

QUARTERLY ACTIVITIES REPORT – DECEMBER 2015

HIGHLIGHTS

- **Admitted to trading on AIM in London**
- **Appointment of Kiran Morzaria to the Board**
- **Completion of Competent Persons' Report by Wardell Armstrong International**
- **Successful continuation of drill program at Cinovec Lithium/Tin project**
- **Confirmation of robustness and consistency of Cinovec ore body from assay results**
- **Lithium carbonate production cost including tin/tungsten by-product credits estimated to be approximately \$800/t**
- **Rare Earth Minerals increases stake in the Company to approximately 12%**
- **Collection of lithium bulk sample completed to facilitate further metallurgical test work**

European Metals Holdings Limited (“**European Metals**” or “**the Company**”) (**ASX & AIM: EMH**) is pleased to announce continued progress in the development of its 100% owned globally significant Cinovec Lithium/Tin Project in Czech Republic.

As the global demand for lithium continues to grow and sale prices for most lithium based products increases, the value of the Cinovec Project – the largest Lithium Resource in Europe and one of the largest globally – is becoming increasingly more evident.

Listing on AIM

The Company successfully listed its securities on the London Stock Exchange’s AIM Market in early December. The AIM listing is intended to further facilitate investment in the Company by European based investors who have shown increasing interest in both lithium and the Cinovec Project.

Appointment of Kiran Morzaria to the Board

Mr Morzaria’s appointment to the Board as a Non-Executive Director became effective at the AIM listing. Mr Morzaria is the Chief Executive Officer of Rare Earth Minerals – the Company’s largest shareholder. He is also a Non-Executive Director of Bacanora Minerals Ltd who are developing the Sonora Lithium Project in Mexico. His long and extensive experience in the mining industry and in particular his recent involvement with lithium projects and the market for lithium products will be much welcomed by the company.

Completion of Competent Persons’ Report by Wardell Armstrong International

The Company released the independent Competent Persons Report (“CPR”) on the Cinovec Project in early October. The CPR was completed by Wardell Armstrong International and provided independent confirmation of Cinovec’s key features and significant potential for development.

The CPR formed a significant portion of the supporting documentation required for the Company’s listing on AIM. The CPR is available for viewing on the Company’s website.

Successful Continuation of Drill Program at Cinovec Lithium/Tin project

As part of the current drill program at Cinovec four core holes were completed during the quarter for a total of 1,655.3 m. In addition, results of assays on two of the four holes were received. This work was carried out on time and on budget and the overall results have exceeded the Company's expectations with regards to grade and width of the mineralized intercepts.

The drill program has been planned to facilitate conversion of resources from the Inferred to Indicated category and provide material for metallurgical testing. Results serve to confirm the robustness and consistency of the Cinovec ore body.

Key points of the drill program:

- Drillhole PSn06 returned an intercept of 163m @ 0.40% Li₂O from 238.5m to end of hole at 401.5m
- PSn06 twinned historic drillhole CN-51, which returned an intercept of 174.2m @ 0.43% Li₂O from 233m to 407.2m

(Please refer to the announcement on the European Metals website for the graphic on the Cinovec schematic long section showing hole PSn05 and select lithium drill intercepts www.europeanmet.com.)

Lithium Carbonate Production Cost Including Tin/Tungsten By-Product Credits Estimated to be Approximately \$800/T

Based on inputs to the Company's positive Scoping Study (refer to ASX announcement 1 May 2015), the projected cost of production for lithium carbonate has been quoted as less than \$2,000/t. With the focus of the Company now squarely on the huge lithium potential of Cinovec, the cost of production has been re-calculated to include tin and tungsten as by-product credits. Using inputs from the Scoping Study, the projected cost of lithium carbonate production drops to approximately \$800/t. This cost is substantially lower than the cost incurred by any current producers or the projected cost for any potential producers.

Such a positive peer comparison serves to underline the quality of the Cinovec deposit from a global perspective.

(Please refer to the announcement on the European Metals website for the graphic on the potential cost of Cinovec lithium carbonate production, including all by-products www.europeanmet.com.)

Rare Earth Minerals Increases Stake in the Company to Approximately 12%

The Company's largest shareholder, Rare Earth Minerals ("REM") lifted its stake in European Metals via a placement in mid-October. REM now holds approximately 12% of the Company. REM is a London AIM listed investment company focused on creating a diverse portfolio of direct and indirect interests in lithium and rare earth deposits. REM are long term investors in the lithium sector and are intending to support EMH in both a technical and a corporate sense. REM has a current market capitalisation of approximately GBP 53.2 million (AUD 108.5 million) and is also a substantial shareholder of Canadian and London listed Bacanora Minerals Limited ("Bacanora"). Bacanora and REM are developing the large Sonora Lithium Project ("Sonora") in northern Mexico. REM also holds a 30% direct interest in Sonora. Bacanora and REM both announced their first lithium supply agreement for Sonora with the signing of a conditional long-term supply contract for lithium hydroxide with a major North American electric vehicle manufacture in August 2015. (Refer to REM's website for further details - www.rareearthmineralsplc.com.)

Collection of Lithium Bulk Sample Completed to Facilitate Further Metallurgical Test Work

The Company completed pre-concentration and subsequent milling of a lithium bulk sample from the Cinovec Lithium/Tin project in October. The process resulted in the recovery of 420 kg of lithium mica concentrate which has been shipped to Australia for further metallurgical test work and a potential mini-plant test run in conjunction with Lithium Australia.

The concentrate was recovered by magnetic separation instead of the previously utilized flotation method which allowed a coarser grind size while maintaining high recoveries. This has the potential to positively impact on both capex and opex.

(Please refer to the announcement on the European Metals website for the image of the lithium mica concentrate www.europeanmet.com.)

