

European Lithium Limited

Australia / Mining
 Frankfurt, Sydney
 Bloomberg: PF8 GR
 ISIN: AU000000EUR7

Update

RATING
BUY

PRICE TARGET
€ 0.17

Return Potential 255.6%
 Risk Rating High

PRODUCTION START TO COINCIDE WITH NEXT LITHIUM UPTURN

Pricing for lithium chemicals quadrupled during 2021/22 as worldwide sales of EVs tripled. Since early 2023 prices have collapsed by ca. 80% due to destocking at Chinese electric battery makers prompted by rising supply. However, as always in cyclical markets, the best cure for low prices...is low prices. New lithium projects base their funding on long term price expectations at the time of funding. Generally, long term price forecasts are influenced by prices at the time of funding because it is difficult for observers to detach themselves from current prices. This pattern of behaviour indicates that supply growth will moderate. First signs that this is indeed happening have come in recent days as lithium commodity prices have rallied on news that major miners are delaying planned capacity increases. Meanwhile, the consultant Benchmark Minerals Intelligence (BMI) sees global EV sales more than quadrupling from 13.8m units in 2023 to 59.1m in 2033 and expects the lithium market to be back in deficit from 2029 - the year we expect the Wolfsberg Lithium Project to reach full capacity. BMI further forecasts that the lithium market will remain in deficit into the early 2040s i.e. throughout the project's lifetime. European Lithium (EUR) also has a 7.5% stake in the Tanbreez rare earths/rare metals project in Greenland, which in terms of in situ tonnage of rare earths oxides, is the largest such project in the world. It is likely that EUR/Critical Metals shareholders will have an opportunity to take a larger stake ahead of a planned 2025 Nasdaq listing of the project. We maintain our Buy recommendation for EUR with price targets of €0.17 and AUD0.28 (previously: €0.17 and AUD0.25).

EUR and Sizzle complete formation of Nasdaq-listed Critical Metals In October 2022, EUR announced plans to merge with the Nasdaq-listed special purpose acquisition company, Sizzle Acquisition Corp. (Sizzle) and subsequently form a new Nasdaq-listed entity, Critical Metals (CRML). EUR opted to merge with Sizzle as a means of accessing the U.S. capital market to finance the Wolfsberg Lithium Project (WLP). (p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2022/23A	2023/24E	2024/25E	2025/26E	2026/27E	2027/28E
Revenue (A\$ m)	0.74	0.00	0.00	0.00	167.40	364.56
Y-o-y growth	318.7%	-100.0%	n.a.	n.a.	n.a.	117.8%
EBIT (A\$ m)	-13.36	-5.74	-4.73	-4.83	77.41	187.30
EBIT margin	n.a.	n.a.	n.a.	n.a.	46.2%	51.4%
Net income (A\$ m)	-13.46	-0.50	-42.23	-79.83	2.41	112.30
EPS (diluted) (A\$c)	-0.82	-0.03	-2.58	-4.88	0.15	6.86
DPS (A\$)	0.00	0.00	0.00	0.00	0.00	0.00
FCF (A\$m)	-14.07	-7.18	-582.49	-668.17	-180.53	169.97
Net gearing	-19.9%	-80.9%	15.4%	72.2%	98.0%	63.2%
Liquid assets (A\$ m)	13.14	252.47	294.98	251.81	71.28	241.25

RISKS

If the ongoing penetration of the automotive market by electric vehicles slows or comes to a halt, the lithium price is likely to fall.

COMPANY PROFILE

European Lithium is a mining exploration and development company focusing on its wholly owned Wolfsberg Lithium Project in Austria. The company targets the commencement of production of lithium chemicals for battery factories from 2026.

MARKET DATA

As of 01 Mar 2024

Closing Price € 0.05
 Shares outstanding 1394.20m
 Market Capitalisation € 66.64m
 52-week Range € 0.04 / 0.07
 Avg. Volume (12 Months) 322,498

Multiples	2022/23A	2023/24E	2024/25E
P/E	n.a.	n.a.	n.a.
EV/Sales	131.2	n.a.	n.a.
EV/EBIT	n.a.	n.a.	n.a.
Div. Yield	0.0%	0.0%	0.0%

STOCK OVERVIEW



COMPANY DATA

As of 30 Jun 2023

Liquid Assets A\$ 13.15m
 Current Assets A\$ 13.48m
 Intangible Assets A\$ 52.69m
 Total Assets A\$ 71.72m
 Current Liabilities A\$ 5.41m
 Shareholders' Equity A\$ 66.30m

SHAREHOLDERS

Cyclone Metals Limited 4.5%
 Mykhailo Zhernov 3.8%
 Okewood Pty Ltd 2.0%
 Battle Mountain Pty Ltd 1.6%
 Free float and other 88.1%



The transaction was approved by EUR's AGM in January 2023. The SEC declared Critical Metals F-4 registration statement effective in late December 2023 and a Sizzle shareholder meeting approved the transaction on 22 February. CRML began trading on Nasdaq on 28 February. The Definitive Feasibility Study (DFS) of the WLP, published by EUR in March 2023, showed a P80 project cost of USD866m (i.e. 80% probability that the USD866m will not be exceeded). This number (see figure 1 below) included USD321m for a lithium hydroxide plant. The lithium hydroxide plant will convert the lithium oxide-containing spodumene concentrate produced at the WLP mine and concentrator into the lithium hydroxide used by EV manufacturers. The planned location of the lithium hydroxide plant was just to the south of Wolfsberg. The WLP mine and concentrator site is located 20km east of Wolfsberg.

Figure 1: CAPEX estimates for WLP from March 2023 Definitive Feasibility Study

Work Breakdown Structure	Capex (excluding contingency)	Contingency P80	Capex (including P80 contingency)
Mine	154.6	20.0%	185.5
Concentrator Plant	257.9	14.4%	295.1
Hydrometallurgical plant	265.4	21.0%	321.1
Laboratory	2.6	20.0%	3.2
Backfill plant	14.2	20.0%	17.1
Owners' costs	38.6	14.4%	44.1
Total project cost	736.1	133.4	866.2

Source: European Lithium Limited

EUR now planning to locate lithium hydroxide plant in Saudi Arabia EUR's original plan to locate all WLP operations in Austria changed in June 2023 when the company announced it had signed a binding term sheet with the Saudi Arabian Obeikan Group. The term sheet envisages joint development and operation of a lithium hydroxide plant in Saudi Arabia through a 50:50 joint venture. The JVco will be granted the exclusive right to purchase spodumene concentrate from the WLP and the binding lithium offtake agreement signed between EUR and BMW in December 2022 will also be assigned to the JVco.

Saudi Arabian location would lower lithium hydroxide plant OPEX and CAPEX The rationale for locating the lithium hydroxide plant in Saudi Arabia rather than in Austria is to generate large operating cost savings and lower CAPEX for the WLP. Building and operating the lithium hydroxide plant in Saudi Arabia will reduce energy costs by over 80% and also provide access to a lower corporate tax rate (20% in Saudi Arabia vs 25% in Austria).

