



EUROPEAN METALS

EUROPEAN METALS HOLDINGS LIMITED
ARBN 154 618 989

**ANNUAL REPORT
30 JUNE 2020**

EUROPEAN METALS HOLDINGS LIMITED

ABRN 154 618 989

ANNUAL REPORT 30 JUNE 2020

CORPORATE DIRECTORY

Directors

Mr Keith Coughlan
Mr Richard Pavlik
Mr Kiran Morzaria

Executive Chairman
Executive Director
Non-Executive Director

Company Secretary

Ms Julia Beckett

Registered Office in Australia

Suite 12, Level 1
11 Ventnor Avenue
WEST PERTH WA 6005
Telephone 08 6245 2050
Facsimile 08 6245 2055
Email www.europeanmet.com

Nominated Advisor & Broker

Beaumont Cornish Limited
Building 3
566 Chiswick High Road
LONDON W4 3YA
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

EUROPEAN METALS HOLDINGS LIMITED

ABRN 154 618 989

ANNUAL REPORT 30 JUNE 2020

CONTENTS

Chairman's Letter Report	3
Project Review	5
Directors' Report	8
Remuneration Report	13
Auditor's Independence Declaration	22
Consolidated Statement of Profit or Loss and Other Comprehensive Income	23
Consolidated Statement of Financial Position	24
Consolidated Statement of Changes in Equity	25
Consolidated Statement of Cash Flows	26
Notes to the Consolidated Financial Statements	27
Directors' Declaration	59
Independent Audit Report to the members of European Metals Holdings Limited	60
Corporate Governance Statements	64
Additional Information	78
Tenement Schedule	79

EUROPEAN METALS HOLDINGS LIMITED

ABRN 154 618 989

ANNUAL REPORT 30 JUNE 2020

CHAIRMAN'S LETTER

Dear Shareholders

Welcome to the 2020 Annual Report for European Metals Holdings limited ("European Metals" or "the Company").

On behalf of the Board of Directors, I am pleased to report to you on what has been another busy and transformational year for your Company. Our strategy is to become a Czech based lithium and tin producer and we have made significant advances through the year towards making that aim a reality.

The Project has been significantly de-risked and at the time of this report is moving rapidly towards a final investment decision.

The year was marked primarily by the completion of an agreement with CEZ a.s., the Czech national power utility, by which CEZ became a 51% shareholder of the Project Company, Geomet and injected approximately EUR 29 million into the Project. This agreement not only provides all necessary funding to move the Project to final investment decision, it also provides strong business and management support within 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 33,000 employees and annual revenue of approximately EUR 7.24 billion. The largest shareholder of its parent company, CEZ a.s., is the Czech Republic government with a stake of approximately 70%. The shares of CEZ a.s. are traded on the Prague and Warsaw stock exchanges and included in the PX and WIG-CEE exchange indices. CEZ's market capitalization is approximately EUR 9 billion. As one of the leading Central European power companies, CEZ intends to develop several projects in areas of energy storage and battery manufacturing in the Czech Republic and in Central Europe. CEZ is also a market leader for E-mobility in the region and has installed and operates a network of EV charging stations throughout Czech Republic. The automotive industry in Czech is a significant contributor to GDP and the number of EV's in the country is expected to grow significantly in coming years.

In addition to the partnership with CEZ, the Company announced post balance date, a partnership agreement with EIT InnoEnergy, a European Union body that is the principal facilitator and organiser of the European Battery Alliance (EBA). The EBA was initiated by the European Commission to create a competitive and sustainable battery cell manufacturing value chain in Europe.

The purpose of the partnership agreement with EIT InnoEnergy is to facilitate the accelerated construction financing and ultimate commercialisation of Cinovec. This will be achieved through assistance in the sourcing of construction finance, grant funding, and offtake introductions and negotiations.

There has been significant recent commitment within the EU to building a sustainable European Battery industry and Electric Vehicle industry. In July, the EU approved a Green Stimulus Package of in excess of EUR 500 billion to address climate change and ensure a green energy future. This, coupled with a growing global desire to develop local supply chains, has focused attention on European based projects involved in the battery metals supply chain. Cinovec is set to benefit significantly from these developments.

Global lithium prices continue to be depressed, largely due to the recent upheaval in the spodumene concentrate market. We believe that this upheaval, combined with the macro factors outlined above strongly supports our strategy of becoming an integrated producer of lithium hydroxide and/or lithium carbonate 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. We see a strong recovery in lithium prices.

The deposit is uniquely located, being in the centre of the Czech and European car industry and proximal to a large number of new and planned battery factories. Europe has recently overtaken China as the largest producer of Electric Vehicles globally and the EC has released an action plan on critical raw materials to ensure a more secure and sustainable supply.

The Project Company recently appointed SMS group, a German based world leading engineering firm as the lead engineer for the minerals processing and lithium battery-grade chemicals production at Cinovec. This marks the beginning of the formal Front-End Engineering Design study as the major component of the ongoing Definitive Feasibility Study. This detailed engineering contract, along with advances in permitting and offtake discussions moves us closer to development of Europe's largest hard rock lithium resource for the benefit of all stakeholders.

EUROPEAN METALS HOLDINGS LIMITED

ABRN 154 618 989

ANNUAL REPORT 30 JUNE 2020

CHAIRMAN'S LETTER

At a board level, our Chairman Dave Reeves resigned at the end of the year. Dave was instrumental in bringing the Cinovec Project to the Company in 2013 and the development of the Project since. Dave's workload in his Executive role with another mining project has increased dramatically and requires a great deal of his time. We are very sorry to see him leave and wish him all the very best with his future endeavours.

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.

A handwritten signature in black ink, appearing to read 'K. Coughlan', with a stylized flourish at the end.

Keith Coughlan
EXECUTIVE CHAIRMAN

EUROPEAN METALS HOLDINGS LIMITED

ABRN 154 618 989

ANNUAL REPORT 30 JUNE 2020

PROJECT REVIEW

Geomet s.r.o. controls the mineral exploration licenses awarded by the Czech State over the Cinovec Lithium/Tin Project.

Geomet s.r.o. is owned 49% by European Metals and 51% by CEZ a.s. through its wholly owned subsidiary, SDAS. CEZ is a significant energy group listed on various European Exchanges with the ticker CEZ. Following the investment of CEZ, the Cinovec Project is fully funded to decision to construct.

Cinovec hosts a globally significant hard-rock lithium deposit with a total Indicated Mineral Resource of 372.4Mt at 0.45% Li₂O and 0.04% Sn and an Inferred Mineral Resource of 323.5Mt at 0.39% Li₂O and 0.04% Sn containing a combined 7.22 million tonnes Lithium Carbonate Equivalent and 263kt of tin reported 28 November 2017 (Further Increase in Indicated Resource at Cinovec South). An initial Probable Ore Reserve of 34.5Mt at 0.65% Li₂O and 0.09% Sn reported 4 July 2017 (Cinovec Maiden Ore Reserve – Further Information) has been declared to cover the first 20 years mining at an output of 22,500tpa of lithium carbonate reported 11 July 2018 (Cinovec Production Modelled to Increase to 22,500tpa of Lithium Carbonate). The quantity of these resources directly attributable to the Company is equivalent to the 49% shareholding the Company has in Geomet s.r.o.

This makes Cinovec the largest hard-rock 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.

Agreement with CEZ on Significant Project Investment

A significant highlight of the year has been the agreement with CEZ involving the investment of approximately EUR 29.1 million for 51% of the Cinovec Project. The first announcement of this proposed agreement was made in July 2019.

As part of the then agreement, CEZ conditionally agreed to provide a EUR 2 million finance facility by way of a convertible loan whilst they were conducting due diligence on the Company and Project.

On 27 March 2020, the Company announced that it had reached final agreement with CEZ, regarding the strategic partnership and significant investment, subject only to the approval of European Metals Shareholders. This approval was received on 23 April and on 28 April 2020, European Metals announced that the investment of EUR 29.1 million by CEZ had been completed. The payment of EUR 29.1 million will see the Cinovec project fully funded to the decision to construct, paving the way for Cinovec to become the first European Union producer of battery grade lithium compounds from a local lithium resource.

EUROPEAN METALS HOLDINGS LIMITED

ABRN 154 618 989

ANNUAL REPORT 30 JUNE 2020

PROJECT REVIEW

Preliminary Mining Permits

Throughout the year the Company has made regulatory advancements to the project in the form of progressive permitting.

In August 2019, the Company advised 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 wished to conduct further metallurgical testing and measured resource drilling, the extension to the exploration license that was due to expire in July 2018 was sought. The licence has now been extended until 31 December 2020.

On 30 April 2020, European Metals advised that the Czech Ministry of the Environment had granted Geomet with the PMP relating to the Northwestern part of the Cinovec project. The preliminary approval for the Northwestern part of the deposit covers an area of 1.27 km² and, together with the existing Preliminary Mining Permit for the Southern part, now encompasses the entire Cinovec ore reserve. This permit significantly strengthens Geomet’s position as the only possible miner and paves the way for obtaining the remaining permits to start construction, mining and processing activities.

On 16 June 2020, European Metals advised that the Czech Ministry of the Environment had granted Geomet an updated PMP related to the Eastern part of the Cinovec deposit. The permit was issued for a period of 8 years.

The approval for the Cinovec-East PMP of the deposit covers an area of 0.201 km² and, together with the existing PMP’s, encompasses the entire Cinovec ore reserve with PMP’s. There are three PMP’s issued with medium-term validity periods; Cinovec Northwest and Cinovec-East are valid until 2028 and Cinovec-South until 2025. The Company intends to amalgamate all three PMP’s into a single PMP as a pre-requisite for a single Final Mining Area and Final Mining Permit to simplify the development of the mine.

Corporate

The Company made two small capital raisings during the year, the proceeds of which were used to advance the Company’s strategy including progressing the development of the Project, progressing discussions with CEZ and discussions with potential off take and strategic partners.

The first raising was for GBP 750,000 (A\$1,349,831) in August 2019 and the second for GPB 350,000 (AUD 675,074) in January 2020.

Board Changes

On 30 June 2020, the Company announced that Mr David Reeves had resigned as a Director and Non-Executive Chairman of the Company due to the increased demands on his time as Managing Director of Calidus Resources. At the same time Mr Keith Coughlan moved from his position of Managing Director to Executive Chairman as an interim measure.

Covid-19 Update

On 24 April 2020, the Company provided the market with an update regarding the operations and Covid-19.

It was reported that all management and staff of both EMH and Geomet were unaffected by COVID-19 and the restrictions on travel at the time and meetings were not expected to have any impact for the foreseeable future; all staff were able and continued to work remotely. To-date, the Cinovec Project has drilled in excess of 13,800m of diamond drilling under the management of EMH. Extensive sample quantities are available from the resulting drill core as well as material recovered from historic adit drives into the ore body. Significant quantities of ore sample are held at our laboratory partners in Germany and at the project office in the Czech Republic. European Metals and Geomet have confirmed with our laboratory and engineering partners in Germany and Australia that staff and laboratories involved in the DFS and FEED programmes over the next 3 months are ready and open for work on an immediate basis.

EUROPEAN METALS HOLDINGS LIMITED

ABRN 154 618 989

ANNUAL REPORT 30 JUNE 2020

PROJECT REVIEW

POST REPORTING PERIOD

Measured Resource Drilling Commenced

On 10 August 2020, the Company advised that the Measured Resource drilling had commenced at the Cinovec project. Highlights included:

- A total of nineteen resource drill holes will be completed during this campaign for a total of 5,550 m.
- A further two hydro-geological drill holes and four geotechnical drill holes are planned once resource drilling has been completed.
- The programme will provide approximately 10t of drill core for further metallurgical testing and to generate samples.

Partnership Agreement with European Union Body

On 28 July 2020, the Company announced that a "Value Added Services Agreement" with KIC InnoEnergy SE ("EIT InnoEnergy"), the principal facilitator and organiser of the European Battery Alliance, had been entered into by Geomet s.r.o. in respect of the Cinovec Lithium Project.

