

## 3<sup>rd</sup> Open Letter to Board of European Metals Holdings

January 18, 2019

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### **KRUPA GLOBAL INVESTMENTS RELEASES 3<sup>rd</sup> OPEN LETTER TO EUROPEAN METALS HOLDINGS LTD. BOARD OF DIRECTORS**

Prague, January 18, 2019 – Today Krupa Global Investments (<http://krupainvestments.com/>) released the following open letter to the Board of Directors of European Metals Holdings Ltd. (EMH:ASX, EMH:AIM):

**Krupa Global Investments via its subsidiary Ceske Lithium a.s.  
Polygon House, Doudlebska 1699/5  
Prague 4, 14000, Czech Republic**

Dear Board Members and Fellow Shareholders,

Krupa Global Investments ("KGI"), one of the largest institutional shareholders in European Metals Holdings ("EMH") intends to significantly increase its stake in European Metals Holdings ("EMH") pending the satisfaction of certain conditions. We believe that this is the best way forward considering management's response to our indicative offer made on January 15, 2019 expressing interest in acquiring EMH's Czech subsidiary, GEOMET. GEOMET currently owns the exclusive mining rights to mine tin and lithium at the Cinovec mining site in the Krusne Hory Mountains in the Czech Republic. EMH management made a public announcement on January 16, 2019 stating that it was not currently interested in considering our indicative offer.

Thus, we intend to move forward with increasing our stake in EMH pending the satisfaction of these two conditions:

1. The ownership structure of EMH Group must be simpler and more transparent
2. The headquarters and domicile of EMH Group must be moved from Australia and the British Virgin Islands respectively to the European Union

We outline the following reasons for our first stated conditions for its demand that EMH increase transparency of ownership.

1. Changing the stock exchange listing from London and Australia to European Markets (for example, in Czech Republic, Austria, and Germany) would, in our view, help boost transparency and reliability for investors.
2. Czech government regulations require that the lithium mining company should be a transparent Czech entity with a proper ownership structure. KGI worries that failing to have such a structure can potentially complicate regulatory matters and slow the pace of development at Cinovec.

Furthermore, we outline the following reasons for our second condition that EMH move its headquarters and domicile.

1. Due to the current political situation in Europe connected with Brexit and its negative impact, we believe that legal and economic issues and revised restrictions are possible if EMH remains headquartered in Australia and domiciled in the British Virgin Islands. Both Australia and the British Virgin Islands are bound by many rules of the UK controlled commonwealth which could conflict with EU rules and complicate the firm's significant EU operations.
2. Moving the headquarters to the European Union would help EMH work more effectively with green energy friendly countries in Europe.

We strongly believe that KGI's involvement in the Cinovec Project is critical for the project to succeed in the Czech Republic. KGI has the knowledge, the relationships and the reputation in the Czech Republic to be able to guide this project through various regulatory and political issues and to ensure the project is a win for EMH and a win for the Czech people. All of the key stakeholders know that Krupa Global Investments is a firm concerned strongly with the best interests of the Czech Republic and the Czech people thus they rightly trust us. In fact, I myself was awarded a State Medal of Merit from President Zeman last year for my contributions to the Czech economy. The Czech Government and the Prime Minister himself mentioned several times that project should be carried-out by a Czech entity with the assistance or an active participation of the State-owner enterprise DIAMO. We have attached one of many news articles supporting this fact to this letter.

Furthermore, we maintain an interest in acquiring GEOMET in and of itself. Our offer to acquire GEOMET in or itself has been made in accordance with the interest of Czech Republic and with the intention to successfully develop the lithium mining and processing project at Cinovec. KGI remains ready to take-over GEOMET company if our aforementioned conditions are not met.

We look forward to constructive discussions and to making the Cinovec Project a major boost to the Czech economy and a major commercial success.

Sincerely,

Pavol Krupa  
Chairman of the Board of Directors  
Krupa Global Investments



#### **About Krupa Global Investments**

Krupa Global Investments, previously known as Arca Capital, is a private investment group with a focus on energy, real estate, retail and service activities, as well as regulated activities focused on building and managing fund structures focusing on energy, real estate and financial services. It is named after its founder and chairman, Pavol Krupa. The firm takes an activist approach, with the goal of remedying and eliminating management actions that have a negative impact on companies, and with the goal of achieving significant positive change in strategy, financial structure or management. The firm has fought and won many successful battles and in so doing has streamline companies and realize hundreds of millions in shareholder value. Krupa Global Investments currently has approximately \$2 billion in assets under management.



Annex. No. 1: A photo from the medal of merit ceremony, KGI's CEO Pavol Krúpa receives a medal of merit from the Czech President Milos Zeman.



Annex No. 2: An Article regarding the intentions of the Czech government:

<https://www.radio.cz/en/section/business/pm-determined-to-keep-lithium-mining-in-state-hands-as-emh-starts-exploratory-drilling>

### PM DETERMINED TO KEEP LITHIUM MINING IN STATE HANDS, AS EMH STARTS EXPLORATORY DRILLING

↑ Daniela Lazarová 04-10-2018

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The Australian-based mining company European Metals Holdings is continuing with preparations for lithium mining in the Czech Republic, despite the fact that the Czech government does not consider the memorandum on the extraction and processing of lithium, signed with EMH last year, legally binding and wants a Czech state-run company to mine and process the deposits. The company Geomet, which is part of EMH, has begun preparations for a series of drills near Činovec in order to ascertain the economic viability of the project.

The controversial issue of lithium mining in the Czech Republic is back in the headlines, after the Australian-based mining company European Metals Holdings said it had received permission from the Czech authorities to conduct 13 test drills at the site of the lithium deposits near Činovec, in the north of the country. The firm Geomet, which has started work on the site in preparation of drilling said the aim was to produce a geological map of the resources which would help ascertain the economic viability of the project.

Although the Babiš government declared the memorandum signed with EMH nil and void, the company claims it is not the memorandum which guarantees its rights, but the prospecting license for natural resources held by the firm Geomet, which is part of EMH.

The memorandum signed with EMH by the former Social Democrat trade minister Jiří Havlíček ahead of last October's general elections caused an uproar in the lower house where opposition deputies and even ANO members of the then-coalition government accused the Social Democrats of selling out the country's national interests by handing the mining rights to one of the largest lithium deposits in Europe to a foreign company.

Since winning the elections, Prime Minister Babiš has pushed for lithium mining in the country to be in the hands of a state-run company – ideally the state enterprise Diamo. He said he planned to meet with Industry Minister Marta Nováková and Environment Minister Richard Brabec to discuss the possibilities and called on the company Diamo to be more active and come up with a project which would keep lithium mining in Czech hands. In response to developments this week, the prime minister said that the question of who would be given the right to mine and process the country's reserves of lithium was still open.

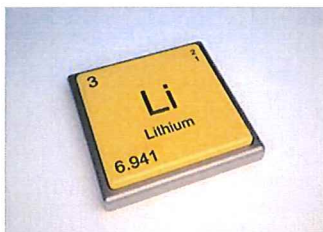


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