



EUROPEAN METALS HOLDINGS LIMITED  
ARBN 154 618 989

**ANNUAL REPORT**  
**30 JUNE 2021**

# EUROPEAN METALS HOLDINGS LIMITED

ARBN 154 618 989

ANNUAL REPORT 30 JUNE 2021



## CORPORATE DIRECTORY

### Directors

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

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

### Company Secretary

Mr Dennis Wilkins

### Registered Office in Australia

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West Perth WA 6005  
Telephone 08 6245 2050  
Facsimile 08 6245 2055  
Email [www.europeanmet.com](http://www.europeanmet.com)

### Geomet s.r.o.

Ruská 287, Bystice  
417 01 Dubí  
Czech Republic

### Registered Address and Place of Incorporation – BVI

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

### Nominated Nomad & Joint Broker

WH Ireland Ltd  
24 Martin Lane  
London EC4R 0DR  
United Kingdom

### 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)

### Joint Broker

Shard Capital Partners LLP  
23<sup>rd</sup> Floor, 20 Fenchurch Street  
London EC3M 3BY  
United Kingdom

### 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

### Securities Exchange Listing – NASDAQ

Nasdaq Inc  
151 W. 42<sup>nd</sup> Street  
New York City  
NY 10036 United States  
NASDAQ Code: ERPNF

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**CONTENTS**

|   |    |
|---|----|
| Chairman's Letter Report  | 3  |
| Review of Operations  | 5  |
| Directors' Report   | 9  |
| Remuneration Report   | 15 |
| 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  | 61 |
| Independent Audit Report to the members of European Metals Holdings Limited | 62 |
| Additional Information  | 66 |
| Tenement Schedule   | 67 |

## **CHAIRMAN'S LETTER**

Dear Shareholders

Welcome to the 2021 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 productive year for your Company, set against a backdrop of significantly higher prices for both of our key products, lithium and tin. Our strategy is to become a Czech based lithium and tin producer. The progress we have made in the past year, along with the greatly improved macro conditions, bring us significantly closer towards making that aim a reality.

This has been partially reflected in the price of the Company's securities with the CDI's listed on ASX increasing from AUD 0.29 on 30 June 2020 to AUD 1.535 on 30 June 2021. The price of lithium performed well for the year also and has made very significant gains since year end.

As the lithium market moves into deficit, we anticipate the continuation of strong prices in the foreseeable future.

The Definitive Feasibility Study continues, albeit with some minor delays related primarily to Covid-19 and the effect that has had on logistics globally. Whilst we have had no direct Covid-19 related issues at site, moving samples and our people has been problematic at times. We don't anticipate any escalation in this.

Apart from these delays, we have made steady progress of the Cinovec Project with positive developments in the areas of our locked cycle testwork, permitting advancement and Measured Resource drilling programme. We have also advanced the Project's ESG credentials significantly and Cinovec is emerging as a project with not only very robust economic parameters, but one with a strong ESG profile relative to its peers. We will continue developing this aspect of the project over the coming year and expect to be able to present a positive Life Cycle Assessment (LCA) to the market shortly. The LCA will demonstrate the Project's anticipated life-time carbon emissions, which we expect to be comparatively very attractive.

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

In the previous year, we reported on 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.

Early in the 2021 Financial Year the Company entered into 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.

Following this, the Company reported on the appointment of SMS group as the lead engineer for the minerals processing and lithium battery-grade chemicals production at the Project.

From a corporate perspective, we welcomed Ambassador Lincoln Bloomfield to the board in early January. Lincoln brings a wealth of experience to the Company in the fields of governance, international diplomacy, sustainability, resilience and renewable energy. Lincoln is based in the United States, home to the largest capital markets in the world and markets that are becoming increasingly invested in green energy companies. This, coupled with our recent US market listing via a NASDAQ ADS programme, provides the Company with another potential funding option as we head towards final investment decision next year.

## **CHAIRMAN'S LETTER**

On funding, the Company raised AUD 7.1 million in January and remains in a very sound financial position relative to the project timeline. The cornerstone investor for this raising was Luxembourg-based Thematica Future Mobility.

The very strong commitment within the European Union to build a sustainable European battery industry and electric vehicle industry that we reported on last year has gathered greater momentum. Consequently, the demand for lithium in the region has grown dramatically and this is likely to continue. 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.

All things considered, I am very optimistic on the outlook for the Cinovec Project and for the future of your Company.

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 Project.

A handwritten signature in black ink, appearing to read "Keith Coughlan".

Keith Coughlan  
**EXECUTIVE CHAIRMAN**

## REVIEW OF OPERATIONS

### 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.

Cinovec hosts a globally significant hard-rock lithium deposit with a total Indicated Mineral Resource of 372.4Mt at 0.45% Li<sub>2</sub>O and 0.04% Sn and an Inferred Mineral Resource of 323.5Mt at 0.39% Li<sub>2</sub>O and 0.04% Sn containing a combined 7.22 million tonnes Lithium Carbonate Equivalent and 263kt of tin, as reported to ASX on 28 November 2017 (Further Increase in Indicated Resource at Cinovec South). An initial Probable Ore Reserve of 34.5Mt at 0.65% Li<sub>2</sub>O and 0.09% Sn reported on 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 battery-grade lithium carbonate reported on 11 July 2018 (Cinovec Production Modelled to Increase to 22,500tpa of Lithium Carbonate).

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 focussed on the recovery of tin only. 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 a post-tax IRR of 28.8%. The study 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.

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.

### 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", part of the European Institute of Innovation and Technology), the principal facilitator and organiser of the European Battery Alliance, had been entered into by Geomet 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 support the:

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

### APPOINTMENT OF LEADING GLOBAL ENGINEER

SMS group Process Technologies GmbH was appointed as the lead engineer for the minerals processing and lithium battery-grade chemicals production at the Cinovec Project in September 2020. SMS group will provide a complete Front-End Engineering Design ("FEED") study as the major component of the ongoing Definitive Feasibility Study ("DFS") work at Cinovec.

## **REVIEW OF OPERATIONS**

### **APPOINTMENT OF LEADING GLOBAL ENGINEER (CONTINUED)**

Headquartered in Dusseldorf, the German family-owned SMS group is one of the world's leading companies in plant construction and mechanical engineering for the technology metals and materials sector. SMS group is also a world leader in electrical and automation systems including digital solutions for self-learning processing plants to continuously optimise plant performance, product quality and energy consumption. Under the Agreement, SMS will provide the following to the Cinovec Project:

- Full process integration from the point of delivery of ore to the underground crusher through to the delivery of finished battery-grade lithium chemicals for battery and cathode manufacturers.
- The FEED will include all of the process steps – comminution, beneficiation, roasting, leaching and purification.
- The FEED will encompass both the lithium process flowsheet and the tin/tungsten recovery circuit delivering metal concentrates to refineries.
- The FEED is intended to deliver a binding fixed price lump sum turnkey EPC contract with associated process guarantee and product specification guarantees for battery-grade lithium chemicals. The combination of these will greatly assist to underwrite project financing from leading European and global financial institutions lending into this new energy EV-led industrial revolution.

### **ESG – ENVIRONMENTAL, SOCIAL AND GOVERNANCE**

ESG and impact investing have become key criteria for both investors and fund managers, leading a new path to how companies are being assessed. The acceleration has been driven by heightened social, governmental and consumer attention on the broader impact of corporations, as well as by the investors and executives who acknowledge that a strong ESG proposition is a key indicator of a company's long-term success. ESG reporting offers a tool and roadmap for investors and society to hold companies to account, to make sure that the issues such as climate change, social justice, equality, diversity and environmental protection are reflected and appropriately addressed by the company in focus.

European Metals has focused very strongly on the Project's ESG criteria and during the year adopted a set of ESG metrics and disclosures following the recommendations released by the World Economic Forum ("WEF") in Geneva, Switzerland which are acknowledged as the gold standard for ESG reporting. The key points of this initiative are –

- Establishment of an ESG Committee at Board level, to be chaired by Ambassador Lincoln Bloomfield who has considerable private sector experience centred on sustainability, resilience and renewable energy.
- Engagement of Socialsuite ESG technology platform - a global leader in ESG impact management systems and sustainability reporting.
- Initiation of ESG reporting, monitoring and improvement for European Metals utilising Socialsuite.
- EMH's ESG transparency commitment will include an independent lithium production Life Cycle Assessment ("LCA") which will include a full carbon footprint assessment.

### **LITHIUM LIFE CYCLE ASSESSMENT SPECIALIST ENGAGED**

In line with the stated ESG adoption, the Project engaged UK-based and globally recognised sustainability and life cycle assessment consultancy, Minviro, to provide an ISO compliant life cycle assessment ("LCA") of the Cinovec project.

This assessment will cover both battery-grade lithium carbonate and battery grade lithium hydroxide and will be benchmarked against global lithium peers. Minviro has been actively engaged to identify decarbonisation optimisation in the developing feasibility study for Cinovec.

## **REVIEW OF OPERATIONS**

### **LITHIUM LIFE CYCLE ASSESSMENT SPECIALIST ENGAGED (CONTINUED)**

The Company strongly believes that the Cinovec LCAs will demonstrate strong carbon footprint credentials with lower energy use, less intensive reagent application and net carbon credits from mine and process by-products. Minviro has provided the assessment to Geomet and it is currently undergoing external independent QA/QC before publication.

### **DRILLING**

Throughout the year the Company reported a number of times on the ongoing drilling programme at the Project. The programme began in the third quarter of 2020 and continued on and off for the duration of the year. There were some delays in the programme brought about by unfavourable weather and also impacts of Covid -19 as mentioned earlier.

The aims of the drilling programme are to convert a sufficient portion of the existing Indicated Mineral Resource to the Measured Resource category and subsequently to a Mineral Reserve, to cover the first two years of the scheduled mining plan and obtaining a sufficient amount of ore samples for the next phase of metallurgical testing. The majority of the material will be utilised in the pilot scale testing for the FEED Study. The drilling programme was planned to define blocks of resource for the first 5 years of mining within the Cinovec-South area. The holes have been terminated in ore consistent with the aim of targeting the first 5 years of resource blocks for the mine.

The Company reported interim drilling results either in line with, or better than expectations.

Given the relative ease of beneficiation of the Cinovec deposit through wet magnetic separation, the Company decided that it was important to report the drill results and the "in lab" beneficiation results, with historic results of wet magnetic separation achieving a >80% pure lithium mica concentrate grading 2.85% Li<sub>2</sub>O with a lithium recovery of 92%.

### **CORPORATE**

The Company completed a significant capital raising of AUD 7.1 million in February 2021, the proceeds of which will be 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 capital raising was cornerstoned by the Luxembourg based green energy fund, Thematica Future Mobility.

### **NOMAD CHANGE**

In January of this year, the Company advised it had appointed WH Ireland plc as its Nominated Adviser on AIM. WH Ireland will continue to act as joint broker to the Company, along with Shard Capital.

## **REVIEW OF OPERATIONS**

### **BOARD CHANGE**

Also in January, Ambassador Lincoln Bloomfield joined the board of the Company as a Non-executive Director. Ambassador Bloomfield who is based in Washington, DC, brings governance and regulatory experience, years of international diplomacy and security expertise to the Board, along with a North American presence while his private sector experience is centered on sustainability, resilience and renewable energy.

Ambassador Bloomfield's prior work in developing the US Government's first international policy on Cyber Security, and his related work on Critical Infrastructure Protection will help EMH and downstream partners operate securely for many years. His deep experience in managing bilateral relationships with both the State Department and the Department of Defense will help EMH sustain effective relationships, both governmental and non-governmental. He will support EMH in its key relationships with the European Community, European Battery Alliance, European Raw Metals Alliance, and others seeking to create a highly secure, uniform and resilient framework for batteries and critical raw materials supply.

Ambassador Bloomfield is a valuable addition as EMH is focused on ESG-related aspects of the critical raw materials and battery supply chain, as part of its commitment to support the European Commission's new Batteries Regulation, a significant, far-reaching legislative development. Ambassador Bloomfield's appointment confirms EMH's commitment to meet the new Batteries Regulation's three main objectives: strengthening the functioning of the EU internal market by ensuring a level playing field through a common set of rules; promoting a circular economy; and reducing environmental and social impact throughout all stages of the battery life cycle. Given the complexity of the new Batteries Regulation, EMH is reassured to know that he will be contributing to its efforts to achieve compliance throughout the organization. Ambassador Bloomfield holds several roles in the private sector promoting sustainability. Having served for eight years until 2017 as Chairman of the non-partisan Stimson Center, he is now Stimson Chairman Emeritus. He is a Director and National Executive Committee Member of the U.S. Water Partnership, a public-private non-profit entity co-chaired by Madeleine Albright and Colin Powell. He is a Director of the Detroit-based non-profit energy NGO The Last Kilometer, and Vice Chairman of Mana Pacific, a Honolulu-based enterprise seeking to provide locally-managed and affordable renewable energy microgrids throughout the Pacific islands. He provides expert policy and consulting services to three Washington DC entities including the law firm Akin Gump. As President of Palmer Coates LLC, Lincoln maintains commercial relationships with startup entities developing innovative energy and transportation technologies, including as Advisor and investor in Seatrec, Inc. and President of an early-stage technology startup, called D3E, offering next-generation "optimal" flight control technology to enable robustness and autonomy in future drone aircraft.

