

QUARTERLY ACTIVITIES REPORT

DECEMBER 2014

HIGHLIGHTS

- **Successful completion of rights issue**
- **Final assay results received for metallurgical drill holes**
- **Strategic relationship to test commercial potential of Cinovec lithium resource**
- **Scoping Study progressing well, on track for completion Q1 CY2015**

RIGHTS ISSUE

European Metals Holdings Limited ("EMH", "European Metals" or "the Company") successfully completed a fully underwritten rights issue in November 2014.

Approximately \$1.1 million was raised via the issue of 21,942,860 new CDI's at an issue price of 5 cents per CDI. Each new CDI carried a right to an attaching option with an exercise price of 10 cents expiring June 2016.

Proceeds of the issue will be used to complete the current Scoping Study on the Company's flagship Cinovec Tin, Tungsten and Lithium Project in the Czech Republic and for working capital.

FINAL ASSAY RESULTS RECEIVED FOR METALLURGICAL DRILL HOLES

The Company received final assay results for all analytical samples collected and submitted from the recent drilling program in early November 2014. The program consisted of three diamond holes for a total of 940.1 metres. Wide zones of Sn, W and Li mineralization were intersected in altered granite and the geology was as anticipated from the resources model.

Individual samples (typically 1-1.5m wide) returned up to 1.76% Sn, 0.77% W, 1.26% Li₂O, 62.7 g/t Ag, 0.43% Cu, 0.07% Mo, 0.43% Pb, 2.38% Zn.

Better intercepts include:

CIS-1

- 4m @ 0.25% Sn, 0.075% W, 0.655 Li₂O, 8.15g/t Ag, 0.28% Pb, 0.26% Zn from 190m
- 8m @ 0.19% Sn, 0.006% W, 0.462 Li₂O, 2.35 g/t Ag, 0.04% Pb, 0.52% Zn from 204m
- 7.9m @ 0.66 Zn, 0.16% Sn, 0.05% W, 0.500 Li₂O, 2.82g/t Ag from 201m**

CIS-2

- 4m @ 0.32% Sn, 0.125% W, 0.728 Li₂O from 244m
- 3m @ 0.26% Sn, 0.053% W, 0.551 Li₂O from 253m

CIS-3

- 1m @ 0.58 % Sn, 0.252% Li₂O, 62.7 g/t Ag, 0.17% Zn from 173m
- 3m @ 0.47% Sn, 0.086% W, 0.627 Li₂O from 176m
- 2m @ 0.96% Sn, 0.413% W, 0.794 Li₂O from 194m
- 36m @ 0.31%, 0.049% W, 0.654 Li₂O from 205m*
incl. 2m @ 1.24% Sn, 0.027% W, 0.675 Li₂O
- 12m @ 0.44% Sn, 0.037% W, 0.641 Li₂O
- 3m @ 0.56% Sn, 0.095% W, 0.838 Li₂O
- 39.5m @ 0.67 Li₂O, 0.22% Sn, 0.063% W from 214m***

* Computed allowing for up to 4 m interval with below cutoff Sn grade.

** Computed at zinc cutoff 0.3% Zn.

*** Computed at lithium cutoff 0.2% Li.

STRATEGIC RELATIONSHIP TO TEST COMMERCIAL POTENTIAL OF CINOVEC LITHIUM RESOURCE

The tin and tungsten mineralisation at Cinovec lies coincident with lithium mineralisation. As such, during the processing of this tin mineralisation, a waste tail containing significant quantities of lithium is produced. This lithium was historically concentrated by magnetic means to produce a lithium concentrate which was then used to produce a lithium carbonate based on a sulphate processing route.

Cobre Montana NL (ASX:CXB) through its alliance with Perth Based Strategic Metallurgy (Refer to ASX announcement 11 November 2014) has the ability to use its licensing rights, and knowhow to extract lithium from the micas that occur within the mineralized zones at Cinovec.

The CXB technology not only provides a low power process for lithium carbonate production, it has the added benefits of recovering other metals from the mica, in particular potassium, which can be recovered as potassium sulphate, a valuable component of fertilizers. It is also possible to recover rare metals from the mica.