DRA Global to update DFS to reflect Saudi Arabian lithium hydroxide plant location EUR has commissioned DRA Global to update the DFS to incorporate the expected opex and capex savings from the JV. One of the terms of the JV is that both parties are required to contribute to the funding of the JVco in accordance with their shareholdings in the JVco. However, EUR's press release of 2 June 2023 notes that based on the outcome of a valuation of in-kind contribution, EUR might not be required to contribute any cash to the JVco. This suggests to us that EUR/CRML might exchange a share in the spodumene concentrate production from the WLP mine and concentrator for a share in the JVco. Alternatively, EUR/CRML could finance the stake in the JVco through a debt or equity raise.



Pending clarification of cost and structure issues we base valuation of EUR on the March 2023 DFS Ahead of publication of the updated DFS, clarification of the future configuration of the lithium mine/lithium hydroxide plant structure, and also for the sake of simplicity, we have chosen to base our valuation on the March 2023 DFS, in which the lithium hydroxide plant is located in Austria.

Sizzle was incorporated as a SPAC Sizzle was incorporated in Delaware in October 2020. The Company is a Special Purpose Acquisition Company (SPAC) “formed for the purpose of entering into a merger, share exchange, asset acquisition, stock purchase, recapitalization, reorganization or other similar business combination with one or more businesses or other entities.”

In 2021 Sizzle raised USD158m to finance a future business combination In November 2021, Sizzle completed an IPO of 15,500,000 units at USD10.20 per unit with each unit consisting of one share of common stock and one-half of a warrant. Each warrant entitles the holder to purchase one-half share of Sizzle/CRML common stock at USD11.50 per share. Net proceeds of USD158.1m were deposited in a trust account to finance a future business combination.

Sizzle chose EUR from among 130 targets Between the IPO in November 2021 and the execution of the letter of intent, or LOI, with EUR on 28 July 28, 2022, Sizzle engaged with 58 of over 130 identified target companies. Sizzle subsequently signed confidentiality agreements with 46 companies, including EUR, with contemplated valuations ranging from approximately USD250m to approximately USD1.5bn.

Merger terms based on valuation of EUR by Marshall & Stevens The business combination between EUR and Sizzle/CRML is based on a valuation of EUR’s business at USD750m. This figure derives from an independent valuation carried out by the professional valuation firm, Marshall & Stevens, in autumn 2022. The stake in CRML (83.03%) received by EUR shareholders at the close of the business combination was determined by Marshall & Stevens USD750m valuation.

Due to redemptions only USD10.9m remained on Sizzle’s trust account at Closing Holders of Sizzle public shares (those issued through the IPO) had the right to redeem their shares. At the closing, the balance on Sizzle’s trust account, together with amounts from the PIPE Financing (see overleaf) prior to the payment of transaction expenses, was USD10.9m.

In November 2020 Sizzle’s sponsor (VO Sponsor LLC, a Delaware limited company) paid USD25,000 for 2.875m shares of Sizzle common stock. A series of stock dividends was the main driver behind the rise in the number of Sizzle shares held by the Sponsor, initial stockholders, directors and officers to the current 6,147,500. At the time of the merger agreement with EUR, the Sponsor agreed to surrender 2,049,250 shares of common stock to Sizzle for no consideration. As we describe below, these shares have been transferred to a PIPE investor.



Figure 2 below shows shareholdings in Critical Metals following completion of the transaction.

Figure 2: Shareholdings in Critical Metals following completion of the transaction

Sizzle public stockholders	699,588	0.9%
Sizzle Sponsor, Initial Stockholders and directors and officers	4,098,750	5.0%
Cantor Fitzgerald and Early Bird Capital	1,022,850	1.3%
Empery (PIPE, private placement and reallocation of sponsor shares)	7,049,000	8.6%
Supplier shares	984,670	1.2%
European Lithium	67,788,383	83.0%
Proforma Combined Company Common Stock	81,643,241	100.0%

Source: Sizzle Acquisition Corp.

Cantor Fitzgerald's shareholding derives from its role as underwriter of the Sizzle IPO. Early Bird Capital participated in a private placement of Sizzle shares prior to the Sizzle IPO.

On 8 February, 2024, a PIPE investor agreed to subscribe for 1m shares in the future CRML for a subscription price of USD10 per share. In addition, prior to the closing, the Sponsor transferred, for no additional consideration, 2,049,000 Sizzle shares to the PIPE Investor. Furthermore, upon closing, the CRML issued to the PIPE investor, for no additional consideration: (i) 1m CRML shares, (ii) warrants to purchase up to 1m CRML shares, at an exercise price of USD10 per share and, (iii) an aggregate of 3m CRML shares which will be released to the PIPE Investors at a rate of three Additional Shares for each CRML share that the PIPE Investor purchases upon exercise of the warrants.

The supplier shares are shares in CRML which were issued at closing in connection with fee modification agreements entered into with various vendors and service providers.

Up to USD125m in funding available from GEM In June last year, EUR announced that CRML had signed an agreement for a share subscription facility with the Luxemburg-based private investment group, Global Emerging Markets (GEM). Following closure of the business combination, CRML is now entitled to draw down up to USD125m of gross proceeds from GEM in exchange for shares of CRML stock. The facility is available for a period of 36 months from closing of the business combination. Upon the valid exercise of a draw down, GEM is required to pay, in cash, a per-share amount equal to 90% of the average closing bid price of the shares of CRML stock recorded by Nasdaq during the 30 consecutive trading days commencing on the first trading day that is designated on the draw down notice.

BMW offtake agreement includes USD15m of financing In December 2022 EUR signed a long-term offtake agreement with BMW. The offtake agreement is conditional upon the successful start of commercial production at the WLP and full product qualification and certification. BMW has agreed to make an advance payment of USD15m to EUR to be repaid through equal set-offs against battery grade lithium hydroxide delivered to BMW. The proceeds of the upfront payment are intended to be used for the development of the WLP including supporting the commencement of the construction phase and to further progress towards the project's successful implementation.



Figure 3 below shows our estimate of the sources of finance for the USD977m which we estimate will be required to implement lithium hydroxide production at the WLP plus finance working capital. Following completion of the business combination, funds totalling USD161m from the Sizzle trust account/Empery, Empery warrants, BMW, and GEM are already in place. We assume that a further USD816m will be required to finance the balance of WLP CAPEX plus working capital. We assume that this will be sourced from a 60:40 combination of new debt and equity.

Figure 3: First Berlin estimate of sources of WLP financing

	USDm	AUDm	% total
Sizzle trust account/Empery	10.9	16.7	1.1%
Empery warrants	10.0	15.3	1.0%
BMW	15.0	23.0	1.5%
GEM	125.0	191.5	12.8%
New equity	326.3	500.0	33.4%
New debt	489.5	750.0	50.1%
Total	976.8	1,496.5	100.0%

Source: First Berlin Equity Research estimates; Critical Metals Corp.

