



EUROPEAN METALS

EUROPEAN METALS HOLDINGS LIMITED

ARBN 154 618 989

INTERIM FINANCIAL REPORT

31 DECEMBER 2017

Note: The information contained in this condensed report is to be read in conjunction with European Metals Holding Limited's 2017 annual report and any announcements made by the company during the half-year period ended 31 December 2017

European Metals Holdings Limited
ABRN 154 618 989
INTERIM FINANCIAL REPORT 31 DECEMBER 2017

CORPORATE DIRECTORY

Directors

Mr David Reeves	Non-Executive Chairman
Mr Keith Coughlan	Managing Director, CEO
Mr Richard Pavlik	Executive Director
Mr Kiran Morzaria	Non-Executive Director

Company Secretary

Ms Julia Beckett

Registered Office in Australia

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11 Ventnor Avenue
WEST PERTH WA 6005
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Facsimile: +61 8 6245 2055
Email: www.europeanmet.com

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CZECH REPUBLIC
Telephone: +420 732 671 666

Registered Address & Place of Incorporation

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Road Town
TORTOLA VG1 110
BRITISH VIRGIN ISLANDS

Nominated Advisor & Broker

Beaumont Cornish
2nd Floor, Bowman House
29 Wilson Street
LONDON EC2M 2SJ
UNITED KINGDOM

Share Register

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Level 11
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PERTH WA 6000
Telephone: +61 8 9323 2000
Facsimile: +61 8 9323 2033

UK Depository

Computershare Investor Services plc
The Pavilions
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BRISTOL BS99 6ZZ
UNITED KINGDOM

Auditor

Stantons International Audit & Consulting Pty Ltd
Level 2, 1 Walker Avenue
WEST PERTH WA 6005
Telephone: +61 8 9481 3188
Facsimile: +61 8 9321 1204

Reporting Accountants (UK)

Chapman Davis LLP
2 Chapel Court
LONDON SE1 1HH
UNITED KINGDOM

Securities Exchange Listing – Australia

Australian Securities Exchange Limited
Level 40, Central Park
152-158 St Georges Terrace
PERTH WA 6000

ASX Code: EMH

Securities Exchange Listing – United Kingdom

London Stock Exchange plc
10 Paternoster Square
LONDON EC4M 7LS
UNITED KINGDOM

AIM Code: EMH

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DIRECTORS' REPORT

Your Directors submit the financial report of the consolidated group for the half year ended 31 December 2017.

Directors

The names of the directors who held office during or since the end of the half-year.

Mr Keith Coughlan	Managing Director, CEO	Appointed 6 September 2013
Mr David Reeves	Non-Executive Chairman	Appointed 6 March 2014
Mr Richard Pavlik	Executive Director	Appointed 27 June 2017
Mr Kiran Morzaria	Non-Executive Director	Appointed 10 December 2015

Results of Operations

The consolidated loss for the half year ended 31 December 2017 amounted to \$1,877,730 (2016: \$3,164,185 loss).

Review of Operations

During the period the Company focused on continued progress in the development of the globally significant Cinovec Lithium/Tin Project in Czech Republic ("**the project**" of "**Cinovec**").

Highlights in the period include:

Project Development

During the period the Company undertook a six core-hole infill drilling program at Cinovec.

A total of 2,697.1m was completed on time and without loss time accidents. Infill drilling was undertaken to the southwest section of the deposit, targeting two 'gaps' in the resource model that could potentially be targeted for mining in the initial years, and upgrading part of the resource from the Inferred category to the higher confidence Indicated category. The results exceeded expectations.

This drilling campaign culminated in the Company announcing a further upgrade of its JORC Compliant Indicated Mineral Resources at Cinovec on November 28th, confirming its status as the largest lithium resource in Europe.

