



Interim Financial Report

December 2022

European Lithium Limited
ABN 45 141 450 624



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DIRECTORS' REPORT

Your Directors submit the Interim Financial Report of European Lithium Limited (**European Lithium** or the **Company**) and its controlled entities (together the **Group**) for the half-year ended 31 December 2022. In order to comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

Directors

The names of Directors who held office during or since the end of the interim period and until the date of this report are noted below. Directors were in office for the entire period unless otherwise stated.

Antony Sage	Executive Chairman
Malcolm Day	Non-Executive Director
Michael Carter	Non-Executive Director
Mykhailo Zhernov	Non-Executive Director

Review of Operations

Corporate

Nasdaq Merger

On 26 October 2022, the Company announced that it has entered into a business combination agreement with Sizzle Acquisition Corp., a US special purpose acquisition company listed on NASDAQ (NASDAQ:SZZL) (Sizzle), pursuant to which European Lithium will combine its wholly owned Wolfsberg Lithium Project (**Wolfsberg Project**) with Sizzle via a newly-formed, lithium exploration and development company named "Critical Metals Corp." which is expected to be listed on NASDAQ (**Transaction**).

On 23 December 2022, the Company advised that the Form F-4 Registration Statement had been filed with the U.S. Securities and Exchange Commission in connection with the Transaction.

Upon the closing of the Transaction, EUR will be issued US\$750 million worth of ordinary shares in Critical Metals, which represents an approximate 80% ownership interest in the combined entity. It is anticipated that the Transaction will complete in the first half of 2023, subject to the satisfaction or waiver of the conditions precedent to closing of the Transaction.

Options Underwriting Agreement

On 25 July 2022, the Company announced that it had entered into an option exercise underwriting agreement (**Underwriting Agreement**) to secure commitments to fully underwrite the exercise of unlisted options exercisable at \$0.05 each with an expiry date of 31 July 2022.

Listing of Options

On 1 July 2022, the Company advised that it has listed 173,076,970 options on the ASX under the code EUROB. The options have an exercise price of \$0.18 each and an expiry date of 31 March 2025.

Capital Raisings and Movements

On 4 July 2022, the Company issued 50,000,000 listed options (\$0.18 each expiring 31 March 2025) to directors and consultants of the Company following receipt of shareholder approval on 24 June 2022.

On 7 July 2022, the Company issued 1,466,666 shares upon the exercise of unlisted options (\$0.05 each expiring 31 July 2022).

On 31 July 2022, a total of 3,333,333 unlisted options (\$0.18 each) expired.

On 1 August 2022, the Company issued 8,515,254 shares upon the exercise of unlisted options (\$0.05 each expiring 31 July 2022).
On 8 August 2022, the Company issued 7,232,508 shares upon the exercise of unlisted options (\$0.05 each expiring 31 July 2022) pursuant to the Underwriting Agreement.

On 26 October 2022, the Company issued 30,000,000 listed options (\$0.075 each expiring 19 April 2024) to Evolution Capital Pty Ltd in connection with its engagement as lead manager to the placement previously undertaken by the Company (refer ASX announcement released on 6 April 2022) which were immediately exercised resulting in the issue of 30,000,000 shares. On the same date, the Company issued 7,000,000 shares upon the exercise of unlisted options (\$0.06 each expiring 27 January 2025) and a further 7,000,000 shares upon the exercise of unlisted options (\$0.08 each expiring 27 January 2025).

On 10 November 2022, the Company issued 5,000,000 shares to Wombat Resources Pty Ltd (of its nominee) as part consideration for the acquisition of the legal and beneficial interests in E47/4144.

Wolfsberg Lithium Project – Austria

Drilling

No additional drilling took place during the period. In an effort to increase the Wolfsberg Project's resource base, in Q4/2022 the Company completed planning for the Zone 2 exploration drilling program. An application for approval of the program was lodged at the mining authority.

Definitive-Feasibility Study (DFS)

During the period, the Company continued to work with their DFS team based in Europe, South Africa, and Canada to progress all aspects of the DFS. In Q4/2022 the DFS team completed the technical and financial planning work for the Wolfsberg Project including the underground mine, infrastructure, ore concentrator facilities located underground and on surface, as well as the chemical conversion plant to produce battery grade lithium products.

EUR continues to closely monitor new identified and validated risks for European markets, including increasing inflation rates, unexpected high prices for consumables, especially for energy (gas and electricity) and chemical reagents, and the supply chain for these critical materials. These risks could culminate in national and international shortages for the executable project layout within Europe and are being reviewed and assessed to be integrated into the final DFS. The Company anticipates the completion and reporting of the DFS by end of Q1, 2023.

During the period, the Company's independent metallurgic consultants, Dorner Anzaplant (**Dorfner**), commenced work on optimizing the concentrator flow to increase the spodumene concentrate levels with the aim to reduce energy consumption for all further processing.

