

**European Metals
Holdings Limited**

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Corporate Information

ASX: EMH

AIM: EMH

Frankfurt: E861.F

CDIs on Issue: 131.4M



Monday 2 October 2017

**MEMORANDUM OF UNDERSTANDING SIGNED WITH
CZECH GOVERNMENT**

European Metals Holdings Limited (“**European Metals**” or “**the Company**”) (**ASX & AIM: EMH**) is pleased to announce the signing of a Memorandum of Understanding (“**MoU**”) with The Ministry of Industry and Trade of the Czech Republic regarding the development of the Cinovec Project.

The MoU was signed today in Usti nad Labem between the Minister of Industry and Trade, Jiri Havlicek and the Company, in the presence of the representatives of the Australian Embassy and Australian Trade and Investment Commission, 1st Deputy Governor of Usti Region Mr Martin Klika, president of the Tripartite of Usti Region, Mrs Gabriela Nekolova, Chairman of the Regional Bureau of Czechinvest Mrs Alena Hajkova, Chairman of the Regional Mining Bureau Mr Milos Matz, Mayor of the Town of Dubí Mr Petr Pipal and other guests.

HIGHLIGHTS

The MoU expresses mutual willingness to:

- work together to maximise downstream processing options within the Czech Republic;
- investigate suitable locations for processing facilities for the Cinovec Project to minimize impacts on the community and environment but maximize positive impacts on the economy and employment of persons of the area surrounding the Cinovec Project;
- co-operate to ensure all regulatory requirements are met, using best practices, and work together to ensure all permitting and regulatory issues are addressed in a timely manner;
- discuss and explore possibilities of future bilateral agreements between the Czech authorities and European Metals Holdings Limited concerning the framework of future cooperation in the sector of lithium, including the potential involvement of the Czech Government as an equity participant in European Metals Holdings Limited Cinovec Project;
- support and facilitate investment linked with these activities; and
- continue to co-operate with the Czech academic research bases with regards to ongoing research into the processing of lithium ores.

The MoU formally notes the Agreement between the Czech Republic and Australia on the Reciprocal Promotion and Protection of Investments, signed in 1993.

The Minister of Industry and Trade, Jiri Havlicek said, "Our main objective is that lithium is not only obtained but mainly processed and utilised within the Czech Republic. That is why we have begun talks with the license holders and I am very happy that we have today jointly agreed with European Metals our shared objectives for the important Cinovec Project".

European Metals Managing Director Keith Coughlan said, "European Metals Holdings Ltd fully supports the Ministry of Industry and Trade's plan to process extracted lithium ore into the final intermediate products in the Czech Republic which is in line with our development plans for Cinovec. We would like to help maximize the creation of the entire manufacturing chain and we are already taking concrete steps in this area. We are looking forward to continuing our discussions with the Czech Republic to identify possible synergies in the areas of mining, processing and utilisation of lithium, including the possible involvement of the Czech Republic as an equity participant in the Cinovec Project".

Cinovec is located in the Usti nad Labem Region of the Czech Republic, within close proximity to the town of Dubí, and enjoys strong support from the local authorities.

Gabriela Nekolova, President of the Tripartite of the Region of Usti nad Labem Region said, "The Economic and Social Council of the Usti Region supports the future mining of lithium, including its processing, where possible in the near vicinity of the deposit, which is both economic and ecological. The Usti Region's objective is to ensure that the positive impacts, such as the creation of qualified and long-term jobs, can be realised in the Usti nad Labem Region".

Mayor of Dubí, Petr Pipal said, "Dubí supports the development of the Cinovec deposit, and our cooperation with European Metals Holdings Ltd to date has been very good and fair. Our aim is to take into account as little impact as possible on the environment and the life of the inhabitants of the town Dubí and the locality of Cinovec and, of course, that the Czech Republic will benefit from the added value of processing ores to the final products".