On December 19th, the Company announced that the Cinovec NorthWest Resource had been added to the Czech State resource register. The NorthWest Resource now joins the Cinovec South Resource that was added to the resource register in February 2017. This is the first step in the process for the granting of a mining permit

Operations

Craig Reimer was appointed to the position of DFS Manager during the quarter ending September 2017. Craig has over 25 years' experience in project management, engineering management and business development, and has delivered successful international mining projects for previous clients. Craig is a Mechanical Engineer.

The Company also appointed Grant Harman as Metallurgical Consultant to the DFS. Grant is one of the world's foremost lithium metallurgists and played a significant role in the Company's successful Pre-Feasibility Study.

Significant Change in State of Affairs

On 27 June 2017 the Company announced the engagement of 6466 Investments Pty Ltd for an interim funding facility to maintain momentum in developing the Project. Following the first funding facility drawdown on 30 June 2017, the Company issued a further 1,463,676 CDIs, over 4 drawdowns of AUD 250,000 each, raising a total of AUD 1 million.

On 29 November 2017 the Company announced a capital raising of GBP 2,281,000 (approximately AUD 4 million (before costs) via subscriptions to predominantly UK based sophisticated investors. The raising was completed on 20 December 2017 through an issue of 6,517,142 CDIs at a price of 35p or 61.5 cents.

Following the approval by shareholders at the 2017 Annual General Meeting for the European Metals Holdings Limited

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Employee Securities Incentive Plan (“Plan”), 1,650,000 CDIs were issued to the Directors of the Company at A\$0.725 per share. The CDIs issued under the Plan are in escrow until 14 December 2018.

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%

Significant events after the reporting date

On 2 March 2018, the Company announced that it had received correspondence from Minister Industry and Trade of the Czech Republic, purporting to terminate the Memorandum of Understanding dated 2 October 2017 between the Company and the Ministry of Industry and Trade.

There were no other significant events after the reporting period.

Auditor’s Independence Declaration

The auditor’s independence declaration for the half year ended 31 December 2017 has been received and can be found on page 5 of the financial report.

This report of the Directors is signed in accordance with a resolution of the Board of Directors.



Keith Coughlan
MANAGING DIRECTOR

16 March 2018

16 March 2018

Board of Directors
European Metals Holdings Limited
Suite 12, Level 1
11 Ventnor Avenue
WEST PERTH WA 6005

Dear Sirs

RE: EUROPEAN METALS HOLDINGS LIMITED

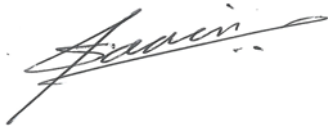
In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of European Metals Holdings Limited.

As Audit Director for the review of the financial statements of European Metals Holdings Limited for the six months ended 31 December 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours faithfully

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International)
(An Authorised Audit Company)



Samir R Tirodkar
Director

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2017

	Note	31 December 2017	31 December 2016
		\$	\$
Revenue – Interest income		1,592	8,484
Other Income		-	852
Professional fees		(167,288)	(98,704)
Audit and compliance fees		(13,175)	(15,066)
Advertising and promotion		(28,116)	(84,146)
Share based payment expense	5	(1,179,212)	(2,671,444)
Depreciation		(267)	(594)
Employee benefits		(225,670)	(142,285)
Travel and accommodation		(62,485)	(36,380)
Share registry fees		(79,741)	(60,317)
Insurance		(11,668)	(7,737)
Rent and utilities		(39,619)	(41,457)
Other administration expenses		(72,081)	(15,391)
Loss before income tax		<u>(1,877,730)</u>	<u>(3,164,185)</u>
Income tax expense		-	-
Loss for the period		<u>(1,877,730)</u>	<u>(3,164,185)</u>
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss</i>		-	-
<i>Items that may be reclassified subsequently to profit or loss</i>			
- Exchange differences on translating foreign operations		431,736	(82,527)
Other comprehensive income/(loss) for the period, net of tax		<u>431,736</u>	<u>(82,527)</u>
Total comprehensive loss for the period		<u><u>(1,445,994)</u></u>	<u><u>(3,246,712)</u></u>
Net Loss attributable to:			
- members of the parent entity		<u>(1,877,730)</u>	<u>(3,164,185)</u>
		<u>(1,877,730)</u>	<u>(3,164,185)</u>
Total Comprehensive loss attributable to:			
- members of the parent entity		<u>(1,445,994)</u>	<u>(3,246,712)</u>
		<u><u>(1,445,994)</u></u>	<u><u>(3,246,712)</u></u>
Basic and diluted loss per CDI	3	(0.01)	(0.03)

