritten signature in black ink, appearing to read 'Samir', is written over a faint, larger handwritten signature that reads 'Stantons International Audit and Consulting Pty Ltd'.

Samir R Tiroadkar
Director

West Perth, Western Australia
13 March 2020