### **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

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## ANNUAL REPORT 30 JUNE 2021



### DIRECTORS' REPORT

Your Directors present their report, together with the financial statements of the Group, being European Metals Holdings Limited ("EMH" or the "Company") and its controlled entities ("Group"), for the year ended 30 June 2021.

#### 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 Richard Pavlik                           | Executive Director           | Appointed 27 June 2017     |
| Mr Kiran Morzaria                           | Non-Executive Director       | Appointed 10 December 2015 |
| Ambassador Lincoln Palmer<br>Bloomfield, Jr | Non-Executive Director       | Appointed 3 January 2021   |

#### Principal Activities

The Group is primarily involved in the development of the Cinovec lithium and tin project in the Czech Republic.

#### Review of Operations

The 2021 Financial Year has been one of significant growth and development for the Group. For further information refer to the Project Review section of this report.

#### Results of Operations

The consolidated loss after tax for year ended 30 June 2021 was \$3,962,450 (2020 profit after tax: \$2,813,807). (The 2020 profit was due to the gain on the deconsolidation of Geomet).

#### Financial Position

The net assets of the Group have increased by \$7,208,412 to \$25,277,915 at 30 June 2021 (2020: \$18,069,503).

#### Significant Changes in the State of Affairs

There have not been any significant changes in the state of affairs of the Group during the financial year other than as disclosed in the Review of Operations section of this report.

#### Dividends Paid or Recommended

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

**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 had 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 CDIs indirect interest held by Inswinger Holdings Pty Ltd, an entity of which Mr Coughlan is a director and a shareholder.

Performance Rights

On 17 December 2020, the shareholders approved the grant of 2,400,000 Performance Rights to Mr Coughlan (or his nominee). These Performance Rights have yet to be issued at the date of this Report.

Special Responsibilities

Member of Nomination Committee  
Member of Environment, Social and Governance Committee

Directorships held in other listed entities

Non-Executive Chairman of Dorimus plc  
Non-Executive Director of Calidus Resources Limited  
Non-Executive Director of Southern Hemisphere Mining Limited (resigned on 8 February 2021)

**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

Mr Pavlik has 300,000 CDIs direct interest

Performance Rights

On 17 December 2020, the shareholders approved the grant of 1,200,000 Performance Rights to Mr Pavlik (or his nominee). These Performance Rights have yet to be issued at the date of this Report.

Special Responsibilities

Member of Environment, Social and Governance Committee  
Member of Nomination Committee

Directorships held in other listed entities

Nil

DIRECTORS' REPORT

Information on Directors (continued)

|   |  |
|---|--|
| <b>Kiran Morzaria</b>                       | Non-Executive Director – Appointed 10 December 2015  |
| Qualifications                              | Bachelor of Engineering (Industrial Geology) from the Camborne School of Mines and an MBA (Finance) from CASS Business School  |
| Experience                                  | Mr Morzaria has extensive experience in the mineral resource industry working in both operational and management roles. He spent the first four years of his career in exploration, mining and civil engineering before obtaining his MBA. Mr Morzaria has served as a director of a number of public companies in both an executive and non-executive capacity. |
| Interest in CDIs and Options                | Mr Morzaria has 200,000 CDIs direct interest. Mr Morzaria is a director and chief executive of Cadence Minerals Plc which owns 17,663,864 CDIs. Mr Morzaria has no control on the acquisition or sale of the shares held by Cadence Minerals plc.  |
| Special Responsibilities                    | Chair of Remuneration Committee<br>Chair of Nomination Committee<br>Member of Audit and Risk Committee<br>Member of Environment, Social and Governance 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.   |
| <br>  |  |
| <b>Lincoln Palmer Bloomfield Jr.</b>        | Non-Executive Director – Appointed 3 January 2021  |
| Qualifications                              | Harvard College (cum laude, Government, 1974), Fletcher School of Law and Diplomacy (M.A.L.D., 1980)   |
| Experience                                  | Ambassador Bloomfield is based in Washington, DC, and brings governance and regulatory experience, years of international diplomacy and security expertise to the EMH Board, along with a North American presence while his private sector experience is centered on sustainability, resilience and renewable energy.  |
| Interest in CDIs and Options                | Ambassador Bloomfield has 122,500 direct interest in CDIs.   |
| Special Responsibilities                    | Chair of Environment, Social and Governance Committee<br>Chair of Audit and Risk Committee<br>Member of Remuneration Committee<br>Member of Nomination Committee   |
| Directorships held in other listed entities | Nil  |

## DIRECTORS' REPORT

### Company Secretary

Mr Dennis Wilkins (appointed 2 November 2020)

Mr Wilkins is the founder and principal of DWCorporate Pty Ltd, a corporate advisory firm servicing the natural resources industry. Since 1994 he has been a director of, and involved in the executive management of, several publicly listed resource companies with operations in Australia, PNG, Scandinavia and Africa. He was the Finance Director of Lynas Corporation Ltd during the period when the Mt Weld Rare Earths project was acquired by the group. He was also founding director and advisor to Atlas Iron Limited at the time of Atlas' initial public offering. Since July 2001 Mr Wilkins has been running DWCorporate Pty Ltd, where he provides advice on the formation of, and capital raising for, emerging companies in the Australian resources sector. He is currently a Non-executive Director of Key Petroleum Limited.

Ms Julia Beckett (resigned on 2 November 2020).

### 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:

|                               | <b>Directors' Meetings</b> |                                  |
|-------------------------------|----------------------------|----------------------------------|
| <b>Name</b>                   | <b>Number attended</b>     | <b>Number eligible to attend</b> |
| Keith Coughlan                | 3                          | 3                                |
| Richard Pavlik                | 3                          | 3                                |
| Kiran Morzaria                | 3                          | 3                                |
| Lincoln Palmer Bloomfield, Jr | 3                          | 3                                |

### 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 of \$73,500 (2020: \$30,000) 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 or insurance of auditors has been paid.

### CDIs under option

During the year, the following unquoted options and warrants were issued to consultants:

| <b>Grant date/Issue date</b>        | <b>Expiry date</b> | <b>Exercise Price</b> | <b>Number under option</b> |
|-------------------------------------|--------------------|-----------------------|----------------------------|
| 15 June 2020/17 July 2020           | 15 June 2022       | 25 cents              | 250,000 <sup>1</sup>       |
| 25 September 2020 / 23 October 2020 | 23 October 2023    | 42 cents              | 2,500,000 <sup>2</sup>     |
| 8 October 2020 / 23 October 2020    | 23 October 2023    | 45 cents              | 1,000,000                  |
| 5 February 2021/5 March 2021        | 31 January 2023    | \$1.10                | 1,200,000                  |

The above options vest immediately.

<sup>1</sup> On 17 September 2020, 50,000 of these options were exercised and the remaining 200,000 were exercised on 21 December 2020. The options conversions raised \$62,500.

<sup>2</sup> On 10 May 2021, 238,000 of these options were exercised. The option conversions raised \$99,960.

## DIRECTORS' REPORT

### CDIs under option (continued)

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 |
|------------------|----------------|---------------------|
| 22 November 2021 | 20 pence       | 27,500              |
| 31 December 2022 | 25 cents       | 10,000,000          |
| 23 October 2023  | 42 cents       | 2,024,000           |
| 23 October 2023  | 45 cents       | 1,000,000           |
| 31 January 2023  | \$1.10         | 1,200,000           |

During the year ended 30 June 2021, the following ordinary shares were issued on the exercise of options granted:

|                            | Grant date/Issue date | Exercise Price | Number of Shares Issued |
|----------------------------|-----------------------|----------------|-------------------------|
| Issued to:                 |                       |                |                         |
| - Key management personnel | 17 August 2015        | 16.6 cents     | 3,750,000               |
| - Consultant               | 15 June 20/17 July 20 | 25 cents       | 250,000                 |
| - Brokers                  | 22 November 2018      | 20 pence       | 89,375                  |
| - Consultant               | 12 July 2019          | 35 cents       | 200,000                 |
| - Consultant               | 12 July 2019          | 40.18 cents    | 100,000                 |
| - Consultants              | 6 December 2019       | 31.11 cents    | 100,000                 |
| - Consultant               | 23 October 2020       | 42 cents       | 238,000                 |

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

On 16 July 2021, the Company issued 238,000 CDIs upon the exercise of unquoted options at 42 cents. The options conversions raised a total of \$99,960.

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       |

### Performance Rights

On 17 December 2020, the shareholders approved the grant of 2,400,000 Performance Rights to Mr Keith Coughlan and 1,200,000 Performance Rights to Mr Richard Pavlick. These Performance Rights have yet to be issued at the date of this Report.

## **DIRECTORS' REPORT**

### **Environmental, Social and Governance**

During the year the Company has adopted a set of Environmental, Social and Governance ("ESG") metrics and disclosures following the recommendations released by the World Economic Forum ("WEF") in Geneva, Switzerland which are acknowledged as the gold standard for ESG reporting.

The establishment of an ESG Committee at Board level is chaired by Ambassador Lincoln Bloomfield who has considerable private sector experience centred on sustainability, resilience and renewable energy. Ambassador Bloomfield has stated, "European Metals is making every effort to ensure that any finished product containing our lithium will satisfy the public's need for assurance that high ESG standards have been upheld at every stage of our production process. We are committed to the well-being of our workforce, minimizing environmental impact throughout our process, and being a good neighbour within the local community".

The Company engaged Socialsuite ESG technology platform - a global leader in ESG impact management systems and sustainability reporting.

The Company has deployed Socialsuite's ESG technology platform to set its initial ESG baseline in its first quarterly ESG dashboard. With a tailored action plan, the Company will focus on delivering and reporting ongoing progress toward disclosing and improving ESG metrics and indicators. Socialsuite's ESG reporting technology provides an easy way for investors and other stakeholders to assess the commitment and progress of the Company on its journey to create "best in class" ESG credentials and outcomes.

The Company's ESG transparency commitment is a precursor to an independent lithium production Life Cycle Assessment<sup>2</sup> ("LCA") which includes a full Carbon Footprint assessment.

### **Proceedings on Behalf of the Company**

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

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

### **Non-audit Services**

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

### **Significant events after the reporting date**

On 16 July 2021, the Company issued 238,000 CDIs upon the exercise of unquoted options at 42 cents. The options conversions raised a total of \$99,960.

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 2021 has been received and can be found on page 222 of the financial report.

## DIRECTORS' REPORT

### REMUNERATION REPORT (AUDITED)

This report details the nature and amount of remuneration for each Director of the Company, and key management personnel ("KMP"). 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 2021 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.

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED)

2021

| 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 |         |   |
|  | \$                     | \$                       | \$           | \$     | \$                       | \$                 | \$                                  | \$      |         |   |
| <b>Directors</b>                               |                        |                          |              |        |                          |                    |                                     |         |         |   |
| Keith Coughlan <sup>(i)</sup>                  | 279,000                | 99,490                   | -            | 27,407 | 27,345                   | 17,825             | -                                   | -       | 451,067 | -   |
| Kiran Morzaria                                 | 33,567                 | -                        | -            | -      | -                        | -                  | -                                   | -       | 33,567  | -   |
| Richard Pavlik                                 | -                      | 50,469                   | -            | -      | -                        | -                  | -                                   | -       | 50,469  | -   |
| Lincoln Palmer Bloomfield, Jr. <sup>(ii)</sup> | 27,468                 | 19,714                   | -            | -      | -                        | -                  | -                                   | -       | 47,182  | -   |
|  | 340,035                | 169,673                  | -            | 27,407 | 27,345                   | 17,825             | -                                   | -       | 582,285 | -   |

Notes:

(i) During the financial year, a total of \$137,280 of Mr Coughlan's remuneration was reimbursed by Geomet s.r.o.

(ii) Includes \$4,689 accrual of June 2021 fee.

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 <sup>(iv)</sup> |         |   |
|                                 | \$                     | \$                       | \$           | \$    | \$                       | \$                 | \$                                  | \$                      |         |   |
| <b>Directors</b>                |                        |                          |              |       |                          |                    |                                     |                         |         |   |
| David Reeves <sup>(i)</sup>     | 36,000                 | -                        | -            | -     | -                        | -                  | -                                   | -                       | 36,000  | -   |
| Keith Coughlan <sup>(ii)</sup>  | 240,000                | -                        | -            | 4,822 | 22,800                   | 26,663             | -                                   | -                       | 294,285 | -   |
| Kiran Morzaria                  | 24,000                 | -                        | -            | -     | -                        | -                  | -                                   | -                       | 24,000  | -   |
| Richard Pavlik <sup>(iii)</sup> | 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 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.

(iv) 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.

## 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, Executive Chairman, received a salary of \$240,000 plus statutory superannuation contribution from 1 July 2020 to 31 December 2020. His salary was increased to \$318,000 per annum plus statutory superannuation contribution from 1 January 2021.

