

QUARTERLY ACTIVITIES REPORT

September 2014

Highlights

- **Appointment of Consultants to conduct Scoping Studies on Cinovec Tin Project**
- **Extension granted to the key Cinovec license covering the Cinovec Tin Project**
- **Announcement of rights issue to raise approximately \$1.1 million to complete the Scoping Study**
- **Award of research grant to EMH as part of the FAME Project**

Appointment of Consultants

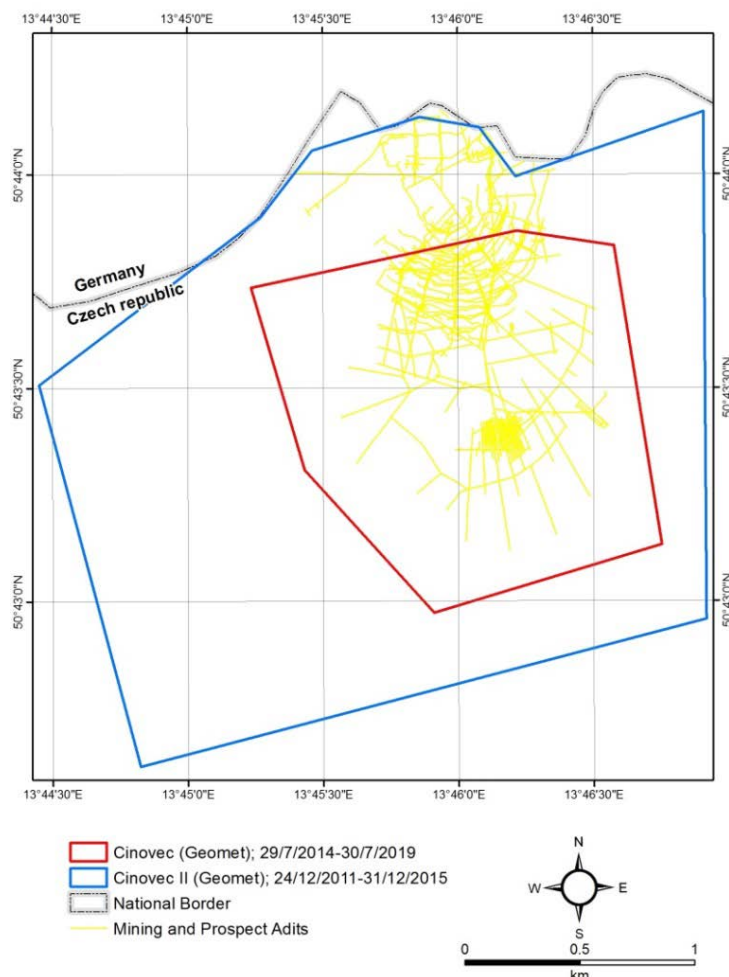
On 9 July 2014 EMH announced the appointment of Bara Consulting (“Bara”) and GR Engineering Services (“GRES”) to complete scoping studies on the Cinovec Tin Project. Bara have been appointed to provide mine design, scheduling and costing and GRES for metallurgical testwork, process design and costings.

Work on the scoping studies is continuing and the study is expected to be completed by Q1 2015.

Extension of License

On 14 August 2014 EMH announced the granting of an extension to the key Cinovec license covering the Company’s Cinovec Tin Project.

The extension of the license has been granted until 30 July 2019 and will allow the Company to complete a Feasibility Study including further exploration, underground sampling and drilling. This license covers the bulk of the stated JORC 2012 compliant resource of 28.1Mt @ 0.37% Sn.



Rights Issue

The Company has announced a fully underwritten rights issue to raise approximately \$1.1 million. The rights issue is expected to be completed and all funds received by the first week of November 2014.

Award of Research Grant

The Company has announced the award of a research grant under the European FAME Project in the amount of Euro 149,250.

The FAME Project aims to increase the competitiveness of European mineral resources and to stimulate private engagement and investment. The project addresses primary skarn, pegmatite and greisen ore deposits in Europe (tin, tungsten and lithium). Specifically FAME will consider new processing technologies (flexible, modular, more efficient) and aims to maximise the utilization of all minerals in order to improve the economic and social/environmental attractiveness of lower grade deposits located in populated areas of Europe.

