

European Metals Holdings Limited

ARBN 154 618 989

Suite 12, Level 1
11 Ventnor Avenue
West Perth WA 6005
PO Box 1240
West Perth WA 6872
Phone + 61 8 6245 2050
Fax + 61 6245 2055
Website:
www.europeanmet.com

Directors & Management

David Reeves
Non-Executive Chairman

Keith Coughlan
Managing Director

Mr Richard Pavlik
Executive Director

Kiran Morzaria
Non-Executive Director

Neil Meadows
Chief Operating Officer

Company Secretary

Ms Julia Beckett

Corporate Information

ASX: EMH

AIM: EMH

Frankfurt: E861.F

CDIs on Issue: 141.4M



EUROPEAN METALS

31 July 2018

QUARTERLY ACTIVITIES REPORT – JUNE 2018

HIGHLIGHTS

- **Appointment of Chief Operating Officer**
- **Pilot Scale Cinovec Ore Beneficiation Commenced**
- **Cinovec Production Modelled to Increase to 22,500 TPA of Lithium Carbonate**

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 June 2018.

APPOINTMENT OF CHIEF OPERATING OFFICER

The Company announced the appointment of Mr Neil Meadows to the position of Chief Operating Officer on 11 April 2018. Neil has previously held the position of Chief Operating Officer at Karara Mining Ltd, Managing Director of IMX Resources Limited and worked with the Australian Premium Iron Ore Joint Venture on mine infrastructure. Prior to that, he was the Chief Operating Officer of Queensland Nickel Pty Ltd, subsequent to the sale of the business by BHP and was previously the General Manager of the Yabulu Refinery site for BHP. Prior to that he was the General Manager at the Murrin Operation for Minara Resources Ltd, a position he held for almost five years.

Neil holds a Masters of Applied Science in Metallurgy from the South Australian Institute of Technology, and was the recipient of the Mine Manager of the Year Award through the Sydney Mining Club in 2007. He was the Australasian Institute of Mining and Metallurgy North Queensland Resources Industry Professional of the Year in 2009. His technical qualifications are supported by a Graduate Diploma in Business Administration from Charles Sturt University, along with a Diploma of the Australian Institute of Company Directors. Neil is an accomplished and highly regarded senior executive with a successful background in leadership in the Australian resources sector. His strategic focus, outstanding communication skills and excellent work ethic have provided him with the leadership strengths to manage multi-disciplined teams in the achievement of corporate objectives. He is result-orientated, disciplined and has gained considerable recognition for his work in improving operational and business outcomes for major enterprises.

PILOT SCALE CINOVEC ORE BENEFICIATION COMMENCED

On 6 June 2018, European Metals announced the commencement of the beneficiation process and magnetic separation of a 15 tonne bulk sample which represents the ore that will be mined in the first stages of project development.

The beneficiation and magnetic separation of a lithium rich concentrate will provide pilot plant feed for planned downstream processing through the roast, leach, purification and final product precipitation flowsheet that has been developed. It is intended to ultimately produce up to 200 kg of battery grade lithium carbonate from this material for marketing and user acceptance purposes.

The processing of the ore sample will also provide approximately 12 tonnes of non-magnetic material that will be used to confirm the flowsheet for the recovery of tin and tungsten values which are unique and important by-products from the Cinovec ore body.

The program of work is being carried out by UVR-FIA GmbH in Freiberg who are specialists in beneficiation and magnetic separation.

DEVELOPMENTS POST REPORTING PERIOD

CINOVEC PRODUCTION MODELLED TO INCREASE TO 22,500 TPA OF LITHIUM CARBONATE

On 11 July 2018 the Company reported that it had completed roast optimization testwork and that improved recoveries have resulted in increased lithium carbonate production from the Cinovec Project to 22,500 tpa.

All recent roast/leach tests have reliably achieved lithium extractions in the region of 94% recovery. The significance of these results is that a 7% increase in lithium recovery is predicted over that used in the Preliminary Feasibility Study ("PFS") completed last year which in turn leads to an increase to 22,500tpa of lithium carbonate production from the project.

This increased production results in approximately a 10% increase in EBITDA margins for the project which will have obvious positive effects to the project returns which the definitive feasibility will re-model.

CORPORATE

As at 30 June 2019 the issued performance shares including the terms and conditions were as follows:

Number	Description	Summary Terms & Conversion Hurdles
1,000,000	Class B Performance Shares	Convert into Shares and an equivalent number of CDIs upon the Company's Mineral Resource at Cinovec South and Cinovec Main being entered in the State Balance. The B Class Performance Shares shall convert into the number of Shares and equivalent number of CDIs equal to 1,000,000 multiplied by 0.5 and divided by the greater of: (A) \$0.50 per CDI; and (B) the volume weighted average price of CDIs (expressed as a decimal of \$1.00) as calculated over the 5 ASX trading days prior to the date the Mineral Resource is entered.
1,000,000	Class B Performance Shares	Convert into Shares and an equivalent number of CDIs upon the issuance of the preliminary mining licenses relating to the Cinovec Project. The B Class Performance Shares shall convert into the number of Shares and equivalent number of CDIs equal to 1,000,000 multiplied by 0.5 and divided by the greater of: (A) \$0.50 per CDI; and (B) the volume weighted average price of CDIs (expressed as a decimal of \$1.00) as calculated over the 5 ASX trading days prior to the date the final preliminary mining license is issued.