Developments Post Reporting Period

The Company announced in early January that it is undertaking bench scale test work to fully explore all available recovery techniques for the extraction of lithium. The current metallurgical test work will allow an independent trade off study to be finalised as part of the Company's due diligence on the Lepidico Ltd process as licensed to Lithium Australia to ensure the best result is delivered for the Company's shareholders. In addition, as part of the pre-feasibility study, the Company has also begun work on trade off studies with regards to plant location and into the potential of the development of high grade outcropping and shallow mineralisation for initial start-up tonnage to accelerate production timelines, lower capital costs and improve project economics.

ABOUT THE PROJECT

Cinovec is a globally significant lithium and tin deposit with the potential to be a very low cost producer of lithium carbonate.

Key Points

- Largest lithium deposit in Europe
- Positive Scoping Study completed
- Potential to be the lowest cost lithium carbonate producer
- Centrally located to major European end-users

PROJECT OVERVIEW

Cinovec Lithium/Tin Project

European Metals owns 100% of the Exploration Rights to the Cinovec lithium-tin deposit in the Czech Republic. Cinovec is an historic mine incorporating a significant undeveloped lithium-tin resource with by-product potential including tungsten, rubidium, scandium, niobium and tantalum. Cinovec hosts a globally significant hard rock lithium deposit with a total Inferred Mineral Resource of 514.8Mt @ 0.43% Li₂O. Within this resource lies one of the largest undeveloped tin deposits in the world, with total Indicated and Inferred Mineral Resources of 79.7Mt grading 0.23% Sn for 183kt of contained tin. The Mineral Resource estimates are based primarily on over 83,000m of historic drilling and 21.5km of historic underground exploration drifting completed by the Czechoslovakian Government from the 1960s through to the 1980s. The deposit has previously had over 400,000 tonnes trial mined as a sub-level open stope underground mining operation.

A Scoping Study conducted by specialist independent consultants indicates the deposit could be amenable to bulk underground mining. Metallurgical testwork has produced both battery grade lithium carbonate and high grade tin concentrate at excellent recoveries with the Scoping Study revealing a potential production cost of approximately \$800 per tonne of lithium carbonate including tin and tungsten credits. 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 5km north and 8km south of the deposit and an active 22kV transmission line running to the historic mine. As the deposit lies in an active mining region, it has strong community support.

COMPETENT PERSON

Information in this release that relates to exploration results is based on information compiled by European Metals Director 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, Minerals 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 per cent. lithium oxide (Li₂O) content or per cent. 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 further below to get an equivalent Li₂CO₃ value in per cent. 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.

To convert the Li Inferred Mineral Resource of 514.8Mt @ 0.20% Li grade (as per the Competent Persons Report dated 2 November 2015) to Li₂O, the reported Li grade of 0.20% is multiplied by the standard conversion factor of 2.153 which results in an equivalent Li₂O grade of 0.43%.

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 ₂ O	Convert to Li ₂ CO ₃
Lithium	Li	1.000	2.153	5.323
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.

TECHNICAL GLOSSARY

The following is a summary of technical terms:

"carbonate"	refers to a carbonate mineral such as calcite CaCO ₃
"cut-off grade"	lowest grade of mineralised material considered economic, used in the calculation of ore resources

“deposit”	coherent geological body such as a mineralised body
“exploration”	method by which ore deposits are evaluated
“g/t”	gramme per metric tonne
“grade”	relative quantity or the percentage of ore mineral or metal content in an ore body
“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 below 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
“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
“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

“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

Enquiries:

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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 2015

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	(513)	(699)
(b) development	-	-
(c) production	-	-
(d) administration	(227)	(373)
(e) project development costs	-	-
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	3	7
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other	-	-
Net Operating Cash Flows	(737)	(1,066)
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)	(737)	(1,066)

1.13	Total operating and investing cash flows (brought forward)	(737)	(1,066)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc. net of costs	295	834
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)	-	-
	Net financing cash flows	295	834
	Net increase (decrease) in cash held	(442)	(232)
1.20	Cash at beginning of quarter/year to date	1,099	889
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	657	657

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	101
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Director fees, superannuation expense, consulting fees and rental expense.

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	180
4.2 Development	-
4.3 Production	-
4.4 Administration	150
Total	330

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	657	1,099
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	657	1,099

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			

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

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 (description)	-	-		
7.2 Changes during quarter	-	-		
(a) Increases through issues				
(b) Decreases through returns of capital, buy-backs, redemptions				
7.3 *Ordinary securities	87,051,762	87,051,762		
7.4 Changes during quarter				
(a) Increases through issues	2,000,000	2,000,000	\$0.16	\$0.16
(b) Decreases through returns of capital, buy-backs				
7.5 *Convertible debt securities (description)	-	-		
7.6 Changes during quarter	-	-		
(a) Increases through issues				
(b) Decreases through securities matured, converted				
7.7 Options (description and conversion factor)	21,943,023	-	<u>Exercise price \$</u> \$0.10	<u>Expiry date</u> 30/06/2016
	3,750,000	-	\$0.166	17/08/2020
	2,000,000	-	\$0.20	19/10/2016
7.8 Issued during quarter	-	-	-	-
7.9 Exercised during quarter	-	-		
7.10 Expired during quarter	-	-	<u>Exercise price \$</u> -	<u>Expiry date</u> -
7.11 Debentures (totals only)	-	-		
7.12 Unsecured notes (totals only)	-	-		
7.13 Performance securities	5,000,000	-		

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.14 Changes during quarter	-	-		
(a) Increases through issues				
(b) Decreases through conversion to CDIs				

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: 29 January 2016

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%
 Cinovec 2	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				