BACKGROUND INFORMATION ON CINOVEC

PROJECT OVERVIEW

Cinovec Lithium/Tin Project

European Metals owns 100% of the Cinovec lithium-tin deposit in the Czech Republic. Cinovec hosts a globally significant hard rock lithium deposit with a total Indicated Mineral Resource of 348Mt @ 0.45% Li₂O and 0.04% Sn and an Inferred Mineral Resource of 309Mt @ 0.39% Li₂O and 0.04% Sn containing a combined 7.0 million tonnes Lithium Carbonate Equivalent and 263kt of tin. An initial Probable Ore Reserve of 34.5Mt @ 0.65% Li₂O and 0.09% Sn has been declared to cover the first 20 years mining at an output of 20,800tpa of lithium carbonate.

This makes Cinovec the largest lithium deposit in Europe, the fourth largest non-brine deposit in the world and a globally significant tin resource.

The deposit has previously had over 400,000 tonnes of ore mined as a trial sub-level open stope underground mining operation.

EMH has completed a Preliminary Feasibility Study, conducted by specialist independent consultants, which indicated a return post tax NPV of USD540m and an IRR of 21%. It confirmed the deposit is be amenable to bulk underground mining. Metallurgical test work has produced both battery grade lithium carbonate and high-grade tin concentrate at excellent recoveries. Cinovec is centrally located for European end-users and is well serviced by infrastructure, with a sealed road adjacent to the deposit, rail lines located 5 km north and 8 km south of the deposit and an active 22 kV transmission line running to the historic mine. As the deposit lies in an active mining region, it has strong community support.

The economic viability of Cinovec has been enhanced by the recent strong increase in demand for lithium globally, and within Europe specifically.

CONTACT

For further information on this update or the Company generally, please visit our website at www.europeanmet.com or contact:

Mr. Keith Coughlan
Managing Director

COMPETENT PERSON

Information in this release that relates to exploration results is based on information compiled by Dr Pavel Reichl. Dr Reichl is a Certified Professional Geologist (certified by the American Institute of Professional Geologists), a member of the American Institute of Professional Geologists, a Fellow of the Society of Economic Geologists and is a Competent Person as defined in the 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves and a Qualified Person for the purposes of the AIM Guidance Note on Mining and Oil & Gas Companies dated June 2009. Dr Reichl consents to the inclusion in the release of the matters based on his information in the form and context in which it appears. Dr Reichl holds CDIs in European Metals.

The information in this release that relates to Mineral Resources and Exploration Targets has been compiled by Mr Lynn Widenbar. Mr Widenbar, who is a Member of the Australasian Institute of Mining and Metallurgy, is a full time employee of Widenbar and Associates and produced the estimate based on data and geological information supplied by European Metals. Mr Widenbar has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that he is undertaking to qualify as a Competent Person as defined in the JORC Code 2012 Edition of the Australasian Code for Reporting of Exploration Results, Minerals Resources and Ore Reserves. Mr Widenbar consents to the inclusion in this report of the matters based on his information in the form and context that the information appears.

CAUTION REGARDING FORWARD LOOKING STATEMENTS

Information included in this release constitutes forward-looking statements. Often, but not always, forward looking statements can generally be identified by the use of forward looking words such as “may”, “will”, “expect”, “intend”, “plan”, “estimate”, “anticipate”, “continue”, and “guidance”, or other similar words and may include, without limitation, statements regarding plans, strategies and objectives of management, anticipated production or construction commencement dates and expected costs or production outputs.

Forward looking statements inherently involve known and unknown risks, uncertainties and other factors that may cause the company’s actual results, performance and achievements to differ materially from any future results, performance or achievements. Relevant factors may include, but are not limited to, changes in commodity prices, foreign exchange fluctuations and general economic conditions, increased costs and demand for production inputs, the speculative nature of exploration and project development, including the risks of obtaining necessary licences and permits and diminishing quantities or grades of reserves, political and social risks, changes to the regulatory framework within which the company operates or may in the future operate, environmental

conditions including extreme weather conditions, recruitment and retention of personnel, industrial relations issues and litigation.

Forward looking statements are based on the company and its management's good faith assumptions relating to the financial, market, regulatory and other relevant environments that will exist and affect the company's business and operations in the future. The company does not give any assurance that the assumptions on which forward looking statements are based will prove to be correct, or that the company's business or operations will not be affected in any material manner by these or other factors not foreseen or foreseeable by the company or management or beyond the company's control.

