

European Metals Holdings Limited

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Directors

David Reeves
Non-Executive Chairman

Keith Coughlan
Managing Director

Mr Richard Pavlik
Executive Director

Kiran Morzaria
Non-Executive Director

Company Secretary

Ms Julia Beckett

Corporate Information

ASX: EMH

AIM: EMH

Frankfurt: E861.F

CDIs on Issue: 131.8M



EUROPEAN METALS

31 October 2017

QUARTERLY ACTIVITIES REPORT – SEPTEMBER 2017

HIGHLIGHTS

- **Drill Results**
- **Appointment of DFS Study Manager**
- **Memorandum of Understanding signed with Czech Government**

European Metals Holdings Limited (“**European Metals**” or “**the Company**”) is pleased to report on its activities and continued progress in the development of the globally significant Cinovec Lithium / Tin Project in Czech Republic during the three month period ending September 2017.

DRILL RESULTS

On 16 August 2017 the Company announced analytical results for the first drillhole CIS-4 at the Cinovec Lithium-Tin Project (“the project” or “Cinovec”) and reported on its ongoing infill drilling program. Infill drilling was undertaken in the southwest section of the deposit, targeting two ‘gaps’ in the resource model that could potentially be targeted for mining in the initial years. Five out of six planned drillholes were completed during the period, for a total of 2163.1m. Assays have been received for the first drillhole CIS-4, which returned a continuous mineralized intercept of 148.30m averaging 0.40%Li₂O from 297.7m drill string depth. In addition, the upper section of the main lithium interval contains significant tin and tungsten mineralization with 15.85 meters averaging 0.70% Li₂O, 0.29% tin and 0.073% tungsten.

APPOINTMENT OF DFS STUDY MANAGER & TEAM

The Company welcomed Craig Reimer to the position of DFS Manager during the quarter. Craig has over 25 years’ experience in project management, engineering management and business management, and has delivered successful international mining projects for previous clients. Craig is a Mechanical Engineer.

He has previously worked on projects for BHP, Vale Inco, Atlas Iron, ENK, Lynas Rare Earths, Boddington Gold Mine, Alcoa, Jacobs and UGL. The projects range from scoping and feasibility studies, to front-end engineering and detail design, and on to construction and commissioning. Craig has previously worked on projects in Australia, UK, USA, Canada, Indonesia, Phillipines and Malaysia.

The Company is also pleased to have retained the services of Grant Harman as Metallurgical Consultant to the DFS. Grant is one of the world’s foremost lithium metallurgist and played a significant role in the Company’s successful PFS.

Grant was previously Manager Lithium Chemicals for Talison Lithium and was involved in the management of the Talison Lithium Carbonate Plant from Scoping Study to Definitive Feasibility Study. He was involved in the design and technical direction of the Talison Test Facility and has more recently been a technical consultant on the Sonora Lithium Project in Mexico.

Grant has had previous roles with UGL, SNC Lavalin, CleanTec, and Ausenco,

The expertise and experience of Craig and Grant will be complimented well by the Company's Czech based team, led by Executive Director Richard Pavlik.

DEVELOPMENTS POST REPORTING PERIOD

MEMORANDUM OF UNDERSTANDING SIGNED WITH CZECH GOVERNMENT

On 2 October 2017 the Company announced 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 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.

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.

BACKGROUND INFORMATION ON CINOVEC

PROJECT OVERVIEW

Cinovec Lithium/Tin Project

European Metals, through its wholly owned Subsidiary, Geomet s.r.o., controls the mineral exploration licenses awarded by the Czech State over the Cinovec Lithium/Tin Project. 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.

ENQUIRIES:

European Metals Holdings Limited

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Beaumont Cornish (Nomad & Broker)

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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.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

ntroduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

EUROPEAN METALS HOLDINGS LIMITED (ASX: EMH)

ABN

55 154 618 989

Quarter ended (Current quarter)

30 September 2017

Consolidated statement of cash flows

1. Cash flows from operating activities

1.1	Receipts from customers	-	-
1.2	Payments for:	-	-
	(a) exploration and evaluation	(501)	(501)
	(b) development	-	-
	(c) production	-	-
	(d) staff costs and board remuneration	(111)	(111)
	(e) administration and corporate costs	(199)	(199)
	(f) UK Listing	-	-
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	1	1
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Research and development refunds	175	175
1.8	Other (provide details if material)	-	-
1.9	Net cash from / (used in) operating activities	(635)	(635)

2. Cash flows from investing activities

2.1	Payments to acquire:	-	-
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.2	Proceeds from disposal of:	-	-
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	-	-

⁽¹⁾ Excludes amounts incurred and accrued in respect to exploration activities as at 30 September 2017, paid in October 2017, refer also 9.1.