3,000,000	Class B Performance Shares	Convert into Shares and an equivalent number of CDIs upon the completion of a definitive feasibility study (DFS). For clarity, the DFS must be: (i) of a standard suitable to be submitted to a financial institution as the basis for lending of funds for the development and operation of mining activities contemplated in the study; (ii) capable of supporting a decision to mine on the Permits; and (iii) completed to an accuracy of +/- 15% with respect to operating and capital costs and display a pre-tax net present value of not less than US\$250,000,000. The B Class Performance Shares shall convert into the number of Shares and equivalent number of CDIs equal to 3,000,000 multiplied by 0.5 and divided by the greater of: (A) \$0.50 per CDI; and (B) the volume weighted average price of CDIs (expressed as a decimal of \$1.00) as calculated over the 5 ASX trading days prior to date of receipt of the completed DFS.
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(Together the **Milestones** and each a **Milestone**). For the avoidance of doubt, the number of Shares and equivalent number of CDIs which will be issued on conversion of the B Class Performance Shares will not exceed a ratio of 1 for 1.

If the Milestone is not achieved or the Change of Control Event does not occur by the required date, then each B Class Performance Share held by a Holder will be automatically redeemed by the Company for the sum of \$0.000001 within 10 ASX trading days of non-satisfaction of the Milestone.

TENEMENT SCHEDULE

Tenement	Interest at beginning of Quarter	Acquired/Disposed	Interest at end of Quarter
Cinovec	100%	N/A	100%
Cinovec 2	100%	N/A	100%
Cinovec 3	100%	N/A	100%

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 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 (Li₂O) content or percent lithium carbonate (Li₂CO₃) content.

Lithium carbonate equivalent (“LCE”) is the industry standard terminology for, and is equivalent to, Li₂CO₃. 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 Li₂CO₃ value in percent. Use of LCE assumes 100% recovery and no process losses in the extraction of Li₂CO₃ 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 Li₂O	Convert to Li₂CO₃
Lithium	Li	1.000	2.153	5.324
Lithium Oxide	Li ₂ O	0.464	1.000	2.473
Lithium Carbonate	Li ₂ CO 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**

Keith Coughlan, Managing Director

Tel: +61 (0) 419 996 333

Email: keith@europeanmet.com

Kiran Morzaria, Non-Executive Director

Tel: +44 (0) 20 7440 0647

Julia Beckett, Company Secretary

Tel: +61 (0) 8 6245 2057

Email: julia@europeanmet.com

Beaumont Cornish (Nomad & Broker)

Michael Cornish

Tel: +44 (0) 20 7628 3396

Roland Cornish

Email: corpfin@b-cornish.co.uk

Joint Broker

Damon Health

Erik Woolgar

Shard Capital

Tel: +44 (0) 20 7186 9950

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. The person who arranged for the release of this announcement on behalf of the Company was Keith Coughlan, Managing Director.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 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 June 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12.months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation	(325)	(2,167)
(b) development		
(c) production		
(d) staff costs	(162)	(559)
(e) administration and corporate costs	(464)	(1,143)
1.3 Dividends received (see note 3)		
1.4 Interest received	-	2
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Research and development refunds	646	820
1.8 Other (legal costs)		
1.9 Net cash from / (used in) operating activities	(305)	(3,047)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(3)	(3)
(b) tenements (see item 10)		
(c) investments		
(d) other non-current assets		

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
2.2 Proceeds from the 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	(3)	(3)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	5,038
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	-	(213)
3.5 Proceeds from borrowings	-	(200)
3.6 Repayment of borrowings	-	200
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	-	4,825

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	2,534	446
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(307)	(3,048)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(3)	(3)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	-	4,825
4.5 Effect of movement in exchange rates on cash held	(3)	2
4.6 Cash and cash equivalents at end of period	2,223	2,223

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	1,523	2,534
5.2 Call deposits	700	-
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)	2,223	2,534

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	105
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 and reimbursement expenses.

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	17
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.

Mining exploration entity and oil and gas exploration entity quarterly report

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'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.		

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9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	310
9.2 Development	-
9.3 Production	-
9.4 Staff costs	161
9.5 Administration and corporate costs	424
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows	895

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	Nil			
10.2 Interests in mining tenements and petroleum tenements acquired or increased	Nil			

Compliance statement

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

Sign here:



Company secretary

Date: 31 July 2018

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 6: Exploration for and Evaluation of Mineral Resources and 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 standards apply 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.