Our valuation of EUR is based primarily on the resource and reserve estimates for the WLP as shown in figures 4 and 5 below and published in the March 2023 DFS.

Figure 4: WLP resource estimate

Classification	Tonnage (000 t)	Grade (% Li ₂ O)
Measured	4,313	1.13
Indicated	5,430	0.95
Total (m+l)	9,743	1.03
Inferred	3,138	0.90
Total (M + I + Inf.)	12,881	1.00

Source: European Lithium

Figure 5: WLP reserve estimate

Classification	Tonnage (000 t)	Grade (% Li ₂ O)	Content (t Li ₂ O ₂)
Sub-total proved	3,713	0.70	26,103
Sub-total probable	7,770	0.60	46,834
Total proved and probable	11,483	0.64	72,937

Source: European Lithium

CRML shareholders may have an opportunity to take a larger stake in Tanbreez ahead of a planned 2025 NASDAQ listing of the project EUR has other significant assets, which we describe below. These include a 7.5% stake in the Tanbreez rare earths/rare metals project in Greenland, which in terms of in situ tonnage of rare earths oxides, is the largest such project in the world. Although EUR's stake in Tanbreez is currently under 10%, we devote substantial space to the project in this note because of its size and importance, and also because it is likely that EUR/CRML shareholders will have an opportunity to take a larger stake ahead of a planned 2025 NASDAQ listing of the project.

EUR's Ukrainian assets are potentially among the largest lithium deposits in Europe Zone 2 of the WLP (the resource and reserve estimates shown above are based solely on zone 1 of the WLP), and lithium exploration tenements in Austria and Ukraine are potential future sources of feedstock for conversion into lithium hydroxide. EUR's Ukrainian assets are potentially among the largest lithium deposits in Europe.

OTHER ASSETS

TANBREEZ

Tanbreez is the world's largest rare earths project In Q2/23 EUR acquired a 7.5% stake in the Greenland rare metals project, Tanbreez, for AUD3.375m. Tanbreez is an acronym for tantalum, niobium, rare earth elements, and zirconium. In terms of in situ tonnage, Tanbreez is the largest rare earths project in the world (see figure 7). However, rare earth oxides account for only ca. 30% of the in situ tonnage value of USD2.1 trillion (see figure 8), with tantalum, niobium and zirconium oxides accounting for the balance.

Figure 6: Tanbreez: aerial view of ore body



Source: Tanbreez Mining Greenland A/S

Figure 7: World's top 10 rare earths projects

Property Name	Location	Majority Owner	Geology	Development Status	Activity Status	Total Resource (mt)
1. Tanbreez	Greenland	Rimbal	Alkaline Intrusion-Related	Permitting	Active	28.2
2. St. Honoré	Canada	Magris Resources	Carbonatite	Advanced Exploration	Active	18.4
3. Kvanefjeld	Greenland	Energy Transition Minerals	Alkaline Intrusion-Related	Permitting	Stalled	10.2
4. Mrima Hill	Kenya	Pacific Wildcat Resources	Carbonatite	Advanced Exploration	Active	6.1
5. Halleck Creek	United States	American Rare Earths	Alkaline Intrusion-Related	Advanced Exploration	Active	4.7
6. Ashram	Canada	Commerce Resources	Carbonatite	Preliminary Economic Assessment	Active	4.7
7. Ngualla	Tanzania	Peak Rare Earths	Carbonatite	Permitting	Active	4.6
8. Strange Lake	Canada	Torrifat	Alkaline Intrusion-Related	Advanced Exploration	Active	4.4
9. Montviel	Canada	Geomega Resources	Carbonatite	Advanced Exploration	Active	3.9
10. Nechelacho	Canada	Avalon Advanced Materials	Alkaline Intrusion-Related	Feasibility	Active	1.8

Source: Mining Intelligence



The Tanbreez deposit is located in the Ilimaussaq intrusive complex in southern Greenland. The commodities are hosted in the zirconosilicate mineral eudialyte, occurring concentrated in ca. 4.7bn tonnes of kakortokite at surface. The kakortokite outcrops over an area of 8km x 5km and is approximately 400m thick. Estimated average grades within the kakortokite are 2.0% ZrO₂, 0.20% Nb₂O₅, 0.03% Ta₂O₅ and 0.6% total REO (rare earths oxides). Heavy rare earths elements (including yttrium) make up ca. 27%.

Eudialyte can be readily separated from less valuable feldspar and arfvedsonite The kakortokite is coarse-grained and can be readily separated into its three main constituent minerals of eudialyte (940m tonnes), which contains the most valuable commodities, feldspar (1.9bn tonnes) and arfvedsonite (1.9bn tonnes) through crushing followed by magnetic separation. Tanbreez has secured a source of electricity for the magnetic separation. In May 2021, Tanbreez and the Greenland government-owned electricity company, Nukissiorfiit, signed a Memorandum of Understanding whereby Nukissiorfiit will supply Tanbreez with all its hydropower electricity needs.

The separation process yields a eudialyte concentrate containing 9-10% ZrO₂, 1% Nb₂O₅, 0.15% Ta₂O₅ and 2.5-2.7% total REO worth ca. USD2,000/tonne at current market prices. On an REO equivalent basis (calculated by dividing the non-REO compounds by their current prices, and then dividing the result by the current weighted average price of the REOs) the REO concentrate grade would be ca. 10%.

Figure 8: Resources within the Tanbreez eudialyte

Name of compound	Chemical formula	Grade	in situ tonnage (000s)	USD price per tonne	in situ value (USD 000s)
Niobium pentoxide	Nb ₂ O ₅	1.0%	9,400	47,070	442,458,000
Tantalum pentoxide	Ta ₂ O ₅	0.15%	1,410	220,000	310,200,000
Zirconium dioxide	ZrO ₂	9%-10%	89,300	8,200	732,260,000
Rare earth oxides	-	2.5%-2.7%	24,440	26,611	650,363,665
					2,135,281,665

Source: Tanbreez Mining Greenland A/S; First Berlin Equity Research estimates

Niobium used to strengthen steel and in superconducting magnets Niobium is used to strengthen steel. The temperature stability of niobium-containing superalloys is also important for its use in jet and rocket engines. A further use for niobium is in various superconducting materials, for example in the superconducting magnets of MRI scanners.