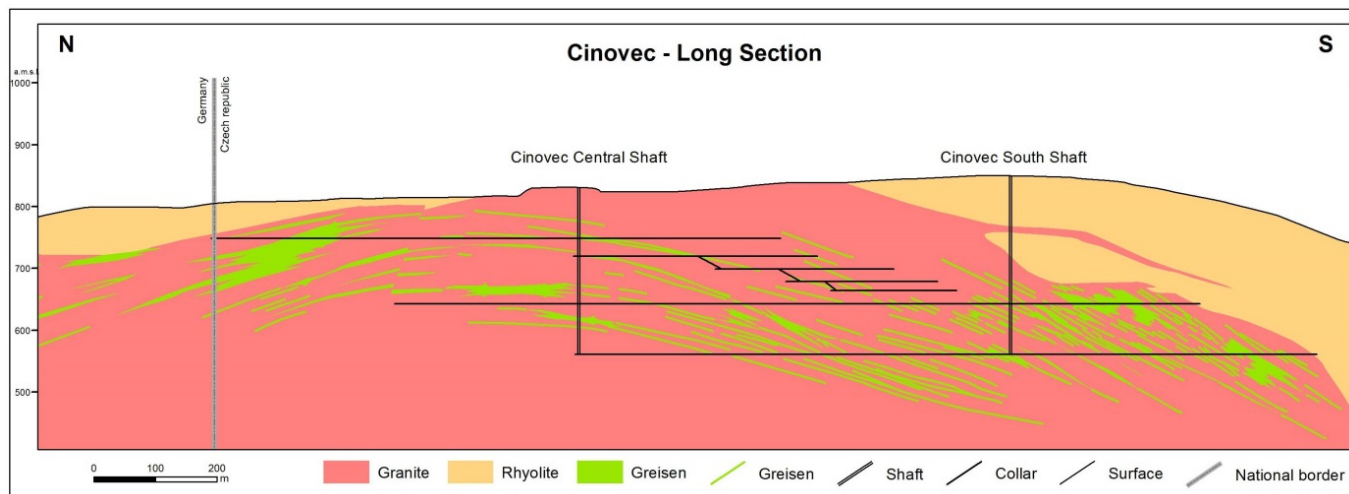
Based on these advantages, EMH has entered into a MOU with CXB which will allow Perth-based CXB to undertake test work over the next six months that will culminate in the presentation of a commercial development proposal to EMH.

The terms of the agreement will see CXB include in its report, the ways in which the combined expertise of both companies can be optimised to enable more complete exploitation of the zinnwaldite mineralisation to produce lithium carbonate for the rapidly expanding global lithium battery industry.

Laboratory testing of the Cinovec feed material will commence in January 2015.

FURTHER INFORMATION

Cinovec is an historic tin mine incorporating a significant undeveloped tin resource with by-product potential including tungsten, lithium, rubidium, scandium, niobium and tantalum. The JORC compliant Inferred Resource for the Cinovec deposit totals 28.1Mt grading 0.37% Sn, for 103,970 tonnes of contained tin, which makes it one of the largest undeveloped tin deposits in the world. Cinovec also hosts a partly-overlapping hard rock lithium deposit with a total JORC compliant Inferred Resource of 36.8Mt @ 0.8% Li₂O. The resource estimates were based on exploration completed by the Czechoslovakian Government in the 1970s and 1980s, including 83,000m of drilling and 21.5km of underground exploration drifting. The deposit appears amenable to bulk mining techniques and has had over 400,000 tonnes trial mined as a sub-level open stope. Historical metallurgical test work, including the processing of the trial mine ore through the previous on-site processing plant, indicates the ore can be treated using simple gravity methods with good recovery rates for tin and tungsten in oxide minerals of approximately 75%. Cinovec is very well serviced by infrastructure, with a sealed road adjacent to the deposit, rail lines located 5km north and 8km south of the deposit and an active 22kV transmission line running to the mine. As the deposit lies in an active mining region, it has strong community support.