Hydrogeology

The Company continued its hydrogeology monitoring program during Q4/2022, collecting the data and interpretations for integration into the DFS.

All hydrogeological data continues to be stored and secured within the Company's database.

The preparation work by SRK, and the geological consultant, GEO Unterweissacher GmbH (**GEO Unterweissacher**), continues to ensure in-hole hydrogeological test work has been completed appropriately and can continue in the future.

Data from the above activities is fed into a water measuring database from which an annual report is produced.

Monitoring of mine water flows and quality have continued.

Environmental

During the period, the Company commenced work with Hasslinger & Nagele in Vienna (Hasslinger) on the application process which is to be lodged with the relevant authorities once the DFS is completed. Hasslinger's engagement includes facilitation of numerous discussions with municipal, state and federal authorities to introduce the project rollout and the integration of the DFS findings into the environmental approvals process.

Product Marketing

The strategy for the Company remains unchanged and focuses on the supply of lithium hydroxide (**LiOH**) to the nascent lithium battery plants of Europe. During the period, the Company signed a long term agreement (**LTA**) with European auto manufacturer BMW AG (**BMW**) to secure EUR's first long term offtake of battery grade LiOH.

COVID-19

During the period, Europe experienced fluctuating infection rates. European restrictions may continue to impact the Company's operational activities at its Wolfsberg Project. The Company continues to monitor and address the changing circumstances with suitable COVID-19 measures implemented.

Horizon 2020

During the period, the Company's 100% owned subsidiary, ECM Lithium AT GmbH (**ECM**), continued work on the infield and underground geophysical survey program for which reporting is required in respect to ECM's participation in the European Union funded Horizon 2020 - GREENPEG project.

The Company continued to work proactively in the already approved and funded Horizon 2020 LithRef program. Continued participation shows the Company's abilities and eligibility to contribute with EU-level support to the sustainable supply of battery grade lithium, sourced and produced in Europe.

Sustainability

The Company continues to develop technical solution to incorporate recycled lithium-ion battery materials into the flowsheets for final lithium carbonate and LiOH production. Pursuant to a letter of intent, this project is technically supervised by a research group from the University of Graz.

The Company continues to assess its options to assess the Wolfsberg Project eligibility to achieve Carbon Neutrality.

EV Resources Lithium – Austria

On 11 May 2021, the Company announced that it had entered into a Collaboration Agreement with EV Resources Limited (formerly Jadar Resources Limited) (ASX: EVR) (**EVR**) and an agreement to acquire a 20% interest in EVR's Austrian Lithium assets from their JV partner (**EVR Acquisition**) (see ASX Announcement, 11 May 2021). EVR holds an 80% interest in Subsidiary EV Resources GmbH (previously Jadar Lithium GmbH), the holder of the Weinebene and Eastern Alps Projects which lies 20km to the east of the Company's Wolfsberg Project.

On 8 September 2022, EVR released an announcement confirming that high-grade lithium assays have been received from sampling undertaken at the projects in Austria.

The Technical Advisory Committee established pursuant to the EVR Acquisition, continues to identify the best options to advance the assets and operations.

E47/4144 - Australia

On 23 September 2020, the Company announced that it had secured tenement E47/4144 via ballot under the WA Mining Act. E47/4144 is progressing through the WA Mining Act regulatory application process and has cleared the Native Title process. The Company is continuing discussions with a stakeholder and remaining objector to negotiate access with respect to areas of existing or intended infrastructure.

On 1 August 2022, the Company entered into an agreement with Wombat Resources Pty Ltd (Wombat) to purchase all of Wombat's legal and beneficial interests in E47/4144 for a consideration of 5,000,000 fully paid shares in the Company, a cash payment of \$10,000, a royalty of 1% from all revenue from the sale of any minerals mined from E47/4144 and 15% of any sale proceeds on the sale of E47/4144.

Events Subsequent to Reporting Date

On 13 January 2023, the Company advised that it had entered into a non-binding memorandum of understanding with Obeikan Investment Group to build and operate a hydroxide plant in Saudi Arabia for the Wolfsberg Lithium Project.

On 20 January 2023, the Company held its annual general meeting of shareholders with all resolutions passing via poll including shareholder approval to proceed with the merger transaction with Sizzle Acquisition Corp, as well as the variation of terms in respect to the Performance Rights issued to directors of the Company (refer to note 13).

On 6 February 2023, the Company made an investment of \$1,125,000 in an unlisted entity which holds an exploitation permit for rare earths in Greenland.

No other matters or circumstances have arisen since the end of the half-year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs in future financial years.