#### D. Share-based compensation

During the financial year, nil CDIs were issued to KMP under the Employee Securities Incentive Plan (ESIP) (2020: nil).

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

| 30 June 2021     | Loan CDIs Grant Details |                  |                | Exercised |       | Lapsed/Cancelled |       | Balance at End of Year |                |
|------------------|-------------------------|------------------|----------------|-----------|-------|------------------|-------|------------------------|----------------|
|                  | Grant Date              | No.              | Value          | No.       | Value | No.              | Value | No.                    | Value          |
|                  |                         |                  | \$             |           | \$    |                  | \$    | Vested                 | \$             |
| <b>Group KMP</b> |                         |                  |                |           |       |                  |       |                        |                |
| 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        |
|                  |                         | <b>1,350,000</b> | <b>940,625</b> | -         | -     | -                | -     | <b>1,350,000</b>       | <b>940,625</b> |

| 30 June 2020     | Loan CDIs Grant Details |                  |                  | Exercised |       | Lapsed/Cancelled |       | Balance at End of Year |                  |
|------------------|-------------------------|------------------|------------------|-----------|-------|------------------|-------|------------------------|------------------|
|                  | Grant Date              | No.              | Value            | No.       | Value | No.              | Value | No.                    | Value            |
|                  |                         |                  | \$               |           | \$    |                  | \$    | Vested                 | \$               |
| <b>Group KMP</b> |                         |                  |                  |           |       |                  |       |                        |                  |
| David Reeves*    | 30 Nov 2017             | 300,000          | 209,028          | -         | -     | -                | -     | 300,000                | 209,028          |
| Keith Coughlan   | 30 Nov 2017             | 850,000          | 592,245          | -         | -     | -                | -     | 850,000                | 592,245          |
| Richard Pavlik   | 30 Nov 2017             | 300,000          | 209,028          | -         | -     | -                | -     | 300,000                | 209,028          |
| Kiran Morzaria   | 30 Nov 2017             | 200,000          | 139,352          | -         | -     | -                | -     | 200,000                | 139,352          |
|                  |                         | <b>1,650,000</b> | <b>1,149,653</b> | -         | -     | -                | -     | <b>1,650,000</b>       | <b>1,149,653</b> |

\* Resigned on 30 June 2020

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

## DIRECTORS' REPORT

### REMUNERATION REPORT (AUDITED)

#### E. Options issued for the year ended 30 June 2021

No options were issued as part of the remuneration for the year ended 30 June 2021 (2020: nil).

#### F. Performance Rights granted for the year ended 30 June 2021

| 30 June 2021     | Performance Rights Details |                  |                    | Exercised |       | Lapsed |       | Balance at End of Year |                    | Vested | Unvested         |
|------------------|----------------------------|------------------|--------------------|-----------|-------|--------|-------|------------------------|--------------------|--------|------------------|
|                  | Grant Date                 | No.              | Value <sup>1</sup> | No.       | Value | No.    | Value | No.                    | Value <sup>1</sup> | No.    | No.              |
|                  |                            |                  | \$                 |           | \$    |        | \$    |                        | \$                 |        |                  |
| <b>Group KMP</b> |                            |                  |                    |           |       |        |       |                        |                    |        |                  |
| Keith Coughlan   | 17 Dec 20                  | 2,400,000        | 2,088,000          | -         | -     | -      | -     | 2,400,000              | 2,088,000          | -      | 2,400,000        |
| Richard Pavlik   | 17 Dec 20                  | 1,200,000        | 1,044,000          | -         | -     | -      | -     | 1,200,000              | 1,044,000          | -      | 1,200,000        |
|                  |                            | <b>3,600,000</b> | <b>3,132,000</b>   | -         | -     | -      | -     | <b>3,600,000</b>       | <b>3,132,000</b>   | -      | <b>3,600,000</b> |

Notes:

- The value of performance rights granted to key management personnel is calculated as at the grant date based on the share price at grant date. As at 30 June 2021, management has yet to indicate the number of these performance rights expected to vest, hence has not expensed any of the value of these performance rights. Management shall revise this estimate when subsequent information indicates that the number of performance rights expected to vest differs from previous estimate.

#### 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.

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED)

J. Other information

Options held by Key Management Personnel

The number of options to acquire CDIs in the Company held during the 2021 and 2020 reporting period by each of the Key Management Personnel of the Group including their related parties are set out below.

|                               | Balance at the start of the year | Granted during the year | Exercised during the year | Other changes during the year | Balance at the end of the year | Vested and exercisable | Unvested |
|-------------------------------|----------------------------------|-------------------------|---------------------------|-------------------------------|--------------------------------|------------------------|----------|
| <b>30 June 2021</b>           |                                  |                         |                           |                               |                                |                        |          |
| Keith Coughlan                | 2,000,000                        | -                       | -                         | (2,000,000)*                  | -                              | -                      | -        |
| Richard Pavlik                | -                                | -                       | -                         | -                             | -                              | -                      | -        |
| Kiran Morzaria                | -                                | -                       | -                         | -                             | -                              | -                      | -        |
| Lincoln Palmer Bloomfield, Jr | -                                | -                       | -                         | -                             | -                              | -                      | -        |
| <b>Total</b>                  | <b>2,000,000</b>                 | <b>-</b>                | <b>-</b>                  | <b>(2,000,000)</b>            | <b>-</b>                       | <b>-</b>               | <b>-</b> |

\*Off market transfer

|                     | Balance at the start of the year | Granted during the year | Exercised during the year | Other changes during the year | Balance at the end of the year | Vested and exercisable | Unvested |
|---------------------|----------------------------------|-------------------------|---------------------------|-------------------------------|--------------------------------|------------------------|----------|
| <b>30 June 2020</b> |                                  |                         |                           |                               |                                |                        |          |
| David Reeves*       | 1,000,000                        | -                       | -                         | -                             | 1,000,000                      | 1,000,000              | -        |
| Keith Coughlan      | 2,000,000                        | -                       | -                         | -                             | 2,000,000                      | 2,000,000              | -        |
| Kiran Morzaria      | -                                | -                       | -                         | -                             | -                              | -                      | -        |
| Richard Pavlik      | 400,000                          | -                       | -                         | (400,000)                     | -                              | -                      | -        |
| <b>Total</b>        | <b>3,400,000</b>                 | <b>-</b>                | <b>-</b>                  | <b>(400,000)</b>              | <b>3,000,000</b>               | <b>3,000,000</b>       | <b>-</b> |

\*Resigned on 30 June 2020.

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

The number of ordinary CDIs held in the Company during the 2021 and 2020 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.

| 2021 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 |
|-------------------------------|--------------------------|---|-------------------------------|-------------------------------|------------------------|
| Keith Coughlan                | 850,000                  | -                                       | -                             | -                             | 850,000                |
| Indirect <sup>1</sup>         | 8,500,000                | -                                       | -                             | -                             | 8,500,000              |
| Richard Pavlik                | 300,000                  | -                                       | -                             | -                             | 300,000                |
| Kiran Morzaria                | 200,000                  | -                                       | -                             | -                             | 200,000                |
| Indirect <sup>2</sup>         | 23,259,751               | -                                       | -                             | (5,595,887)                   | 17,663,864             |
| Lincoln Palmer Bloomfield, Jr | 122,500 <sup>3</sup>     | -                                       | -                             | -                             | 122,500                |
| <b>Total</b>                  | <b>33,232,251</b>        | <b>-</b>                                | <b>-</b>                      | <b>(5,595,887)</b>            | <b>27,636,364</b>      |

Notes:

- Mr Coughlan has 850,000 CDIs direct interest and 8,500,000 CDIs indirect interest held by Inswinger Holdings Pty Ltd, an entity of which Mr Coughlan is a director and a shareholder.
- Mr Morzaria is a director and chief executive of Cadence Minerals plc, an entity which owns 17,663,864 CDIs in European Metals Holdings Limited. Mr Morzaria does not have direct control over the disposal of the shares either by means of his directorship of Cadence Minerals plc or his shareholding in Cadence Minerals plc.
- Represent balance held on appointment.

## DIRECTORS' REPORT

### REMUNERATION REPORT (AUDITED)

| 2020<br>Name                 | Balance at<br>Start of year | Granted as<br>remuneration<br>during the<br>year | Issued on<br>exercise<br>of options | Other<br>Changes<br>during the<br>year | Balance at<br>end of year |
|------------------------------|-----------------------------|--|-------------------------------------|--|---------------------------|
| David Reeves <sup>(i)</sup>  | 300,000                     | -  | -                                   | -                                      | 300,000                   |
| <i>Indirect</i> <sup>1</sup> | 3,720,244                   | -  | -                                   | 325,596 <sup>4</sup>                   | 4,045,840                 |
| Keith Coughlan               | 850,000                     | -  | -                                   | -                                      | 850,000                   |
| <i>Indirect</i> <sup>2</sup> | 8,500,000                   | -  | -                                   | -                                      | 8,500,000                 |
| Kiran Morzaria               | 200,000                     | -  | -                                   | -                                      | 200,000                   |
| <i>Indirect</i> <sup>3</sup> | 27,896,470                  | -  | -                                   | (4,636,719)                            | 23,259,751                |
| Richard Pavlik               | 300,000                     | -  | -                                   | -                                      | 300,000                   |
| <b>Total</b>                 | <b>41,766,714</b>           | <b>-</b>   | <b>-</b>                            | <b>(4,311,123)</b>                     | <b>37,455,591</b>         |

Notes:

- Mr Reeves has 300,000 CDIs direct interest and 4,045,840 CDIs 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 CDIs 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.

### Performance Shares held by Key Management Personnel

There were no Performance shares held by Key Management Personnel of the Group during the 2021 financial year.

| 30 June 2020                | Class   | Grant Details |                  |                | Exercised        |               | Lapsed/cancelled |                | Balance at End of Year |               |
|-----------------------------|---------|---------------|------------------|----------------|------------------|---------------|------------------|----------------|------------------------|---------------|
|                             |         | Grant Date    | No.              | Value<br>\$    | No.              | Value<br>\$   | No.              | Value<br>\$    | No.                    | Value<br>\$   |
| <b>Group KMP</b>            |         |               |                  |                |                  |               |                  |                |                        |               |
| David Reeves <sup>(i)</sup> | A Class | 18 Dec 18     | 542,651          | 86,824         | (217,064)        | 34,730        | -                | -              | 325,587                | 52,094        |
| David Reeves <sup>(i)</sup> | B Class | 24 Nov 16     | 542,651          | 289,932        | (108,532)        | 57,987        | (434,119)        | 231,945        | -                      | -             |
| Keith Coughlan              |         | -             | -                | -              | -                | -             | -                | -              | -                      | -             |
| Richard Pavlik              |         | -             | -                | -              | -                | -             | -                | -              | -                      | -             |
| Kiran Morzaria              |         | -             | -                | -              | -                | -             | -                | -              | -                      | -             |
|                             |         |               | <b>1,085,302</b> | <b>376,756</b> | <b>(325,596)</b> | <b>92,717</b> | <b>(434,119)</b> | <b>231,945</b> | <b>325,587</b>         | <b>52,094</b> |

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

## **DIRECTORS' REPORT**

### **REMUNERATION REPORT (AUDITED)**

#### **Other transactions with Key Management Personnel**

Purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. From January 2021, the Company received accounting and bookkeeping services of \$56,256 plus GST from Everest Corporate, a company controlled by the spouse of Executive Chairman, Keith Coughlan. Amount payable to Everest Corporate as at 30 June 2021 was \$12,528.

From 1 May 2021, the Company received rental income of \$24,515 plus GST for the period 1 May 2021 to 31 December 2021 from Everest Corporate for subletting the office in West Perth.

During the 2021 financial year, the Company paid \$4,900 plus GST for office rental to Wild West Enterprises Pty Ltd, an entity controlled by former director, David Reeves (2020: \$15,600).

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

#### **End of Remuneration Report**

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

A handwritten signature in black ink, appearing to read "K. Coughlan".