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 Months) \$A'000
3. Cash flows from financing activities			
3.1 Proceeds from issues of shares		750	750
3.2 Proceeds from issue of convertible notes		-	-
3.3 Proceeds from exercise of share options		-	-
3.4 Transaction costs related to issues of shares, convertible notes or options		-	-
3.5 Proceeds from borrowings		-	-
3.6 Repayment of borrowings		-	-
3.7 Transaction costs related to loans and borrowings		-	-
3.8 Dividends paid		-	-
3.9 Other (provide details if material)		-	-
3.10 Net cash from / (used in) financing activities		750	750
4. Net increase / (decrease) in cash and cash equivalents for the period			
4.1 Cash and cash equivalents at beginning of quarter/year to date		446	446
4.2 Net cash from / (used in) operating activities (item 1.9 above)		(635)	(635)
4.3 Net cash from / (used in) investing activities (item 2.6 above)		-	-
4.4 Net cash from / (used in) financing activities (item 3.10 above)		750	750
4.5 Effect of movement in exchange rates on cash held		-	-
4.6 Cash and cash equivalents at end of quarter		561	561
5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts		Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances		561	446
5.2 Call deposits		-	-
5.3 Bank overdrafts		-	-
5.4 Other (provide details)		-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)		561	446
6. Payments to directors of the entity and their associates		Current quarter \$A'000	
6.1 Aggregate amount of payments to these parties included in item 1.2		106	
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3		-	
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2			
Amounts paid to directors and their associates as director remuneration.			
7. Payments to related entities of the entity and their associates		Current quarter \$A'000	
7.1 Aggregate amount of payments to these parties included in item 1.2		23	
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3		-	
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2			
Amounts paid to Wilgus Investments Pty Ltd a related entity of David Reeves for Rent and Consulting Fees.			

8. Financing facilities available

Add notes as necessary for an understanding of the position

Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
1,000	-
-	-
-	-

8.1 Loan facilities

8.2 Credit standby arrangements

8.3 Other (please specify)

8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.

The interim funding facility at 8.1 is between European Metals Holdings Limited and 6466 Investments Pty Ltd. The facility limit is for an amount of \$2 million for a period of 12 months from the date of execution.

The fees associated with the Facility are as follows:

- (a) Establishment Fee: 2% of the facility limit payable at the subscription date from the proceeds of the first advance; and
- (b) Standby Fee: 3% of each advance payable at the subscription date from the proceeds of that advance

The company has received four advances of \$250,000 as at 30 September 2017. During the quarter the company issued shares in the company to 6466 Investments Pty Ltd to the value of the \$750,000 (three advances) plus any fees. The remaining facility balance as at 30 September 2017 is \$1.00 million.

9. Estimated cash outflows for next quarter

9.1 Exploration and evaluation⁽²⁾

9.2 Development

9.3 Production

9.4 Staff costs and director remuneration

9.5 Administration and corporate costs

9.6 Other (provide details if material)

9.7 **Total estimated cash outflows**

\$A'000

1,217

-

-

136

140

-

1,493

⁽²⁾ This includes amounts incurred and accrued in respect to exploration activities as at 30 September 2017, paid in October 2017.

10. Changes in tenements

(items 2.1(b) and 2.2(b) above)

10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced

10.2 Interests in mining tenements and petroleum tenements acquired or increased

Tenement reference and location	Nature of interest	Interest at beginning of quarter %	Interest at end of quarter %
Nil			
Nil			

Compliance statement

- This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- This statement gives a true and fair view of the matters disclosed.



Signed: _____ Dated: Tuesday, 31 October 2017

Company Secretary

Print name: Julia Beckett

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.