Auditor's Independence Declaration

Section 307C of the *Corporations Act 2001* requires our auditors, HLB Mann Judd, to provide the Directors of the Company with an Independence Declaration in relation to the review of the interim financial report. This Independence Declaration is set out on page 6 and forms part of this Directors' report for the half-year ended 31 December 2022.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to s.306(3) of the *Corporations Act 2001*.



Antony Sage
Executive Chairman
10 February 2023

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of European Lithium Limited for the half-year ended 31 December 2022, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) any applicable code of professional conduct in relation to the review.

Perth, Western Australia
10 February 2023



M R Ohm
Partner

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HLB Mann Judd (WA Partnership) is a member of HLB International, the global advisory and accounting network.

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2022**

	Note	31 December 2022	31 December 2021
		\$	\$
Revenue and other income	3	445,625	1,225
Employee benefits expense	4	(276,000)	(166,000)
Depreciation and amortisation expense		(5,029)	(4,976)
Finance costs		(10,181)	(17,041)
Amortised convertible note costs transferred to other debtors		-	(20,226)
Fair value gain on remeasurement of convertible note		-	57,870
Exploration expenditure expensed	6	(397,650)	-
Consulting fees		(261,539)	(275,732)
Travel expenses		(172,353)	(45,251)
Regulatory and compliance costs	4	(594,004)	(393,481)
Profit on fair value of financial assets through profit or loss	8	7,844	-
Share-based payments	11	(1,506,944)	(480,264)
Share of net (loss) of JV accounted for using the equity method	7	(175)	(4,754)
Sale of royalty		-	(3,659,652)
Merger expenses	4	(5,561,620)	-
Foreign exchange gain/(loss)		1,016,099	(373,691)
Other expenses	4	(376,618)	(444,046)
Loss before income tax		(7,692,545)	(5,826,019)
Income tax expense		-	-
Loss after tax		(7,692,545)	(5,826,019)
Other comprehensive income, net of income tax			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations		551,303	(214,959)
Other comprehensive loss for the period, net of income tax		551,303	(214,959)
Total comprehensive loss for the period		(7,141,242)	(6,040,978)
Loss per share for the period			
Basic loss per share (cents per share)	12	(0.54)	(0.57)
Diluted loss per share (cents per share)	12	(0.54)	(0.57)

*The above Condensed Consolidated Statement of Comprehensive Income is to be read in conjunction with the
Notes to the Financial Statements*

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022**

	Note	31 December 2022	30 June 2022
		\$	\$
ASSETS			
Current Assets			
Cash and cash equivalents		27,744,898	33,000,939
Trade and other receivables		286,090	492,710
Short-term loan receivable	5	2,303,356	1,014,178
Total Current Assets		30,334,344	34,507,827
Non-Current Assets			
Property, plant and equipment		15,802	20,307
Deferred exploration and evaluation expenditure	6	47,339,298	44,199,076
Investment in associates	7	545,849	528,578
Restricted cash and other deposits		30,520	29,489
Financial assets at fair value through profit or loss	8	2,482,501	15,000
Total Non-Current Assets		50,413,970	44,792,450
TOTAL ASSETS		80,748,314	79,300,277
LIABILITIES			
Current Liabilities			
Trade and other payables	9	3,410,596	749,529
Total Current Liabilities		3,410,596	749,529
TOTAL LIABILITIES		3,410,596	749,529
NET ASSETS		77,337,718	78,550,748
EQUITY			
Issued capital	10	83,947,109	80,636,841
Reserves	11	15,236,416	12,067,169
Accumulated losses		(21,845,807)	(14,153,262)
TOTAL EQUITY		77,337,718	78,550,748

*The above Condensed Consolidated Statement of Financial Position is to be read in conjunction with the
Notes to the Financial Statements*