The purpose of the financing agreement with EIT InnoEnergy is to support the construction financing and ultimate commercialisation of Cinovec by EIT InnoEnergy providing assistance to EMH to support the:

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

Appointment of European Investor Relations Advisor

On 14 July 2020 EMH advised it had appointed DGWA, the German Institute for Asset and Equity Allocation and Valuation ("Deutsche Gesellschaft für Wertpapieranalyse GmbH", "DGWA"), one of the leading mining and resource focused European investment banking boutiques, as its Investor and Corporate Relations advisor in Europe.

DGWA will collaborate with European Metals to help gain investor awareness and drive investment opportunities from the European financial markets and will provide investor relations services to help European Metals position itself in the German-speaking financial markets. DGWA will also introduce European Metals to its extensive network within the European corporate and federal community to assist the Company in exploring offtake-agreements and potential grants and subsidies.

Proposed Czech Listing

The Company is in discussions with the Prague Stock Exchange regarding the proposed listing of the Company's securities. Given the high profile that the Cinovec Project has within the Czech Republic, the Company would like to provide the opportunity for Czechs to invest directly via their domestic exchange.

Interim Funding

EMH has arranged an interim funding facility to assist in financing new initiatives and for ongoing operations. The facility has been provided by an Australian based sophisticated investor, 6466 Investments Pty Ltd, and allows for a drawdown of up to AUD 1 million in tranches as required over 12 months. Any funds drawn down will convert to CDI's in the Company at a 15% discount to the 10-day vwap in the Company's securities. The issue of shares pursuant to draw downs is not subject to shareholder approval.

The first draw down was completed on 17 July 2020 and the second draw down was completed on 27 August 2020.

EUROPEAN METALS HOLDINGS LIMITED

ABRN 154 618 989

ANNUAL REPORT 30 JUNE 2020

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 2020.

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 Keith Coughlan	Executive Chairman	Appointed 30 June 2020
	Previously Managing Director	Appointed 6 September 2013
Mr David Reeves	Non-Executive Chairman	Appointed 6 March 2014; Resigned 30 June 2020
Mr Richard Pavlik	Executive Director	Appointed 27 June 2017
Mr Kiran Morzaria	Non-Executive Director	Appointed 10 December 2015

Company Secretary

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 13 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: CAL) Ragnar Metals Limited (ASX: RAG), Los Cerros Limited (formerly known as Metminco Limited) (Joint) (ASX: LCL) 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 2020 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 income after tax for year ended 30 June 2020 amounted to profit after tax of \$2,813,807 (2019 loss: \$3,252,815).

Financial Position

The net assets of the Group have increased by \$5,610,438 to \$18,069,503 at 30 June 2020 (2019: \$12,459,065).

Significant Changes in the State of Affairs

On 28 April 2020, the Company announced that the investment of EUR29.1 million by CEZ a.s. ("CEZ") for a 51% equity interest in Geomet, the Company's Czech subsidiary and holder of the Cinovec licenses, had been completed. The payment of EUR29.1 million, which has been received into the Geomet account, will see the Cinovec project fully funded to the decision to construct, paving the way for Cinovec to become the first European Union producer of battery grade lithium compounds from a local lithium resource. The payment of EUR 29.1 million was split into two payments - EUR 12.3m (A\$20.6m) was contributed to Geomet's registered share capital and EUR 16.8m (A\$28.1m) is a monetary contribution to the equity Geomet outside of the Geomet's registered share capital.

The Company ceased to fully consolidate Geomet's results within EMH's consolidated accounts effective 28 April 2020. From 28 April 2020 onward, Geomet had been equity accounted (ie 49% of share of the profit or loss of the investee after the date of acquisition) for as Investment in Associate by EMH (Note 13 and Note 20). The Company was appointed to provide services of managing the Cinovec project development.

Dividends Paid or Recommended

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

EUROPEAN METALS HOLDINGS LIMITED

ABRN 154 618 989

ANNUAL REPORT 30 JUNE 2020

DIRECTORS' REPORT

Information on Directors

Keith Coughlan

Executive Chairman – Appointed 30 June 2020

Previously Managing Director (CEO) – Appointed 6 September 2013 to 30 June 2020

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.

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

David Reeves

Non-Executive Chairman – Appointed 6 March 2014; Resigned on 30 June 2020

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 4,045,840 CDI indirect interest held by Eleanor Jean Reeves <Elanwi A/C>, Mr Reeves' spouse.

325,587 Class A Performance Shares

1,000,000 options, 16.6 cents, expire 17 August 2020

Special Responsibilities

Member of all the Committees (Resigned on 30 June 2020)

Directorships held in other listed entities

Managing Director of Calidus Resources Limited (ASX)

Director of Keras Resources Plc (AIM)

* Shareholdings as at 30 June 2020, date of resignation

EUROPEAN METALS HOLDINGS LIMITED

ABRN 154 618 989

ANNUAL REPORT 30 JUNE 2020

DIRECTORS' REPORT

Richard Pavlik	Executive Director – Appointed 27 June 2017
Qualifications	Masters Degree in Mining Engineer
Experience	Mr Pavlik is the Chief Advisor to the CEO of Geomet s.r.o, 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
Special Responsibilities	Member of Audit and Risk Committee Member of Nomination Committee
Directorships held in other listed entities	Nil
Kiran Morzaria	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 23,259,751 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 Nomination 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:

Directors' Meetings		
Name	Number attended	Number eligible to attend
David Reeves	6	6
Keith Coughlan	6	6
Richard Pavlik	6	6
Kiran Morzaria	6	6

EUROPEAN METALS HOLDINGS LIMITED

ABRN 154 618 989

ANNUAL REPORT 30 JUNE 2020

DIRECTORS' REPORT

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
15 June 2022	25.0 cents	200,000
1 January 2021	35.0 cents	200,000
1 June 2021	40.18 cents	100,000
1 December 2021	31.11 cents	100,000
22 November 2021	31.5 cents	116,875
31 December 2022	25.0 cents	15,000,000

Since the end of the reporting year, the following options were issued and exercised:

On 17 July 2020, the Company issued 250,000 options exercisable at 25.0 cents on or before 15 June 2022 to consultants in accordance with their consultancy agreements. 50,000 CDIs were exercised on 17 September 2020, raising \$12,500. (2019: nil).

On 5 August 2020 and 18 August 2020, the Company issued 750,000 and 3,000,000 CDIs upon the exercise of 750,000 and 3,000,000 unquoted options exercisable at 16.6 cents respectively. The option conversion raised \$622,500 (2019: nil).

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.

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	3,000,000

EUROPEAN METALS HOLDINGS LIMITED

ABRN 154 618 989

ANNUAL REPORT 30 JUNE 2020

DIRECTORS' REPORT

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
100,000	6 Jun 2018

During the financial year, 1,400,000 CDIs were cancelled following resignations of previous executive members. No additional 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 14 July 2020, the Company announced that the Company is in discussion with the Prague Stock Exchange regarding the proposed listing of the Company's securities. Given the high profile that the Cinovec project has within the Czech Republic, the Company would like to provide the opportunity for Czechs to invest directly via their domestic exchange. In the interim, the Company has arranged for an interim funding facility to assist in financing these new initiatives and ongoing operations. The facility has been provided by an Australian based sophisticated investor, 6466 Investments Pty Ltd, and allows for a drawdown of up to AUD1m in tranches as required over 12 months.
- On 17 July 2020, the Company advises that it has issued 1,049,825 CDIs in the Company at a price of 13.176 pence per CDIs in relation to the first draw down of the Fund Facility Agreement between 6466 Investments Pty Ltd and EMH as announced on 14 July 2020. The issue of new CDIs is in respect of the first advance of AUD250,000. The funds will be used to assist in funding new initiatives and ongoing operations.
- On 17 July 2020, the Company issued 250,000 options exercisable at 25.0 cents on or before 15 June 2022 to consultants in accordance with their consultancy agreements.
- On 5 August 2020 and 18 August 2020, the Company issued 750,000 and 3,000,000 CDIs upon the exercise of 750,000 and 3,000,000 unquoted options exercisable at \$0.166 respectively. The option conversion raised \$622,500.
- On 27 August 2020, the Company advises that it has issued 927,300 CDIs in the Company in respect to the second draw down of A\$250,000 under the Fund Facility Agreement between 6466 Investments Pty Ltd and the Company.
- On 17 September 2020, the Company issued 50,000 upon the exercise of 50,000 unquoted options exercisable at \$0.25. The option conversion raised \$12,500.

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 2020 has been received and can be found on page 22 of the financial report.

EUROPEAN METALS HOLDINGS LIMITED

ABRN 154 618 989

ANNUAL REPORT 30 JUNE 2020

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 2020 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.

EUROPEAN METALS HOLDINGS LIMITED

ABRN 154 618 989

ANNUAL REPORT 30 JUNE 2020

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED)

2020

Group Key Management Personnel

	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	Super-annuation	Long Service Leave	Equity	Options ³		
Directors	\$	\$	\$	\$	\$	\$	\$	\$	\$	
David Reeves ⁽ⁱ⁾	36,000	-	-	-	-	-	-	-	36,000	-
Keith Coughlan ⁽ⁱⁱ⁾	240,000	-	-	4,822	22,800	26,663	-	-	294,285	-
Kiran Morzaria	24,000	-	-	-	-	-	-	-	24,000	-
Richard Pavlik ⁽ⁱⁱⁱ⁾	140,691	-	-	-	-	-	-	29,802	170,493	17.4%
	440,691	-	-	4,822	22,800	26,663	-	29,802	524,778	-

Notes:

(i) Resigned 30 June 2020.

(ii) Effective 28 April 2020, a portion of the Mr Coughlan's remuneration has been reimbursed by Geomet s.r.o. The Company was appointed to provide services of managing the Cinovec project development subsequent to finalization of final agreement with CEZ Group. During the financial year, a total of \$22,880 was reimbursed by Geomet s.r.o.

(iii) Represents remuneration from 1 July 2020 to 27 April 2020. Effective 28 April 2020, Mr Pavlik's remuneration has been paid by Geomet s.r.o directly.

2019

Group Key Management Personnel

	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 ¹	Super-annuation	Other	Equity ²	Options ³		
Directors	\$	\$	\$	\$	\$	\$	\$	\$	\$	
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%
Key Management Personnel										
James Carter ⁽ⁱ⁾	18,231	-	-	-	1,610	-	-	-	19,841	-
Neil Meadows ⁽ⁱⁱ⁾	183,333	-	-	3,810	17,779	-	260,148	-	465,070	56%
	667,442	-	-	38,381	45,473	-	346,972	59,117	1,157,385	

Notes:

(i) Resigned 21 Sept 2018.

(ii) Resigned 10 June 2019.

- 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.
- 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.
- 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.

EUROPEAN METALS HOLDINGS LIMITED

ABRN 154 618 989

ANNUAL REPORT 30 JUNE 2020

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED)

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 superannuation contribution of 9.5% from 1 April 2017.

D. Share-based compensation

During the financial year, nil CDIs were issued to KMP under the Employee Securities Incentive Plan (ESIP) (2019: nil).

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

30 June 2020	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	\$
Group KMP										
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
		1,650,000	1,149,653	-	-	-	-	1,650,000	-	1,149,653

* Resigned on 30 June 2020

30 June 2019	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	\$
Group KMP										
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 ^(i, iii)	6 June 2018	400,000	106,550	-	-	-	-	-	400,000	106,550
Neil Meadows ^(ii, iv)	6 June 2018	1,000,000	266,376	-	-	-	-	1,000,000	-	266,376
		3,050,000	1,522,579	-	-	-	-	2,650,000	400,000	1,522,579

Notes:

- (i) Resigned 21 Sept 2018.
- (ii) Resigned 10 June 2019.
- (iii) Mr Carter's CDIs were cancelled during the period.
- (iv) Mr Meadows's CDIs were cancelled during the period.

The terms of the loan CDIs are disclosed in Note 16.

EUROPEAN METALS HOLDINGS LIMITED

ABRN 154 618 989

ANNUAL REPORT 30 JUNE 2020

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED)

E. Options issued as part of remuneration for the year ended 30 June 2020

No options were issued as part of the remuneration for the year ended 30 June 2020 (2019: nil).