Keith Coughlan  
**EXECUTIVE CHAIRMAN**

Dated at Perth on 30 September 2021



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Australia  
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ABN: 84 144 581 519  
www.stantons.com.au

30 September 2021

Board of Directors  
European Metals Holdings Limited  
Level 3, 35 Outram Street  
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 Audit Director for the audit of the financial statements of European Metals Holdings Limited for the year ended 30 June 2021, 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 faithfully

**STANTONS INTERNATIONAL AUDIT & CONSULTING PTY LTD**  
**(An Authorised Audit Company)**

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

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2021**

|  | Note  | 30 June<br>2021<br>\$ | 30 June<br>2020<br>\$ |
|--|-------|-----------------------|-----------------------|
| Revenue  | 6     | 1,102,953             | 183,824               |
| Other income   |       | 66,199                | 47,255                |
| R&D rebate   |       | 289,335               | -                     |
| Professional fees  |       | (1,565,631)           | (2,043,727)           |
| Audit fees   | 7     | (43,526)              | (54,450)              |
| Directors' fees  |       | (80,748)              | (60,000)              |
| Share based payments   | 16,17 | (987,490)             | (2,439,192)           |
| Advertising and promotion  |       | (405,276)             | (175,052)             |
| Employees' benefits  |       | (559,026)             | (294,342)             |
| Travel and accommodation   |       | (7,248)               | (98,576)              |
| Insurance expense  |       | (64,619)              | (25,552)              |
| Share registry and listing expense   |       | (239,475)             | (139,514)             |
| Depreciation and amortisation expense  |       | (8,876)               | (1,344)               |
| Equity accounting on investment in Geomet s.r.o  | 12    | (1,263,167)           | 490,051               |
| Facility, advance fee and finance costs  |       | (61,155)              | -                     |
| Foreign exchange gain/(loss)   |       | (7,460)               | 45,018                |
| Other expenses   |       | (127,240)             | (43,128)              |
| <b>Loss before income tax</b>  |       | <b>(3,962,450)</b>    | <b>(4,608,729)</b>    |
| Income tax expense   | 3     | -                     | -                     |
| <b>Loss from continuing operations</b>   |       | <b>(3,962,450)</b>    | <b>(4,608,729)</b>    |
| Gain from discontinued operations – De-consolidation of Geomet s.r.o                         | 20    | -                     | 7,422,536             |
| <b>(Loss)/Income for the year attributable to the members of the Company</b>                 |       | <b>(3,962,450)</b>    | <b>2,813,807</b>      |
| <b>Other comprehensive income/(loss)</b>   |       |                       |                       |
| Items that may be reclassified subsequently to profit or loss                                |       |                       |                       |
| – Exchange differences on translating foreign operations                                     |       | 9,644                 | (1,522,451)           |
| – Equity accounting on investment in Geomet s.r.o  |       | (242,337)             | -                     |
| Other comprehensive loss for the year, net of tax  |       | (232,693)             | (1,522,451)           |
| <b>Total comprehensive (loss)/income for the year attributable to members of the Company</b> |       | <b>(4,195,143)</b>    | <b>1,291,356</b>      |
| <b>Loss per share for loss from continuing operations</b>                                    |       |                       |                       |
| Basic loss per CDI (cents)   | 8     | (2.39)                | (3.05)                |
| Diluted loss per CDI (cents)   | 8     | (2.39)                | (3.05)                |
| <b>Earnings per share for income from discontinued operations</b>                            |       |                       |                       |
| Basic earnings per CDI (cents)   | 8     | -                     | 4.92                  |
| Diluted earnings per CDI (cents)   | 8     | -                     | 4.92                  |

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

**EUROPEAN METALS HOLDINGS LIMITED**  
 ARBN 154 618 989  
**ANNUAL FINANCIAL REPORT 30 JUNE 2021**



**CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021**

|   | Note | 2021<br>\$   | 2020<br>\$   |
|---|------|--------------|--------------|
| <b>CURRENT ASSETS</b>                         |      |              |              |
| Cash and cash equivalents                     | 9    | 7,880,673    | 58,951       |
| GST and other receivables                     |      | 53,046       | 17,252       |
| Other assets                                  | 10   | 337,196      | 5,110        |
| <b>TOTAL CURRENT ASSETS</b>                   |      | 8,270,915    | 81,313       |
| <b>NON-CURRENT ASSETS</b>                     |      |              |              |
| Other assets                                  | 10   | 47,392       | -            |
| Property, plant and equipment                 |      | -            | 869          |
| Right-of-use asset                            | 11   | 136,122      | -            |
| Investments accounted for using equity method | 12   | 17,461,027   | 18,966,531   |
| <b>TOTAL NON-CURRENT ASSETS</b>               |      | 17,644,541   | 18,967,400   |
| <b>TOTAL ASSETS</b>                           |      | 25,915,456   | 19,048,713   |
| <b>CURRENT LIABILITIES</b>                    |      |              |              |
| Trade and other payables                      | 13   | 439,798      | 924,592      |
| Provisions – employee entitlements            | 14   | 99,850       | 54,618       |
| Lease liability                               | 11   | 6,038        | -            |
| <b>TOTAL CURRENT LIABILITIES</b>              |      | 545,686      | 979,210      |
| <b>NON-CURRENT LIABILITIES</b>                |      |              |              |
| Lease liability                               | 11   | 91,855       | -            |
| <b>TOTAL NON-CURRENT LIABILITIES</b>          |      | 91,855       | 979,210      |
| <b>TOTAL LIABILITIES</b>                      |      | 637,541      | 979,210      |
| <b>NET ASSETS</b>                             |      | 25,277,915   | 18,069,503   |
| <b>EQUITY</b>                                 |      |              |              |
| Issued capital                                | 15   | 34,087,930   | 23,954,204   |
| Reserves                                      | 16   | 8,752,723    | 7,715,587    |
| Accumulated losses                            |      | (17,562,738) | (13,600,288) |
| <b>TOTAL EQUITY</b>                           |      | 25,277,915   | 18,069,503   |

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

**EUROPEAN METALS HOLDINGS LIMITED**  
ARBN 154 618 989  
**ANNUAL FINANCIAL REPORT 30 JUNE 2021**



**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2021**

|  | Issued     | Capital | Share Based<br>Payment<br>Reserve | Foreign<br>Currency<br>Translation<br>Reserve | Accumulated<br>Losses | Total       |
|--|------------|---------|-----------------------------------|---|-----------------------|-------------|
|  | \$         |         | \$                                | \$  | \$                    | \$          |
| <b>Balance at 1 July 2019</b>                                  | 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 loss                                       | -          |         | -                                 | (1,522,451)                                   | -                     | (1,522,451) |
| Total comprehensive income for the year                        | -          |         | -                                 | (1,522,451)                                   | 2,813,807             | 1,291,356   |
| <b>Transactions with owners, recognized directly in equity</b> |            |         |                                   |   |                       |             |
| CDIs issued during the year, net of costs                      | 1,879,890  |         | -                                 | -   | -                     | 1,879,890   |
| Equity based payments  | -          |         | 2,439,192                         | -   | -                     | 2,439,192   |
| <b>Balance at 30 June 2020</b>                                 | 23,954,204 |         | 7,950,773                         | (235,186)                                     | (13,600,288)          | 18,069,503  |
| <b>Balance at 1 July 2020</b>                                  | 23,954,204 |         | 7,950,773                         | (235,186)                                     | (13,600,288)          | 18,069,503  |
| Loss attributable to members of the Company                    | -          |         | -                                 | -   | (3,962,450)           | (3,962,450) |
| Other comprehensive loss                                       | -          |         | -                                 | (232,693)                                     | -                     | (232,693)   |
| Total comprehensive loss for the year                          | -          |         | -                                 | (232,693)                                     | (3,962,450)           | (4,195,143) |
| <b>Transactions with owners, recognized directly in equity</b> |            |         |                                   |   |                       |             |
| CDIs issued during the year                                    | 9,100,000  |         | -                                 | -   | -                     | 9,100,000   |
| Capital raising costs  | (526,387)  |         | 355,000                           | -   | -                     | (171,387)   |
| Exercise of options and warrants                               | 958,733    |         | -                                 | -   | -                     | 958,733     |
| Repayment of Loan CDIs   | 271,380    |         | -                                 | -   | -                     | 271,380     |
| Share based payments   | 330,000    |         | 914,829                           | -   | -                     | 1,244,829   |
| <b>Balance at 30 June 2021</b>                                 | 34,087,930 |         | 9,220,602                         | (467,879)                                     | (17,562,738)          | 25,277,915  |

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

**EUROPEAN METALS HOLDINGS LIMITED**  
 ARBN 154 618 989  
**ANNUAL FINANCIAL REPORT 30 JUNE 2021**



**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021**

|  | Note | 30 June 2021<br>\$ | 30 June 2020<br>\$ |
|--|------|--------------------|--------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                      |      |                    |                    |
| Revenue received   |      | 1,011,041          | 275,736            |
| Government grant   |      | 55,118             | 39,370             |
| Payments to suppliers and employees                              |      | (2,640,953)        | (2,177,875)        |
| Interest received  |      | 1,340              | 11                 |
| R&D Rebate   |      | 289,335            | -                  |
| Payments for Cinovec associated costs                            |      | (1,007,678)        | -                  |
| <b>Net cash (used in) operating activities</b>                   | 18   | <u>(2,291,797)</u> | <u>(1,862,758)</u> |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                      |      |                    |                    |
| Payments for exploration and evaluation expenditure              |      | -                  | (331,372)          |
| <b>Net cash (used in) investing activities</b>                   |      | <u>-</u>           | <u>(331,372)</u>   |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                      |      |                    |                    |
| Proceeds from issue of CDIs                                      |      | 9,100,000          | 2,024,905          |
| Capital raising costs paid                                       |      | (171,387)          | (145,015)          |
| Proceeds from exercise of options and warrants                   |      | 958,733            | -                  |
| Proceeds from repayment of loan CDIs                             |      | 271,380            | -                  |
| Payment for lease liability                                      |      | (47,391)           | -                  |
| <b>Net cash from financing activities</b>                        |      | <u>10,111,335</u>  | <u>1,879,890</u>   |
| <b>Net increase/(decrease) in cash and cash equivalents</b>      |      | 7,819,538          | (314,240)          |
| Cash and cash equivalents at the beginning of the financial year |      | 58,951             | 426,178            |
| Exchange differences in foreign currency held                    |      | 2,184              | (52,987)           |
| <b>Cash and cash equivalents at the end of financial year</b>    | 9    | <u>7,880,673</u>   | <u>58,951</u>      |

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) **Basis of preparation**

These consolidated financial statements and notes represent those of European Metals Holdings Limited ("EMHL" or "the Company") and its 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 Company is a listed public company, incorporated in the British Virgin Islands and registered in Australia.

(i) **Accounting policies**

The Group has considered the implications of new and amended Accounting Standards which have become applicable for the current financial reporting year.

**New and Revised Accounting Standards Adopted by the Group**

***Initial adoption of AASB 2020-04: COVID-19-Related Rent Concessions***

AASB 2020-4: Amendments to Australian Accounting Standards – COVID-19 Related Rent Concessions amends AASB 16 by providing a practical expedient that permits lessees to assess whether rent concessions that occur as a direct consequence of the COVID-19 pandemic and, if certain conditions are met, account for those rent concessions as if they were not lease modifications.

***Initial adoption of AASB 2018-6: Amendments to Australian Accounting Standards – Definition of a Business***

AASB 2018-6 amends and narrows the definition of a business specified in AASB 3: Business Combinations, simplifying the determination of whether a transaction should be accounted for as a business combination or an asset acquisition. Entities may also perform a calculation and elect to treat certain acquisitions as acquisitions of assets.

***Initial adoption of AASB 2018-7: Amendments to Australian Accounting Standards – Definition of Material***

This amendment principally amends AASB 101 and AASB 108 by refining the definition of material by improving the wording and aligning the definition across the standards issued by the AASB.

***Initial adoption of AASB 2019-3: Amendments to Australian Accounting Standards – Interest Rate Benchmark***

This amendment amends specific hedge accounting requirements to provide relief from the potential effects of the uncertainty caused by interest rate benchmark reform.

***Initial adoption of AASB 2019-1: Amendments to Australian Accounting Standards – References to the Conceptual Framework***

This amendment amends Australian Accounting Standards, Interpretations and other pronouncements to reflect the issuance of Conceptual Framework for Financial Reporting by the AASB.

The standards listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

(i) Accounting policies (continued)

**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 Group.

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 2021.

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) Financial Position

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 2021, the Group comprising the Company and its subsidiaries has incurred a loss for the year amounting to \$3,962,450 (2020: income of \$2,813,807). The Group has a net working capital surplus of \$7,725,229 (2020: deficit of \$897,897) and cash and cash equivalents of \$7,880,673 (2020: \$58,951).

The Directors have prepared a cash flow forecast, which indicates that the Company will have sufficient cash flows to meet all commitments and working capital requirements for the 12-month period from the date of signing this financial report.

Based on the cash flow forecasts, the Directors are satisfied that the going concern basis of preparation is appropriate. In determining the appropriateness of the basis of preparation, the Directors have considered the impact of the COVID-19 pandemic on the position of the Company at 30 June 2021 and its operations in future periods.

(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. Judgement has been exercised on the probability and timing of achieving milestones related to performance rights granted to Directors.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

(iv) Critical accounting estimates and judgements (continued)

*Estimation of the Group's borrowing rate*

The lease payments used to determine the lease liability and right-of-use of asset at 1 July 2020 under AASB 16 Leases are discounted using the Group's incremental borrowing rate of 5%.

*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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**(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.

**(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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) **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 *Revenue from Contracts with Customers*.

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 *Revenue from Contracts with Customers*, 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.

*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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**(j) Financial Instruments (continued)**

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.

**(k) 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.

**(l) 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**(m) 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.

**(n) 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.

**(o) 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 Executive Chairman to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

**(p) 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.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

### 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**(t) 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.

**(u) Leases**

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.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

**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 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 the fair value.

The fair value of consultant CDI options and warrants is measured at the fee of the services received, except for when the fair value of the services cannot be estimated reliably, the fair value is measured using the Black-Scholes formula.

