

European Metals Holdings

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European Metals looks to climb the value chain with addition of lithium hydroxide production to plans for Cinovec

Lithium hydroxide is one step up the value chain from lithium carbonate for the simple reason that it can deliver higher energy density into batteries.

Not all batteries require a higher energy density, but for some applications, such as electric vehicles where weight to power ratios are crucial, it's highly desirable.

That means it's a product that can be sold at a premium to other types of lithium compounds, such as lithium carbonate, and as such the margins on offer from lithium carbonate can be significantly higher.

For European Metals Holdings (LON:EMH) all these factors have been brought to bear in the company's recent decision to upgrade its processing plans for the Cinovec project in the Czech Republic to include a lithium hydroxide capability.

But there's another factor at play too.

Off-takers like hydroxide

"The main potential off-taker we're talking to is telling us that they need lithium carbonate initially, but lithium hydroxide thereafter," says Keith Coughlan, chief executive of European Metals.

"We decided that we need to demonstrate the ability to make lithium hydroxide. We'll produce carbonate first and then turn it into lithium hydroxide, and we'll have the ability to sell both according to what the market wants."

It's a commercial decision that makes plenty of sense. After all, if buyers of Cinovec lithium carbonate were likely to turn it into hydroxide themselves anyway, why not capture the value add and offer the product directly?

Cinovec progressing through feasibility

Cinovec is currently progressing through the definitive feasibility stage and Coughlan expects the exact product mix to become much clearer during that process.

Certain things are already clear though. The addition of the hydroxide processing capability is likely to add around US\$80m to the capex bill for the construction of Cinovec, up from the US\$400m already mooted at the pre-feasibility stage.

But that money will come back to European Metals and its investors in the form of the higher margins gained from the higher priced product produced and from the wider marketability of Cinovec product generally.

Or to put in the context of the pre-feasibility study, the cost per tonne of lithium hydroxide produced is likely to ring in at US\$3,435 against a forecast sales price of close to US\$15,000. That differential boosts the net present value by 105%

Price: 77.5

Market Cap: £133.41 m

1 Year Share Price Graph



March 2020 September 2020 March 2021

Share Information

Code: EMH

Listing: AIM

52 week High Low
86 8.2

Sector: General mining & base metals

Website: www.europeanmet.com

Company Synopsis:

European Metals Holdings Limited is an Australian and UK listed mineral exploration and development company advancing the Cinovec Lithium / Tin Project in Czech Republic.

action@proactiveinvestors.com.au

to US\$1.1bn and the internal rate of return by more than a third to 28.8% post tax.

The plan now is to complete the definitive feasibility study by the end of the first quarter of next year and roll it straight into a bankable study.

"Hopefully we're funded and starting construction in the middle of next year with a forecast build time of two years," says Coughlan.

The company is already in discussions with regard to funding, and Coughlan says that progress in this regard has been "encouraging."

If that's the case, it's not hard to see why.

Strategic location

Cinovec is strategically placed at the heart of Europe, just across the Czech-German border from some of the largest vehicle manufacturers in the world. But Europe has been slow to get on board in regard to securing lithium supply, and the relevant agencies are now keen to catch up with grants and debt funding. Other projects in Europe may turn out to be too small actually to deliver finished product locally, and may end up shipping concentrate to China.

But not European Metals.

"I'm comfortable that if we can get this DFS anywhere near where we think we can then we can get this funded," says Coughlan.

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