F. Options on issue as part of remuneration

30 June 2020	Options Grant Details			Exercised		Lapsed		Balance at End of Year	
	Grant Date	No.	Value ¹	No.	Value	No.	Value	No.	Value
			\$		\$		\$		\$
Group KMP									
David Reeves	-	-	-	-	-	-	-	-	-
Keith Coughlan	-	-	-	-	-	-	-	-	-
Richard Pavlik	3 January 2017	400,000	177,352	-	-	(400,000)	177,352	-	-
Kiran Morzaria	-	-	-	-	-	-	-	-	-
		400,000	177,352	-	-	(400,000)	177,352	-	-

Notes:

- 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. The options were unexercised and lapsed on 3 January 2020.

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

There were no loans issued to Key Management Personnel during the financial year.

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 2020 and 2019 reporting period by each of the Key Management Personnel of the Group; including their related parties are set out below.

30 June 2020	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
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)	-	-	-
Total	3,400,000	-	-	(400,000)	3,000,000	3,000,000	-

*Note: Resigned on 30 June 2020

EUROPEAN METALS HOLDINGS LIMITED

ABRN 154 618 989

ANNUAL REPORT 30 JUNE 2020

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED)

J. Other information (continued)

30 June 2019	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
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 ⁽ⁱ⁾	-	-	-	-	-	-	-
Neil Meadows ⁽ⁱⁱ⁾	-	-	-	-	-	-	-
Total	3,400,000	-	-	-	3,400,000	3,000,000	400,000

Note:

(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.

Chess Depositary Interests ('CDIs') held by Key Management Personnel

The number of ordinary CDIs held in the Company during the 2020 and 2019 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.

2020 Name	Balance at Start of year	Granted as remuneration during the year	Issued on exercise of options	Other Changes during the year	Balance at end of year
David Reeves ⁽ⁱ⁾	300,000	-	-	-	300,000
<i>Indirect¹</i>	3,720,244	-	-	325,596 ⁴	4,045,840
Keith Coughlan	850,000	-	-	-	850,000
<i>Indirect²</i>	8,500,000	-	-	-	8,500,000
Kiran Morzaria	200,000	-	-	-	200,000
<i>Indirect³</i>	27,896,470	-	-	(4,636,719)	23,259,751
Richard Pavlik	300,000	-	-	-	300,000
Total	41,766,714	-	-	(4,311,123)	37,455,591

Notes:

- Mr Reeves has 300,000 CDIs direct interest and 4,045,840 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 23,259,751 indirect interest held by Cadence Minerals Plc, an entity of which Mr Morzaria is a director and chief executive.
- Issued on conversion of A Class Performance Shares and B Class Performance Shares

(i) Resigned 30 June 2020. The balance at end of year represents balance at date of resignation.

EUROPEAN METALS HOLDINGS LIMITED

ABRN 154 618 989

ANNUAL REPORT 30 JUNE 2020

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED)

2019 Name	Balance at Start of year	Granted as remuneration during the year	Issued on exercise of options	Other Changes during the year	Balance at end of year
David Reeves	300,000	-	-	-	300,000
<i>Indirect¹</i>	3,720,244	-	-	-	3,720,244
Keith Coughlan	850,000	-	-	-	850,000
<i>Indirect²</i>	8,500,000	-	-	-	8,500,000
Kiran Morzaria	200,000	-	-	-	200,000
<i>Indirect³</i>	27,846,470	-	-	50,000	27,896,470
Richard Pavlik	300,000	-	-	-	300,000
James Carter ⁽ⁱ⁾	400,000	-	-	-	400,000
Neil Meadows ⁽ⁱⁱ⁾	1,000,000	-	-	-	1,000,000
Total	43,116,714	-	-	50,000	43,166,714

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.

Performance Shares held by Key Management Personnel

The number of Performance shares held in the Company during the 2020 reporting period held by each of the Key Management Personnel of the Group:

30 June 2020	Grant Details				Exercised		Lapsed/cancelled		Balance at End of Year	
	Grant Date	No.	Value \$	Value \$	No.	Value \$	No.	Value \$	No.	Value \$
Group KMP										
David Reeves ⁽ⁱ⁾	A Class	18 Dec 2018	542,651	86,824	(217,064)	34,730	-	-	325,587	52,094
David Reeves ⁽ⁱ⁾	B Class	24 Nov 2016	542,651	289,932	(108,532)	57,987	(434,119)	231,945	-	-
Keith Coughlan	-	-	-	-	-	-	-	-	-	-
Richard Pavlik	-	-	-	-	-	-	-	-	-	-
Kiran Morzaria	-	-	-	-	-	-	-	-	-	-
			1,085,302	376,756	(325,596)	92,717	(434,119)	231,945	325,587	52,094

(i) Resigned 30 June 2020. The balance at end of the year represents balance at the date of resignation.

EUROPEAN METALS HOLDINGS LIMITED

ABRN 154 618 989

ANNUAL REPORT 30 JUNE 2020

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED)

30 June 2019	Grant Details				Exercised		Lapsed/cancelled		Balance at End of Year	
	Grant Date	No.	Value		No.	Value	No.	Value	No.	Value
			\$			\$		\$	Unvested	\$
Group KMP										
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 ⁽ⁱ⁾	B Class 24 Nov 2016	514,650	274,971		-	-	-	-	514,650	274,971
Neil Meadows ⁽ⁱⁱ⁾	-	-	-		-	-	-	-	-	-
		1,599,952	651,727		-	-	-	-	1,599,952	651,727

(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.

Description of Performance Shares

In financial year ended 30 June 2019, 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.

During the financial year 30 June 2020, the Company issued 3,000,000 CDIs upon conversion of 2,000,000 A Class Performance Shares and 1,000,000 B Class Performance Shares in satisfaction of milestone being met. The remaining 4,000,000 B Class Performance Shares lapsed during the year. Of the 3,000,000 CDIs issued on conversion of Performance Shares, 217,064 A Class Performance Shares and 108,532 B Class Performance Shares were converted by Key Management Personnel. Under the applicable terms and conditions, the performance shares convert into new CDIs in accordance with the following milestones:

2,000,000 A Class Performance Shares

- 1,000,000 of the performance shares 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 register; and
- 1,000,000 of the performance shares convert into Shares and an equivalent number of CDIs upon the issuance of the preliminary mining licenses relating to the Cinovec Project.

1,000,000 B Class Performance Shares

- 1,000,000 of the performance shares convert into Shares and an equivalent number of CDIs upon the issuance of the preliminary mining licenses relating to the Cinovec Project.

The remaining 4,000,000 B Class Performance Shares lapsed during the year.

EUROPEAN METALS HOLDINGS LIMITED

ABRN 154 618 989

ANNUAL REPORT 30 JUNE 2020

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED)

The terms of the Performance Shares are as follows:

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

- (i) 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.
- (ii) 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	
			2020	2019	2020	2019
			\$	\$	\$	\$
Wilgus Investments Pty Ltd/Wild West Enterprises Pty Ltd	Rental	David Reeves	15,600	40,200	-	-

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

End of Remuneration Report

EUROPEAN METALS HOLDINGS LIMITED

ABRN 154 618 989

ANNUAL REPORT 30 JUNE 2020

DIRECTORS' REPORT

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

A handwritten signature in black ink, appearing to be 'K. Coughlan', with a stylized, flowing script.

Keith Coughlan

EXECUTIVE CHAIRMAN

Dated at 30 September 2020

30 September 2020

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

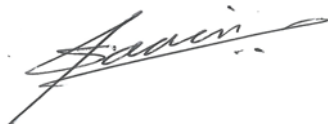
In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of European Metals Holdings Limited.

As the Audit Director for the audit of the financial statements of European Metals Holdings Limited for the year ended 30 June 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the 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
ANNUAL FINANCIAL REPORT 30 JUNE 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2020

	Note	30 June 2020 \$	30 June 2019 \$
Revenue	6	183,835	1,461
Other income		47,244	355,744
Professional fees		(2,043,727)	(1,153,379)
Audit fees	7	(54,450)	(40,000)
Directors' fees		(60,000)	(60,000)
Share based payments	17	(2,439,192)	(1,179,090)
Advertising and Promotion		(175,052)	(94,879)
Employees' benefits		(294,342)	(473,902)
Travel and accommodation		(98,576)	(166,090)
Office and rent expense		(15,600)	(40,200)
Insurance expense		(25,552)	(9,953)
Share registry expense		(139,514)	(97,211)
Depreciation expense		(1,344)	(1,344)
Equity accounting on investment in Geomet s.r.o	13	490,051	-
Foreign exchange gain/(loss)		45,018	27,096
Other expenses		(27,528)	(33,604)
Loss before income tax		(4,608,729)	(2,965,351)
Income tax expense	3	-	-
Loss from continuing operations		(4,608,729)	(2,965,351)
Gain/(loss) from discontinued operations – De-consolidation of Geomet s.r.o	20	7,422,536	(287,464)
Income/(Loss) for the year attributable to the members of the Company		2,813,807	(3,252,815)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
– exchange differences on translating foreign operations		(1,522,451)	443,780
Other comprehensive income/(loss) for the year, net of tax		(1,522,451)	443,780
Total comprehensive income/(loss) for the year attributable to members of the Company		1,291,356	(2,809,035)
Earnings per share for income/(loss) from continuing operations			
Basic earnings per CDI (cents)	8	(3.05)	(2.05)
Diluted earnings per CDI (cents)	8	(3.05)	(2.05)
Earnings per share for loss from discontinued operations			
Basic earnings per CDI (cents)	8	4.92	(0.20)
Diluted earnings per CDI (cents)	8	4.92	(0.20)

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

EUROPEAN METALS HOLDINGS LIMITED
ABRN 154 618 989
ANNUAL FINANCIAL REPORT 30 JUNE 2020

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Note	2020 \$	2019 \$
CURRENT ASSETS			
Cash and cash equivalents	9	58,951	426,178
Other receivables	10	17,252	92,180
Other assets		5,110	23,587
TOTAL CURRENT ASSETS		81,313	541,945
NON-CURRENT ASSETS			
Property, plant and equipment	11	869	385,158
Exploration and evaluation expenditure	12	-	11,684,072
Investments accounted for using equity method	13	18,966,531	-
TOTAL NON-CURRENT ASSETS		18,967,400	12,069,230
TOTAL ASSETS		19,048,713	12,611,175
CURRENT LIABILITIES			
Trade and other payables	14a	924,592	128,977
Provisions – employee entitlements	14b	54,618	23,133
TOTAL CURRENT LIABILITIES		979,210	152,110
TOTAL LIABILITIES		979,210	152,110
NET ASSETS		18,069,503	12,459,065
EQUITY			
Issued capital	15	23,954,204	22,074,314
Reserves	16	7,715,587	6,798,846
Accumulated losses		(13,600,288)	(16,414,095)
TOTAL EQUITY		18,069,503	12,459,065

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

EUROPEAN METALS HOLDINGS LIMITED
ABRN 154 618 989
ANNUAL FINANCIAL REPORT 30 JUNE 2020

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2020

	Issued	Capital	Share Based Payment Reserve	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		-	-	-	(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)
Transactions with owners, recognized directly in equity						
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
Balance at 30 June 2019	22,074,314		5,511,581	1,287,265	(16,414,095)	12,459,065
Balance at 1 July 2019	22,074,314		5,511,581	1,287,265	(16,414,095)	12,459,065
Income attributable to members of the Company		-	-	-	2,813,807	2,813,807
Other comprehensive income/(loss)		-	-	(1,522,451)	-	(1,522,451)
Total comprehensive (loss)/income for the year		-	-	(1,522,451)	2,813,807	1,291,356
Transactions with owners, recognized directly in equity						
CDIs issued during the year, net of costs	1,879,890		-	-	-	1,879,890
Equity based payments		-	2,439,192	-	-	2,439,192
Balance at 30 June 2020	23,954,204		7,950,773	(235,186)	(13,600,288)	18,069,503

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

EUROPEAN METALS HOLDINGS LIMITED
ABRN 154 618 989
ANNUAL FINANCIAL REPORT 30 JUNE 2020

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020

	Note	30 June 2020 \$	30 June 2019 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Revenue received		275,736	-
Government grant		39,370	-
Payments to suppliers and employees		(2,177,875)	(2,714,709)
Interest received		11	1,461
R&D Rebate		-	355,745
Net cash (used in) operating activities	17	(1,862,758)	(2,357,503)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for exploration and evaluation expenditure		(331,372)	(1,165,022)
Net cash (used in) investing activities		(331,372)	(1,165,022)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of CDIs		2,024,905	1,817,303
Capital raising costs paid		(145,015)	(127,391)
Net cash from financing activities		1,879,890	1,689,912
Net (decrease)/increase in cash and cash equivalents		(314,240)	(1,832,613)
Cash and cash equivalents at the beginning of the financial year		426,178	2,223,109
Exchange differences in foreign currency held		(52,987)	35,682
Cash and cash equivalents at the end of financial year		58,951	426,178

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

EUROPEAN METALS HOLDINGS LIMITED
ABRN 154 618 989
ANNUAL FINANCIAL REPORT 30 JUNE 2020

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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 2019 but determined that their application to the financial statements is either not relevant or not material.