Although the company attempts and has attempted to identify factors that would cause actual actions, events or results to differ materially from those disclosed in forward looking statements, there may be other factors that could cause actual results, performance, achievements or events not to be as anticipated, estimated or intended, and many events are beyond the reasonable control of the company. Accordingly, readers are cautioned not to place undue reliance on forward looking statements. Forward looking statements in these materials speak only at the date of issue. Subject to any continuing obligations under applicable law or any relevant stock exchange listing rules, in providing this information the company does not undertake any obligation to publicly update or revise any of the forward looking statements or to advise of any change in events, conditions or circumstances on which any such statement is based.

LITHIUM CLASSIFICATION AND CONVERSION FACTORS

Lithium grades are normally presented in percentages or parts per million (ppm). Grades of deposits are also expressed as lithium compounds in percentages, for example as a percent lithium oxide (Li_2O) content or percent lithium carbonate (Li_2CO_3) content.

Lithium carbonate equivalent ("LCE") is the industry standard terminology for, and is equivalent to, Li_2CO_3 . Use of LCE is to provide data comparable with industry reports and is the total equivalent amount of lithium carbonate, assuming the lithium content in the deposit is converted to lithium carbonate, using the conversion rates in the table included below to get an equivalent Li_2CO_3 value in percent. Use of LCE assumes 100% recovery and no process losses in the extraction of Li_2CO_3 from the deposit.

Lithium resources and reserves are usually presented in tonnes of LCE or Li.

The standard conversion factors are set out in the table below:

Table: Conversion Factors for Lithium Compounds and Minerals

Convert from		Convert to Li	Convert to Li_2O	Convert to Li_2CO_3
Lithium	Li	1.000	2.153	5.324
Lithium Oxide	Li_2O	0.464	1.000	2.473
Lithium Carbonate	Li_2CO_3	0.188	0.404	1.000

WEBSITE

A copy of this announcement is available from the Company's website at www.europeanmet.com.

TECHNICAL GLOSSARY

The following is a summary of technical terms:

"ball and rod indices" Indices that provide an assessment of the energy required to grind one

	tonne of material in a ball or rod mill
“carbonate”	refers to a carbonate mineral such as calcite, CaCO_3
“comminution”	The crushing and/or grinding of material to a smaller scale
“cut-off grade”	lowest grade of mineralised material considered economic, used in the calculation of Mineral Resources
“deposit”	coherent geological body such as a mineralised body
“exploration”	method by which ore deposits are evaluated
“flotation”	selectively separating hydrophobic materials from hydrophilic materials to upgrade the concentration of valuable minerals
“g/t”	gram per metric tonne
“grade”	relative quantity or the percentage of ore mineral or metal content in an ore body
“heavy liquid separation”	is based on the fact that different minerals have different densities. Thus, if a mixture of minerals with different densities can be placed in a liquid with an intermediate density, the grains with densities less than that of the liquid will float and grains with densities greater than the liquid will sink
“Indicated” or “Indicated Mineral Resource”	as defined in the JORC and SAMREC Codes, is that part of a Mineral Resource which has been sampled by drill holes, underground openings or other sampling procedures at locations that are too widely spaced to ensure continuity but close enough to give a reasonable indication of continuity and where geoscientific data are known with a reasonable degree of reliability. An Indicated Mineral Resource will be based on more data and therefore will be more reliable than an Inferred Mineral Resource estimate
“Inferred” or “Inferred Mineral Resource”	as defined in the JORC and SAMREC Codes, is that part of a Mineral Resource for which the tonnage and grade and mineral content can be estimated with a low level of confidence. It is inferred from the geological evidence and has assumed but not verified geological and/or grade continuity. It is based on information gathered through the appropriate techniques from locations such as outcrops, trenches, pits, working and drill holes which may be limited or of uncertain quality and reliability
“JORC Code”	Joint Ore Reserve Committee Code; the Committee is convened under the auspices of the Australasian Institute of Mining and Metallurgy
“kt”	thousand tonnes
“LCE”	the total equivalent amount of lithium carbonate (see explanation above entitled Explanation of Lithium Classification and Conversion Factors)
“lithium”	a soft, silvery-white metallic element of the alkali group, the lightest of all metals
“lithium carbonate”	the lithium salt of carbonate with the formula Li_2CO_3
“magnetic separation”	is a process in which magnetically susceptible material is extracted from a mixture using a magnetic force
“metallurgical”	describing the science concerned with the production, purification and properties of metals and their applications
“Mineral Resource”	a concentration or occurrence of material of intrinsic economic interest in or on the Earth’s crust in such a form that there are reasonable prospects for the eventual economic extraction; the location, quantity, grade geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge; mineral resources are sub-divided into Inferred, Indicated and Measured categories
“mineralisation”	process of formation and concentration of elements and their chemical compounds within a mass or body of rock