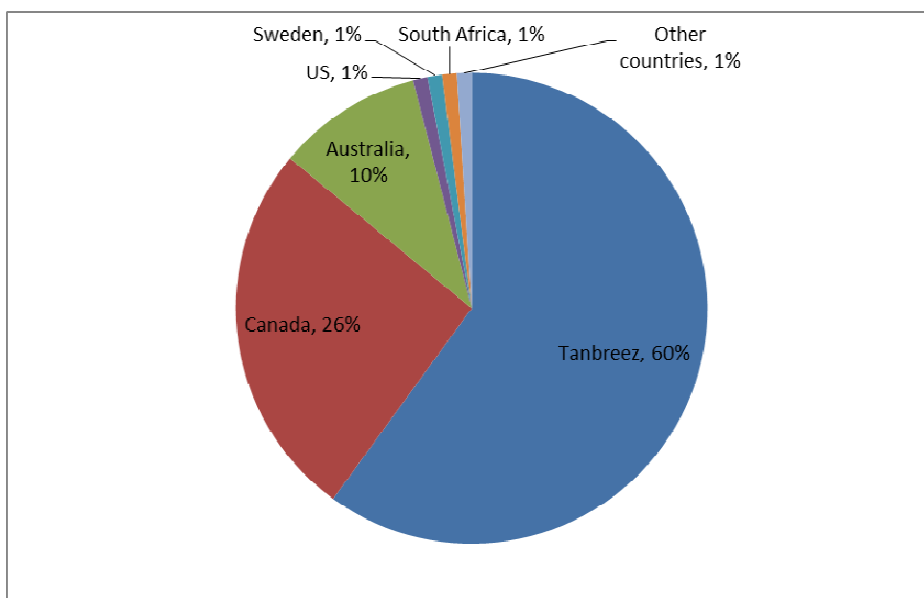
Tantalum used in high temperature applications and high performance capacitors

Tantalum is chemically inert and has a very high melting point, which makes it valuable for laboratory and industrial equipment such as reaction vessels and vacuum furnaces. It is also used in tantalum capacitors for electronic equipment. Tantalum capacitors are differentiated from other conventional and electrolytic capacitors in having higher capacitance per volume and lower weight.

Zirconium dioxide is used in high temperature, aggressive environments Zirconium dioxide is used in laboratory crucibles, in metallurgical furnaces, and as a refractory material. Because it is mechanically strong and flexible, it can be sintered into ceramic knives and other blades. Because of zirconium's excellent resistance to corrosion, it is often used as an alloying agent in materials that are exposed to aggressive environments, such as surgical appliances, light filaments, and watch cases.

Rare earths are fundamental building blocks of the modern economy The rare earths group in the periodic table includes 17 elements, the 15 lanthanide elements, plus the two transition metals scandium and yttrium. Rare earths are quite common in the earth's crust. The name rare earths arose because they are dispersed, and so economically mineable deposits are rare. Lanthanum, cerium, praseodymium, neodymium, promethium, samarium and europium are classified as light rare earths, while gadolinium, terbium, dysprosium, holmium, erbium, thulium, ytterbium, lutetium, yttrium and scandium are considered heavy rare earths. Heavy rare earths are less common than light rare earths and so are generally more expensive. Heavy rare earths (including yttrium) make up ca. 27% of the rare earth oxide deposit at Tanbreez. By comparison, at the two largest non-Chinese rare earths producers, Lynas and MP Minerals, heavy rare earths currently account for ca. 5% and 2% of production respectively. As figure 9 below indicates, the Tanbreez deposit is so large that its heavy rare earths account for 60% of total non-Chinese resources of these elements.

Figure 9: Non-Chinese total heavy rare earths by location



Source: Tanbreez Mining Greenland A/S

Rare earth elements are fundamental building blocks of the modern economy. They are used in a diverse array of end markets, including:

- **Clean-Energy and Transportation Technologies:** traction motors in EVs and hybrid electric vehicles, and generators in wind power turbines;
- **Consumer and Medical Applications:** miniaturization of smart phones and other mobile devices, computing devices, speakers and microphones, as well as fiber optics, lasers, robotics, medical ventilators, precision actuators, and optical sensors;
- **Critical Defense Systems:** guidance and control systems, communications, global positioning systems, radar and sonar, drones, and railguns; and
- **Essential Industrial Infrastructure:** power tools, pollution-control systems in traditional internal-combustion automobiles, glass polishing, and LED lighting and phosphors.



The aggregate global market for rare earth oxides totalled approximately 186,000 tonnes in 2022. The consulting group, the Commodity Research Unit (CRU), expects this figure to grow at a compound annual growth rate (CAGR) of ca. 4.1% to 2030. The CRU further estimates that the neodymium/praseodymium (NdPr) segment of the REO market, which makes up the significant majority of the market value, will grow at a CAGR of 8.6% to 2030 (excluding the impact of closed loop recycling) - well in excess of the overall REO market. This expected growth will be driven by secular growth in demand for NdPr magnets. As figure 10 below shows, praseodymium and neodymium oxides account for ca. 17% of the resource at Tanbreez. At Lynas and MP Minerals, these compounds currently account for ca. 37% and 16% of production respectively.

Figure 10: Composition of Tanbreez rare earth oxide resource

Name of compound	Chemical formula	in situ tonnag	in situ tonnage (000s)	USD price per tonne	in situ value (USD 000s)
Lanthanum oxide	La ₂ O ₃	18.0%	4,409	1,126	4,964,507
Cerium oxide	CeO ₂	35.3%	8,620	869	7,490,770
Praseodymium oxide	Pr ₆ O ₁₁	3.8%	931	56,981	53,058,656
Neodymium oxide	Nd ₂ O ₃	13.0%	3,185	55,801	177,700,070
Promethium oxide	Pm ₂ O ₃	0.0%	0	n.a.	n.a.
Samarium oxide	Sm ₂ O ₃	2.4%	589	1,975	1,163,283
Europium oxide	Eu ₂ O ₃	0.3%	73	27,000	1,979,640
Gadolinium oxide	Gd ₂ O ₃	2.4%	587	29,815	17,488,286
Terbium oxide	Tb ₄ O ₇	0.4%	98	793,000	77,523,680
Dysprosium oxide	Dy ₂ O ₃	2.8%	687	283,000	194,354,212
Holmium oxide	Ho ₂ O ₃	0.6%	147	56,240	8,247,034
Erbium oxide	Er ₂ O ₃	1.9%	464	40,300	18,713,708
Thulium oxide	Tm ₂ O ₃	0.3%	73	3,900	285,948
Ytterbium oxide	Yb ₂ O ₃	1.8%	440	13,700	6,026,904
Lutetium oxide	Lu ₂ O ₃	0.3%	73	778,260	57,062,023
Yttrium oxide	Y ₂ O ₃	16.6%	4,064	5,980	24,304,945
Scandium	Sc ₂ O ₃	0.0%	0	n.a.	n.a.
		100.0%	24,440	26,611	650,363,665

Source: Tanbreez Mining Greenland A/S

EUR is currently the only other shareholder in Tanbreez besides founder Greg Barnes

Rimbal Pty Ltd, the Australian owner of Tanbreez Mining Greenland A/S, has held an exploration license for the project since 2001. Rimbal is controlled by the Australian geologist, Greg Barnes, who is also CEO of Tanbreez Mining Greenland A/S. Rimbal held 100% in the project until it sold a 7.5% stake to EUR in Q2/2023. Work completed at the project to date is shown in figure 11.