The above statement should be read in conjunction with the accompanying notes.

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note	31 December 2017 \$	30 June 2017 \$
CURRENT ASSETS			
Cash and cash equivalents		3,432,475	446,112
Trade and other receivables		51,647	236,103
Other assets		49,442	37,605
TOTAL CURRENT ASSETS		<u>3,533,564</u>	<u>719,820</u>
NON-CURRENT ASSETS			
Property, plant and equipment		368,659	349,024
Exploration and evaluation expenditure	4	11,707,658	9,752,757
Intangible assets		5,997	5,679
TOTAL NON-CURRENT ASSETS		<u>12,082,314</u>	<u>10,107,460</u>
TOTAL ASSETS		<u>15,615,878</u>	<u>10,827,280</u>
CURRENT LIABILITIES			
Trade and other payables		552,908	332,250
TOTAL CURRENT LIABILITIES		<u>552,908</u>	<u>332,250</u>
TOTAL LIABILITIES		<u>552,908</u>	<u>332,250</u>
NET ASSETS		<u>15,062,970</u>	<u>10,495,030</u>
EQUITY			
Issued capital	5	20,422,378	15,587,656
Reserves		5,024,393	3,413,445
Accumulated losses		(10,383,801)	(8,506,071)
TOTAL EQUITY		<u>15,062,970</u>	<u>10,495,030</u>

The above statement should be read in conjunction with the accompanying notes.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2017

	Issued Capital	Option, loan CDIs and performance shares Reserves	Foreign Currency Translation Reserve	Accumulated Losses	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2016	11,674,141	557,246	87,301	(4,360,199)	7,958,489
Loss attributable to members of the Company	-	-	-	(3,164,185)	(3,164,185)
Other comprehensive loss	-	-	(82,527)	-	(82,527)
Total comprehensive loss for the period	-	-	(82,527)	(3,164,185)	(3,246,712)
Transactions with owners, recognised directly in equity					
CDIs issued during the period, net of costs	2,590,350	-	-	-	2,590,350
Share based payments	-	2,671,444	-	-	2,671,444
Exercise of options	400,000	-	-	-	400,000
Exercise of warrants	140,000	-	-	-	140,000
Balance at 31 December 2016	14,804,491	3,228,690	4,774	(7,524,384)	10,513,571
Balance at 1 July 2017	15,587,656	3,087,801	325,644	(8,506,071)	10,495,030
Loss attributable to members of the Company	-	-	-	(1,877,730)	(1,877,730)
Other comprehensive income	-	-	431,736	-	431,736
Total comprehensive income/(loss) for the period	-	-	431,736	(1,877,730)	(1,445,994)
Transactions with owners, recognized directly in equity					
CDIs issued during the period, net of costs	4,834,722	-	-	-	4,834,722
Equity based payment	-	29,559	-	-	29,559
CDIs issued pursuant to loan plan	-	1,149,653	-	-	1,149,653
Balance at 31 December 2017	20,422,378	4,267,013	757,380	(10,383,801)	15,062,970

The above statement should be read in conjunction with the accompanying notes.