The fair value of performance rights granted to Directors is measured using the share price at grant date. Service and non-market performance conditions attached to the transactions are not taken into account in determining the fair value.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

**NOTE 3: INCOME TAX**

|  | <b>30 June<br/>2021</b> | <b>30 June<br/>2020</b> |
|--|-------------------------|-------------------------|
|  | <b>\$</b>               | <b>\$</b>               |
| <b>(a) Income tax expense</b>  |                         |                         |
| Current tax  | -                       | -                       |
| Deferred tax   | -                       | -                       |
|  | <hr/>                   | <hr/>                   |
|  | <hr/>                   | <hr/>                   |
| Deferred income tax expense included in income tax expense comprises:  |                         |                         |
| (Increase) in deferred tax assets  | -                       | -                       |
| Increase in deferred tax liabilities*  | -                       | -                       |
|  | <hr/>                   | <hr/>                   |
|  | <hr/>                   | <hr/>                   |
| * 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>(b) Reconciliation of income tax expense to prima facie tax payable</b>   |                         |                         |
| Net (loss)/profit before tax   | (3,962,450)             | 2,813,807               |
| Prima facie tax on operating loss at 26% (2020: 27.5%)   | (1,030,237)             | 773,797                 |
| Add / (Less): Non-deductible items   |                         |                         |
| Non-deductible expenses/(Non-assessable income)  | 484,048                 | (1,035,056)             |
| Current year tax loss not recognised   | 546,189                 | 261,259                 |
|  | <hr/>                   | <hr/>                   |
| 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                     |
| <b>Deferred tax assets/(liabilities)</b>   |                         |                         |
| Tax losses   | 1,124,435               | 1,080,484               |
| Other receivables and other assets   | (68,059)                | (1,406)                 |
| Unrealised foreign exchange gain   | -                       | (12,380)                |
| Accruals   | 9,838                   | 53,784                  |
| Business related costs   | 466,341                 | 155                     |
| Right-of-use assets  | (35,392)                | -                       |
| Lease liabilities  | 25,452                  | -                       |
| Provisions   | 25,962                  | 40,296                  |
|  | <hr/>                   | <hr/>                   |
| Unrecognised deferred tax asset  | 1,548,577               | 1,160,933               |
| Set-off deferred tax liabilities   | -                       | -                       |
| Net deferred tax assets  | <hr/>                   | <hr/>                   |
|  | <hr/>                   | <hr/>                   |
| <b>Tax losses</b>  |                         |                         |
| Unused tax losses for which no deferred tax asset has been recognised  | 4,324,751               | 3,929,089               |
|  | <hr/>                   | <hr/>                   |

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

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

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

There are currently no withholding taxes or exchange control regulations in the BVI applicable to the Company. The Company is subject to UK taxation regulations in respect of European Metals (UK) Limited.

**NOTE 4: RELATED PARTY TRANSACTIONS**

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

During the year, the Company received \$1,102,953 (2020: \$183,824) from its associate, Geomet s.r.o for providing services of managing the Cinovec project development. The Company's Directors also received remuneration from Geomet s.r.o in arm's length transaction during the financial year.

Purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. From January 2021, the Company received accounting and bookkeeping services of \$56,256 plus GST from Everest Corporate, a company controlled by the spouse of Executive Chairman, Keith Coughlan. Amount payable to Everest Corporate as at 30 June 2021 was \$12,528.

From 1 May 2021, the Company received rental income of \$24,515 plus GST from Everest Corporate for subletting the office in West Perth.

During the 2021 financial year, the Company paid \$4,900 plus GST for office rental to Wild West Enterprises Pty Ltd, an entity controlled by former director, David Reeves (2020: \$15,600).

There were no other transactions with related parties during the financial 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 2021 and 30 June 2020.

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

|                          | <b>2021</b> | <b>2020</b> |
|--------------------------|-------------|-------------|
|                          | <b>\$</b>   | <b>\$</b>   |
| Short-term benefits      | 537,115     | 445,513     |
| Post-employment benefits | 27,345      | 22,800      |
| Long service leave       | 17,825      | 26,663      |
| Equity settled           | -           | 29,802      |
|                          | 582,285     | 524,778     |

**Loans to Key Management Personnel**

There were no loans to Key Management Personnel during the financial year (2020: nil). The total value of loan CDIs at 30 June 2021 amounted to \$1,442,666. 1,650,000 loan CDIs were issued to Directors with fair value of \$1,149,653 in prior years of which 300,000 CDIs were repaid in the current year. 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 at 30 June 2021 of which 100,000 CDIs were repaid in the current financial year.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

**NOTE 6: REVENUE**

|   | <b>2021</b>      | <b>2020</b>    |
|---|------------------|----------------|
|   | \$               | \$             |
| Service revenue – Cinovec project development | 1,102,953        | 183,824        |
|   | <u>1,102,953</u> | <u>183,824</u> |

**NOTE 7: AUDITOR'S REMUNERATION**

|                                      | <b>2021</b>   | <b>2020</b>   |
|--------------------------------------|---------------|---------------|
|                                      | \$            | \$            |
| <b>Auditor's services</b>            |               |               |
| Audit and review of financial report | 39,000        | 46,525        |
| - Under provision in prior year      | 4,526         | 7,925         |
|                                      | <u>43,526</u> | <u>54,450</u> |

**NOTE 8: BASIC AND DILUTED LOSS PER CDI**

|   | <b>2021</b> | <b>2020</b> |
|---|-------------|-------------|
|   | \$          | \$          |
| <i>Loss per share for income from continuing operations</i> |             |             |
| Loss attributable to owners (\$)                            | (3,962,450) | (4,608,729) |
| Basic loss per CDI (cents)                                  | (2.39)      | (3.05)      |
| Diluted loss per CDI (cents)                                | (2.39)      | (3.05)      |

*Earnings per share for gain from discontinued operations*

|                                  |   |           |
|----------------------------------|---|-----------|
| Profit attributable to owners    | - | 7,422,536 |
| Basic earnings per CDI (cents)   | - | 4.92      |
| Diluted earnings per CDI (cents) | - | 4.92      |

**Weighted average number of CDIs**

|   |                    |                    |
|---|--------------------|--------------------|
| Weighted average number of CDIs used in calculating earnings per share    | 166,032,891        | 150,957,617        |
| 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 loss per share | <u>166,032,891</u> | <u>151,008,987</u> |

**NOTE 9: CASH AND CASH EQUIVALENTS**

|  | <b>2021</b>      | <b>2020</b>   |
|--|------------------|---------------|
|  | \$               | \$            |
| Cash at bank   | 2,880,673        | 58,951        |
| Term deposit   | 5,000,000        | -             |
| Total cash and cash equivalents in the Statement of Cash Flows | <u>7,880,673</u> | <u>58,951</u> |

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

| <b>NOTE 10: OTHER ASSETS</b>                 | <b>2021</b> | <b>2020</b> |
|--|-------------|-------------|
|  | <b>\$</b>   | <b>\$</b>   |
| <b>Current</b>                               |             |             |
| Deposit                                      | 6,345       | -           |
| Prepayments                                  | 250,279     | 5,110       |
| Unbilled revenue                             | 80,572      | -           |
|  | 337,196     | 5,110       |
| <b>Non-Current</b>                           |             |             |
| Bank guarantee on office lease               | 47,392      | -           |
|  | 47,392      | -           |
| <br>   |             |             |
| <b>NOTE 11: OFFICE LEASE</b>                 | <b>2021</b> | <b>2020</b> |
|  | <b>\$</b>   | <b>\$</b>   |
| <b>(a) Right-of-use asset</b>                |             |             |
| Right-of-use asset at cost                   | 144,129     | -           |
| Less accumulated amortisation                | (8,007)     | -           |
|  | 136,122     | -           |
| <br>   |             |             |
| <b>Reconciliation of Right-of-use asset:</b> |             |             |
| Opening balance                              | -           | -           |
| Additions                                    | 144,129     | -           |
| Amortisation                                 | (8,007)     | -           |
| Closing balance                              | 136,122     | -           |
| <br>   |             |             |
| <b>(b) Lease liability</b>                   |             |             |
| Opening balance                              | -           | -           |
| Additions                                    | 144,129     | -           |
| Interest expense                             | 1,155       | -           |
| Payments                                     | (47,391)    | -           |
| Closing balance                              | 97,893      | -           |
| <br>   |             |             |
| Current                                      | 6,038       | -           |
| Non-current                                  | 91,855      | -           |
| Closing balance                              | 97,893      | -           |

The Group's West Perth office is leased under a lease agreement assigned to the Group commencing on 1 May 2021 for a period of three years with a three-year renewal option and rental of \$50,000 plus GST per year payable plus outgoings. The lease liability is measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as at 1 May 2021. The Group's incremental borrowing rate is the rate at which a similar borrowing could be obtained from an independent creditor under comparable terms and conditions. The weighted-average rate applied was 5%.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

**NOTE 12: INVESTMENT IN ASSOCIATE**

|   | <b>2021</b>       | <b>2020</b>       |
|---|-------------------|-------------------|
|   | <b>\$</b>         | <b>\$</b>         |
| On initial recognition at fair value          | -                 | 18,476,480        |
| Opening balance                               | 18,966,531        | -                 |
| Share of (loss)/profit – associate            | (1,263,167)       | 490,051           |
| Share of post-acquisition movement in reserve | (242,337)         | -                 |
|   | <u>17,461,027</u> | <u>18,966,531</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 (Note 20). The Company was appointed to provide services of managing the Cinovec project development.

**Summarised statement of financial position**

|                         | <b>2021</b>       | <b>2020</b>       |
|-------------------------|-------------------|-------------------|
|                         | <b>\$</b>         | <b>\$</b>         |
| Current assets          | 38,660,683        | 47,280,678        |
| Non-current assets      | 17,091,493        | 9,497,797         |
| Total assets            | <u>55,752,176</u> | <u>56,778,475</u> |
| Current liabilities     | 755,929           | 132,262           |
| Non-current liabilities | -                 | -                 |
| Total liabilities       | <u>755,929</u>    | <u>132,262</u>    |
| <b>Net assets</b>       | <u>54,996,247</u> | <u>56,646,213</u> |

**Summarised statement of profit or loss and other comprehensive income\***

|                   |                    |                    |
|-------------------|--------------------|--------------------|
| Revenue           | 17,422             | 2,709              |
| Expenses          | (2,594,480)        | (1,002,813)        |
| Loss for the year | <u>(2,577,058)</u> | <u>(1,000,104)</u> |

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

**NOTE 13: TRADE AND OTHER PAYABLES**

|  | <b>2021</b>    | <b>2020</b>    |
|--|----------------|----------------|
|  | <b>\$</b>      | <b>\$</b>      |
| Trade payables                         | 295,612        | 471,604        |
| Accrued expenses and other liabilities | 125,800        | 361,076        |
| Advance fee received                   | 18,386         | 91,912         |
|  | <u>439,798</u> | <u>924,592</u> |

Payables are normally due for payment within 30 days.

**NOTE 14: PROVISIONS**

|                                  | <b>2021</b>   | <b>2020</b>   |
|----------------------------------|---------------|---------------|
|                                  | <b>\$</b>     | <b>\$</b>     |
| Provision for annual leave       | 55,362        | 27,955        |
| Provision for long service leave | 44,488        | 26,663        |
|                                  | <u>99,850</u> | <u>54,618</u> |

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

**NOTE 15: ISSUED CAPITAL**

|  | <b>2021</b> | <b>2020</b> |
|--|-------------|-------------|
|  | <b>\$</b>   | <b>\$</b>   |
| <b>(a) Issued and paid up capital</b>        |             |             |
| 175,119,485 (30 June 2020: 154,703,973 CDIs) | 34,087,930  | 23,954,204  |
| Total issued capital                         | 34,087,930  | 23,954,204  |