Tanbreez has been fully permitted since last summer The Greenland authorities awarded the project a preliminary mining permit in 2020. However, a full permit was conditional on the approval of ore processing and mine remediation plans. This approval was forthcoming in summer 2023.

NASDAQ listing could crystallise value of existing/forthcoming EUR/CRML investments

Tanbreez' management is currently negotiating with potential investors in the project, which are likely to include EUR/CRML, ahead of a NASDAQ listing planned for 2025.



Upstream and downstream operations independently valued in 2021 at USD3.6bn and USD2-3bn respectively

Tanbreez submitted a definitive feasibility study to the Greenland authorities in 2012. An independent valuation prepared by the geologist Malcolm Castle, dated 30 July 2021, assessed the planned mine and plant in Greenland (processing up to and including separation of the kakortokite into eudialyte, feldspar and arfvedsonite) at USD3.6bn and the downstream plant, to be located in the US, at USD2-3bn.

Figure 11: Work completed to date at Tanbreez

Tanbreez direct expenditure	A\$50m
Estimated pre-2001 expenditure, not including academic work	A\$15m
Number of academic papers	ca. 2,000
Total no. of drill holes	414
Total no. of assays	ca. 500,000
Total no. of assays by Tanbreez	336,548
Total weight of bulk tests	709 tons
Separate bench size bulk mechanical tests - over 1kg	1,469
Of which mechanical bench tests over 100kg	169
Chemical separation tests (metallurgical)	2,229

Source: Tanbreez Mining Greenland A/S

Once production starts, the plan is to ramp up annual processing of kakortokite from 1.5m tonnes to 3.5m tonnes over a seven year period. These numbers imply initial annual production of eudialyte rising from 0.3m tonnes to 0.6m tonnes.

Processing eased by solubility, non-toxicity of ore In Greek, Eudialyte means easy to dissolve, which implies that the downstream process will require only weak acid. According to CEO Barnes, the rare earths component of the downstream plant will cost only ca. USD40m. In addition, Tanbreez is unique amongst rare earth projects in that none of the minerals, ore, concentrate or waste is in any way toxic. All have been shown, after extensive testing, to be inert. Thus, the pollutants usually associated with rare earths such as uranium, thorium and their daughter elements, radon and actinium, are not present.

WLP ZONE 2

WLP Zone 2 offers exploration upside The Li₂O resource and reserve estimates shown in figures 4 and 5 are based solely on the northern limb of the mineralised anticline at the WLP (Zone 1 of the deposit). The southern flank of the anticline (known as Zone 2) is also a prospective area thought to “mirror” Zone 1. This thesis is supported by the occurrence of mineralised pegmatite boulders and exactly the same lithology as Zone 1. EUR drilled the first three drill holes of a planned 9 drill hole programme in Zone 2 in late spring/early summer 2017. Hole P15-1, the furthest from the hinge of the anticline, did not intersect pegmatites. But holes P15-5 and P15-6 showed wide intersections of spodumene-rich pegmatites. The Zone 2 drilling programme was suspended during summer 2017 due to funding constraints but resumed in February 2018 on the basis of the funds raised through a capital increase in November 2017. Five drill holes were completed in Zone 2 during Q1 2018, four of which showed multiple pegmatite intersections. Vein thicknesses and grades were similar to those seen in Zone 1.

Zone 2 drilling to resume in Q2 In Q4/22, EUR completed a plan for resumption of the Zone 2 exploration drilling program. Approval of the drilling program was granted by the Mining Authority after a successful public hearing on 24 May 2023. The Company received the decree in Q3/2023. Drilling at Zone 2 is scheduled to resume in Q2.

LITHIUM EXPLORATION TENEMENTS IN AUSTRIA

Award of new mining licenses nearly doubles footprint of WLP underground mining operations Last August EUR announced the grant of 6 new mining licenses at the WLP. In addition, the area of 3 existing mining licenses has been extended. The grant of these new licenses and extensions nearly doubles the footprint for underground mining operations at the WLP.

EUR aiming to achieve JORC-compliant resources at Styrian projects acquired from Richmond Minerals In August last year EUR announced the acquisition of the Bretstein-Lachtal, Klementkogel and Wildbachgraben lithium projects in Austria from the Toronto-listed company, Richmond Minerals. The projects are located in the Styria mining district of Austria, approximately 70km north of the WLP (see figure 12). The consideration was AUD0.25m in cash, 2 million shares and 2 million options. Underexplored areas covered by exploration licences total 114.6 km². Sampling of spodumene pegmatites during due diligence showed Li₂O values up to 3.98%. Planning for an initial work program at these projects continued in Q4/2023. EUR's goal for the projects is to achieve JORC-compliant resources, based on confirmed historic and recently generated exploration results.

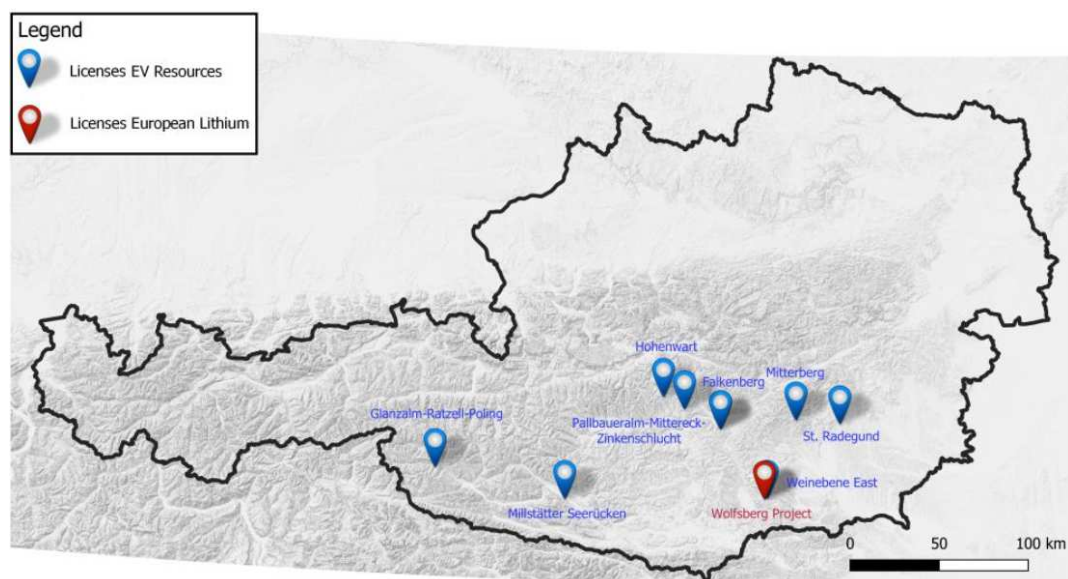
Figure 12: Location of Styrian lithium projects



Source: *European Lithium*

In May 2021 EUR entered into a Collaboration Agreement with EV Resources Limited and reached an agreement to acquire a 20% interest in the Weinebene Lithium Project and the Eastern Alps Lithium Project, both of which are located in southern Austria. The Weinebene Project area directly encloses the Wolfsberg Project. The Eastern Alps Project comprises the project areas of Glanzalm-Ratzell-Poling, Millstätter Seerücken, Hohenwart, Falkenberg, Pallbauernalm-Mittereck-Zinkenschlucht, Mitterberg and St. Radegund (see Figure 13). The Weinebene Project and Eastern Alps Project provide European Lithium with optionality in terms of future development and production scenarios. EUR continues to work to identify options to advance the assets.