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CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2017

	31 December 2017	31 December 2016
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(733,290)	(623,519)
Interest received	1,592	8,484
Interest paid	-	(15)
R&D Rebate	174,305	-
Net cash used in operating activities	<u>(557,393)</u>	<u>(615,050)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for exploration and evaluation expenditure	(1,290,091)	(2,261,991)
Payments for property, plant and equipment	-	(15,700)
Net cash used in investing activities	<u>(1,290,091)</u>	<u>(2,277,691)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of CDIs	5,018,667	3,140,000
Proceeds from related party	200,000	-
Repayment of related party	(200,000)	-
Capital raising costs	(186,632)	(9,650)
Net cash from financing activities	<u>4,832,035</u>	<u>3,130,350</u>
Net increase in cash and cash equivalents	2,984,551	237,609
Cash and cash equivalents at the beginning of the financial period	446,112	3,134,661
Foreign currency translation	1,812	-
Cash and cash equivalents at the end of financial period	<u><u>3,432,475</u></u>	<u><u>3,372,270</u></u>

The above statement should be read in conjunction with the accompanying notes.

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CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2017

NOTE 1: BASIS OF PREPARATION

Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost, except where applicable for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Group's 2017 annual financial report for the financial year ended 30 June 2017, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Changes in accounting policies, accounting standards and interpretations

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2017. All applicable new standards and interpretations issued since 1 July 2017 have been adopted. There was no significant impact on the Group.

Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below.

Share-based payments

The value attributed to share options, performance shares, loan CDIs and remuneration shares issued is an estimate calculated using an appropriate mathematical formula based on Black-Scholes option pricing model. The choice of models and the resultant option value require assumptions to be made in relation to the likelihood and timing of the conversion of the options to shares and the value and volatility of the price of the underlying shares. Details of share-based payments assumptions are detailed in Note 6.

New and Revised Accounting Requirements Applicable to the Current Half-Year Reporting Period

The Company has adopted all of the new and revised Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current reporting period.

The adoptions of the new and revised standards have not had a material impact on this half year financial report.

NOTE 2: OPERATING SEGMENTS

The accounting policies used by the Group in reporting segments are in accordance with the measurement principles of Australian Accounting Standards.

The Group has identified its operating segments based on the internal reports that are provided to the Board of Directors, according to AASB 8 Operating Segments.

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CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2017

NOTE 2: OPERATING SEGMENTS (CONTINUED)

The Group currently has one project which takes into account each of the above-mentioned aspects. The principal activities for the project are exploration of lithium, tin, tungsten and other commodities, and the development of the existing resources. The project is likely to use the same resources in future and the nature of the regulatory environment is the Czech Republic. This is expected to be the same for future projects. Accordingly, management has identified one operating segment based on the location of the projects, that being the Czech Republic.

NOTE 3: LOSS PER CDI	31 December 2017	31 December 2016
Basic and diluted loss per CDI	(\$0.01)	(\$0.03)
Loss attributable to members of European Metals Holdings Limited	(\$1,877,730)	(\$3,164,185)
Weighted average number of CDIs outstanding during the period	131,863,182	123,574,735

NOTE 4: EXPLORATION AND EVALUATION EXPENDITURE	31 December 2017	30 June 2017
	\$	\$
Exploration at cost		
Balance at the beginning of the year	9,752,757	4,940,613
Exploration of tenements	1,541,755	4,688,558
Foreign exchange movement	413,146	123,586
	<u>11,707,658</u>	<u>9,752,757</u>

NOTE 5: ISSUED CAPITAL AND RESERVES

	<u>Number</u>	<u>\$</u>
(a) Issued and paid up capital		
139,964,727 (30 June 2017: 130,333,909 CDIs)	139,964,727	20,422,378
Total issued capital		<u><u>20,422,378</u></u>

(b) Movements in CDIs

	<u>Date</u>	<u>Number</u>	<u>\$</u>
Balance at the beginning of the year	1 July 2016	121,417,126	11,674,141
CDI – exercise of warrants	7 October 2016	500,000	155,225
CDI – exercise of options	17 October 2016	2,000,000	400,000
CDI – exercise of warrants	22 November 2016	500,000	155,225
CDI capital raising	24 November 2016	5,000,000	2,600,000
CDI – exercise of options	1 June 2017	250,000	258,108
CDI – exercise of options	6 June 2017	250,000	258,107
CDI capital raising	30 June 2017	416,783	297,500
Capital raising cost		-	(210,650)
Balance at the end of the year	30 June 2017	<u>130,333,909</u>	<u>15,587,656</u>