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

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

AASB 16: Leases

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 expense 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.

Based on director's assessment, the adoption of AASB 16 did not have any material impact on the Group as its existing lease contract is short-term in nature.

EUROPEAN METALS HOLDINGS LIMITED
ABRN 154 618 989
ANNUAL FINANCIAL REPORT 30 JUNE 2020

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the company.

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 period and on foreseeable future transactions.

(ii) Statement of Compliance

The financial report was authorised for issue on 30 September 2020.

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 2020, the consolidated entity comprising the Company and its subsidiaries has incurred a profit for the year amounting to \$2,813,807 (2019: loss \$3,252,815). The Consolidated entity has a net working capital deficit of \$897,897 (2019: \$389,835), current liabilities of \$979,210 (2019: \$152,110) and cash and cash equivalents of \$58,951 (2019: \$426,178). Since 30 June 2020, the Company has raised a further of \$635,000 through exercised options as disclosed in Note 26.

The directors consider these funds, combined with the loan arrangement entered into with 6466 Investments Pty Ltd which allows for a drawdown of up to A\$1million in tranches as required over 12 months, and the additional funds from any capital raising to be sufficient for planned expenditure on the project for the ensuing 12 months as well as for corporate and administrative overhead costs. The first drawdown was completed on 17 July 2020.

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. In the event that the Group is not successful in raising further equity, 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.

(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 and consultants 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
ABRN 154 618 989
ANNUAL FINANCIAL REPORT 30 JUNE 2020

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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.

EUROPEAN METALS HOLDINGS LIMITED
ABRN 154 618 989
ANNUAL FINANCIAL REPORT 30 JUNE 2020

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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 income is recognised using the effective interest method.

Services Revenue

Revenue is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Group: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised. Effective 28 April 2020, the Group started providing services of managing the Cinovec project development.

(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.

EUROPEAN METALS HOLDINGS LIMITED
ABRN 154 618 989
ANNUAL FINANCIAL REPORT 30 JUNE 2020

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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.

(h) 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.

(i) 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
ABRN 154 618 989
ANNUAL FINANCIAL REPORT 30 JUNE 2020

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) 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.

(k) 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.

EUROPEAN METALS HOLDINGS LIMITED
ABRN 154 618 989
ANNUAL FINANCIAL REPORT 30 JUNE 2020

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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.

EUROPEAN METALS HOLDINGS LIMITED
ABRN 154 618 989
ANNUAL FINANCIAL REPORT 30 JUNE 2020

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) 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.

(m) 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.

(n) 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 as expenses in the period in which they are incurred.

(o) 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.

(p) 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.

EUROPEAN METALS HOLDINGS LIMITED
ABRN 154 618 989
ANNUAL FINANCIAL REPORT 30 JUNE 2020

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) 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.

(r) 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.

(s) 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.

EUROPEAN METALS HOLDINGS LIMITED
ABRN 154 618 989
ANNUAL FINANCIAL REPORT 30 JUNE 2020

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) 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 22.

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.

(u) Investments in associates

Associates are entities over which the consolidated entity has significant influence but not control or joint control. Investments in associates are accounted for using the equity method. Under the equity method, the share of the profits or losses of the associate is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in associates are carried in the statement of financial position at cost plus post-acquisition changes in the consolidated entity's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Dividends received or receivable from associates reduce the carrying amount of the investment.

When the consolidated entity's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables, the consolidated entity does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The consolidated entity discontinues the use of the equity method upon the loss of significant influence over the associate and recognises any retained investment at its fair value. Any difference between the associate's carrying amount, fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

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.

EUROPEAN METALS HOLDINGS LIMITED
ABRN 154 618 989
ANNUAL FINANCIAL REPORT 30 JUNE 2020

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 3: INCOME TAX

(a) Income tax expense

	30 June 2020	30 June 2019
	\$	\$
Current tax	-	-
Deferred tax	-	-
	-	-

Deferred income tax expense included in income tax expense comprises:

(Increase) in deferred tax assets	-	-
Increase in deferred tax liabilities*	-	-
	-	-

* Any capital gain on disposal of shares in Geomet held by EMH UK is tax-exempt under the current UK legislation (Schedule 7AC of the Taxation of Chargeable Gains Act 1992). For this reason, no deferred tax liability has been recognised as at 30 June 2020.

(b) Reconciliation of income tax expense to prima facie tax payable

Net profit/(loss) before tax	2,813,807	(3,252,815)
Prima facie tax on operating loss at 27.5% (2019: 30%)	773,797	(975,845)
Add / (Less): Non-deductible items		
(Non-assessable income)/non-deductible expenses	(1,035,056)	439,967
Current year tax loss not recognised	261,259	535,878
Income tax attributable to operating profit/loss	-	-
The applicable weighted average effective tax rates are as follows:	Nil%	Nil%
Balance of franking account at year end	Nil	Nil

Deferred tax assets

Tax losses	1,080,484	1,234,662
Other assets	(1,406)	-
Unrealised foreign exchange gain	(12,380)	-
Accruals	53,784	12,750
Capital raising costs	155	30,574
Provisions	40,296	13,123
Unrecognised deferred tax asset	1,160,933	1,291,109
Set-off deferred tax liabilities	-	(1,068)
Net deferred tax assets	1,160,933	1,290,041

Deferred tax liabilities

Exploration expenditure	-	-
Property, plant and equipment	-	(1,068)
	-	(1,068)
Set-off deferred tax assets	-	1,068
Net deferred tax liabilities	-	-
Tax losses		
Unused tax losses for which no deferred tax asset has been recognised	3,929,089	4,115,539

EUROPEAN METALS HOLDINGS LIMITED
ABRN 154 618 989
ANNUAL FINANCIAL REPORT 30 JUNE 2020

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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 was subject to the taxation regulations of the Czech Republic where it holds mining license via Geomet s.r.o as associates, 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 2020 and 30 June 2019.

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

	2020	2019
	\$	\$
Short-term benefits	445,513	667,442
Post-employment benefits	22,800	45,473
Long service leave	26,663	-
Equity settled	29,802	406,089
Other payments	-	38,381
	<u>524,778</u>	<u>1,157,385</u>

Loans to Key Management Personnel

There were no loans to Key Management Personnel during the financial year. The total value of loan CDIs amounted to \$1,442,666. 1,650,000 loan CDIs were issued to Directors with fair value of \$1,149,653. Of the 1,500,000 loan CDIs that were issued to employees, 400,000 loan CDIs were forfeited in prior year. The fair value of the remaining 1,100,000 loan CDIs was \$293,013.

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.

EUROPEAN METALS HOLDINGS LIMITED
ABRN 154 618 989
ANNUAL FINANCIAL REPORT 30 JUNE 2020

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 5: KEY MANAGEMENT PERSONNEL COMPENSATION (continued)

Entity	Nature of transactions	Key Management Personnel	Total Transactions		Payable Balance	
			2020	2019	2020	2019
			\$	\$	\$	\$
Wilgus Investments Pty Ltd/Wild West Enterprises Pty Ltd	Rental	David Reeves	15,600	40,200	-	-

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. There were no other transactions with Key Management Personnel during the financial year. The Company paid a premium of \$30,000 (2019: \$15,000) to insure the Directors.

NOTE 6: REVENUE

	2020	2019
	\$	\$
Service revenue	183,824	-
Interest revenue	11	1,461
	<u>183,835</u>	<u>1,461</u>

NOTE 7: AUDITOR'S REMUNERATION

	2020	2019
	\$	\$
Included in the details of the amounts paid to the auditor of the Group, Stantons International Audit and Consulting Pty Ltd for audit services provided during the year are set out below:		
Auditor's services		
Audit and review of financial report	46,525	40,000
- Under provision in prior year	7,925	-
	<u>54,450</u>	<u>40,000</u>

NOTE 8: BASIC AND DILUTED LOSS PER CDI

	2020	2019
<i>Earnings per share for income from continuing operations</i>		
Loss attributable to owners	(4,608,729)	(2,965,351)
Basic earnings per CDI (cents)	(3.05)	(2.05)
Diluted earnings per CDI (cents)	(3.05)	(2.05)
<i>Earnings per share for gain/(loss) from discontinued operations</i>		
Profit attributable to owners	7,422,536	(287,464)
Basic earnings per CDI (cents)	4.92	(0.20)
Diluted earnings per CDI (cents)	4.92	(0.20)
Weighted average number of CDIs		
Weighted average number of CDIs used in calculating earnings per share	150,957,617	144,514,487
Adjustments for calculation of diluted earnings per share:		
CDIs under options with diluted effect	51,370	-
Weighted average number of CDI used in calculating diluted earnings per share	<u>151,008,987</u>	<u>144,514,487</u>

EUROPEAN METALS HOLDINGS LIMITED
ABRN 154 618 989
ANNUAL FINANCIAL REPORT 30 JUNE 2020

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 9: CASH AND CASH EQUIVALENTS

	2020	2019
	\$	\$
Cash at bank	58,951	426,178
Total cash and cash equivalents in the Statement of Cash Flows	58,951	426,178

NOTE 10: OTHER RECEIVABLES

	2020	2019
	\$	\$
CURRENT		
GST and VAT Receivable	9,378	33,526
Other receivables	7,874	58,654
	17,252	92,180

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 11: PROPERTY, PLANT AND EQUIPMENT

	2020	2019
	\$	\$
Land at cost	357,438	371,458
Deemed disposal due to deconsolidation of Geomet s.r.o	(357,438)	-
	-	371,458
Buildings at cost	5,927	6,160
Less accumulated depreciation	(990)	(767)
Deemed disposal due to deconsolidation of Geomet s.r.o	(4,937)	-
	-	5,393
Plant and equipment at cost	20,136	14,388
Less accumulated depreciation	(14,754)	(6,081)
Deemed disposal due to deconsolidation of Geomet s.r.o	(4,513)	-
	869	8,307
Total Property, Plant and Equipment at cost	383,501	392,006
Less accumulated Depreciation	(15,744)	(6,848)
Deemed disposal due to deconsolidation of Geomet s.r.o	(366,888)	-
Total Property, Plant and Equipment	869	385,158

Reconciliation

Reconciliation of the carrying amounts set out below.

Opening Property, Plant and Equipment	385,158	372,997
Additions	-	-
Deemed disposals due to deconsolidation of Geomet s.r.o	(366,888)	-
Depreciation	(2,977)	(4,180)
Foreign currency differences	(14,424)	16,341
Carrying amount at the end of the year	869	385,158

EUROPEAN METALS HOLDINGS LIMITED
ABRN 154 618 989
ANNUAL FINANCIAL REPORT 30 JUNE 2020

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 12: EXPLORATION AND EVALUATION EXPENDITURE	2020	2019
	\$	\$
Exploration at cost		
Balance at the beginning of the year	11,684,072	10,169,177
Exploration of tenements	211,372	1,086,353
Deemed disposal due to deconsolidation of Geomet s.r.o	(11,553,630)	-
Foreign exchange movement	(341,814)	428,542
	<u>-</u>	<u>11,684,072</u>

NOTE 13: INVESTMENT IN ASSOCIATE	2020	2019
	\$	\$
On initial recognition at fair value	18,476,480	-
Share of profit – associates	490,051	-
	<u>18,966,531</u>	<u>-</u>

Effective 28 April 2020, Geomet was equity accounted (ie 49% of share of the profit or loss of the investee after the date of acquisition) for as Investment in Associate by EMH (Note 20). The Company was appointed to provide services of managing the Cinovec project development.