Figure 13: Location of Weinebene and Eastern Alps Lithium projects



Source: European Lithium

LITHIUM EXPLORATION TENEMENTS IN UKRAINE

Through European Lithium Ukraine LLC, EUR controls the Dobra and Shevchenkivske lithium exploration projects in Ukraine. EUR originally acquired the two projects in late 2021 from Millstone and Company Global DW LLC.

Dobra project has exploration target of 80m to 105m tonnes @ 1.1% to 1.4% Li₂O

However, EUR has pointed out that the potential quantity and grade of this target Li₂O is conceptual in nature and there has been insufficient exploration to estimate a mineral resource. Furthermore, it is uncertain if further exploration will result in the estimation of a mineral resource. Reports of historical work show a significant amount of drilling was conducted at the Dobra project resulting in a historical estimate. Unfortunately, the majority of the data is not available to EUR for verification and so, based on the historical estimate, EUR have chosen to report an exploration target only.

Shevchenkivske project has exploration target of 11m to 14m tonnes @ 1.2% to 1.3% Li₂O

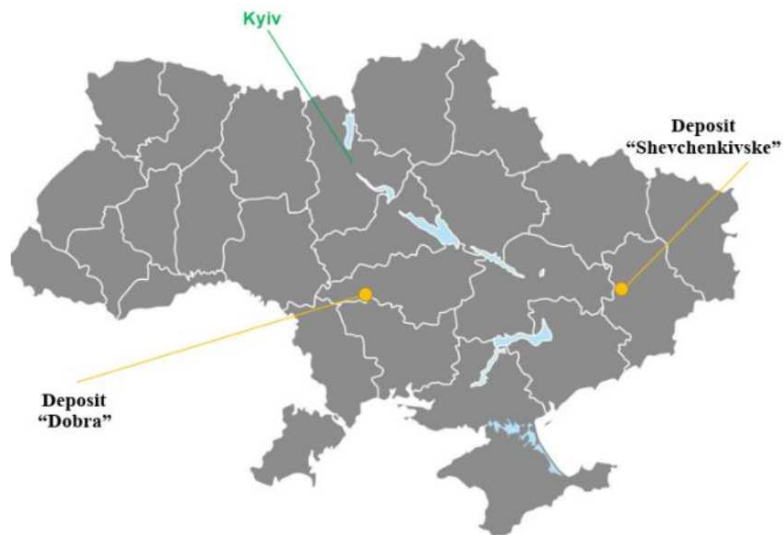
A huge amount of data had been collected on the Shevchenkivske project, but much of it is unavailable to EUR for verification and so similar caveats apply as with the Dobra project.

The original terms of the purchase agreement specified the issue to Millstone of AUD20m in shares and AUD50m in performance shares, with the initial payment conditional on the granting of extraction and production licenses for the projects. Millstone also agreed to subscribe for AUD20m in shares, with AUD2.5m invested immediately, AUD2.5m subject to shareholder approval and the balance following completion of the acquisition.

EUR is registered holder of all shares in European Lithium Ukraine EUR received the first AUD5m of the Millstone subscription, but due to the Russian invasion, no further payments have been made by either party. On 2 January this year, EUR published amendments to the terms of the transaction. These stipulated that completion would occur immediately, which means that EUR is now the registered holder of all of the issued shares in European Lithium Ukraine.

The consideration for Dobra is now conditional upon, among other things, grant of a license and exploration commencing at the project. The consideration for Shevchenkivske is conditional, among other things, on shareholder approval and grant of a licence for the project. Meanwhile the third tranche (AUD5m) of the Millstone subscription agreement is conditional upon grant of the Dobra licence.

Figure 14: Location of Shevchenkivske and Dobra lithium projects in Ukraine



Source: *European Lithium*



VALUATION

Slowing capacity growth, positive commentary from Pilbara Minerals, have sparked lithium commodity price rally Having peaked at over USD80,000 in late 2022, the lithium hydroxide price fell by over 80% during 2023 and traded below USD12,000 between early January and late February. Over the last few days, the price has rallied to over USD13,000 on news that lithium miners IGO, Mineral Resources and CATL are planning to delay capacity increases. First half results call commentary on 22 February from Pilbara Minerals CEO, Dale Henderson, that the western Australian lithium miner has seen a significant uptick in customer inquiries since the turn of the year, is also helping the market. The combination of slowing capacity growth and rapid demand growth (consultant Benchmark Minerals Intelligence sees the main driver of lithium demand, EV sales, more than quadrupling from 13.8m units in 2023 to 59.1m in 2033) suggest to us that the recent rally in lithium commodity prices has much further to go. We model an average lithium hydroxide price of USDD40,000 for calendar 2026 and inflate both the commodity price and costs at 3% annually during the life of mine forecast to financial year 2042/43.

Our valuation is based on the March 2023 DFS As indicated earlier, ahead of publication of the updated DFS reflecting location of the lithium hydroxide plant in Saudi Arabia, clarification of the future configuration of the lithium mine/lithium hydroxide plant ownership structure, and also for the sake of simplicity, we have chosen to base our valuation on EUR's March 2023 DFS, in which the lithium hydroxide plant is located in Austria.

The total cost of the WLP with the lithium hydroxide converter located in Austria is USD866m. We model that a further USD111m will be required to cover working capital requirements ahead of first positive free cashflow generation from the WLP which we expect for 2028.

We assume equity issuance to finance the WLP will lower EUR's CRML stake from 83% to 52% As we show in figure 3, we expect EUR to derive 4% of the required funding from the Sizzle trust account plus Empery proceeds, the Empery warrants and the BMW upfront payment; 13% from the GEM agreement; 33% from new equity and 50% from new debt. At the close of the business combination, EUR had an 83.03% stake in CRML. We assume that equity issuance by CRML in connection with the GEM agreement and the other share capital increases, will lower EUR's stake in CRML and hence the WLP to 52%.

We believe full permitting, access to Nasdaq funding, has trebled Tanbreez' value In calendar Q2/23 EUR paid AUD3.375m for a 7.5% stake in the Tanbreez project, thereby valuing the project at AUD45m. On the basis of the full permitting of Tanbreez during the summer and its access to financing through CRML, we now see fair value for EUR's Tanbreez shares at AUD10.125m.

We maintain our Buy recommendation with a price target of €0.17 (AUD0.28) Discounting the cashflows shown in figure 15 below by 10%, incorporating the impact of new share issuance and including our valuation of Tanbreez, produces an overall valuation for the EUR share of €0.168 (AUD0.279). We set price targets of €0.17 and AUD0.28. The price targets in our most recent previous study of 12, April 2022, were €0.17 and AUD0.25 respectively.