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2022**

	Issued Capital	Unissued Capital	Retained Earnings / (Accumulated losses)	Share- based Payments Reserve	Foreign Currency Translation Reserve	Total Equity
	\$	\$	\$	\$	\$	\$
At 1 July 2021	36,799,202	-	(1,833,592)	6,059,735	1,542,168	42,567,513
Loss for the period	-	-	(5,826,019)	-	-	(5,826,019)
Foreign currency exchange differences arising on translation from functional currency to presentation currency	-	-	-	-	(214,959)	(214,959)
Total comprehensive loss for the period	-	-	(5,826,019)	-	(214,959)	(6,040,978)
Issue of shares – Winance Conversion	300,000	-	-	-	-	300,000
Issue of shares – Spark Plus	12,000	-	-	-	-	12,000
Issue of shares – Placement	8,999,521	-	-	-	-	8,999,521
Issue of shares – Exercise of Options	2,151,925	-	-	-	-	2,151,925
Issue of shares – Broker (Evolution)	125,000	-	-	-	-	125,000
Shares to be issued – royalty	-	2,877,277	-	-	-	2,877,277
Share issue costs – cash	(429,225)	-	-	-	-	(429,225)
Share issue costs – shares & options issued to corporate advisor	(545,000)	-	-	-	-	(545,000)
Shares & options issued to Directors	-	-	-	480,264	-	480,264
Shares & options issued to corporate advisor as share issue costs	-	-	-	420,000	-	420,000
At 31 December 2021	47,413,423	2,877,277	(7,659,611)	6,959,999	1,327,209	50,918,297
At 1 July 2022	80,636,841	-	(14,153,262)	11,218,011	849,158	78,550,748
Loss for the period	-	-	(7,692,545)	-	-	(7,692,545)
Foreign currency exchange differences arising on translation from functional currency to presentation currency	-	-	-	-	551,303	551,303
Total comprehensive loss for the period	-	-	(7,692,545)	-	551,303	(7,141,242)
Issue of shares – Exercise of Options	4,090,721	-	-	-	-	4,090,721
Issue of shares – Tenement acquisition	375,000	-	-	-	-	375,000
Share issue costs – cash	(44,453)	-	-	-	-	(44,453)
Share issue costs – options issued to corporate advisor	(1,111,000)	-	-	1,111,000	-	-
Options issued to Directors	-	-	-	1,506,944	-	1,506,944
At 31 December 2022	83,947,109	-	(21,845,807)	13,835,955	1,400,461	77,337,718

The above Condensed Consolidated Statement of Changes in Equity is to be read in conjunction with the Notes to the Financial Statements

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2022**

	Note	31 December 2022	31 December 2021
		\$	\$
Cash flows from operating activities			
Payments to suppliers and employees		(1,488,762)	(1,234,422)
Payments for deferred exploration and evaluation expenditure		(1,828,427)	(3,841,601)
Finance costs		(8,084)	(11,547)
Interest received		245,735	34,467
GST/VAT refunds (paid)/received		45,050	85,241
Repayment of grant proceeds		-	(64,129)
Payment for the repurchase of royalty		-	(782,375)
Payment of FMA fine		-	(279,987)
Net cash used in operating activities		(3,034,488)	(6,094,353)
Cash flows from investing activities			
Payments for the acquisition of exploration tenements		(10,000)	(181,443)
Payment to acquire interest in entity		(14,800)	-
Investment in financial assets		(2,459,657)	(20,000)
Merger expenses	4	(2,541,295)	-
Payments for property, plant and equipment		-	(22,277)
Net cash used in investing activities		(5,025,752)	(223,720)
Cash flows from financing activities			
Proceeds from capital raisings		-	8,999,521
Proceeds from exercise of options	10a	4,090,721	2,151,925
Payment for share issue costs	10a	(44,453)	(429,225)
Advancement of short-term loan facility	5	(1,250,000)	(500,000)
Net cash provided by financing activities		2,796,268	10,222,221
Net (decrease)/increase in cash and cash equivalents		(5,263,972)	3,904,148
Cash and cash equivalents at beginning of the period		33,000,939	5,422,494
Effects on exchange rate fluctuations on cash held		7,931	(3,163)
Cash and cash equivalents at end of period		27,744,898	9,323,478

*The above Condensed Consolidated Statement of Cash Flows is to be read in conjunction with the
Notes to the Financial Statements*

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These interim consolidated financial statements are general purpose financial statements prepared in accordance with the requirements of the *Corporations Act 2001*, applicable accounting standards including *AASB 134 Interim Financial Reporting*, Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board (**AASB**). Compliance with *AASB 134* ensures compliance with *IAS 34 Interim Financial Reporting*.

The interim financial report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Group as in the full financial report.

It is recommended that this interim financial report be read in conjunction with the annual financial report for the year ended 30 June 2022 and any public announcements made by European Lithium Limited and its subsidiaries during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001* and the ASX Listing Rules.

Basis of preparation

The interim financial report has been prepared on a historical cost basis, except for the revaluation of certain financial instruments to fair value. Cost is based on the fair value of the consideration given in exchange for assets. The company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted.

For the purpose of preparing the interim financial report, the half-year has been treated as a discrete reporting period.

Adoption of new and revised standards

Standards and Interpretations applicable to 31 December 2022

In the half-year ended 31 December 2022, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the *AASB* that are relevant to the Company and effective for the interim reporting periods beginning on or after 1 July 2022. As a result of this review, the Directors have applied all new and amended Standards and Interpretations that were effective as at 1 July 2022 with no material impact on the amounts or disclosures included in the financial report.

Significant accounting judgments and key estimates

The preparation of the interim financial report requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim financial report, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2022 other than the expected credit loss on loans. The Company has not made an allowance for expected credit losses in respect to its short-term loan receivable taking into consideration the counterparties financial position, its shareholding in the Company and the partial security provided.