Summarised statement of financial position	2020	2019
	\$	\$
Current assets	47,280,678	104,684
Non-current assets	9,497,797	9,439,300
Total assets	<u>56,778,475</u>	<u>9,543,984</u>
Current liabilities	132,262	28,068
Non-current liabilities	-	11,032,083
Total liabilities	<u>132,262</u>	<u>11,060,151</u>
Net assets	<u>56,646,213</u>	<u>(1,516,167)</u>
Summarised statement of profit or loss and other comprehensive income*		
Revenue	2,709	563,703
Expenses	(1,002,813)	(359,535)
(Loss)/profit for the year	<u>(1,000,104)</u>	<u>204,168</u>

* The results for FY2020 is from 28 April 2020 – 30 June 2020.

NOTE 14: TRADE AND OTHER PAYABLES	2020	2019
	\$	\$
a. CURRENT		
Trade payables	572,071	53,763
Accrued expenses and other liabilities	352,521	75,214
	<u>924,592</u>	<u>128,977</u>
Payables are normally due for payment within 30 days.		
b) PROVISIONS		
Provision for annual leave	27,955	23,133
Provision for long service leave	26,663	-
	<u>54,618</u>	<u>23,133</u>

EUROPEAN METALS HOLDINGS LIMITED
ABRN 154 618 989
ANNUAL FINANCIAL REPORT 30 JUNE 2020

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 15: ISSUED CAPITAL

	Number	\$
(a) Issued and paid up capital		
154,703,973 (30 June 2019: 146,642,227 CDIs)	154,703,973	23,954,204
Total issued capital	154,703,973	23,954,204

(b) Movements in CDIs

	<u>Date</u>	Number	\$
Balance at the beginning of the year	1 July 2018	141,464,727	20,413,074
CDI issue under Placement @ \$0.351 per CDI	27 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>	Number	\$
Balance at the beginning of the year	1 July 2019	146,642,227	22,074,314
CDI issue under Placement @ A\$0.324 (£0.18) per CDI	29 August 2019	4,166,666	1,349,831
CDI issue under Placement @ A\$0.294 (£0.1525) per CDI	23 January 2020	2,295,080	675,074
Forfeiture of CDIs	30 January 2020	(1,400,000)	-
Conversion of A Class Performance Shares	30 April 2020	1,000,000	-
Conversion of B Class Performance Shares	30 April 2020	1,000,000	-
Conversion of A Class Performance Shares	4 June 2020	1,000,000	-
Capital raising cost		-	(145,015)
Balance at the end of the year	30 June 2020	154,703,973	23,954,204

(c) Loan CDIs Reserve

	<u>Date</u>	Number	Amount Expensed
Balance at beginning of the year	1 July 2018	3,150,000	1,157,632
CDI movement during the year	-	-	285,035
Balance at end of the year	30 June 2019	3,150,000	1,442,667
Balance at beginning of the year	1 July 2019	3,150,000	1,442,667
CDI movement during the year	30 January 2020	(1,400,000)	-
Balance at end of the year	30 June 2020	1,750,000	1,442,667

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.

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

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.

EUROPEAN METALS HOLDINGS LIMITED
ABRN 154 618 989
ANNUAL FINANCIAL REPORT 30 JUNE 2020

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 15: ISSUED CAPITAL (CONTINUED)

(d) Movements Performance Shares

	<u>Date</u>	<u>Number</u>	<u>\$</u>
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
Balance at the beginning of the year	1 July 2019	10,000,000	3,471,444
B Class Performance Shares Lapsed ¹	29 Nov 2019	(4,000,000)	-
Conversion of A Class Performance Shares	30 April 2020	(1,000,000)	-
Conversion of B Class Performance Shares ¹	30 April 2020	(1,000,000)	-
Conversion of A Class Performance Shares	4 June 2020	(1,000,000)	-
Balance at the end of the year	30 June 2020	3,000,000	3,471,444

¹ The milestone was achieved prior to B Class Performance Share expiring.

No performance shares were issued during the year (30 June 2019: 5,000,000 Class A). B Class performance shares lapsed during the year. During the year, under the applicable terms and conditions, the performance shares convert into new CDIs in accordance with the following milestones:

2,000,000 A Class Performance Shares

- 1,000,000 of the performance shares 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 register; and
- 1,000,000 of the performance shares convert into Shares and an equivalent number of CDIs upon the issuance of the preliminary mining licenses relating to the Cinovec Project.

1,000,000 B Class Performance Shares

- 1,000,000 of the performance shares convert into Shares and an equivalent number of CDIs upon the issuance of the preliminary mining licenses relating to the Cinovec Project. The remaining 4,000,000 B Class Performance Shares lapsed during the year.

The terms of the Performance Shares are as follows:

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

- 3,000,000 A Class Performance Shares will convert into Shares and an equivalent number of CDIs upon the completing of a definitive feasibility study (DFS). For clarity, the DFS must be: (i) of a standard suitable to be submitted to a financial institution as the basis for lending of funds for the development and operation of mining activities contemplated in the study; (ii) capable of supporting a decision to mine on the Permits; and (iii) completed to an accuracy of +/- 15% with respect to operating and capital costs and display a pre-tax net present value of not less than US\$250,000,000. The 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.
- 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.

EUROPEAN METALS HOLDINGS LIMITED
ABRN 154 618 989
ANNUAL FINANCIAL REPORT 30 JUNE 2020

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 15: ISSUED CAPITAL (CONTINUED)

(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.

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

	2020	2019
	\$	\$
Cash and cash equivalents	58,951	426,178
Other receivables	17,252	92,180
Other assets	5,110	23,587
Trade and other payables	(924,592)	(128,977)
Provisions	(54,618)	(23,133)
Working capital (deficit)/surplus	<u>(897,897)</u>	<u>389,835</u>

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

NOTE 16: RESERVES

	2020	2019
	\$	\$
Option and Warrant Reserve	3,036,662	597,470
Performance Shares Reserve	3,471,444	3,471,444
CDIs Reserve	1,442,667	1,442,667
Foreign Currency Translation Reserve	(235,186)	1,287,265
Total Reserves	<u>7,715,587</u>	<u>6,798,846</u>

Option and Warrant Reserve

	2020	2019
	\$	\$
Balance at the beginning of the financial year	597,470	474,743
Equity based payment expense	2,439,192	94,055
Equity based payment as capital raising cost	-	28,672
Balance at the end of the financial year	<u>3,036,662</u>	<u>597,470</u>

EUROPEAN METALS HOLDINGS LIMITED
ABRN 154 618 989
ANNUAL FINANCIAL REPORT 30 JUNE 2020

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 16: RESERVES (CONTINUED)

The following option and warrant existed as at 30 June 2019 and 30 June 2020:

On 17 August 2015, 3,750,000 unlisted options exercisable at 16.6 cents on or before 17 August 2020 were issued to key management personnel.

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. The remaining share based payment expense of \$29,802 (2019: \$59,117) was recognised in profit and loss in FY2020. The options were unexercised and lapsed on 3 January 2020.

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.

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 6 December 2019, 100,000 unlisted options exercisable at 31.11 cents on or before 1 December 2021 were issued to consultants. The options were valued under the Black and Scholes at \$15,428 was recognised as share based payment expense.

On 26 March 2020, 15,000,000 unlisted options exercisable at 25 cents on or before 31 December 2022 were granted to consultants. The share-based expense of \$2,393,961 was fully recognised in the profit or loss as at 30 June 2020.

Performance Share Reserve

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

	2020	2019
	\$	\$
Balance at the beginning of the financial year	3,471,444	2,671,444
Equity based payment	-	800,000
Balance at the end of the financial year	3,471,444	3,471,444

Loan CDIs Reserve

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

	2020	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 financial year	1,442,667	1,442,667

EUROPEAN METALS HOLDINGS LIMITED
ABRN 154 618 989
ANNUAL FINANCIAL REPORT 30 JUNE 2020

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 16: RESERVES (CONTINUED)

Employee securities incentive plan

In prior 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 and the effect of the deconsolidation of Geomet s.r.o.

	2020	2019
	\$	\$
Balance at the beginning of the financial year	1,287,265	843,485
Movement during the year	(1,582,667)	443,780
Derecognition of foreign currency reserve	60,216	-
Balance at the end of the financial year	(235,186)	1,287,265

EUROPEAN METALS HOLDINGS LIMITED
ABRN 154 618 989
ANNUAL FINANCIAL REPORT 30 JUNE 2020

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 17: SHARE BASED PAYMENT EXPENSE

During the financial year, the Company granted and issued 15,100,000 options to consultants. The Company also issued 300,000 options and 116,875 warrants, which were granted in FY2019.

	Number	Weighted Average Exercise Price
Options and warrants Outstanding as at 1 July 2018	4,150,000	\$0.206
Warrants granted during the period (i)	116,875	\$0.315
Options granted during the period (ii)	300,000	\$0.264
Options and warrants outstanding as at 30 June 2019	4,566,875	\$0.219
Options and warrants outstanding as at 1 July 2019	4,566,875	\$0.219
Options granted during the period (iii)	15,100,000	\$0.250
Options lapsed	(400,000)	\$0.580
Options and warrants outstanding as at 30 June 2020	19,266,875	\$0.236

The following option share-based payment arrangements existed 30 June 2020:

Granted in prior year and issued in current financial year:

(i) 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

EUROPEAN METALS HOLDINGS LIMITED
ABRN 154 618 989
ANNUAL FINANCIAL REPORT 30 JUNE 2020

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 17: SHARE BASED PAYMENT EXPENSE (CONTINUED)

(ii) On 12 July 2019, 200,000 unlisted options exercisable at 35 cents on or before 1 January 2021 were issued to a consultant. 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. 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

Granted and issued in current financial year

(iii) On 6 December 2019, 100,000 unlisted options exercisable at 31.11 cents on or before 1 December 2021 were issued to consultants. 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

On 26 March 2020, 15,000,000 unlisted options exercisable at 25 cents on or before 31 December 2022 were granted to consultant. The share-based expense of \$2,393,961 was fully recognised in the profit or loss for the year ended 30 June 2020.

Grant date	26 March 2020	Expected life of options (years)	2.8 Years
Dividend yield (%)	Nil	Underlying share price (\$)	\$0.245
Expected volatility (%)	113.3%	Option exercise price (\$)	\$0.25
Risk-free interest rate (%)	0.23%	Value of option (\$)	\$0.1596

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. The remaining share based payment expense of \$29,802 (2019: \$59,117) was recognised in profit and loss in FY2020. The options were unexercised and lapsed on 3 January 2020.

EUROPEAN METALS HOLDINGS LIMITED
ABRN 154 618 989
ANNUAL FINANCIAL REPORT 30 JUNE 2020

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 17: SHARE BASED PAYMENT EXPENSE (CONTINUED)

The following performance share-based payment arrangements existed at 30 June 2020 and 30 June 2019:

Performance Shares granted are as follows:

Grant Date	2020		2019	
	Number	\$	Number	\$
B Class - 18 November 2016 (related parties)	-	-	1,057,301	564,903
B Class - 18 November 2016 (non-related parties)	-	-	3,942,699	2,106,541
A Class- 18 December 2018 (related parties)*	-	-	542,651	86,824
A Class- 18 December 2018 (non-related parties)	3,000,000	480,000	4,457,349	713,176
	3,000,000	480,000	10,000,000	3,471,444

* David Reeves resigned on 30 June 2020.

No additional performance shares were granted during the year. During the financial year 30 June 2020, the Company issued 3,000,000 CDIs upon conversion of 2,000,000 A Class Performance Shares and 1,000,000 B Class Performance Shares in satisfaction of milestone being met. The remaining 4,000,000 B Class Performance Shares lapsed during the year.

Fair value of Loan CDIs in existence at 30 June 2019 and 30 June 2020

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 2020.

No loan CDIs were granted during the financial year.

	Number	Value recognised 2020	Value recognised 2019	Value to be recognised in future years
Director Loan CDIs	1,650,000	-	-	-
Employee Securities Incentive Plan Loan CDIs ¹	100,000	-	285,035	-

Note:

1. 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
Total value	\$592,245	\$209,028	\$209,028	\$139,352

EUROPEAN METALS HOLDINGS LIMITED
ABRN 154 618 989
ANNUAL FINANCIAL REPORT 30 JUNE 2020

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 17: SHARE BASED PAYMENT EXPENSE (CONTINUED)

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

Loan CDIs	Tranche 1	Tranche 2 ¹	Tranche 3 ²	Tranche 4 ³	Tranche 5 ⁴
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

On 30 January 2020, the Company announced a total of 1,400,000 CDIs have been cancelled 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. Only 100,000 CDIs (under Tranche 1) remained as at 30 June 2020 (30 June 2019:1,500,000 CDIs).