**(b) Movements in CDIs**

|  | <u><b>Date</b></u>  | <u><b>Number</b></u> | <u><b>\$</b></u>  |
|--|---------------------|----------------------|-------------------|
| <b>Balance at the beginning of the year</b>            | <b>1 July 2019</b>  | <b>146,642,227</b>   | <b>22,074,314</b> |
| 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)         |
| <b>Balance at the end of the year</b>                  | <b>30 June 2020</b> | <b>154,703,973</b>   | <b>23,954,204</b> |

|   | <u><b>Date</b></u>  | <u><b>Number</b></u> | <u><b>\$</b></u>  |
|---|---------------------|----------------------|-------------------|
| <b>Balance at the beginning of the year</b>                       | <b>1 July 2020</b>  | <b>154,703,973</b>   | <b>23,954,204</b> |
| CDI issue under the Funding Facility Agreement @ A\$0.238 per CDI | 17 July 2020        | 1,049,825            | 250,000           |
| Exercise of unlisted options @ 16.6c                              | 5 August 2020       | 750,000              | 124,500           |
| Exercise of unlisted options @ 16.6c                              | 18 August 2020      | 3,000,000            | 498,000           |
| CDI issue under the Funding Facility Agreement @ A\$0.27 per CDI  | 27 August 2020      | 927,300              | 250,000           |
| Exercise of unlisted options @ 25c                                | 17 September 2020   | 50,000               | 12,500            |
| CDI issue under the Funding Facility Agreement @ A\$0.34 per CDI  | 23 October 2020     | 723,323              | 250,000           |
| CDI issue under the Funding Facility Agreement @ A\$0.34 per CDI  | 13 November 2020    | 719,821              | 250,000           |
| Exercise of unquoted warrants @ £0.20 (36.3c)                     | 25 November 2020    | 89,375               | 32,483            |
| Exercise of unlisted options @ 35c                                | 25 November 2020    | 200,000              | 70,000            |
| Exercise of unlisted options @ 40.18c                             | 21 December 2020    | 100,000              | 40,180            |
| Exercise of unlisted options @ 31.11c                             | 21 December 2020    | 100,000              | 31,110            |
| Exercise of unlisted options @ 25c                                | 21 December 2020    | 200,000              | 50,000            |
| CDI issue under the Funding Facility Agreement @ A\$0.683 per CDI | 6 January 2021      | 1,463,734            | 1,000,000         |
| Issue of CDIs in lieu of consultant options                       | 18 January 2021     | 1,613,708            | -                 |
| Share Placement @ A\$1.10 per CDI                                 | 8 February 2021     | 6,454,546            | 7,100,000         |
| Issue of CDIs in lieu of consultant options cancelled             | 4 March 2021        | 2,435,880            | -                 |
| Issue of CDIs for services provided @ A\$1.10 per CDI             | 4 March 2021        | 300,000              | 330,000           |
| Repayment of Loan CDIs @ A\$0.485 per CDI                         | 15,19,22 March 2021 | -                    | 48,480            |
| Repayment of Loan CDIs @ A\$0.743 per CDI                         | 18 March 2021       | -                    | 222,900           |
| Exercise of unlisted options @ 42c                                | 10 May 2021         | 238,000              | 99,960            |
| Capital raising cost  |                     | -                    | (526,387)         |
| <b>Balance at the end of the year</b>                             | <b>30 June 2021</b> | <b>175,119,485</b>   | <b>34,087,930</b> |

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

**NOTE 15: ISSUED CAPITAL (CONTINUED)**

**(c) 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.

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:

|                                   | <b>2021</b>      | <b>2020</b>      |
|-----------------------------------|------------------|------------------|
|                                   | <b>\$</b>        | <b>\$</b>        |
| Cash and cash equivalents         | 7,880,673        | 58,951           |
| GST and other receivables         | 53,046           | 17,252           |
| Other assets                      | 337,196          | 5,110            |
| Trade and other payables          | (439,798)        | (924,592)        |
| Provisions                        | (99,850)         | (54,618)         |
| Lease liability                   | (6,038)          | -                |
| Working capital surplus/(deficit) | <u>7,725,229</u> | <u>(897,897)</u> |

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

**NOTE 16: RESERVES**

|                                      | <b>2021</b>      | <b>2020</b>      |
|--------------------------------------|------------------|------------------|
|                                      | <b>\$</b>        | <b>\$</b>        |
| Option and Warrant Reserve           | 4,306,491        | 3,036,662        |
| Performance Shares Reserve           | 3,471,444        | 3,471,444        |
| Loan CDIs Reserve                    | 1,442,667        | 1,442,667        |
| Foreign Currency Translation Reserve | (467,879)        | (235,186)        |
| <b>Total Reserves</b>                | <u>8,752,723</u> | <u>7,715,587</u> |

**Option and Warrant Reserve**

|  | <b>2021</b>      | <b>2020</b>      |
|--|------------------|------------------|
|  | <b>\$</b>        | <b>\$</b>        |
| Balance at the beginning of the financial year | 3,036,662        | 597,470          |
| Equity based payment expense (Note 17)         | 914,829          | 2,439,192        |
| Equity based payment as capital raising cost   | 355,000          | -                |
| Balance at the end of the financial year       | <u>4,306,491</u> | <u>3,036,662</u> |

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

**NOTE 16: RESERVES (CONTINUED)**

The following options and warrants existed as at 30 June 2020 and 30 June 2021:

|                      | <b>Expiry date</b> | <b>Balance at 30 June 2020</b> | <b>Issued during the year</b> | <b>Exercised during the year</b> | <b>Cancelled</b>   | <b>Balance at 30 June 2021</b> |
|----------------------|--------------------|--------------------------------|-------------------------------|----------------------------------|--------------------|--------------------------------|
| Options @ 16.6cents  | 17 Aug 20          | 3,750,000                      | -                             | (3,750,000)                      | -                  | -                              |
| Options @ 35cents    | 1 Jan 21           | 200,000                        | -                             | (200,000)                        | -                  | -                              |
| Options @ 40.18cents | 1 June 21          | 100,000                        | -                             | (100,000)                        | -                  | -                              |
| Options @ 31.11cents | 1 Dec 21           | 100,000                        | -                             | (100,000)                        | -                  | -                              |
| Options @ 25cents    | 31 Dec 22          | 15,000,000                     | -                             | -                                | (5,000,000)        | 10,000,000                     |
| Options @ 25cents    | 15 June 22         | -                              | 250,000                       | (250,000)                        | -                  | -                              |
| Options @ 42cents    | 23 Oct 23          | -                              | 2,500,000                     | (238,000)                        | -                  | 2,262,000                      |
| Options @ 45cents    | 23 Oct 23          | -                              | 1,000,000                     | -                                | -                  | 1,000,000                      |
| Warrants @ 20pence   | 22 Nov 21          | 116,875                        | -                             | (89,375)                         | -                  | 27,500                         |
| Warrants @ \$1.10    | 31 Jan 23          | -                              | 1,200,000                     | -                                | -                  | 1,200,000                      |
| <b>Total</b>         |                    | <b>19,266,875</b>              | <b>4,950,000</b>              | <b>(4,727,375)</b>               | <b>(5,000,000)</b> | <b>14,489,500</b>              |

- On 17 July 2020, the Company issued 250,000 unlisted options exercisable at \$0.25 on or before 15 June 2022 to a consultant in accordance with the consultancy agreement dated 15 June 2020. The unlisted options were valued using a Black & Scholes option pricing model. The share-based expense of \$36,331 was recognised in the statement of profit or loss and other comprehensive income for the year. These options were exercised during the year.
- On 23 October 2020, 1,000,000 unlisted options exercisable at 45 cents on or before 23 October 2023 were issued to consultants. On 23 October 2020, 2,500,000 unlisted options exercisable at 42 cents on or before 23 October 2023 were issued to consultants. The unlisted options were valued using a Black & Scholes option pricing model. The share-based expense of \$878,498 was recognised in the statement of profit or loss and other comprehensive income for the year.
- On 4 March 2021, the Company issued 1,200,000 unlisted warrants exercisable at \$1.10 on or before 31 January 2023 to an investor relations consultant pursuant to raising \$7,100,000 in the Share Placement on 5 February 2021. The warrants represent fee based on 5% of the capital raised. The share-based expense of \$355,000 was recognised in equity as capital raising costs.
- 4,727,375 unlisted options were exercised during the year as detailed in the table above.
- 5,000,000 unlisted options were cancelled during the year and the Company issued 4,049,588 CDIs in lieu of these options in accordance with the terms and conditions of the consultant options held by European Energy and Infrastructure Group Limited. The CDIs have been issued for nil consideration per the terms and conditions of the options. As the fair value of the replacement CDIs was lower than the fair value of the cancelled options, no additional expense was recognized in accordance with AASB 2 *Share-based Payment*.

**Performance Share Reserve**

The Performance Share reserve records the fair value of the Performance Shares issued. Performance shares on issue at 30 June 2020 and 30 June 2021 is as follows:

|         | <b>Issue date</b> | <b>Expiry date</b> | <b>Number on issue</b> |
|---------|-------------------|--------------------|------------------------|
| A Class | 18 Dec 2018       | 18 Dec 2021        | 3,000,000              |

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

**NOTE 16: RESERVES (CONTINUED)**

**Performance Shares Reserve (continued)**

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

A Class Performance Shares

|   |                     |                  |                  |
|---|---------------------|------------------|------------------|
| <b>Balance at the beginning of the year</b> | <b>1 July 2020</b>  | <b>3,000,000</b> | <b>3,471,444</b> |
| <b>Balance at the end of the year</b>       | <b>30 June 2021</b> | <b>3,000,000</b> | <b>3,471,444</b> |

<sup>1</sup> The milestone was achieved prior to B Class Performance Share expiring.

No performance shares were issued during the year (30 June 2020: nil). B Class performance shares lapsed during the financial year ended 30 June 2020. During the financial year ended 30 June 2020, 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.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

**NOTE 16: RESERVES (CONTINUED)**

**Loan CDIs Reserve**

**Employee securities incentive plan**

In prior years, 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 reserve records the fair value of the Loan CDIs issued.

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.

|   | <u>Date</u>     | <u>Number</u>    | <u>Amount Expensed</u> |
|---|-----------------|------------------|------------------------|
| <b>Balance at beginning of the year</b> | 1 July 2019     | 3,150,000        | 1,442,667              |
| Loan CDIs cancelled during the year     | 30 January 2020 | (1,400,000)      | -                      |
| <b>Balance at end of the year</b>       | 30 June 2020    | <b>1,750,000</b> | <b>1,442,667</b>       |
| <b>Balance at beginning of the year</b> | 1 July 2020     | <b>1,750,000</b> | <b>1,442,667</b>       |
| Loan CDIs repaid during the year        | March 2021      | (400,000)        | -                      |
| <b>Balance at end of the year</b>       | 30 June 2021    | <b>1,350,000</b> | <b>1,442,667</b>       |

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

**NOTE 16: RESERVES (CONTINUED)**

**Loan CDIs Reserve (continued)**

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.

The Loan CDIs were issued to the executive members under the Employee Securities Incentive Plan on 6 June 2018.

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.

**Foreign Currency Translation Reserve**

The foreign currency translation reserve records exchange differences arising on translation of foreign controlled subsidiaries, the Group's share of foreign exchange movement in Geomet s.r.o. and the effect of the deconsolidation of Geomet s.r.o.

|  | <b>2021</b> | <b>2020</b> |
|--|-------------|-------------|
|  | \$          | \$          |
| Balance at the beginning of the financial year | (235,186)   | 1,287,265   |
| Movement during the year                       | (232,693)   | (1,582,667) |
| Derecognition of foreign currency reserve      | -           | 60,216      |
| Balance at the end of the financial year       | (467,879)   | (235,186)   |

**NOTE 17: SHARE BASED PAYMENT EXPENSE**

|   | <b>Number</b> | <b>Weighted Average Exercise Price</b> |
|---|---------------|--|
| Options and warrants outstanding as at 1 July 2019  | 4,566,875     | \$0.219                                |
| Options granted during the year                     | 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                                |
| Options and warrants outstanding as at 1 July 2020  | 19,266,875    | \$0.236                                |
| Options and warrants granted during the year (i)    | 4,950,000     | \$0.582                                |
| Options exercised                                   | (4,638,000)   | \$0.20                                 |
| Warrants exercised                                  | (89,375)      | \$0.363                                |
| Options cancelled                                   | (5,000,000)   | \$0.250                                |
| Options and warrants outstanding as at 30 June 2021 | 14,489,500    | \$0.360                                |

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

**NOTE 17: SHARE BASED PAYMENT EXPENSE (CONTINUED)**

During the year, the Group incurred a share-based payments expense for a total of \$987,490 resulting from the transactions detailed below.

**(i) Share based payments granted during the year:**

On 17 July 2020, the Company issued 250,000 unlisted options exercisable at 25 cents on or before 15 June 2022 to a consultant in accordance with the consultancy agreement dated 15 June 2020. The unlisted options vest immediately. The options were valued at \$36,331 using a Black & Scholes option pricing model with the share-based payment recognised as share-based payment expense in the statement of profit or loss and other comprehensive income. The key inputs to the models used were as follows.

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

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

|                             |                   |                                  |         |
|-----------------------------|-------------------|----------------------------------|---------|
| Grant date                  | 25 September 2020 | Expected life of options (years) | 3 Years |
| Dividend yield (%)          | Nil               | Underlying share price (\$)      | \$0.44  |
| Expected volatility (%)     | 100%              | Option exercise price (\$)       | \$0.42  |
| Risk-free interest rate (%) | 0.24%             | Value of option (\$)             | \$0.274 |

On 23 October 2020, 1,000,000 unlisted options exercisable at 45 cents on or before 23 October 2023 were issued to a consultant. The options were valued under the Black and Scholes at \$256,390 with the share-based payment expense of \$192,293 recognised in the current year in the statement of profit or loss and other comprehensive income. The key inputs to the models used were as follows.

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

On 5 March 2021, the Company issued 300,000 CDIs to an advisor in satisfaction of a \$330,000 invoice fee for the provision of digital marketing services. The \$330,000 fee has been expensed over the length of the service per the Service Agreement. Share-based payment expense of \$72,661 has been recognised in the current year in the statement of profit or loss and other comprehensive income.