2. SEGMENT REPORTING

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Board of Directors in order to allocate resources to the segment and to assess its performance.

The Company operates in the mineral exploration industry. For management purposes, the Company is recognised into one main operating segment, the exploration of minerals. All of the Company's activities are interrelated and discrete financial information is reported to the Board (Chief Operating Decision Maker) as a single segment. Accordingly, all significant operating decisions are based upon analysis of the Company as one segment. The financial results from this segment are equivalent to the financial statements of the Company as a whole.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. REVENUE AND OTHER INCOME

	Six months ended 31 December 2022	Six months ended 31 December 2021
	\$	\$
Bank interest revenue	245,735	34,467
Interest on loan (note 5)	39,178	1,164
Other income	160,712	29,723
Repayment of grant proceeds	-	(64,129)
	445,625	1,225

4. EXPENSES

	Six months ended 31 December 2022	Six months ended 31 December 2021
	\$	\$
Employee benefits expenses		
Directors' remuneration & consulting	276,000	166,000
	276,000	166,000
Regulatory and compliance costs		
ASX listing fees	146,113	97,253
OTC listing fees	147,961	80,317
Vienna listing expenses	807	808
Legal expenses	210,673	146,361
Other regulatory and compliance expenses	88,450	68,742
	594,004	393,481
Merger Expenses		
Merger expenses (i)	5,561,620	-
	5,561,620	-
Other expenses		
Promotions and advertising	80,193	55,520
Due diligence and legal fees associated with tenement acquisition	-	181,443
Other administrative expenses	296,425	207,083
	376,618	444,046

- (i) On 26 October 2022, the Company announced that it had entered into a business combination agreement with Sizzle Acquisition Corp., a US special purpose acquisition company listed on NASDAQ (NASDAQ:SZZL) (Sizzle), pursuant to which ownership of EUR's wholly owned Wolfsberg Lithium Project (Wolfsberg Project) and Sizzle will be transferred to a newly-formed lithium exploration and development company named "Critical Metals Corp." which is expected to be listed on NASDAQ (Transaction). In accordance with the terms of the business combination agreement, the Company will be reimbursed for certain expenses incurred upon the closing of the Transaction. The Transaction has been approved by the Company's shareholders on 20 January 2023. Closing of the Transaction is subject to a number of conditions precedent including approval from Sizzle shareholders and approval of the Registration Statement on Form F-4 by the US Securities & Exchange Commission (SEC).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. SHORT TERM LOAN

	Six months to 31 December 2022	Year to 30 June 2022
	\$	\$
Short term loan	2,303,356	1,014,178
	<u>2,303,356</u>	<u>1,014,178</u>
Balance at beginning of period	1,014,178	-
Drawdown of loan	1,250,000	1,000,000
Accrued interest	39,178	14,178
Balance at end of period	<u>2,303,356</u>	<u>1,014,178</u>

On 14 December 2021, the Company entered into a loan agreement and advanced funds of \$500,000 to Cyclone Metals Ltd (ASX: CLE). The loan is secured over 25,000,000 unencumbered shares held by CLE in CuFe Limited (ASX: CUF). On 20 June 2022, the Company entered into a second loan agreement and advanced funds of \$500,000 to CLE. On 17 August 2022, the Company entered into a third loan agreement and advanced funds of \$500,000 to CLE. On 14 November 2022, the Company entered into a fourth loan agreement and advanced funds of \$750,000 to CLE. All loans are repayable on 31 March 2023 and accrue interest of 5% per annum. At 31 December 2022, the Group has made no provision for expected credit loss in respect to the short term loan.

6. DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

	Six months to 31 December 2022	Year to 30 June 2022
	\$	\$
Balance at beginning of period	44,199,076	38,030,732
Expenditure incurred	1,957,134	7,933,673
Foreign exchange movement	1,580,738	(1,765,329)
Impairment of exploration expenditure	(397,650)	-
Balance at end of period	<u>47,339,298</u>	<u>44,199,076</u>

The recoupment of costs carried forward in relation to areas of interest in the exploration and evaluation phases is dependent upon the successful development and commercial exploitation or sale of the respective areas.

During the half year ended 31 December 2022, the Company recognised impairment losses in respect of capitalised exploration and evaluation of \$411,404 (30 June 2022: \$nil). The impairment made during the period was recognised on areas of interest on Western Australian tenements which have not yet been granted.