NOTE 18: CASH FLOW INFORMATION

	2020	2019
	\$	\$
(a) Reconciliation of cash flow from operating activities with the loss after tax		
Income/(Loss) after income tax	2,813,807	(3,252,815)
<i>Adjustments for:</i>		
Share based payments	2,439,192	1,179,090
Unrealised foreign exchange loss/ (gain)	(45,018)	(37,814)
Depreciation expense	1,344	4,180
Loss from discontinued operations to date of disposal	209,510	-
Equity accounted of investment in Geomet s.r.o	(490,051)	-
Gain on de-consolidation of Geomet s.r.o	(7,632,046)	-
<i>Changes in assets and liabilities net of deemed disposal of subsidiary</i>		
Decrease/ (increase) in other receivables	74,928	(59,540)
Decrease/(increase) in other assets	18,478	(11,605)
Increase/(decrease) in trade and other payables	715,613	(127,483)
Increase/(decrease) in provisions	31,485	(51,516)
Cash flow (used in)/from operating activities	<u>(1,862,758)</u>	<u>(2,357,503)</u>

(b) Credit standby facilities

The Company had no credit standby facilities as at 30 June 2020 and 2019.

(c) Investing and Financing Activities – Non-Cash

There were no non-cash movements during the year.

EUROPEAN METALS HOLDINGS LIMITED
ABRN 154 618 989
ANNUAL FINANCIAL REPORT 30 JUNE 2020

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 19: 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.

Effective 28 April 2020, the Group has 49% equity investment in Geomet s.r.o. The principal activity of Geomet s.r.o is exploration of Lithium. Accordingly, management has identified one operating segment based on the location of the project, that being the Czech Republic and two geographical segments.

	Australia \$	Czech \$	Total \$
30 June 2020			
REVENUE			
Interest revenue	11	-	11
Other revenue	231,068	-	231,068
Total segment revenue	231,079	-	231,079
Net expenditure	(4,839,808)	-	(4,839,808)
(Loss)/Profit before income tax from continuing operations	(4,608,729)	-	(4,608,729)
Segment assets	19,048,713	-	19,048,713
Segment liabilities	979,210	-	979,210
	Australia \$	Czech \$	Total \$
30 June 2019			
REVENUE			
Interest revenue	1,461	-	1,461
Other revenue	355,745	68,898	424,643
Total segment revenue	357,206	68,898	426,104
Net expenditure	(3,322,556)	(356,363)	(3,252,815)
Loss before income tax	(2,965,350)	(287,465)	(3,252,815)
Segment assets	437,644	12,173,531	12,611,175
Segment liabilities	124,042	28,068	152,110

EUROPEAN METALS HOLDINGS LIMITED
ABRN 154 618 989
ANNUAL FINANCIAL REPORT 30 JUNE 2020

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 20: DECONSOLIDATION OF GEOMET S.R.O

On 28 April 2020, the Company announced that the investment of EUR29.1 million by CEZ a.s. ("CEZ") for a 51% equity interest in Geomet, the Company's Czech subsidiary and holder of the Cinovec licenses, had been completed. The payment of EUR29.1 million, which has been received into the Geomet account, will see the Cinovec project fully funded to the decision to construct, paving the way for Cinovec to become the first European Union producer of battery grade lithium compounds from a local lithium resource. The payment of EUR 29.1 million was split into two payments - EUR 12.3m (A\$20.6m) was contributed to Geomet's registered share capital and EUR 16.8m (A\$28.1m) is a monetary contribution to the equity Geomet outside of the Geomet's registered share capital. The Company ceased to fully consolidate Geomet's results within EMH's consolidated accounts effective 28 April 2020. From 28 April 2020 onward, Geomet had been equity accounted (ie 49% of share of the profit or loss of the investee after the date of acquisition) for as Investment in Associate by EMH (Note 13). The Company was appointed to provide services of managing the Cinovec project development.

No cash consideration was received by EMH (Holdings) Limited as a result of the EUR29.1million investment by CEZ. The 100% shareholding in Geomet s.r.o by EMH (Holdings) Limited was diluted through the issuance of shares to CEZ. This is commonly referred as "deemed disposal". A "deemed disposal" that results in the loss of control of a subsidiary (ie Geomet s.r.o) is accounted for as a regular disposal.

a. Financial performance information

	Period ended 27 April 2020	12 months ended 30 June 2019
	\$	\$
Other income	11,530	68,898
Employees' benefits	(131,423)	(166,389)
Interest expense	(942)	-
Other expenses	(17,471)	(121,887)
Professional fees	(45,512)	(33,890)
Depreciation expense	(1,663)	(2,835)
Travel and accommodation	(4,958)	(7,529)
Office and rent expense	(19,071)	(23,832)
Loss from discontinued operations – Until date of disposals	(209,510)	(287,464)
Gain on disposal	7,632,046	-
Gain from discontinued operation - De-consolidation of Geomet s.r.o	7,422,536	-

b. Cash flows from discontinued operations – De-consolidation of Geomet s.r.o

	Period ended 27 April 2020	12 months ended 30 June 2019
	\$	\$
Cash flows from discontinued operations		
Net cash inflow/(outflow) from operating activities	(191,325)	(287,464)

EUROPEAN METALS HOLDINGS LIMITED
ABRN 154 618 989
ANNUAL FINANCIAL REPORT 30 JUNE 2020

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 20: DECONSOLIDATION OF GEOMET s.r.o (CONTINUED)

c. Details of the de-consolidation of Geomet s.r.o

	30 June 2020
	\$
Fair value of interest retained in Geomet s.r.o ^A	19,796,466
<u>Analysis of extracted assets and liabilities of Geomet s.r.o on date of de-consolidation:</u>	
Current assets	
Cash and cash equivalents	21,982
Accounts receivable	84,520
Total current assets	106,502
Non Current assets	
Property, plant and equipment	366,887
Exploration assets	11,553,630
Total non current assets	11,920,517
Current liabilities	
Accounts payables	9,928
Others	27,937
Total Current liabilities	37,865
Net assets deconsolidated	11,989,154
Derecognition of foreign currency reserve	60,216
Foreign currency movement for the current period	(235,482)
Gain on de-consolidation of Geomet s.r.o	7,632,046

^A Represents the fair value of 49% interest in Geomet s.r.o

NOTE 21: 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:

	2020	2019
	\$	\$
Financial assets		
Cash and cash equivalents	58,951	426,178
Other receivables	17,252	92,180
Total financial assets	76,203	518,358
Trade and other payables	924,592	128,977
Total financial liabilities	924,592	128,977

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.

EUROPEAN METALS HOLDINGS LIMITED
ABRN 154 618 989
ANNUAL FINANCIAL REPORT 30 JUNE 2020

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 21: FINANCIAL RISK MANAGEMENT (CONTINUED)

(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.

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 EUR.

At 30 June 2020, the Group has financial assets and liabilities denominated in the foreign currencies detailed below:

	2020			2019		
	Amount in EUR	Amount in GBP	Amount in AUD	Amount in EUR	Amount in GBP	Amount in AUD
Cash and cash equivalents in EMHL	7,846	15,436	-	-	111,156	-
Intercompany payables to EMHL by subsidiaries	-	-	10,919,537	-	-	11,143,599
	7,846	15,436	10,919,537	-	111,156	11,143,599
5% effect in foreign exchange rates	392	772	545,977	-	5,558	557,180

Other than intercompany balances there were no financial assets and liabilities denominated in foreign currencies for EMH UK.

EUROPEAN METALS HOLDINGS LIMITED
ABRN 154 618 989
ANNUAL FINANCIAL REPORT 30 JUNE 2020

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 21: FINANCIAL RISK MANAGEMENT (CONTINUED)

(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:

		2020	2019
Financial assets	Credit Quality	\$	\$
Cash and cash equivalents held at Komerčni Bank	High	-	22,715
Cash and cash equivalents held at Westpac Bank			
• Interest-bearing deposits	High	29,954	240,107
Cash and cash equivalents held at ANZ bank	High	28,997	163,356
Other receivables and deposits	High	17,252	92,180
		76,203	518,358

(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.

	Carrying Amount	Contractual Cash flows	<3 months	3-6 months	6-24 months
As at 30 June 2020	\$	\$	\$	\$	\$
Trade and other payables	924,592	924,592	924,592	-	-
	924,592	924,592	924,592	-	-

	Carrying Amount	Contractual Cash flows	<3 months	3-6 months	6-24 months
As at 30 June 2019	\$	\$	\$	\$	\$
Trade and other payables	128,977	128,977	128,977	-	-
	128,977	128,977	128,977	-	-

(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.

EUROPEAN METALS HOLDINGS LIMITED
ABRN 154 618 989
ANNUAL FINANCIAL REPORT 30 JUNE 2020

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 21: 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:

	Floating Interest Rate	Non- interest bearing	2020 Total	Floating Interest Rate	Non- interest bearing	2019 Total
	\$	\$	\$	\$	\$	\$
Financial assets						
- <i>Within one year</i>						
Cash and cash equivalents	58,951	-	58,951	426,178	-	426,178
Other receivables	-	17,252	17,252	-	92,180	92,180
Total financial assets	58,951	17,252	76,203	426,178	92,180	518,358
<i>Weighted average interest rate</i>	0.00%			0.11%		
Financial Liabilities						
- <i>Within one year</i>						
Trade and other Payables	-	(924,592)	(924,592)	-	(128,977)	(128,977)
Total financial liabilities	-	(924,592)	(924,592)	-	(128,977)	(128,977)
Net financial assets/ (liabilities)	58,951	(907,340)	(848,389)	426,178	(36,797)	389,381

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 \$590 (2019: loss \$13,509).

(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 22: CONTROLLED ENTITIES

Subsidiaries of European Metals Holdings Limited

Controlled entity	Country of Incorporation	Class of Shares	Percentage Owned	
			2020	2019
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%
EMH (Australia) Pty Ltd	Australia	Ordinary	100%	-
Geomet s.r.o	Czech Republic	Ordinary	49%	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 was the parent company for Geomet s.r.o up to 27 April 2020. Refer to Note 13 for further details.

EUROPEAN METALS HOLDINGS LIMITED
ABRN 154 618 989
ANNUAL FINANCIAL REPORT 30 JUNE 2020

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 23: 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

	2020	2019
	\$	\$
ASSETS		
Current assets	79,689	435,430
Non-current assets	1,513	2,214
TOTAL ASSETS	<u>81,202</u>	<u>437,644</u>
LIABILITIES		
Current liabilities	979,210	124,043
TOTAL LIABILITIES	<u>979,210</u>	<u>124,043</u>
NET (LIABILITIES)/ASSETS	<u>(898,008)</u>	<u>313,601</u>
EQUITY		
	2020	2019
	\$	\$
Issued capital	23,954,204	22,074,314
Reserves	7,950,773	5,511,581
Accumulated losses	(32,802,985)	(27,272,294)
TOTAL EQUITY	<u>(898,008)</u>	<u>313,601</u>
Profit or Loss and Other Comprehensive Income		
Loss for the year	(5,530,691)	(4,455,724)
Total comprehensive loss	<u>(5,530,691)</u>	<u>(4,455,724)</u>

Guarantees

There are no guarantees entered into by European Metals Holdings Limited for the debts of its subsidiaries as at 30 June 2020.

Contingent liabilities

There are no contingent liabilities as at 30 June 2020.

Commitments

There were no commitments as at 30 June 2020.

NOTE 24: CAPITAL COMMITMENTS

There are no capital commitments as at 30 June 2020.

NOTE 25: CONTINGENT LIABILITIES

There are no contingent liabilities as at 30 June 2020.