Project Location

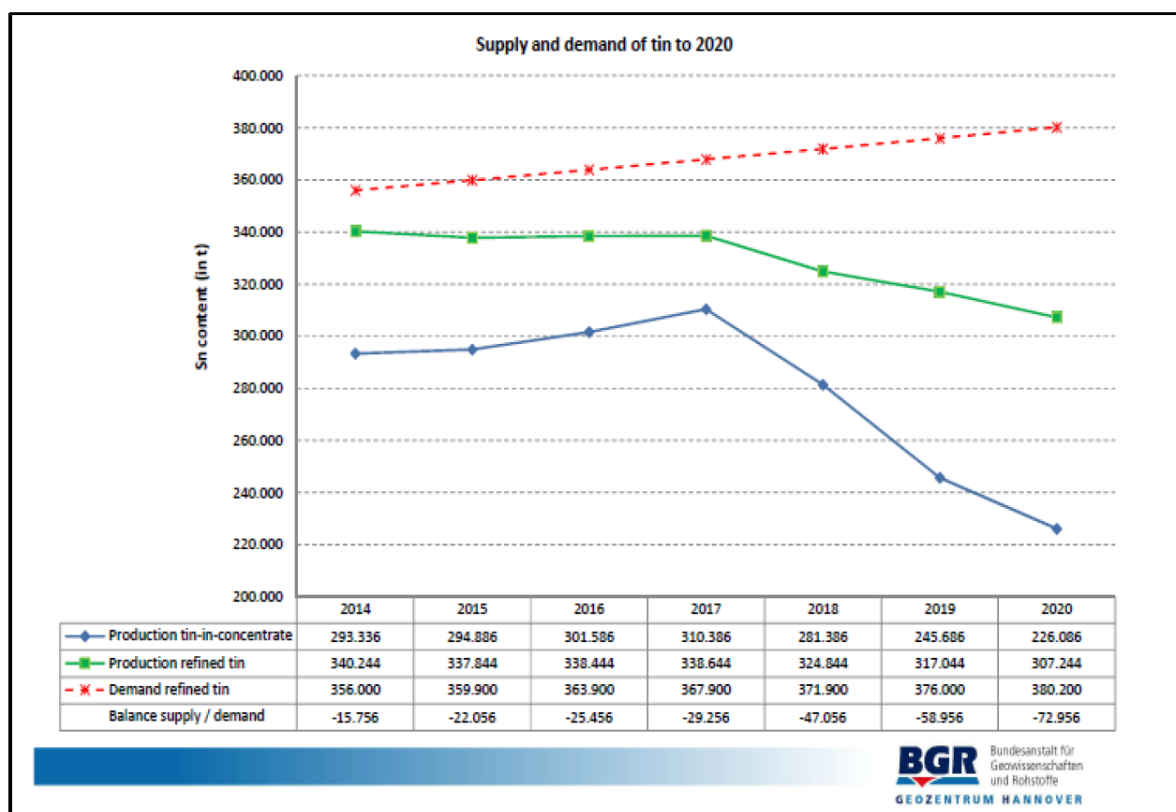


Czech Republic is ideally located at the centre of the European Union. It shares one of its borders with Germany which alone represents one third of its exports. The mining code is well established and the excellent infrastructure, electricity and communication networks create a sound environment for mining activities. Politically stable and with a high income economy, the Czech Republic is also a Member of the European Union.

Tin Market Outlook

Despite some mild weakness over 2014, the outlook for the price of tin continues to appear to be strong.

Germany's Federal Institute for Geosciences and Natural Resources ("BGR") has forecast an impending widening of demand over supply that, in its analysis, suggests a tin price approaching US\$30,000/t may be expected in the near future.



Source: Federal Institute for Geosciences and Natural Resources (Hannover, Germany) – 15 May 2014

COMPETENT PERSON

Information in this report that relates to Exploration Results is based on information compiled by European Metals Director Mr Pavel Reichl. Mr Reichl is a Certified Professional Geologist, a member of the American Institute of Petroleum Geologists, a Fellow Member 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, Minerals Resources and Ore Reserves. Mr Reichl consents to the inclusion in the release of the matters based on his information in the form and context in which it appears.