"Mt"	million tonnes
"optical microscopy"	the determination of minerals by observation through an optical microscope
"ppm"	parts per million
"recovery"	proportion of valuable material obtained in the processing of an ore, stated as a percentage of the material recovered compared with the total material present
"resources"	Measured: a mineral resource intersected and tested by drill holes, underground openings or other sampling procedures at locations which are spaced closely enough to confirm continuity and where geoscientific data are reliably known; a measured mineral resource estimate will be based on a substantial amount of reliable data, interpretation and evaluation which allows a clear determination to be made of shapes, sizes, densities and grades. Indicated: a mineral resource sampled by drill holes, underground openings or other sampling procedures at locations too widely spaced to ensure continuity but close enough to give a reasonable indication of continuity and where geoscientific data are known with a reasonable degree of reliability; an indicated resource will be based on more data, and therefore will be more reliable than an inferred resource estimate. Inferred: a mineral resource inferred from geoscientific evidence, underground openings or other sampling procedures where the lack of data is such that continuity cannot be predicted with confidence and where geoscientific data may not be known with a reasonable level of reliability
"SAGability"	testing material to investigate its performance in a semi-autonomous grinding mill
"spiral concentration"	a process that utilises the differential density of materials to concentrate valuable minerals
"stope"	underground excavation within the orebody where the main production takes place
"t"	a metric tonne
"tin"	A tetragonal mineral, rare; soft; malleable: bluish white, found chiefly in cassiterite, SnO ₂
"treatment"	Physical or chemical treatment to extract the valuable metals/minerals
"tungsten"	hard, brittle, white or grey metallic element. Chemical symbol, W; also known as wolfram
"W"	chemical symbol for tungsten

ADDITIONAL GEOLOGICAL TERMS

"apical"	relating to, or denoting an apex
"cassiterite"	A mineral, tin dioxide, SnO ₂ . Ore of tin with specific gravity 7
"cupola"	A dome-shaped projection at the top of an igneous intrusion
"dip"	the true dip of a plane is the angle it makes with the horizontal plane
"granite"	coarse-grained intrusive igneous rock dominated by light-coloured minerals, consisting of about 50% orthoclase, 25% quartz and balance of plagioclase feldspars and ferromagnesian silicates
"greisen"	A pneumatolitically altered granitic rock composed largely of quartz, mica, and topaz. The mica is usually muscovite or lepidolite. Tourmaline, fluorite, rutile, cassiterite, and wolframite are common accessory minerals
"igneous"	said of a rock or mineral that solidified from molten or partly molten material, i.e., from a magma
"muscovite"	also known as potash mica; formula: KAl ₂ (AlSi ₃ O ₁₀)(F,OH) ₂ .
"quartz"	a mineral composed of silicon dioxide, SiO ₂
"rhyolite"	An igneous, volcanic rock of felsic (silica rich) composition. Typically >69%

	SiO ₂
“vein”	a tabular deposit of minerals occupying a fracture, in which particles may grow away from the walls towards the middle
“wolframite”	A mineral, (Fe,Mn)WO ₄ ; within the huebnerite-ferberite series
“zinnwaldite”	A mineral, KLiFeAl(AlSi ₃)O ₁₀ (F,OH) ₂ ; mica group; basal cleavage; pale violet, yellowish or greyish brown; in granites, pegmatites, and greisens

ENQUIRIES:

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The information contained within this announcement is considered to be inside information, for the purposes of Article 7 of EU Regulation 596/2014, prior to its release.