EUROPEAN METALS HOLDINGS LIMITED
ABRN 154 618 989
ANNUAL FINANCIAL REPORT 30 JUNE 2020

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 26: SIGNIFICANT EVENTS AFTER THE REPORTING DATE

- On 14 July 2020, the Company announced that the Company is in discussion with the Prague Stock Exchange regarding the proposed listing of the Company's securities. Given the high profile that the Cinovec project has within the Czech Republic, the Company would like to provide the opportunity for Czechs to invest directly via their domestic exchange. In the interim, the Company has arranged for an interim funding facility to assist in financing these new initiatives and ongoing operations. The facility has been provided by an Australian based sophisticated investor, 6466 Investments Pty Ltd, and allows for a drawdown of up to AUD1million in tranches as required over 12 months.
- On 17 July 2020, the Company advises that it has issued 1,049,825 CDIs in the Company at a price of 13.176 pence per CDIs in relation to the first draw down of the Fund Facility Agreement between 6466 Investments Pty Ltd and EMH as announced on 14 July 2020. The issue of new CDIs is in respect of the first advance of AUD250,000. The funds will be used to assist in funding new initiatives and ongoing operations.
- On 17 July 2020, the Company issued 250,000 options exercisable at \$0.25 on or before 15 June 2022 to consultants in accordance with their consultancy agreements.
- On 5 August 2020 and 18 August 2020, the Company issued 750,000 and 3,000,000 CDIs upon the exercise of 750,000 and 3,000,000 unquoted options exercisable at \$0.166 respectively. The option conversion raised \$622,500.
- On 27 August 2020, the Company advises that it has issued 927,300 CDIs in the Company in respect to the second draw down of A\$250,000 under the Fund Facility Agreement between 6466 Investments Pty Ltd and the Company.
- On 17 September 2020, the Company issued 50,000 upon the exercise of 50,000 unquoted options exercisable at \$0.25. The option conversion raised \$12,500.

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

EUROPEAN METALS HOLDINGS LIMITED

ABRN 154 618 989

ANNUAL REPORT 30 JUNE 2020

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) complying 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 2020 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
EXECUTIVE CHAIRMAN

Dated at Perth on 30 September 2020

**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 2020, 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 2020 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.

Emphasis of Matter Relating to Going Concern

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

As referred to in Note 1 (a) to the financial statements, the consolidated financial statements have been prepared on the going concern basis. At 30 June 2020, the Group had cash and cash equivalents of \$58,951, and incurred a loss from continuing operations after income tax of \$4,608,729.

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. In the event that the Group is not successful in raising further equity, 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.

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
Deemed Sales of Subsidiary and Deconsolidation Effective 28 April 2020, the Group ceased to fully consolidate Geomet's results within EMH's consolidated accounts due to the investment made by CEZ a.s. ("CEZ") for a 51% equity interest in Geomet. Therefore, the investment injection reduced the Group's interest to 49% and required to deconsolidating Geomet's account on 27 April 2020. From 28 April 2020 onward, Geomet had been equity accounted (i.e. 49% of share of the profit or loss of the investee after the date of acquisition) for as Investment in Associate by EMH. The Group has recognised gain from discontinued operations totalling \$7,422,536 (refer to Note 20) as a result of the deconsolidation. We have determined that the deconsolidation as a key audit matter due to the complexity of the deconsolidation processes required to properly eliminate Geomet's accounts and the fact that this is material to the financial statement for the year ended 30 June 2020.	Inter alia, our audit procedures included the following: - Performing audit of Geomet's accounts for the period ended 27 April 2020; - Reviewing the documentation supporting the transaction: - Minutes of the Board and Management; - Announcements made by the Group to the Australian Securities exchanges; and - Signed agreement with CEZ. - Reviewing the deconsolidation workings to ensure Geomet's accounts have been correctly deconsolidated; - Ensuring disclosures made in the financial statements are complete and in accordance with accounting standards.

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 2020, 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.

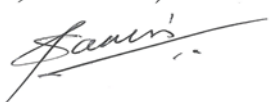
Report on the Remuneration Report

We have audited the Remuneration Report included in pages 13 to 20 of the directors' report for the year ended 30 June 2020. 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 2020 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

30 September 2020

EUROPEAN METALS HOLDINGS LIMITED

ABRN 154 618 989

ANNUAL REPORT 30 JUNE 2020

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 (3rd 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 <https://www.europeanmet.com/corporate-governance/>.

PRINCIPLES AND RECOMMENDATIONS	COMPLY	EXPLANATION
Principle 1: Lay solid foundations for management and oversight		
Recommendation 1.1 A listed entity should have and disclose a charter which: (a) sets out the respective roles and responsibilities of the board, the chair and management; and (b) includes a description of those matters expressly reserved to the board and those delegated to management.	Complying	The Company has adopted a Board Charter. The Board Charter sets out the specific responsibilities of the Board, requirements as to the Board's 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. A copy of the Company's Board Charter is stated in the Corporate Governance Plan which is available on the Company's website.
Recommendation 1.2 A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and (b) provide security holders with all material information relevant to a decision on whether or not to elect or re-elect a director.	Complying	(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. (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.
Recommendation 1.3 A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	Complying	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.
Recommendation 1.4 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.	Complying	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.

EUROPEAN METALS HOLDINGS LIMITED

ABRN 154 618 989

ANNUAL REPORT 30 JUNE 2020

CORPORATE GOVERNANCE

Recommendation 1.5 A listed entity should: (a) have a diversity policy which includes requirements for the board: (i) to set measurable objectives for achieving gender diversity; and (ii) to assess annually both the objectives and the entity's progress in achieving them; (b) disclose that policy or a summary of it; and (c) disclose as at the end of each reporting period: (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 (ii) either: (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 (B) the entity's "Gender Equality Indicators", as defined in the Workplace Gender Equality Act 2012.	Complying	(a) The Company has adopted a Diversity Policy. (i) The Diversity Policy provides a framework for the Company to achieve a list of 6 measurable objectives that encompass gender equality. (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. (b) The Diversity Policy is stated in Schedule 13 of the Corporate Governance Plan which is available on the company website. (c) (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. (ii) The Company currently has no employees and utilizes external consultants and contractors as and when required. 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.
Recommendation 1.6 A listed entity should: (a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and (b) disclose in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	Complying	(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 Performance Evaluation Policy can be found in Schedule 7 of the Company's Corporate Governance Plan. (b) The Company's Corporate Governance Plan 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.

EUROPEAN METALS HOLDINGS LIMITED

ABRN 154 618 989

ANNUAL REPORT 30 JUNE 2020

CORPORATE GOVERNANCE

		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.
Recommendation 1.7 A listed entity should: (a) have and disclose a process for periodically evaluating the performance of its senior executives; and (b) disclose in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	Complying	(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. (b) The Company's Corporate Governance Plan requires the Board to conduct annual performance of the senior executives. Schedule 7 'Performance Evaluation Policy' requires the Board to disclose whether or not performance evaluations were conducted during the relevant reporting period. 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.
Principle 2: Structure the board to add value		
Recommendation 2.1 The board of a listed entity should: (a) have a nomination committee which: (i) has at least three members, a majority of whom are independent directors; and (ii) is chaired by an independent director, and disclose: (iii) the charter of the committee; (iv) the members of the committee; and (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 (b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the	Part complying	(a) The Company has a Nomination Committee comprising of three members of the Committee being Mr Morzaria (Chairman), Richard Pavlik and Mr Coughlan, being all directors of the Company. None of the directors are considered to be independent. Prior to Mr Reeves resignation on 30 June 2020 he held the position as Chairman. The role and responsibilities of the Nomination Committee and Charter is outlined in Schedule 4 of the Corporate Governance Plan and Policies available online on the Company's website. 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. The Board regularly updates the Company's board skills matrix (in accordance with

EUROPEAN METALS HOLDINGS LIMITED

ABRN 154 618 989

ANNUAL REPORT 30 JUNE 2020

CORPORATE GOVERNANCE

appropriate balance of skills, experience, independence and knowledge of the entity to enable it to discharge its duties and responsibilities effectively.		recommendation 2.2) to assess the appropriate balance of skills, experience, independence and knowledge of the entity.																																		
Recommendation 2.2 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.	Complying	<table><tr><th>Board Skills Matrix</th><th>Number of Directors that Meet the Skill</th></tr><tr><td>Executive & Non- Executive experience</td><td>3</td></tr><tr><td>Industry experience & knowledge</td><td>3</td></tr><tr><td>Leadership</td><td>3</td></tr><tr><td>Corporate governance & risk management</td><td>3</td></tr><tr><td>Strategic thinking</td><td>3</td></tr><tr><td>Desired behavioural competencies</td><td>3</td></tr><tr><td>Geographic experience</td><td>3</td></tr><tr><td>Capital Markets experience</td><td>3</td></tr><tr><td><i>Subject matter expertise:</i></td><td></td></tr><tr><td>- accounting</td><td>2</td></tr><tr><td>- capital management</td><td>3</td></tr><tr><td>- corporate financing</td><td>3</td></tr><tr><td>- industry taxation ¹</td><td>0</td></tr><tr><td>- risk management</td><td>3</td></tr><tr><td>- legal²</td><td>0</td></tr><tr><td>- IT expertise ²</td><td>0</td></tr></table> (1) Skill gap noticed however an external taxation firm is employed to maintain taxation requirements. (2) Skill gap noticed however an legal firm is employed on an adhoc basis to maintain IT requirements.	Board Skills Matrix	Number of Directors that Meet the Skill	Executive & Non- Executive experience	3	Industry experience & knowledge	3	Leadership	3	Corporate governance & risk management	3	Strategic thinking	3	Desired behavioural competencies	3	Geographic experience	3	Capital Markets experience	3	<i>Subject matter expertise:</i>		- accounting	2	- capital management	3	- corporate financing	3	- industry taxation ¹	0	- risk management	3	- legal ²	0	- IT expertise ²	0
Board Skills Matrix	Number of Directors that Meet the Skill																																			
Executive & Non- Executive experience	3																																			
Industry experience & knowledge	3																																			
Leadership	3																																			
Corporate governance & risk management	3																																			
Strategic thinking	3																																			
Desired behavioural competencies	3																																			
Geographic experience	3																																			
Capital Markets experience	3																																			
<i>Subject matter expertise:</i>																																				
- accounting	2																																			
- capital management	3																																			
- corporate financing	3																																			
- industry taxation ¹	0																																			
- risk management	3																																			
- legal ²	0																																			
- IT expertise ²	0																																			
Recommendation 2.3 A listed entity should disclose: (a) the names of the directors considered by the board to be independent directors; (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 the interest, position, association or	Complying	(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 considered to be independent. The details of the directors are disclosed in the Annual Report and Company website. (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, positions associations and relationships are																																		

EUROPEAN METALS HOLDINGS LIMITED

ABRN 154 618 989

ANNUAL REPORT 30 JUNE 2020

CORPORATE GOVERNANCE

relationship in question and an explanation of why the board is of that opinion; and (c) the length of service of each director		provided in the Annual Reports and Company website. (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.
Recommendation 2.4 A majority of the board of a listed entity should be independent directors.	Not complying	The Board Charter requires that where practical the majority of the Board will be independent. Given the Company's present size and scope it is currently not Company policy to have a majority of Independent Directors. At this time no members of the board are considered independent. Details of each Director's independence are provided in the Annual Reports and Company website.
Recommendation 2.5 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.	Not complying	The Board Charter provides that where practical, the Chairman of the Board will be a non-executive director. Mr Keith Coughlan is the Executive Chairman of the Board and is not an independent director. If the Chairman resigns the Board will consider appointing a lead independent Director.
Recommendation 2.6 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.	Complying	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.
Principle 3: Act ethically and responsibly		
Recommendation 3.1 A listed entity should: (a) have a code of conduct for its directors, senior executives and employees; and (b) disclose that code or a summary of it.	Complying	(a) The Corporate Code of Conduct applies to the Company's directors, senior executives and employees. (b) The Company's Corporate Code of Conduct is in Schedule 2 of the Corporate Governance Plan which is on the Company's website.
Principle 4: Safeguard integrity in financial reporting		
Recommendation 4.1 The board of a listed entity should: (a) have an audit committee which: (i) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and	Part Complying	(a) The Company has a combined Audit and Risk Committee comprising of three members of the Committee being Mr Morzaria (Chairman), Richard Pavlik and Mr Coughlan, being all directors of the Company. None of the directors are considered to be independent. Prior to Mr Reeves resignation on 30 June 2020 he was a member of the Audit and Risk Committee.