The FAME Project will last 48 months and will be implemented by 16 members from European academic institutions, consulting companies and small to medium enterprises. The project is divided into 7 Work Packages (WP). The Company will be primarily involved with WP 2 Deposit and Processing Mineralogy, WP 6 Environmental and Socio-Political Aspects and WP 7 Dissemination and Exploitation. The ongoing research fits in with the Company's upcoming metallurgical testwork and with the overall aim of developing the Cinovec deposit, in particular with respect to maximising the recoveries of the known valuable minerals in the Company's flagship Cinovec Tin Project. The valuable metals include tin, tungsten, lithium, zinc, indium and rare earths. The extraction of the by-product minerals could significantly enhance the economics of this large scale tin project.

Further Update

Cinovec Tin Project

Assays on all the metallurgical holes should be received within the next 2 weeks which will allow compositing of metallurgical test samples using the core derived from the recent metallurgical drill campaign. Once the appropriate intervals have been selected, the material will be dispatched to commence the defined testwork program.

In addition, UCS (Uniaxial Compressive Strength) testing on this core has now been completed and will be combined with historical geotechnical data to allow a geotechnical model of the deposit to be completed. This will enable mine design to commence ahead of scheduling and modelling of the proposed mining operation. It is anticipated that the mining component of the Scoping Study will be completed in November.

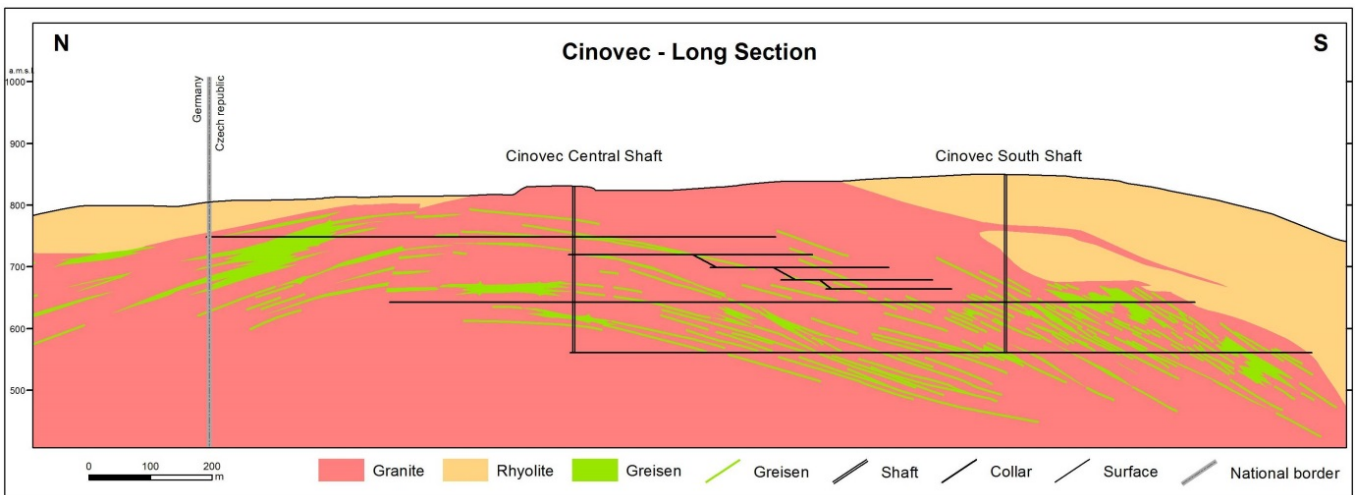
Zlaty Kopec Project

The Company was notified by the Ministry of Environment that its extension of the exploration license for Zlaty Kopec was not confirmed and that the appeal by local community council against the extension was granted.

The appeal was filed because the community deems exploration incompatible with the intent of proclaiming the Zlaty Kopec medieval historic adits as cultural heritage sites by the Ministry of Culture. The Zlaty Kopec project was not a priority in terms of the Company's development criteria. The Company accepts the decision and will focus on developing its primary project Cinovec, which is large tonnage deposit with simple metallurgy and a clear path to production. The Cinovec license was extended in August 2014 for 5 years, the site is of semi-industrial nature and the local community firmly supports the Company in its efforts to develop the project.