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FOR THE HALF YEAR ENDED 31 DECEMBER 2017

NOTE 5: ISSUED CAPITAL AND RESERVES (CONTINUED)		31 December 2017	30 June 2017
		\$	\$
(b) Movements in CDIs			
Balance at the beginning of the period	1 July 2017	130,333,909	15,587,656
CDI capital raising	1 August 2017	364,679	257,500
CDI capital raising	10 August 2017	351,448	257,506
CDI capital raising	1 September 2017	375,905	257,495
CDI capital raising	10 October 2017	371,644	257,549
Issued capital – Loan CDIs to related parties	14 December 2017	1,650,000	-
CDI capital raising	20 December 2017	6,517,142	4,008,042
Capital raising cost		-	(203,370)
Balance at the end of the period	31 December 2017	139,964,727	20,422,378

(c) Loan CDIs Reserve	Date	Quantity	Unit Value \$	Total \$
Loan CDIs	14 Dec 2017	1,650,000	\$0.69676	1,149,653
Balance at 31 December 2017		1,650,000		1,149,653

Employee securities incentive plan

During the half year ended 31 December 2017, remuneration in the form of Employee Securities Incentive Plan were issued to the Directors to attract, motivate and retain such persons and to provide them with an incentive to deliver growth and value to shareholders.

The Loan CDIs represent an option arrangement. Loan CDIs vested immediately. The key terms of the Employee Share Plan and of each limited recourse loan provided under the Plan are as follows:

- i. The total loan equal to issue price multiplied by the number of Plan CDIs applied for (“Advance”), which shall be deemed to have been draw down at Settlement upon issued of the Loan Shares.
- ii. The Loan shall be interest free. However, if the advance is not repaid on or before the Repayment date, the Advance will accrue interest at the rate disclosed in the Plan from the Business Day after the Repayment Date until the date the Advance is repaid in full.
- iii. All or part of the loan may be repaid prior to the Advance repayment Date.

Repayment date

- iv. Notwithstanding paragraph iii. above, (“the borrower”) may repay all or part of the Advance at any time before the repayment date i.e. 15 years after the date the Loan Advance; and
- v. The Loan is repayable on the earlier of:
 - (a) The repayment date;
 - (b) The plan CDIs being sold;
 - (c) The borrower becoming insolvent;
 - (d) The borrower ceasing to be employed by the Company; and
 - (e) The plan CDIs being acquired by a third party by way of an amalgamation, arrangement or formal takeover bid for not less than all the outstanding CDIs.

Loan Forgiveness

- vi. The Board may, in its sole discretion, waive the right to repayment of all or any part of the outstanding balance of an Advance where:
 - (i) The borrower dies or becomes permanently disabled; or
 - (ii) The Board otherwise determines that such waiver is appropriate
- vii. Where the Board waives repayment of the Advance in accordance with clause 6(a), the Advance is deemed to have been repaid in full for the purposes of the Plan in this agreement.

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CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 5: ISSUED CAPITAL AND RESERVES (CONTINUED)

Sale of loan CDIs

- viii. In accordance with the terms of the Plan and the Invitation, the Loan CDIs cannot be sold, transferred, assigned, charged or otherwise encumbered with the Plan CDIs except in accordance with the Plan.

(d) Movements B Class Performance Shares

	<u>Date</u>	<u>Number</u>	<u>\$</u>
Balance at the beginning of the year	1 July 2016	-	-
Performance Shares issued	24 November 2016	5,000,000	2,671,444
Balance at the end of the year period	30 June 2017	5,000,000	2,671,444
Balance at the beginning of the period	1 July 2017	5,000,000	2,671,444
Balance at the end of the period	31 December 2017	5,000,000	2,671,444

CDIs and Depositary Interests (CDIs') entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. On a show of hands every holder of a CDI and/or DI present at a meeting in person or by proxy, is entitled to one vote, and in a poll each share is entitled to one vote.