EUROPEAN METALS HOLDINGS LIMITED

ABRN 154 618 989

ANNUAL REPORT 30 JUNE 2020

CORPORATE GOVERNANCE

(ii) is chaired by an independent director, who is not the chair of the board, and disclose: (iii) the charter of the committee; (iv) the relevant qualifications and experience of the members of the committee; and (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 (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.		The role and responsibilities of the Audit and Risk Committee and Charter is outlined in Schedule 3 of the Corporate Governance Plan and Policies available online on the Company's website. 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.
Recommendation 4.2 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.	Complying	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.
Recommendation 4.3 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.	Complying	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.
Principle 5: Make timely and balanced disclosure		
Recommendation 5.1 A listed entity should: (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it.	Complying	(a) The Board Charter provides details of the Company's disclosure policy. In addition, Schedule 6 of the Corporate Governance Plan is entitled 'Continuous Disclosure Policy' and details the Company's disclosure requirements as required by the ASX Listing Rules and other relevant legislation. (b) The Board Charter and Continuous Disclosure Policy within the Corporate Governance Plan are available on the Company website.
Principle 6: Respect the rights of security holders		

EUROPEAN METALS HOLDINGS LIMITED

ABRN 154 618 989

ANNUAL REPORT 30 JUNE 2020

CORPORATE GOVERNANCE

Recommendation 6.1 A listed entity should provide information about itself and its governance to investors via its website.	Complying	Information about the Company and its governance is available in the Corporate Governance Plan which can be found on the Company's website.
Recommendation 6.2 A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	Complying	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 Policy can be found in Schedule 10 of the Board Charter which is available on the Company website.
Recommendation 6.3 A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	Complying	The Shareholder Communications Policy 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. 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.
Recommendation 6.4 A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	Complying	Security holders can register with the Company to receive email notifications when an announcement is made by the Company to the ASX. Shareholders queries should be referred to the Company Secretary at first instance.
Principle 7: Recognise and manage risk		
Recommendation 7.1 The board of a listed entity should: (a) have a committee or committees to oversee risk, each of which: (i) has at least three members, a majority of whom are independent directors; and (ii) is chaired by an independent director, and disclose: (iii) the charter of the committee; (iv) the members of the committee; and (v) as at the end of each reporting period, the number of times the committee met throughout the period and the	Part complying	(a) The Company has an Audit and Risk Committee comprising the following members of the Committee, being Mr Kiran Morzaria (Chair), Mr Pavlik and Mr Coughlan, being all directors of the company. None of the directors are considered to be independent. Prior to Mr Reeves resignation on 30 June 2020 he was a member of the Audit and Risk Committee. 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. 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

EUROPEAN METALS HOLDINGS LIMITED

ABRN 154 618 989

ANNUAL REPORT 30 JUNE 2020

CORPORATE GOVERNANCE

individual attendances of the members at those meetings; or (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.		associated internal compliance and control procedures.
Recommendation 7.2 The board or a committee of the board should: (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 (b) disclose in relation to each reporting period, whether such a review has taken place.	Complying	(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. (b) The Audit and Risk Committee 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.
Recommendation 7.3 A listed entity should disclose: (a) if it has an internal audit function, how the function is structured and what role it performs; or (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.	Complying	The Audit and Risk Committee Charter, 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.
Recommendation 7.4 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.	Complying	The Audit and Risk Committee Charter 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.

EUROPEAN METALS HOLDINGS LIMITED

ABRN 154 618 989

ANNUAL REPORT 30 JUNE 2020

CORPORATE GOVERNANCE

<i>Principle 8: Remunerate fairly and responsibly</i>		
Recommendation 8.1 The board of a listed entity should: (a) have a remuneration committee which: (i) has at least three members, a majority of whom are independent directors; and (ii) is chaired by an independent director, and disclose: (iii) the charter of the committee; (iv) the members of the committee; and (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 (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.	Part Complying	(a) The Company's Remuneration Committee comprising of three members of the Committee being Mr Morzaria (Chairman), Richard Pavlik and Mr Coughlan, being all directors of the Company. None of the directors are considered to be independent. Prior to Mr Reeves resignation on 30 June 2020 he was a member of the Remuneration Committee. The role and responsibilities of the Remuneration Committee and Charter is outlined in Schedule 5 of the Corporate Governance Plan and Policies available online on the Company's website. 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.
Recommendation 8.2 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.	Complying	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.
Recommendation 8.3 A listed entity which has an equity-based remuneration scheme should: (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 (b) disclose that policy or a summary of it.	Complying	(a) The Company's Remuneration and Committee Charter 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. (b) A copy of the Company's Corporate Governance Plan which includes the Remuneration and Committee Charter is available on the Company's website.

EUROPEAN METALS HOLDINGS LIMITED

ABRN 154 618 989

ANNUAL REPORT 30 JUNE 2020

CORPORATE GOVERNANCE 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/2020/07/EMH-Corporate-Governance-Plan-Policies-4th-Edition.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

Geomet s.r.o. controls the mineral exploration licenses awarded by the Czech State over the Cinovec Lithium/Tin Project. Geomet s.r.o. is owned 49% by European Metals and 51% by CEZ a.s. through its wholly owned subsidiary, SDAS. Cinovec hosts a globally significant hard rock lithium deposit with a total Indicated Mineral Resource of 372.4Mt at 0.45% Li₂O and 0.04% Sn and an Inferred Mineral Resource of 323.5Mt at 0.39% Li₂O and 0.04% Sn containing a combined 7.22 million tonnes Lithium Carbonate Equivalent and 263kt of tin reported 28 November 2017. An initial Probable Ore Reserve of 34.5Mt at 0.65% Li₂O 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.

The quantity of these resources directly attributable to the Company is equivalent to the 49% shareholding the Company has in Geomet s.r.o.

This makes Cinovec the largest hard rock 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.

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, and via Keith Coughlan, Executive Chairman, who is available to answer investor relations enquiries.

The Company has adopted a Shareholder Communications Policy 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 Policy can be found in Schedule 10 of the Board Charter which is available on the Company website, 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.

EUROPEAN METALS HOLDINGS LIMITED

ABRN 154 618 989

ANNUAL REPORT 30 JUNE 2020

CORPORATE GOVERNANCE

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. After Mr Reeves resignation on 30 June 2020 the Committee members changed to Mr Morzaria (Chairman), Mr Pavlik and Mr Coughlan, being all directors of the Company. 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.

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 'Risk Management Policy' 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 3 members: 2 Executive members (the Executive Chairman, Keith Coughlan and Executive Director, Richard Pavlik) and 1 Non-Executive member (Kiran Morzaria). On 30 June Mr Reeves resigned as a director of the Company. 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 an Audit and Risk Committee, a Remuneration Committee and a Nomination Committee, 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 David Reeves acted as a Director and Non-Executive Chairman of the Company until his resignation on 30 June 2020, and Mr Keith Coughlan was appointed as Executive Chairman on an interim basis. The Board will continue to evaluate the possibility of appointing additional Non-Executive directors, but following the completion of the new partnership arrangements with CEZ earlier this year, the Board does not currently intend to make any new appointments of non-executive directors until the Company's operations increase in size and scale. Board composition will remain however under review.

Mr Morzaria is a Board nominee of Cadence Minerals Plc (previously named Rare Earth Minerals Plc), which owns 23,259,751 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. However, the Board believes that Mr Morzaria is relevant qualified

EUROPEAN METALS HOLDINGS LIMITED

ABRN 154 618 989

ANNUAL REPORT 30 JUNE 2020

CORPORATE GOVERNANCE

professionals and with an understanding of what is expected of a Non-Executive Director and discharge his duties as a Non-Executive Director in an effective and appropriate manner on behalf of shareholders as a whole.

The details of the directors are disclosed in the Annual Report and Company website, 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.

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. 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.

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 Keith Coughlan – Executive Chairman

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 Chairman of Doriemus Limited (ASX), and Non-executive Director of Calidus Resources Limited (ASX), and Southern Hemisphere Mining Limited (ASX).

Mr Coughlan is currently a member of the Audit and Risk Committee, the Remuneration Committee and the 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 Pavlik is currently a member of the Audit and Risk Committee, the Remuneration Committee and the Nomination Committee.

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

EUROPEAN METALS HOLDINGS LIMITED

ABRN 154 618 989

ANNUAL REPORT 30 JUNE 2020

CORPORATE GOVERNANCE

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).

Mr Morzaria is currently Chairman of the Audit and Risk Committee, the Remuneration Committee and the Nomination Committee.

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. As the Company does not currently have a Managing Director, Mr Keith

EUROPEAN METALS HOLDINGS LIMITED

ABRN 154 618 989

ANNUAL REPORT 30 JUNE 2020

CORPORATE GOVERNANCE

Coughlan, in his role as Executive Chairman, is responsible for the management of the Company's business and primary contact with shareholders.

The Board has established the following committees.

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. After Mr Reeves resignation on 30 June 2020 the Board membership changed to Mr Morzaria (Chairman), Mr Pavlik 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.

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 and Risk 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. After Mr Reeves resignation on 30 June 2020 the Board membership changed to Mr Morzaria (Chairman), Mr Pavlik and Mr Coughlan. The role and responsibilities of the Remuneration Committee are outlined in Schedule 5 of the Company's Corporate Governance Plan available online on the Company's website, 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. After Mr Reeves resignation on 30 June 2020 the Board membership changed to Mr Morzaria (Chairman), Mr Pavlik and Mr Coughlan. The role and responsibilities of the Nominations Committee are outlined in Schedule 4 of the Company's Corporate Governance Plan available online on the Company's website, 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, and via Keith Coughlan, Executive Chairman, 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.

EUROPEAN METALS HOLDINGS LIMITED

ABRN 154 618 989

ANNUAL REPORT 30 JUNE 2020

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 2020

(a) Distribution of Shareholders

Category (size of holding)	Number of Shareholders
1 – 1,000	99
1,001 – 5,000	243
5,001 – 10,000	160
10,001 – 100,000	305
100,001 – and over	135
	942

(b) The number of shareholdings held in less than marketable parcels is 98.

(c) Voting Rights

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

160,481,098 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 2020

Rank	Shareholder	Number of CDIs	% Held
1.	J P Morgan Nominees Australia Pty Limited	21,578,749	13.45
2.	Armco Barriers Pty Ltd	13,810,000	8.61
3.	Citicorp Nominees Pty Limited	10,763,396	6.71
4.	Jim Nominees Limited <Jarvis>	9,397,769	5.86
5.	Inswinger Holdings Pty Ltd	8,500,000	5.30
6.	Barclays Direct Investing Nominees Limited < Client1>	4,244,484	2.64
7.	Hargreaves Lansdown (Nominees) Limited <15942>	3,780,912	2.36
8.	Vidacos Nominees Limited <CLRLUX>	3,675,696	2.29
9.	Hargreaves Lansdown (Nominees) Limited <VRA>	3,080,197	1.92
10.	HSDL Nominees Limited	2,942,586	1.83
11.	Interactive Investor Services Nominees Limited <SMKTISAS>	2,840,220	1.77
12.	Lawshare Nominees Limited <SIPP>	2,345,789	1.46
13.	Interactive Investor Services Nominees Limited <SMKTNOMS>	2,175,656	1.36
14.	Lawshare Nominees Limited <ISA>	1,974,667	1.23
15.	HSDL Nominees Limited <Maxi>	1,919,389	1.20
16.	HSBC Global Custody Nominee (Uk) Limited <777329>	1,910,000	1.19
17.	Share Nominees Ltd	1,799,002	1.11
18.	Hargreaves Lansdown (Nominees) Limited <HLNOM>	1,793,587	1.11
19.	CGWL Nominees Limited <GC1>	1,703,433	1.06
20.	Hana Vanova	1,405,015	0.87
Total Top 20 Shareholders		101,640,547	63.33

EUROPEAN METALS HOLDINGS LIMITED

ABRN 154 618 989

ANNUAL REPORT 30 JUNE 2020

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 15,600,000 options over unissued CDIs are on issue.
A total of 3,000,000 A 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 II	Cinovec South	100%	N/A	100%
	Cinovec III	Cinovec East	100%	N/A	100%
	Cinovec IV	Cinovec NorthWest	100%	N/A	100%