7. INVESTMENT IN ASSOCIATES

	Six months to 31 December 2022	Year to 30 June 2022
	\$	\$
Investment in associates	545,849	528,578

a) Investment details

	Six months to 31 December 2022	Year to 30 June 2022
	%	%
Percentage held at reporting date – Jadar (i)	20	20
Percentage held at reporting date – John Wally (ii)	50	-

- (i) On 11 May 2021, the Company announced that it had entered into a Collaboration Agreement with EV Resources Limited (formerly Jadar Resources Limited) (ASX: EVR) (EVR) and an agreement to acquire a 20% interest in Jadar's Austrian Lithium assets from their JV partner (Jadar Acquisition). EVR holds an 80% interest in Subsidiary EV Resources GmbH (previously Jadar Lithium GmbH), the holder of the Weinebene and Eastern Alps Projects which lies 20km to the east of the Company's Wolfsberg Project.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(ii) The Company holds a 50% interest in John Wally Resources Pty Ltd (**John Wally**). This investment is equity accounted given the existence of joint control and the significant influence the Company has on John Wally through Mr Sage's role on the board and the interchange of management personnel.

b) Movement in the carrying amount of the investment in associates

	Six months to 31 December 2022	Year to 30 June 2022
	\$	\$
Balance at beginning of period	528,578	540,903
Share of net losses recognised during the year	(175)	(12,325)
Cash investment	28,757	-
Other – Prior period reclassification	(11,311)	-
Balance at end of period	545,849	528,578

c) Summarised financial information

Jadar Lithium

	Six months to 31 December 2022	Year to 30 June 2022
	\$	\$
Current assets	7,692	9,403
Non-current assets	440,927	375,244
Current liabilities	(578,280)	(521,562)
Non-current liabilities	(40,575)	(39,204)
Equity	(170,234)	(176,119)
Group's carrying amount of the investment	531,471	528,578

Jadar Lithium has no contingent liabilities, capital commitments or bank guarantees on issue as at 31 December 2022.

	Six months to 31 December 2022	Year to 30 June 2022
	\$	\$
Revenue and other income	-	-
Depreciation	-	-
Loss before tax	14,466	(61,624)
Income tax expense	-	-
Loss for the period	14,466	(61,624)
Total comprehensive (loss) for the period	-	-
Group's share of (loss) for the period	2,893	(12,325)

John Wally

	Six months to 31 December 2022	Year to 30 June 2022
	\$	\$
Current assets	-	-
Non-current assets	-	-
Current liabilities	-	-
Non-current liabilities	-	-
Equity	(28,757)	-
Group's carrying amount of the investment	14,379	-

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

John Wally has no contingent liabilities, capital commitments or bank guarantees on issue as at 31 December 2022.

	Six months to 31 December 2022	Year to 30 June 2022
	\$	\$
Revenue and other income	-	-
Depreciation	-	-
Loss before tax	(6,136)	-
Income tax expense	-	-
Loss for the period	(6,136)	-
Total comprehensive (loss) for the period	-	-
Group's share of (loss) for the period	(3,068)	-

d) Impairment assessment

The carrying amount of the investments in associates were assessed for impairment at 31 December 2022 with no indication of impairment at the reporting date.

8. FINANCIAL ASSETS

	Six months to 31 December 2022	Year to 30 June 2022
	\$	\$
Balance at beginning of period	15,000	-
Purchase of listed investments (refer to note 13)	209,657	20,000
Purchase of unlisted investments (i)	2,250,000	-
Profit/(loss) in fair value from revaluation	7,844	(5,000)
Balance at end of period	2,482,501	15,000

- (i) During the half year ended 31 December 2022, the Company made an investment of \$2,250,000 in an unlisted entity which holds an exploitation permit for rare earths in Greenland.

9. TRADE AND OTHER PAYABLES

	Six months to 31 December 2022	Year to 30 June 2022
	\$	\$
Trade payables	2,430,837	673,802
Other payables and accruals	979,759	75,727
	3,410,596	749,529

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10. ISSUED CAPITAL

a) Ordinary shares

	Six months to 31 December 2022		Year to 30 June 2022	
	No of Shares	\$	No of Shares	\$
Balance at beginning of period	1,383,024,747	80,636,841	933,935,604	36,799,202
Issue of shares – Placement – Cash	-	-	387,400,817	41,500,000
Issue of shares – Facilitator	-	-	2,000,000	125,000
Issue of shares – Exercise of unlisted options – cash (i)	31,214,428	1,840,721	19,284,801	964,240
Issue of shares – Exercise of listed options – cash (ii)	30,000,000	2,250,000	18,278,035	1,370,853
Issue of shares – Royalty	-	-	15,552,850	2,877,277
Issue of shares – Tenement acquisition (iii)	5,000,000	375,000	-	-
Issue of shares – Winance conversion	-	-	6,000,000	300,000
Issue of shares – Conversion of debt	-	-	572,640	46,271
Capital raising costs – options issued to corporate advisor	-	(1,111,000)	-	(1,064,231)
Capital raising costs – cash	-	(44,453)	-	(2,281,771)
Balance at end of period	1,449,239,175	83,947,109	1,383,024,747	80,636,841