European Metals Holding is a company limited by shares incorporated in the British Virgin Islands with an authorised share capital, 200,000,000 no par value shares of a single class. Pursuant to the prospectus dated 26 April 2012, the company issued CDIs in July 2012. The holder of the CDIs has beneficial ownership in the underlying shares instead of legal title. In respect of CDIs, legal title and the underlying shares is held by Chess Depository Nominees Pty Ltd. Immediately prior to admission to AIM in December 2015, the Company created the DIs. In respect of DIs, legal title and the underlying shares is held by the UK Depository, Computershare Investor Services PLC.

Holders of CDIs and/or DIs have the same entitlement benefits of holding the underlying shares. Each Share in the Company confers upon the Shareholder:

- (a) the right to one vote at a meeting of the Shareholders of the Company or on any Resolution of Shareholders;
- (b) the right to an equal share in any dividend paid by the Company; and
- (c) the right to an equal share in the distribution of the surplus assets of the Company on its liquidation.

The terms of the performance shares are as follows:

The 5,000,000 B Class Performance Shares will convert in accordance with the below:

- (i) 1,000,000 B Class Performance Shares will 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. **(Explanatory Note: Under Czech law a mineral resource must be registered and henceforth treated as a resource by the Czech Government before mining licenses can be granted. A mineral resource has to be calculated according to the Czech regulations, and defended in front of a committee of state certified experts);**
- (ii) 1,000,000 B Class Performance Shares will 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; and

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CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2017

NOTE 5: ISSUED CAPITAL AND RESERVES (CONTINUED)

- (i) 3,000,000 B Class Performance Shares will convert into Shares and an equivalent number of CDIs upon the completing 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,
- (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.
- (ii) 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.

\$2,671,444 has been attributed to the Performance Shares and was fully expensed in prior periods.

NOTE 6: SHARE BASED PAYMENT EXPENSE

The following share-based payment arrangements existed as at 31 December 2017:

On 3 January 2017, 400,000 options with an exercise price of 58 cents and exercisable on or before the 3 January 2020 were granted to a Director of the Company. 250,000 of these options will vest at the completion of the Definitive Feasibility Study and the balance will vest 12 months thereafter. The options were valued under the Black and Scholes at \$177,352. The value of the options has been pro-rated over the vesting period. Therefore, a fair value adjustment of \$29,559 was recognised as a share based payment in the profit or loss.

On 14 December 2017, the Company issued 1,650,000 CDIs to the Directors under the Company's Employee Securities Incentive Plan as approved by Shareholders at the Annual General Meeting held on 30 November 2017. The subscription amounts for the new CDI's was accounted for by a limited recourse interest free loan provided by the Company to the Directors.

Recipient	Class of SBP	Quantity	Grant date Fair Value	Value recognised during the period	Value to be recognised in future years
Keith Coughlan	Loan CDIs	850,000	\$0.69676	\$592,245	-
David Reeves	Loan CDIs	300,000	\$0.69676	\$209,028	-
Richard Pavlik	Loan CDIs	300,000	\$0.69676	\$209,028	-
Kiran Morzaria	Loan CDIs	200,000	\$0.69676	\$139,352	-
Richard Pavlik	Share Options	400,000	\$0.44338	\$29,559	\$118,234
				\$1,179,212	\$118,234

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NOTE 6: SHARE BASED PAYMENT EXPENSE (CONTINUED)

Fair value of Loan CDIs

The fair value of the 1,650,000 loan CDIs granted have been valued using a Black Scholes Methodology, taking into account the terms and conditions upon which the loan CDIs were granted. The exercise price of the loan CDI's is equal to the market price of the underlying shares being the VWAP of shares traded on the ASX over the 5 trading days immediately preceding the date of grant.