Figure 15: Valuation Model*

USD 000s	23/24E	24/25E	25/26E	26/27E	27/28E	28/29 - 32/33E	33/34 - 37/38E	38/39 - 42/43E
Lithium hydroxide produced (tonnes per annum)	0	0	0	2,652	5,607	9,121	8,903	6,254
Lithium hydroxide price (USD/tonne)	-	-	-	41,200	42,436	46,411	53,804	62,373
						0	0	0
Revenue	0	0	0	109,259	237,948	423,837	478,752	383,077
Operating expenses								
of which:								
Mining costs	0	0	0	12,233	21,479	38,108	43,032	34,357
Concentrator plant costs	0	0	0	10,355	18,180	32,255	36,422	29,081
Hydrometallurgical plant costs	0	0	0	17,324	30,417	53,966	60,938	48,654
Backfill plant costs	0	0	0	2,307	4,051	7,187	8,115	6,479
Product transport costs	0	0	0	7,697	13,515	23,978	27,076	21,618
Owners' costs	3,738	3,079	3,145	795	1,396	2,476	2,796	2,232
By-product credits	0	0	0	5,408	10,982	19,485	22,002	17,567
Total operating cost	3,738	3,079	3,145	45,304	78,054	138,486	156,377	124,855
EBITDA	-3,738	-3,079	-3,145	63,955	159,894	285,351	322,375	258,221
Depreciation	8	8	8	13,428	37,642	63,219	67,000	52,567
EBIT	-3,746	-3,088	-3,153	50,527	122,252	222,132	255,375	205,655
25% tax	0	0	0	-12,632	-30,563	-55,533	-63,844	-51,414
Operating cashflow after tax	-3,738	-3,079	-3,145	51,323	129,331	229,818	258,532	206,808
Total capital cost	0	-350,000	-383,000	-133,000	0	-9,900	-9,900	0
of which:								
Initial capital cost	0	-350,000	-383,000	-133,000	0	0	0	0
Sustaining capital cost	0	0	0	0	0	-9,900	-9,900	0
Net cashflow	-3,738	-353,079	-386,145	-81,677	129,331	219,918	248,632	206,808
NPV net cashflows (discount rate: 10%)	-3,738	-342,366	-340,389	-65,453	94,220	145,649	129,754	67,015
Sum NPVs (US \$ 000s)	544,786							
Sum NPVs (A\$ 000s)	834,667							
End June 2023 net cash position (A\$ 000s)	14,617							
PV option and warrant exercise proceeds (A\$ 000s)	52,324							
PV of 52% stake in Wolfsberg Lithium Project (A\$ 000s)	433,929							
Tanbreez	10,125							
Total equity valuation (A\$ 000s)	510,995							
Current no. shares outstanding (000s)	1,394,239							
PV no. shares issued against option exercise (000s)	389,000							
Performance shares (000s)	45,000							
Proforma share count (000s)	1,828,239							
Value per share (A\$)	0.28							
Value per share (€)	0.17							

*Values from 2028/29 onwards are average annual values.

Source: European Lithium, First Berlin Equity Research estimates

Figure 16: Sensitivity of per share valuation to discount rate

Fair value per share in €	Discount rate				
	6%	8%	10%	12%	14%
	0.309	0.230	0.168	0.121	0.084

Source: First Berlin Equity Research estimates



INCOME STATEMENT

All figures in A\$ 000's	2022/23A	2023/24E	2024/25E	2025/26E	2026/27E	2027/28E
Revenue and other incomes	743	0	0	0	167,396	364,561
Operating costs	-13,758	-5,727	-4,718	-4,818	-69,410	-119,587
of which:						
Mining costs	0	0	0	0	-17,577	-32,908
Concentrator plant costs	0	0	0	0	-15,087	-27,854
Hydrometallurgical plant costs	0	0	0	0	-25,765	-45,237
Backfill plant costs	0	0	0	0	-3,535	-6,206
Product transport costs	0	0	0	0	-11,016	-19,342
Owners' costs	-13,758	-5,727	-4,718	-4,818	-4,714	-4,867
Quartz/feldspar credits	0	0	0	0	8,285	16,826
EBITDA	-13,015	-5,727	-4,718	-4,818	97,985	244,974
Depreciation, amortisation and impairment	-342	-13	-13	-13	-20,572	-57,672
Operating income (EBIT)	-13,357	-5,740	-4,731	-4,831	77,413	187,302
Associates	-4	0	0	0	0	0
Net financial result	-102	5,241	-37,500	-75,000	-75,000	-75,000
Pre-tax income (EBT)	-13,463	-499	-42,231	-79,831	2,413	112,302
Income taxes	0	0	0	0	0	0
Net income / loss	-13,463	-499	-42,231	-79,831	2,413	112,302
Diluted EPS (in A\$c)	-0.82	-0.03	-2.58	-4.88	0.15	6.86
Ratios						
EBITDA margin on revenues	n.m.	n.m.	n.m.	n.m.	58.5%	67.2%
EBIT margin on revenues	n.m.	n.m.	n.m.	n.m.	46.2%	51.4%
Net margin on revenues	n.m.	n.m.	n.m.	n.m.	1.4%	30.8%
Tax rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Expenses as % of revenues						
Mining and processing costs	n.m.	n.m.	n.m.	n.m.	0.0%	0.0%
Parent co. employee benefits expense	n.m.	n.m.	n.m.	n.m.	10.5%	9.0%
Other expenses	n.m.	n.m.	n.m.	n.m.	2.8%	1.3%
Y-Y Growth						
Revenues	318.7%	-100.0%	0%	0%	n.m.	118%
Operating income	n.m.	n.m.	-17.6%	2.1%	n.m.	142.0%
Net income/ loss	n.m.	n.m.	n.m.	n.m.	n.m.	4553.9%