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

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

**NOTE 17: SHARE BASED PAYMENT EXPENSE (CONTINUED)**

**(ii) Share based payments granted during the year (continued):**

The Performance Rights will expire three years from the date of issue, after which the Performance Rights lapse and may no longer be exercised or converted. These Performance Rights have yet to be issued as at 30 June 2021.

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

The total fair value of the Performance Rights is expensed when they vest. The share-based expense of nil was recognized in the statement of profit or loss and other comprehensive income for the year. As at 30 June 2021, management has yet to indicate the number of these performance rights expected to vest, hence has not expensed any of the value of these performance rights. Management shall revise this estimate when subsequent information indicates that the number of performance rights expected to vest differs from previous estimate.

During the year, the Company incurred a share-based payments recognised as capital raising costs of \$355,000 resulting from the transaction below.

On 4 March 2021, the Company issued 1,200,000 unlisted warrants exercisable at \$1.10 on or before 31 January 2023 to an investor relations consultant pursuant to raising \$7,100,000 in the Share Placement on 5 February 2021. The warrants represent the fee based on 5% of the capital raised. The share-based expense of \$355,000 was recognised in equity as capital raising costs.

**Share-based payment arrangements granted in prior years and existed during the financial year ended 30 June 2021:**

1. 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. These options were exercised during the year.
2. On 12 July 2019, 200,000 unlisted options exercisable at 35 cents on or before 1 January 2021 were issued to a consultant. These options were exercised during the year.
3. On 12 July 2019, 100,000 unlisted options exercisable at 40.18 cents on or before 1 June 2021 were issued to a consultant. These options were exercised during the year.
4. On 6 December 2019, 100,000 unlisted options exercisable at 31.11 cents on or before 1 December 2021 were issued to consultants. These options were exercised during the year.
5. On 26 March 2020, 15,000,000 unlisted options exercisable at 25 cents on or before 31 December 2022 were granted to consultants. 5,000,000 of these options were cancelled during the year and the Company issued 4,049,588 CDIs in lieu of these options in accordance with the terms and conditions of the consultant options held by European Energy and Infrastructure Group Limited. The CDIs have been issued for nil consideration per the terms and conditions of the options.
6. 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 in line with the capital raise on the 20 November 2018. Warrants are exercisable on or before 22 November 2021. 89,375 warrants were exercised during the year.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

**NOTE 17: SHARE BASED PAYMENT EXPENSE (CONTINUED)**

**Performance share-based payment arrangements granted in prior years and existed during the financial year ended 30 June 2021:**

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

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.

No additional performance shares were granted during the year.

**Loan CDIs granted in prior years and existed during the financial year ended 30 June 2021:**

|  | Number<br>30 June 2020 | Repaid during<br>the year | Number<br>30 June 2021 |
|--|------------------------|---------------------------|------------------------|
| Director Loan CDIs                           | 1,650,000              | (300,000)                 | 1,350,000              |
| Employee Securities Incentive Plan Loan CDIs | 100,000                | (100,000)                 | -                      |
|  | <u>1,750,000</u>       | <u>(400,000)</u>          | <u>1,350,000</u>       |

During the year, 400,000 Loan CDIs were repaid by former director, David Reeves and the previous executive members when they resigned. Only 1,350,000 CDIs remained at 30 June 2021.

No loan CDIs were granted during the financial year.

The total fair value of the Loan CDIs was fully expensed in the statement of profit or loss and other comprehensive income in the 2019 financial year.

A summary of the outstanding Director Loan CDIs at 30 June 2021 and the inputs used in the valuation of the loan CDIs issued to Directors are as follows:

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

| <b>NOTE 18: CASH FLOW INFORMATION</b>  | <b>2021</b>        | <b>2020</b>        |
|--|--------------------|--------------------|
|  | <b>\$</b>          | <b>\$</b>          |
| <b>Reconciliation of cash flow from operating activities with (loss)/income after tax:</b> |                    |                    |
| (Loss)/Income after income tax   | (3,962,450)        | 2,813,807          |
| <i>Adjustments for:</i>  |                    |                    |
| Share based payments   | 987,490            | 2,439,192          |
| Finance costs  | 1,155              | -                  |
| Foreign exchange loss/ (gain)  | 7,460              | (45,018)           |
| Depreciation and amortisation expenses   | 8,876              | 1,344              |
| Loss from discontinued operations to date of disposal                                      | -                  | 209,510            |
| Equity accounted of investment in Geomet s.r.o   | 1,263,167          | (490,051)          |
| Gain on de-consolidation of Geomet s.r.o   | -                  | (7,632,046)        |
| <i>Interest in assets and liabilities net of deemed disposal of subsidiary</i>             |                    |                    |
| (Increase)/decrease in other receivables   | (5,794)            | 74,928             |
| (Increase)/decrease in other assets  | (152,139)          | 18,478             |
| (Decrease)/increase in trade and other payables  | (484,794)          | 715,613            |
| Increase in provisions   | 45,232             | 31,485             |
| Cash flow used in operating activities   | <u>(2,291,797)</u> | <u>(1,862,758)</u> |

**(b) Credit standby facilities**

The Company had no credit standby facilities as at 30 June 2021 and 2020.

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

There were no non-cash investing activities during the year.

During the year, the Company issued 1,200,000 warrants, exercise price of \$1.10 per warrant expiring on 31 January 2023, to an investor relations consultant. The warrants, valued at \$355,000 was included as non-cash capital raising costs in financing activities.

**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 a 49% interest in Geomet s.r.o. which is accounted for in accordance with AASB 128 *Investment in Associates and Joint Venture*. Therefore, the Group has only one operating segment based on geographical location. The Australian segment incorporates the services provided to Geomet s.r.o. in relation to the Cinovec project development along with head office and treasury function. Consequently, the financial information for the sole operating segment is identical to the information presented in these financial reports."

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

**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 12). 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**

|   | <b>Period ended<br/>27 April 2020<br/>\$</b> |
|---|--|
| Other income  | 11,530                                       |
| Employees' benefits   | (131,423)                                    |
| Interest expense  | (942)  |
| Other expenses  | (17,471)                                     |
| Professional fees   | (45,512)                                     |
| Depreciation expense  | (1,663)                                      |
| Travel and accommodation  | (4,958)                                      |
| Office and rent expense   | (19,071)                                     |
| <b>Loss from discontinued operations – Until date of disposal</b>   | <b>(209,510)</b>                             |
| 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**

|   | <b>Period ended<br/>27 April 2020<br/>\$</b> |
|---|--|
| Cash flows from discontinued operations             |  |
| <b>Net cash (outflow) from operating activities</b> | <b>(191,325)</b>                             |

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

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

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

|  | <b>30 June 2020</b> |                  |
|--|---------------------|------------------|
|  | <b>\$</b>           |                  |
| Fair value of interest retained in Geomet s.r.o <sup>A</sup>   | 19,796,466          |                  |
| <br><u>Analysis of extracted assets and liabilities of Geomet s.r.o on date of de-consolidation:</u> |                     |                  |
|  | <b>\$</b>           |                  |
| <b>Current assets</b>  |                     |                  |
| Cash and cash equivalents  | 21,982              |                  |
| Accounts receivable  | 84,520              |                  |
| <b>Total current assets</b>  | <b>106,502</b>      |                  |
| <b>Non Current assets</b>  |                     |                  |
| Property, plant and equipment  | 366,887             |                  |
| Exploration assets   | 11,553,630          |                  |
| <b>Total non current assets</b>  | <b>11,920,517</b>   |                  |
| <b>Current liabilities</b>   |                     |                  |
| Accounts payables  | 9,928               |                  |
| Others   | 27,937              |                  |
| <b>Total Current liabilities</b>   | <b>37,865</b>       |                  |
| Less: 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   |                     | <b>7,632,046</b> |

<sup>A</sup> Represents the fair value of 49% interest in Geomet s.r.o

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

**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:

|                                    | <b>2021</b>      | <b>2020</b>    |
|------------------------------------|------------------|----------------|
|                                    | <b>\$</b>        | <b>\$</b>      |
| <b>Financial assets</b>            |                  |                |
| Cash and cash equivalents          | 7,880,673        | 58,951         |
| Other receivables                  | 29,452           | 17,252         |
| Other assets                       | 127,964          | -              |
| <b>Total financial assets</b>      | <b>8,038,089</b> | <b>76,203</b>  |
| <br>                               |                  |                |
| Trade and other payables           | 397,535          | 924,592        |
| Lease liability                    | 97,893           | -              |
| <b>Total financial liabilities</b> | <b>495,428</b>   | <b>924,592</b> |

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

**Specific Financial Risk Exposures and Management**

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

**(i) Market risk**

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

**Interest rate risk**

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The Group is also exposed to earnings volatility on floating rate instruments. Interest rate risk is not material to the Group as no interest bearing debt arrangements have been entered into.

**Price risk**

Price risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

**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.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

**NOTE 21: FINANCIAL RISK MANAGEMENT (CONTINUED)**

At 30 June 2021, the Group has financial assets and liabilities denominated in the foreign currencies detailed below:

|   | <b>2021</b>      | <b>2021</b>   | <b>2020</b>       | <b>2020</b>      | <b>2020</b>      | <b>2020</b>       |
|---|------------------|---------------|-------------------|------------------|------------------|-------------------|
|   | <b>Amount in</b> | <b>Amount</b> | <b>Amount in</b>  | <b>Amount in</b> | <b>Amount in</b> | <b>Amount in</b>  |
|   | <b>EUR</b>       | <b>in GBP</b> | <b>AUD</b>        | <b>EUR</b>       | <b>in GBP</b>    | <b>AUD</b>        |
| Cash and cash equivalents in EMHL             | 522,338          | 23,999        | -                 | 7,846            | 15,436           | -                 |
| Trade and other payables in EMHL              | -                | 24,106        | -                 | -                | -                | -                 |
| Intercompany payables to EMHL by subsidiaries | -                | -             | 10,927,193        | -                | -                | 10,919,537        |
|   | <u>522,338</u>   | <u>48,105</u> | <u>10,927,193</u> | <u>7,846</u>     | <u>15,436</u>    | <u>10,919,537</u> |
| 5% effect in foreign exchange rates           | 26,117           | 2,405         | 546,360           | 392              | 772              | 545,977           |

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

**(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. 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 Consolidated 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:

| <b>Financial assets</b>                        | <b>Credit Quality</b> | <b>2021</b>      | <b>2020</b>   |
|--|-----------------------|------------------|---------------|
|  |                       | <b>\$</b>        | <b>\$</b>     |
| Cash and cash equivalents held at Westpac Bank | High                  | 1,031,382        | 29,954        |
| Cash and cash equivalents held at ANZ bank     | High                  | 6,849,291        | 28,997        |
| Bank guarantee held at ANZ bank                | High                  | 47,392           | -             |
| Other receivables                              | High                  | 29,452           | 17,252        |
| Other assets                                   | High                  | 80,572           | -             |
|  |                       | <u>8,038,089</u> | <u>76,203</u> |

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

**NOTE 21: FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(iii) Liquidity risk**

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

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

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

| <b>As at 30 June 2021</b> | <b>Carrying Amount</b> | <b>Contractual Cash flows</b> | <b>&lt;3 months</b> | <b>3-6 months</b> | <b>6-24 months</b> |
|---------------------------|------------------------|-------------------------------|---------------------|-------------------|--------------------|
|                           | \$                     | \$                            | \$                  | \$                | \$                 |
| <b>Financial assets</b>   |                        |                               |                     |                   |                    |
| Cash and cash equivalents | 7,880,673              | 7,880,673                     | 7,880,673           | -                 | -                  |
| Other receivables         | 29,452                 | 29,452                        | 29,452              | -                 | -                  |
| Other assets              | 127,964                | 127,964                       | 80,572              | -                 | 47,392             |
| <b>Cash inflows</b>       | <b>8,038,089</b>       | <b>8,038,089</b>              | <b>7,990,697</b>    | <b>-</b>          | <b>47,392</b>      |

|                              |                |                |                |          |               |
|------------------------------|----------------|----------------|----------------|----------|---------------|
| <b>Financial liabilities</b> |                |                |                |          |               |
| Trade and other payables     | 397,535        | 397,535        | 397,535        | -        | -             |
| Lease liabilities            | 97,893         | 97,893         | -              | -        | 97,893        |
| <b>Cash outflows</b>         | <b>495,428</b> | <b>495,428</b> | <b>397,535</b> | <b>-</b> | <b>97,893</b> |

| <b>As at 30 June 2020</b> | <b>Carrying Amount</b> | <b>Contractual Cash flows</b> | <b>&lt;3 months</b> | <b>3-6 months</b> | <b>6-24 months</b> |
|---------------------------|------------------------|-------------------------------|---------------------|-------------------|--------------------|
|                           | \$                     | \$                            | \$                  | \$                | \$                 |
| <b>Financial assets</b>   |                        |                               |                     |                   |                    |
| Cash and cash equivalents | 58,951                 | 58,951                        | 58,951              | -                 | -                  |
| GST and other receivables | 17,252                 | 17,252                        | 17,252              | -                 | -                  |
| <b>Cash inflows</b>       | <b>76,203</b>          | <b>76,203</b>                 | <b>76,203</b>       | <b>-</b>          | <b>-</b>           |

|                              |                |                |                |          |          |
|------------------------------|----------------|----------------|----------------|----------|----------|
| <b>Financial liabilities</b> |                |                |                |          |          |
| Trade and other payables     | 924,592        | 924,592        | 924,592        | -        | -        |
| <b>Cash outflows</b>         | <b>924,592</b> | <b>924,592</b> | <b>924,592</b> | <b>-</b> | <b>-</b> |