The information in this report that relates to Mineral Resources 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 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. There can be no assurance that ongoing exploration will identify mineralisation that will prove to be economic, that anticipated metallurgical recoveries will be achieved, that future evaluation work will confirm the viability of deposits that may be identified or that required regulatory approvals will be obtained.

For further information please contact:

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Appendix 5B

Mining 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, 01/05/2013

Name of entity

EUROPEAN METALS LIMITED (EMH)

ABRN

154 618 989

Quarter ended ("current quarter")

31 December 2014

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (6 Months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for: (a) exploration & evaluation	(65)	(297)
(b) development	-	-
(c) production	-	-
(d) administration	(228)	(368)
(e) project development costs	-	-
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	2	2
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other	-	-
Net Operating Cash Flows	(291)	(663)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a)prospects	-	-
(b)equity investments	-	-
(c) other fixed assets	-	-
1.9 Proceeds from sale of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other	-	-
Net Investing Cash Flows	-	-
1.13 Total operating and investing cash flows (carried forward)	(291)	(663)

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(291)	(663)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc. net of costs	1,032	1,032
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	(4)
	Net financing cash flows	1,032	(4)
	Net increase (decrease) in cash held	741	365
1.20	Cash at beginning of quarter/year to date	3	379
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	744	744

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

	Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2
1.24	Aggregate amount of loans to the parties included in item 1.10

1.25 Explanation necessary for an understanding of the transactions

Executive director fees and reimbursement or costs incurred, includes back payment of managing director fees.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Nil

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Nil

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	41
4.2 Development	-
4.3 Production	-
4.4 Administration	126
Total	167

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	744	3
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	744	3

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	Nil			
6.2 Interests in mining tenements acquired or increased	Nil			

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference *securities <i>(description)</i>	-	-		
7.2 Changes during quarter	-	-		
(a) Increases through issues				
(b) Decreases through returns of capital, buy-backs, redemptions				
7.3 *Ordinary securities	60,343,029	60,342,866		
7.4 Changes during quarter				
(a) Increases through issues	21,943,023	21,943,023	\$0.05	\$0.05
(b) Decreases through returns of capital, buy-backs				
7.5 *Convertible debt securities <i>(description)</i>	-	-		
7.6 Changes during quarter	-	-		
(a) Increases through issues				
(b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	1,200,000	-	<u>Exercise price \$</u> \$0.30	<u>Expiry date</u> 19/07/2015
	21,943,023	-	\$0.10	30/06/2016
7.8 Issued during quarter	21,943,023	-	\$0.10	30/06/2016
7.9 Exercised during quarter	-	-		
7.10 Expired during quarter	-	-	<u>Exercise price \$</u> -	<u>Expiry date</u> -
7.11 Debentures <i>(totals only)</i>	-	-		
7.12 Unsecured notes <i>(totals only)</i>	-	-		
7.13 Performance securities	10,000,000	-		
7.14 Changes during quarter		-		
(a) Increases through issues				
(b) Decreases through returns of capital, buy-backs				

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does give a true and fair view of the matters disclosed.

Signed: 

Dated: 27 January 2015

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 wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 Issued and quoted securities. The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 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.
- 5 Accounting Standards ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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Interests in Mining Tenements

Disclosure in accordance with ASX Listing Rule 5.3.3

Project/Tenements	Location	Held at end of quarter	Acquired during the quarter	Disposed during the quarter
 Cinovec Tin-Tungsten-Lithium Project	Czech Republic	100%	0%	0%
 Zlatý Kopec polymetallic Tin-Zin-Indium Project	Czech Republic	100%	0%	0%
 Prebuz Exploration Permit	Czech Republic	100%	0%	0%

Farm-in Agreements / Tenements	Location	Held at end of quarter	Acquired during the quarter	Disposed during the quarter
Nil				

Farm-out Agreements / Tenements	Location	Held at end of quarter	Acquired during the quarter	Disposed during the quarter
Nil				