A summary of the inputs used in the valuation of the loan CDIs are as follows:

Loan CDIs	Keith Coughlan	David Reeves	Richard Pavlik	Kiran Morzaria
Exercise price	\$0.725	\$0.725	\$0.725	\$0.725
Share price at date of issue	\$0.70	\$0.70	\$0.70	\$0.70
Grant date	30 November 2017	30 November 2017	30 November 2017	30 November 2017
Expected volatility	41.4%	41.4%	41.4%	41.4%
Expiry date	30 November 2032	30 November 2032	30 November 2032	30 November 2032
Expected dividends	Nil	Nil	Nil	Nil
Risk free interest rate	2.47%	2.47%	2.47%	2.47%
Value per loan CDI	\$0.69676	\$0.69676	\$0.69676	\$0.69676
Number of loan CDIs	850,000	300,000	300,000	200,000
Total value	\$592,245	\$209,028	\$209,028	\$139,352

The following share-based payment arrangements existed as at 30 June 2017:

Instruments granted are as follow:

	Grant Date	Number
i.	18 November 2016 – Class B Performance Shares (related parties)	1,336,557
ii.	18 November 2016 – Class B Performance Shares (non-related parties)	3,663,443
	Total	5,000,000

\$2,671,444 has been attributed to the Performance Shares and was fully expensed in prior periods.

NOTE 7: RELATED PARTY TRANSACTIONS

The related party transactions of the half-year financial report are consistent with those adopted and disclosed in the Company's 2017 annual financial report for the financial year ended 30 June 2017 except the following.

On 14 December 2017, the Company issued 1,650,000 CDIs to the Directors under the Company's Employee Securities Incentive Plan as approved by Shareholders at the Annual General Meeting held on 30 November 2017, of which Mr Keith Coughlan was entitled for 850,000, Mr David Reeves was entitled for 300,000, Mr Richard Pavlik was entitled for 300,000 and Mr Kiran Morzaria was entitled for 200,000 respectively. A value of \$1,149,653 has been attributed to the Loan CDIs at \$0.725 per CDI, and has been fully expensed.

During the half year, Mr. David Reeves loaned \$200,000 to the Company for a short term period with beared no interest. The full amount was repaid during the period.

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NOTE 8: CONTINGENT LIABILITIES AND COMMITMENTS

There has been no change in contingent liabilities and commitments since the last annual reporting date.

NOTE 9: EVENTS SUBSEQUENT TO REPORTING DATE

On 2 March 2018, the Company received correspondence from Minister Industry and Trade of the Czech Republic, purporting to terminate the Memorandum of Understanding dated 2 October 2017 between the Company and the Ministry of Industry and Trade.

There have been no other significant events after the reporting date.

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DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. The financial statements and notes set out on pages 6 to 16:
 - (a) comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Act 2001, and
 - (b) give a true and fair view of the Consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date.

2. In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors made pursuant to section 303(5) of the Corporations Act 2001 and is signed for and on behalf of the Directors by:



Keith Coughlan
MANAGING DIRECTOR

16th March 2018

**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
EUROPEAN METALS HOLDINGS LIMITED**

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of European Metals Holdings Limited, which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the half-year ended on that date, condensed notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for European Metals Holdings Limited (the consolidated entity). The consolidated entity comprises both European Metals Holdings Limited (the Company) and the entities it controlled during the half year.

Directors' Responsibility for the Half-Year Financial Report

The directors of European Metals Holdings Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of European Metals Holdings Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Whilst we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by the directors or management.

Independence


In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, has been provided to the directors of European Metals Holdings Limited on 16 March 2018.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of European Metals Holdings Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International)
(An Authorised Audit Company)

Stantons International Audit and Consulting Pty Ltd


Samir R Tirodkar
Director

West Perth, Western Australia
16 March 2018