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

**NOTE 21: FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(iv) 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 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 rate for each class of financial assets and financial liabilities comprises:

| <b>As at 30 June 2021</b>    | <b>Weighted Average<br/>Interest Rate</b> | <b>Floating<br/>Interest Rate</b> | <b>Fixed<br/>Interest</b> | <b>Non-interest<br/>bearing</b> | <b>Total</b>     |
|------------------------------|---|-----------------------------------|---------------------------|---------------------------------|------------------|
| <b>Financial assets</b>      | %   | \$                                | \$                        | \$                              | \$               |
| Cash and cash equivalents    | 0.21%                                     | 2,880,673                         | 5,000,000                 | -                               | 7,880,673        |
| Other receivables            |   | -                                 | -                         | 29,452                          | 29,452           |
| Bank guarantee               | 0.32%                                     | -                                 | 47,392                    | -                               | 47,392           |
| Other assets                 |   | -                                 | -                         | 80,572                          | 80,572           |
|                              |   | <u>2,880,673</u>                  | <u>5,047,392</u>          | <u>110,024</u>                  | <u>8,038,089</u> |
| <b>Financial liabilities</b> |   |                                   |                           |                                 |                  |
| Trade and other payables     |   | -                                 | -                         | 397,535                         | 397,535          |
| Lease liabilities            |   | -                                 | -                         | 97,893                          | 97,893           |
|                              |   | <u>-</u>                          | <u>-</u>                  | <u>495,428</u>                  | <u>495,428</u>   |

| <b>As at 30 June 2020</b>    | <b>Weighted Average<br/>Interest Rate</b> | <b>Floating<br/>Interest Rate</b> | <b>Fixed<br/>Interest</b> | <b>Non-interest<br/>bearing</b> | <b>Total</b>   |
|------------------------------|---|-----------------------------------|---------------------------|---------------------------------|----------------|
| <b>Financial assets</b>      | %   | \$                                | \$                        | \$                              | \$             |
| Cash and cash equivalents    | 0.00%                                     | 58,951                            | -                         | -                               | 58,951         |
| GST and other receivables    |   | -                                 | -                         | 17,252                          | 17,252         |
|                              |   | <u>58,951</u>                     | <u>-</u>                  | <u>17,252</u>                   | <u>76,203</u>  |
| <b>Financial liabilities</b> |   |                                   |                           |                                 |                |
| Trade and other payables     |   | -                                 | -                         | 924,592                         | 924,592        |
|                              |   | <u>-</u>                          | <u>-</u>                  | <u>924,592</u>                  | <u>924,592</u> |

**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 \$79,280 (2020: \$590).

**(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.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

**NOTE 22: CONTROLLED ENTITIES**

Subsidiaries of European Metals Holdings Limited

| Controlled entity                      | Country of Incorporation | Class of Shares | Percentage Owned |      |
|--|--------------------------|-----------------|------------------|------|
|  |                          |                 | 2021             | 2020 |
| Equamineral Group Limited (EGL)*       | British Virgin Islands   | Ordinary        | 100%             | 100% |
| Equamineral SA (ESA Congo)             | Republic of Congo        | Ordinary        | 100%             | 100% |
| European Metals UK Limited (EMH UK) ** | United Kingdom           | Ordinary        | 100%             | 100% |
| EMH (Australia) Pty Ltd                | Australia                | Ordinary        | 100%             | 100% |

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

\*\*EMH UK Limited was the parent company for Geomet s.r.o up to 27 April 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**

|  | 2021               | 2020               |
|--|--------------------|--------------------|
|  | \$                 | \$                 |
| <b>ASSETS</b>  |                    |                    |
| Current assets                                       | 8,270,838          | 79,689             |
| Non-current assets                                   | 182,711            | 1,513              |
| <b>TOTAL ASSETS</b>                                  | <u>8,453,549</u>   | <u>81,202</u>      |
| <b>LIABILITIES</b>                                   |                    |                    |
| Current liabilities                                  | 545,686            | 979,210            |
| Non-current liabilities                              | 91,855             | -                  |
| <b>TOTAL LIABILITIES</b>                             | <u>637,541</u>     | <u>979,210</u>     |
| <b>NET ASSETS/(LIABILITIES)</b>                      | <u>7,816,008</u>   | <u>(898,008)</u>   |
| <b>EQUITY</b>  |                    |                    |
|  | 2021               | 2020               |
|  | \$                 | \$                 |
| Issued capital                                       | 34,087,930         | 23,954,204         |
| Reserves   | 9,220,602          | 7,950,773          |
| Accumulated losses                                   | (35,492,524)       | (32,802,985)       |
| <b>TOTAL EQUITY/(DEFICIT)</b>                        | <u>7,816,008</u>   | <u>(898,008)</u>   |
| <b>Profit or Loss and Other Comprehensive Income</b> |                    |                    |
| Loss for the year                                    | (2,689,539)        | (5,530,691)        |
| Total comprehensive loss                             | <u>(2,689,539)</u> | <u>(5,530,691)</u> |

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

**NOTE 23: PARENT ENTITY DISCLOSURE (CONTINUED)**

**Guarantees**

There are no guarantees entered into by European Metals Holdings Limited for the debts of its subsidiaries as at 30 June 2021.

**Contingent liabilities**

There are no contingent liabilities of the parent as at 30 June 2021 and 30 June 2020.

**Commitments**

There were no commitments for the parent as at 30 June 2021 and 30 June 2020.

**NOTE 24: CAPITAL COMMITMENTS**

There are no capital commitments for the Group as at 30 June 2021 and 30 June 2020.

**NOTE 25: CONTINGENT LIABILITIES**

There are no contingent liabilities for the Group as at 30 June 2021 and 30 June 2020.

**NOTE 26: SIGNIFICANT EVENTS AFTER THE REPORTING DATE**

On 16 July 2021, the Company issued 238,000 CDIs upon the exercise of unquoted options at 42 cents. The options conversions raised a total of \$99,960.

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

**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 2021 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:

A handwritten signature in black ink, appearing to read 'Keith Coughlan'.

Keith Coughlan  
**EXECUTIVE CHAIRMAN**

Dated at Perth on 30 September 2021

**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 controlled entities (the Group), which comprises the consolidated statement of the financial position as at 30 June 2021, and 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 2021 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

***Basis for Opinion***

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110: *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

***Key Audit Matters***

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

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

***Valuation of Share-based payments***

As disclosed in notes 16 and 17 of the financial report, during the period the Company granted a number of options and warrants to consultants and performance rights to the Directors of the Company.

During the period the Company also issued replacement CDIs in lieu of options that were cancelled by a consultant.

The Company prepared a valuation of options, warrants and performance rights as well as assessed the accounting implication of the options' cancellation in accordance with its accounting policy and the accounting standard *AASB 2 - Share-based Payment*.

The valuation of options, warrants and performance rights and the accounting treatment of the cancellation of options are considered to be a key audit matter as they involved judgment in assessing the fair value of the equity instruments granted, the grant date, vesting conditions and vesting periods.

In assessing the valuation of share options, warrants and performance rights, our audit procedures included, among others:

- i. Obtaining an understanding of the underlying transactions, reviewing agreements, minutes of the Board meetings and ASX announcements;
- ii. Reviewing the inputs used in the valuation models, the underlying assumptions used and discussing with management the justification for these inputs;
- iii. Assessing the accounting treatment and its application in accordance with AASB 2; and
- iv. Assessing whether the Company's disclosures met the requirements of the accounting standards.

***Investment in associate accounted for using the equity method***

As disclosed in note 12 of the financial report, effective 28 April 2020, the Group ceased to fully consolidate Geomet s.r.o's ('Geomet') results within the Group'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 Geomet has been equity accounted as an investment in associate in accordance with *AASB 128 - Investments in Associates and Joint Ventures* since that date.

The Group accounted for 49% of the loss incurred by Geomet in the period totalling \$1,263,167 and recognised an investment in associate at 30 June 2021 amounting to \$17,461,027.

The investment in associate accounted for using the equity method is considered to be a key audit matter as the investment represents 67% of the total assets of the Group and also due to the significant audit effort required to perform the audit of Geomet.

In assessing the investment in associate accounted for using the equity method, our audit procedures included, among others:

- i. Performing the audit of Geomet's accounts for the year ended 30 June 2021;
- ii. Reviewing the management's workings to ensure that the investment in Geomet was correctly accounted for applying the equity method;
- iii. Assessing the existence of any impairment indicators regarding the investment in the associate.
- iv. Ensuring that the disclosures made in the financial report were complete and in accordance with the requirements of the accounting standards; and

### ***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 2021, 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 have 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 15 to 21 of the directors' report for the year ended 30 June 2021. 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 2021 complies with section 300A of the *Corporations Act 2001*.

**STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD**  
**(An Authorised Audit Company)**

A handwritten signature in black ink, appearing to read "Samir Tirodkar", written over a faint, larger version of the signature.

**Samir Tirodkar**

Director

West Perth, Western Australia

30 September 2021

**EUROPEAN METALS HOLDINGS LIMITED**

ARBN 154 618 989

**ANNUAL REPORT 30 JUNE 2021**

**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 15 September 2021**

**(a) Distribution of Shareholders**

| Category (size of holding) | Number<br>of Shareholders |
|----------------------------|---------------------------|
| 1 – 1,000                  | 733                       |
| 1,001 – 5,000              | 977                       |
| 5,001 – 10,000             | 422                       |
| 10,001 – 100,000           | 470                       |
| 100,001 – and over         | 153                       |
|                            | <hr/> 2,755 <hr/>         |

**(b)** The number of shareholdings held in less than marketable parcels is 111.

**(c) Voting Rights**

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

175,357,485 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 15 September 2021**

| Rank                             | Shareholder   | Number of CDIs     | % Held       |
|----------------------------------|---|--------------------|--------------|
| 1.                               | Citicorp Nominees Pty Limited                             | 20,321,520         | 11.59        |
| 2.                               | Armco Barriers Pty Ltd                                    | 13,635,000         | 7.78         |
| 3.                               | Inswinger Holdings Pty Ltd                                | 8,500,000          | 4.85         |
| 4.                               | BNP Paribas Nominees Pty Ltd ACF Clearstream              | 7,806,006          | 4.45         |
| 5.                               | Vidacos Nominees Limited <CILRLUX>                        | 6,458,826          | 3.68         |
| 6.                               | BNP Paribas Noms Pty Ltd <DRP>                            | 5,895,226          | 3.36         |
| 7.                               | Hargreaves Lansdown (Nominees) Limited <15942>            | 4,113,425          | 2.35         |
| 8.                               | Interactive Investor Services Nominees Limited <SMKTISAS> | 4,046,795          | 2.31         |
| 9.                               | Barclays Direct Investing Nominees Limited <Client1>      | 3,603,418          | 2.05         |
| 10.                              | Hargreaves Lansdown (Nominees) Limited <VRA>              | 3,045,711          | 1.74         |
| 11.                              | Securities Services Nominees Limited <2197007>            | 2,734,313          | 1.56         |
| 12.                              | HSDL Nominees Limited                                     | 2,548,967          | 1.45         |
| 13.                              | Lawshare Nominees Limited <SIPP>                          | 2,505,702          | 1.43         |
| 14.                              | HSDL Nominees Limited <Maxi>                              | 2,384,208          | 1.36         |
| 15.                              | Jim Nominees Limited <Jarvis>                             | 2,299,244          | 1.31         |
| 16.                              | Vidacos Nominees Limited <FGN>                            | 2,199,653          | 1.25         |
| 17.                              | Lawshare Nominees Limited <ISA>                           | 2,052,387          | 1.17         |
| 18.                              | Interactive Investor Services Nominees Limited <SMKTNOMS> | 2,025,081          | 1.15         |
| 19.                              | Mr Richard Keller <Est Anna E Keller A/C>                 | 1,980,500          | 1.13         |
| 20.                              | BankAmerica Nominees Limited <GMIP>                       | 1,953,057          | 1.11         |
| <b>Total Top 20 Shareholders</b> |   | <b>100,109,039</b> | <b>57.09</b> |

## EUROPEAN METALS HOLDINGS LIMITED

ARBN 154 618 989

### ANNUAL REPORT 30 JUNE 2021

#### ADDITIONAL INFORMATION

- 2** The name of the Company Secretary is Mr Dennis Wilkins.
- 3** The address of the principal registered office in Australia is Level 3, 35 Outram Street, 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 13,024,000 options over unissued CDIs are on issue.  
A total of 3,000,000 A Class Performance Shares  
A total of 1,227,500 Warrants over unissued CDIs are on issue.
- 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%                       |