- (i) During the half year ended 31 December 2022, the following shares were issued on the exercise of unlisted options:
- On 7 July 2022, the Company issued 1,466,666 shares (\$0.05 each expiring 31 July 2022)
 - On 1 August 2022, the Company issued 8,515,254 shares (\$0.05 each expiring 31 July 2022)
 - On 8 August 2022, the Company issued 7,232,508 shares (\$0.05 each expiring 31 July 2022)
 - On 26 October 2022, the Company issued 7,000,000 shares (\$0.06 each expiring 27 January 2025) and 7,000,000 shares (\$0.08 each expiring 27 January 2025)
- (ii) During the half year ended 31 December 2022, the following shares were issued on the exercise of listed options:
- On 26 October 2022, the Company issued 30,000,000 shares (\$0.075 each expiring 19 April 2024)
- (iii) On 1 August 2022, the Company entered into an agreement with Wombat Resources Pty Ltd (**Wombat**) to purchase all of Wombat's legal and beneficial interests in E47/4144 for a consideration of 5,000,000 fully paid shares in the Company, a cash payment of \$10,000, a royalty of 1% from all revenue from the sale of any minerals mined from E47/4144 and 15% of any sale proceeds on the sale of E47/4144.

Terms and conditions of contributed equity

Fully paid ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from sale of all surplus assets in proportion to the number of paid up shares held.

Fully paid ordinary shares entitle their holder to one vote, either in person or by proxy, at any shareholders' meeting of the Company.

b) Options

On 26 October 2022, the Company issued 30,000,000 listed options which are exercisable at \$0.075 each on or before 19 April 2024 to Evolution Capital Pty Ltd in connection with its engagement as lead manager to the placement previously undertaken by the Company (refer ASX announcement released on 6 April 2022). The listed options were issued at \$0.037 per listed option being the trading price on the date of issue.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2022, the unissued ordinary shares of the Company under option are as follows:

Date of Expiry	Status	Exercise Price	Number of Options
19/4/2024	Listed	7.5 cents	166,721,965
31/3/2025	Listed	18.0 cents	223,076,970
27/01/2025	Unlisted	10.0 cents	7,000,000
01/05/2025	Unlisted	12.0 cents	5,000,000
01/05/2025	Unlisted	14.0 cents	5,000,000
01/05/2025	Unlisted	16.0 cents	5,000,000
01/05/2025	Unlisted	18.0 cents	5,000,000
22/02/2024	Unlisted	20.0 cents	7,776,425
			424,575,360

11. RESERVES

	Six months to 31 December 2022	Year to 30 June 2022
	\$	\$
Option reserve	13,835,955	11,218,011
Foreign currency translation reserve	1,400,461	849,158
	15,236,416	12,067,169
	Six months to 31 December 2022	Year to 30 June 2022
	\$	\$
<i>Share-based payments reserve</i>		
Balance at beginning of period	11,218,011	6,059,735
Issue of options – Corporate advisor (note 9(b))	1,111,000	3,022,219
Issue of options – Directors	-	555,000
Issue of performance rights – Directors (note 16)	1,506,944	1,581,057
Balance at end of period	13,835,955	11,218,011
<i>Foreign currency translation reserve</i>		
Balance at beginning of period	849,158	1,542,168
Foreign currency exchange differences arising on translation of foreign operations	551,303	(693,010)
Balance at end of period	1,400,461	849,158

12. BASIC AND DILUTED LOSS PER SHARE

	Six months ended 31 December 2022	Six months ended 31 December 2021
	\$	\$
Loss used in the calculation of basic and dilutive loss per share	(7,692,545)	(5,826,019)
	Six months to 31 December 2021	Six months to 31 December 2020
	Cents per share	Cents per share
<i>Earnings per share:</i>		
Basic loss per share (cents per share)	(0.54)	(0.57)
Diluted loss per share (cents per share)	(0.54)	(0.57)

There are dilutive potential ordinary shares on issue at balance date. However, given the Company has made a loss, there is no dilution of earnings hence the diluted loss per share is the same as basic loss per share.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

	Six months to 31 December 2022 Number	Six months to 31 December 2021 Number
Weighted average number of shares:	1,414,697,826	1,031,039,028

13. RELATED PARTY TRANSACTIONS

On 17 November 2022, the Company purchased 15,000,000 shares in CuFe Limited (ASX: CUF) (refer to note 8). Mr Antony Sage is a director of CUF.

On 17 August 2022, the Company entered into a loan agreement and advanced funds of \$500,000 to Cyclone Metals Ltd (ASX: CLE). On 14 November 2022, the Company entered into a loan agreement and advanced funds of \$750,000 to CLE. On the same day, the Company entered into a deed of variation in respect to the short terms loans previously entered into with CL to extend the repayment date to 31 March 2023. Mr Antony Sage is a director of CLE.