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

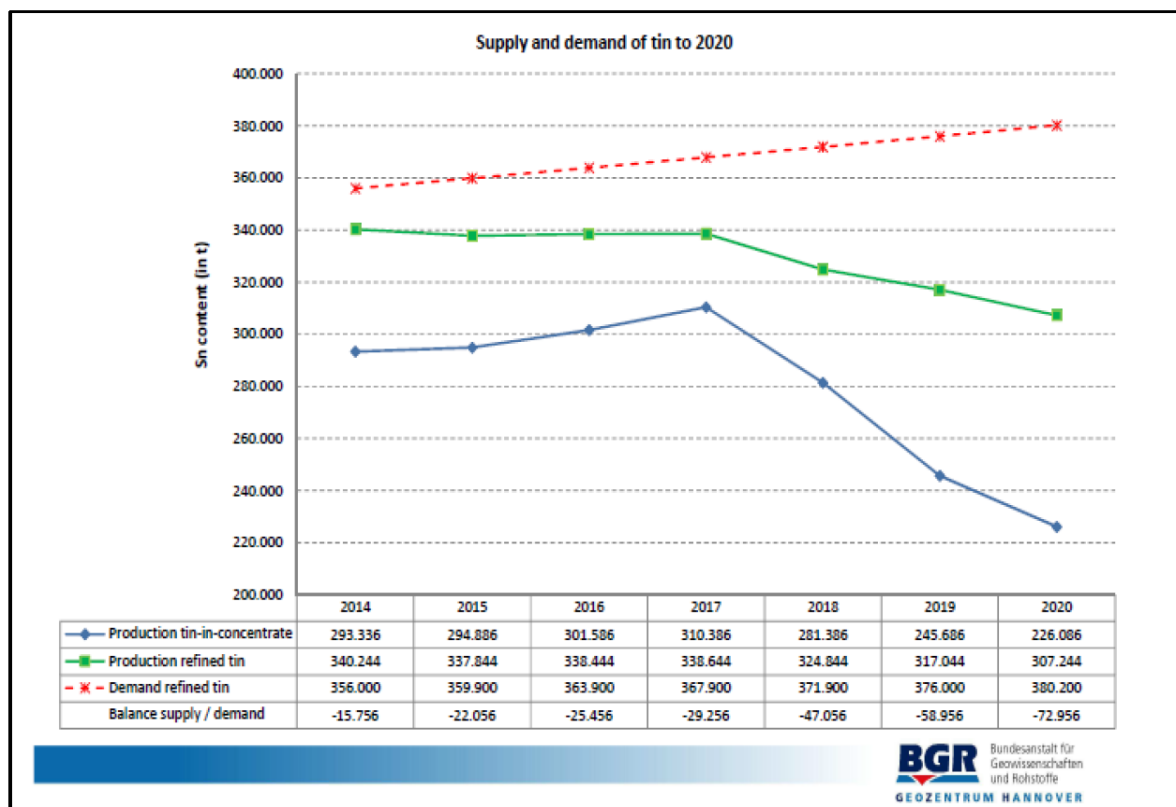


Czech Republic is ideally located at the centre of the European Union. It shares one of its borders with Germany which alone represents one third of its exports. The mining code is well established and the excellent infrastructure, electricity and communication networks create a sound environment for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

Tin Market Outlook

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")

30 September 2014

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (3 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	(232)	(232)
(b) development	-	-
(c) production	-	-
(d) administration	(140)	(140)
(e) project development costs	-	-
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other	-	-
Net Operating Cash Flows	(372)	(372)
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)	(372)	(372)

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(372)	(372)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc. net of costs	-	-
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)	(4)
	Net financing cash flows	(4)	(4)
	Net increase (decrease) in cash held	(376)	(376)
1.20	Cash at beginning of quarter/year to date	379	379
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	3	3

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	58
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.

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	101
4.2 Development	-
4.3 Production	-
4.4 Administration	195
Total	296

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	3	379
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	3	379

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	38,400,006	15,480,002		
7.4 Changes during quarter (a) Increases through issues (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>	-	-	<u>Exercise price \$</u> -	<u>Expiry date</u> -
7.8 Issued during quarter	-	-		
7.9 Exercised during quarter	-	-		
7.10 Expired during quarter	1,200,000	-	<u>Exercise price \$</u> \$0.30	<u>Expiry date</u> 19.7.2014
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: 31 October 2014

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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Appendix 5B – Addendum
March 2014

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
 Oyabi Project Oyabi EL	Republic of Congo	-	0%	100%
 Cinovec Tin-Tungsten-Lithium Project	Czech Republic	100%	0%	0%
 Zlaty 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				