

European Metals Holdings

09:32 11 Jul 2019

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.

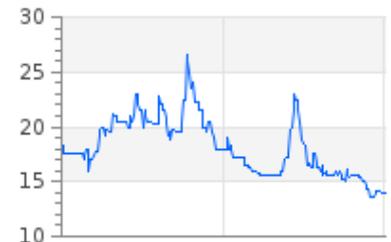
But that money will come back to European Metals and its investors in the form of the higher margins gained from the higher priced product produced and from the wider marketability of Cinovec product generally.

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

Price: 13.575

Market Cap: £20.59 m

1 Year Share Price Graph



February 2019 August 2019 February 2020

Share Information

Code: EMH

Listing: AIM

52 week High Low
26.75 13.25

Sector: General mining & base metals

Website: www.europeanmet.com

Company Synopsis:

European Metals Holdings is listed on the Australian Securities Exchange and the London Stock Exchange.

action@proactiveinvestors.com

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.

Proactive Investors facilitate the largest global investor network across 4 continents in 4 languages. With a team of analysts, journalists & professional investors Proactive produce independent coverage on 1000's of companies across every sector for private investors, private client brokers, fund managers and international investor communities.

Contact us +44 (0)207 989 0813 action@proactiveinvestors.com

No investment advice

The Company is a publisher. You understand and agree that no content published on the Site constitutes a recommendation that any particular security, portfolio of securities, transaction, or investment strategy is suitable or advisable for any specific person. You understand that the Content on the Site is provided for information purposes only, and none of the information contained on the Site constitutes an offer, solicitation or recommendation to buy or sell a security. You understand that the Company receives either monetary or securities compensation for our services. We stand to benefit from any volume which any Content on the Site may generate.

You further understand that none of the information providers or their affiliates will advise you personally concerning the nature, potential, advisability, value, suitability or profitability of any particular security, portfolio of securities, transaction, investment, investment strategy, or other matter.

You understand that the Site may contain opinions from time to time with regard to securities mentioned in other products, including Company-related products, and that those opinions may be different from those obtained by using another product related to the Company. You understand and agree that contributors may write about securities in which they or their firms have a position, and that they may trade such securities for their own account. In cases where the position is held at the time of publication and such position is known to the Company, appropriate disclosure is made. However, you understand and agree that at the time of any transaction that you make, one or more contributors may have a position in the securities written about. You understand that price and other data is supplied by sources believed to be reliable, that the calculations herein are made using such data, and that neither such data nor such calculations are guaranteed by these sources, the Company, the information providers or any other person or entity, and may not be complete or accurate.

From time to time, reference may be made in our marketing materials to prior articles and opinions we have published. These references may be selective, may reference only a portion of an article or recommendation, and are likely not to be current. As markets change continuously, previously published information and data may not be current and should not be relied upon.

The Site does not, and is not intended to, provide investment, tax, accounting, legal or insurance advice, and is not and should not be construed as providing any of the foregoing. You should consult an attorney or other relevant professional regarding your specific legal, tax, investment or other needs as tailored to your specific situation.

In exchange for publishing services rendered by the Company on behalf of European Metals Holdings named herein, including the promotion by the Company of European Metals Holdings in any Content on the Site, the Company receives from said issuer annual aggregate cash compensation in the amount up to

Twenty	Five	Thousand	dollars	(\$25,000).
--------	------	----------	---------	-------------