On 27 January 2022, the Company issued performance rights to Okewood Pty Ltd (related party of Tony Sage) (40,000,000), Pixsell Pty Ltd ATFT Pixsell Unit Trust (a company in which Malcolm Day is a Director) (30,000,000) and Michael Carter (10,000,000) (**Performance Rights**) following receipt of shareholder approval at the annual general meeting of shareholders held on 27 January 2022 (**2022 AGM**). On 20 January 2023, the Company held its annual general meeting of shareholders (**2023 AGM**) which included resolutions to vary the terms of the Performance Rights approved at the 2022 AGM. The Performance Rights are subject to the achievement of milestones in respect to the Company's market capitalisation and completion of the DFS at the Wolfsberg Lithium Project. The 2023 AGM notice of meeting included an external valuation of the Performance Rights based on the varied milestones, however given approval was received after reporting date, an amount of \$1,506,944 has been included in the accounts at 31 December 2022 to reflect the rendering of services in the half year ended 31 December 2022 based on the external valuation included in the 2022 AGM notice of meeting.

14. CONTINGENT LIABILITIES

On 1 August 2022, the Company entered into an agreement with Wombat Resources Pty Ltd (Wombat) to purchase all of Wombat's legal and beneficial interests in E47/4144 which includes a royalty of 1% from all revenue from the sale of any minerals mined from E47/4144 and 15% of any sale proceeds on the sale of E47/4144.

There have been no other changes in contingent liabilities since the last annual reporting date.

15. COMMITMENTS

On 26 October 2022, the Company announced that it had entered into a business combination agreement with Sizzle Acquisition Corp., a US special purpose acquisition company listed on NASDAQ (NASDAQ:SZZL) (Sizzle), pursuant to which EUR will combine its wholly owned Wolfsberg Lithium Project (Wolfsberg Project) with Sizzle via a newly-formed, lithium exploration and development company named "Critical Metals Corp." which is expected to be listed on NASDAQ (Transaction). In accordance with the terms in the business combination agreement pursuant to the Transaction, a break fee of US\$5,000,000 is payable by the Company in the event the Company received a competing proposal on superior terms to the proposed Transaction and elects not to proceed with the Transaction as a result.

There have been no other material changes in commitments since the last annual reporting date.

16. EVENTS SUBSEQUENT TO REPORTING DATE

On 13 January 2023, the Company advised that it had entered into a non-binding memorandum of understanding with Obeikan Investment Group to build and operate a hydroxide plant in Saudi Arabia for the Wolfsberg Lithium Project.

On 20 January 2023, the Company held its annual general meeting of shareholders with all resolutions passing via poll including shareholder approval to proceed with the merger transaction with Sizzle Acquisition Corp, as well as the variation of terms in respect to the Performance Rights issued to directors of the Company (refer to note 13).

On 6 February 2023, the Company made an investment of \$1,125,000 in an unlisted entity which holds an exploitation permit for rare earths in Greenland.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

No other matters or circumstances have arisen since the end of the half-year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs in future financial years.

17. FINANCIAL INSTRUMENTS

Set out below is an overview of financial instruments, other than cash and short-term deposits, held by the Group as at 31 December 2022:

	At amortised cost	Through profit or loss	Fair value
			Through other comprehensive income
	\$	\$	\$
Financial assets			
Trade and other receivables	286,090	-	-
Short term loan receivables	2,303,356	-	-
Total current	2,589,446	-	-
Financial assets at fair value through profit or loss	-	2,482,501	-
Total non-current	-	2,482,501	-
Total assets	2,589,446	2,482,501	-
Financial liabilities			
Trade and other payables	3,410,596	-	-
Total current	3,410,596	-	-
Total liabilities	3,410,596	-	-

The Directors consider that the carrying amounts of current receivables, current payables and current borrowings are a reasonable approximation of their fair values.

DIRECTORS' DECLARATION

In the opinion of the Directors of European Lithium Limited ('the company'):

1. The attached financial statements and notes thereto are in accordance with the *Corporations Act 2001* including:
 - a. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - b. giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the half-year then ended; and
2. 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 signed in accordance with a resolution of the Board of Directors made pursuant to s.303(5) of the *Corporations Act 2001*.



Antony Sage
Executive Chairman

10 February 2023

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of European Lithium Limited

Report on the Condensed Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of European Lithium Limited ("the company") which comprises the condensed consolidated statement of financial position as at 31 December 2022, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration, for the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of European Lithium Limited does not comply with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2022 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's responsibilities for the review 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 (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibility of the directors for the financial report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 31 December

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2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

Perth, Western Australia
10 February 2023



M R Ohm
Partner



☆☆☆
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