BALANCE SHEET

All figures in A\$ 000's	2022/23A	2023/24E	2024/25E	2025/26E	2026/27E	2027/28E
Assets						
Current assets, total	13,484	252,771	295,699	255,408	75,395	245,369
Cash and cash equivalents	13,145	252,471	294,979	251,807	71,280	241,254
Trade and other receivables	339	300	720	3,601	4,115	4,115
Short term loan receivable	0	0	0	0	0	0
Non-current assets, total	58,235	61,242	600,464	1,190,245	1,373,442	1,315,770
Property, plant & equipment	27	34	536,256	1,123,037	1,306,234	1,248,562
Deferred exploration and evaluation expenditure	52,694	55,694	58,694	61,694	61,694	61,694
Investment in associates	666	666	666	666	666	666
Restricted cash and other financial assets	82	82	82	82	82	82
Listed investments	4,765	4,765	4,765	4,765	4,765	4,765
Total assets	71,718	314,013	896,163	1,445,653	1,448,837	1,561,139
Shareholders' equity & debt						
Current liabilities, total	5,414	1,700	1,080	5,401	6,172	6,172
Trade and other payables	5,414	1,700	1,080	5,401	6,172	6,172
Long term liabilities, total	0	0	375,000	750,000	750,000	750,000
Borrowings	0	0	375,000	750,000	750,000	750,000
Shareholders' equity	66,304	312,313	520,083	690,252	692,665	804,966
Total consolidated equity and debt	71,718	314,013	896,163	1,445,653	1,448,837	1,561,139
Ratios						
Current ratio (x)	2.49	148.69	273.75	47.29	12.21	39.75
Quick ratio (x)	2.49	148.69	273.75	47.29	12.21	39.75
Net debt	-13,227	-252,553	79,939	498,111	678,638	508,664
Net gearing	-19.9%	-80.9%	15.4%	72.2%	98.0%	63.2%
Book value per share (in A\$c)	4.59	20.93	31.76	42.16	42.30	49.16



CASH FLOW STATEMENT

All figures in A\$ 000's	2022/23A	2023/24E	2024/25E	2025/26E	2026/27E	2027/28E	2028/29E
Cash flow from operating activities							
Revenue from mining	0	0	0	0	167,396	364,561	553,840
Payments to suppliers and employees	-3,233	-6,361	-3,882	-3,545	-3,610	-3,677	-3,747
Mining and processing cost	0	0	0	0	-64,696	-114,721	-175,688
Payments for exploration and evaluation	-4,589	-3,000	-3,000	-3,000	0	0	0
Change in working capital	186	-3,676	-1,040	1,440	257	0	0
Finance costs	-14	-14	-37,500	-75,000	-75,000	-75,000	-75,000
Interest received	491	5,183	10,678	10,666	6,303	6,098	14,722
Net interest	477	5,241	-37,500	-75,000	-75,000	-75,000	-75,000
Tax paid	0	0	0	0	0	0	0
Other	0	634	-836	-1,273	-1,104	-1,189	-1,817
Net cash provided by/(used in) operating activities	-7,159	-7,161	-46,257	-81,378	23,243	169,974	297,588
Cash flow from investing activities							
Payment to acquire interest in entity	-15	0	0	0	0	0	0
Payment for the acquisition of tenements	-260	0	0	0	0	0	0
Investment in listed shares	-210	0	0	0	0	0	0
Investment in unlisted shares	-3,375	0	0	0	0	0	0
Merger expenses	-3,027	0	0	0	0	0	0
Costs associated with the acquisition of tenements	-5	0	0	0	0	0	0
Payment for property, plant and equipment	-18	-20	-536,235	-586,794	-203,769	0	-25,280
Net cash provided by/(used in) investing activities	-6,910	-20	-536,235	-586,794	-203,769	0	-25,280
Free cash flow	-14,069	-7,181	-582,492	-668,172	-180,527	169,974	272,308
Cash flow from financing activities							
Proceeds from capital raisings	0	246,508	250,000	250,000	0	0	0
Payment for share issue costs	-44	0	0	0	0	0	0
Proceeds from the exercise of options	4,091	0	0	0	0	0	0
Short term debt	-1,250	0	0	0	0	0	0
Long term debt	0	0	375,000	375,000	0	0	0
Share buyback	-8,602	0	0	0	0	0	0
Net cash provided by financing activities	-5,805	246,508	625,000	625,000	0	0	0
Net increase in cash and cash equivalents	-19,874	239,327	42,508	-43,172	-180,527	169,974	272,308
Cash and cash equivalents at the beginning of the year	33,001	13,145	252,472	294,979	251,807	71,280	241,254
Effects of exchange rate fluctuations on cash held	18	0	0	0	0	0	0
Cash and cash equivalents at the end of the year	13,145	252,472	294,979	251,807	71,280	241,254	513,562
EBITDA/share (in A\$c)	-0.87	-0.35	-0.29	-0.29	5.98	14.96	22.76
Y-Y Growth							
Operating cash flow	n.m.	n.m.	n.m.	n.m.	n.m.	631.3%	75.1%
Free cash flow	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	60.2%
EBITDA/share	n.m.	n.m.	n.m.	n.m.	n.m.	150.0%	52.1%

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PRICE TARGET DATES

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ASSET VALUATION SYSTEM

First Berlin's system for asset valuation is divided into an asset recommendation and a risk assessment.

ASSET RECOMMENDATION

The recommendations determined in accordance with the share price trend anticipated by First Berlin in the respectively indicated investment period are as follows:

Category		1	2
Current market capitalisation (in €)		0 - 2 billion	> 2 billion
Strong Buy ¹	An expected favourable price trend of:	> 50%	> 30%
Buy	An expected favourable price trend of:	> 25%	> 15%
Add	An expected favourable price trend of:	0% to 25%	0% to 15%
Reduce	An expected negative price trend of:	0% to -15%	0% to -10%
Sell	An expected negative price trend of:	< -15%	< -10%

¹ The expected price trend is in combination with sizable confidence in the quality and forecast security of management.

Our recommendation system places each company into one of two market capitalisation categories. Category 1 companies have a market capitalisation of €0 – €2 billion, and Category 2 companies have a market capitalisation of > €2 billion. The expected return thresholds underlying our recommendation system are lower for Category 2 companies than for Category 1 companies. This reflects the generally lower level of risk associated with higher market capitalisation companies.

RISK ASSESSMENT

The First Berlin categories for risk assessment are low, average, high and speculative. They are determined by ten factors: Corporate governance, quality of earnings, management strength, balance sheet and financial risk, competitive position, standard of financial disclosure, regulatory and political uncertainty, strength of brandname, market capitalisation and free float. These risk factors are incorporated into the First Berlin valuation models and are thus included in the target prices. First Berlin customers may request the models.

RECOMMENDATION & PRICE TARGET HISTORY

Report No.:	Date of publication	Previous day closing price	Recommendation	Price target
Initial Report	7 March 2018	€0.15	Add	€0.19
2...3	↓	↓	↓	↓
4	23 May 2018	€0.13	Buy	€0.19
5	17 September 2018	€0.10	Buy	€0.22
6	18 March 2022	€0.07	Buy	€0.17
7	12 April 2022	€0.08	Buy	€0.17
8	Today	€0.05	Buy	€0.17

INVESTMENT HORIZON

Unless otherwise stated in the financial analysis, the ratings refer to an investment period of twelve months.

UPDATES

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Legally required information regarding

- key sources of information in the preparation of this research report
- valuation methods and principles
- sensitivity of valuation parameters

can be accessed through the following internet link: <https://firstberlin.com/disclaimer-english-link/>

SUPERVISORY AUTHORITY: Bundesanstalt für Finanzdienstleistungsaufsicht (German Federal Financial Supervisory Authority) [BaFin], Graurheindorferstraße 108, 53117 Bonn and Marie-Curie-Straße 24-28, 60439 Frankfurt am Main

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