

**EUROPEAN METALS HOLDINGS LIMITED**

**QUARTERLY ACTIVITIES REPORT**

**HIGHLIGHTS**

- **Lithium recoveries improved to 95%**
- **Ongoing development of Cinovec Project**
- **Appointment of COO (post reporting period)**

European Metals Holdings Limited (“**European Metals**” or “**the Company**”) is pleased to report on its activities and continued progress in the development of the globally significant Cinovec Lithium / Tin Project in Czech Republic during the three month period ending March 2018.

**LITHIUM RECOVERIES IMPROVED TO 95%**

On 28 March 2018, European Metals reported on the preliminary results received from its ongoing metallurgical optimisation and ore variability testwork program.

Highlights included:

- Lithium leach recoveries of 94–95% achieved from recent laboratory scale roasting and water leaching tests.
- Confirmation that a modest increase in roasting temperature significantly increases lithium recovery.
- Confirmation that the substitution of the more cost effective reagent, limestone in place of lime did not reduce lithium recovery.

Recent metallurgical testwork has seen further roast recovery improvements on ore sourced from core taken from the area that is intended to be mined and processed in the first years of the project.

Subsequently testwork was completed whereby the more cost effective reagent limestone was substituted for lime into the roasting feed mix. A lithium recovery rate of 94.8% was achieved from this test. This finding will support the achievement of significant cost savings in this part of the flowsheet.

**DEVELOPMENTS POST REPORTING PERIOD**

**Appointment of Chief Operating Officer**

On 11 April 2018 European Metals announced the appointment of Neil Meadows as Chief Operating Officer of the Company.

Neil is an accomplished and highly regarded senior executive with a successful background in leadership in the Australian resources sector. His strategic focus, outstanding communication skills and excellent work ethic have provided him with the leadership strengths to manage multi-disciplined teams in the achievement of corporate objectives. He is result-orientated, disciplined and has gained considerable recognition for his work in improving operational and business outcomes for major enterprises.

Details of Neil's previous positions and academic achievements are included in the announcement.

## CORPORATE

Details of the performance securities on issue as at 31 March 2018 are as follows:

Number	Description	Summary Terms & Conversion Hurdles
1,000,000	Class B Performance Shares	Convert to Shares on a 1:1 basis upon the Company's mineral resource at Cinovec South and Cinovec Main being entered in the State Balance.
1,000,000	Class B Performance Shares	Convert to Shares on a 1:1 basis upon the issuance of the preliminary mining licences relating to the Cinovec Project.
3,000,000	Class B Performance Shares	Convert into Shares on a 1:1 basis upon the completion of the definitive feasibility study.

The Class B Performance Shares convert into an equal number of fully paid ordinary shares should the performance hurdles be satisfied. Full details of the terms and conversion hurdles are set out in the Remuneration Report of the 2017 Annual Report.

No Class B Performance Shares were converted or cancelled during the quarter.

## TENEMENT SCHEDULE

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

## BACKGROUND INFORMATION ON CINOVEC

### PROJECT OVERVIEW

#### Cinovec Lithium/Tin Project

European Metals, through its wholly owned Subsidiary, Geomet s.r.o., controls the mineral exploration licenses awarded by the Czech State over the Cinovec Lithium/Tin Project. Cinovec hosts a globally significant hard rock lithium deposit with a total Indicated Mineral Resource of 348Mt @ 0.45% Li<sub>2</sub>O and 0.04% Sn and an Inferred Mineral Resource of 309Mt @ 0.39% Li<sub>2</sub>O and 0.04% Sn containing a combined 7.0 million tonnes Lithium Carbonate Equivalent and 263kt of tin. An initial Probable Ore Reserve of 34.5Mt @ 0.65% Li<sub>2</sub>O and 0.09% Sn has been declared to cover the first 20 years mining at an output of 20,800tpa of lithium carbonate.

This makes Cinovec the largest lithium deposit in Europe, the fourth largest non-brine deposit in the world and a globally significant tin resource.

The deposit has previously had over 400,000 tonnes of ore mined as a trial sub-level open stope underground mining operation.

EMH has completed a Preliminary Feasibility Study, conducted by specialist independent consultants, which indicated a return post tax NPV of USD540m and an IRR of 21%. It confirmed the deposit is be amenable to bulk underground mining. Metallurgical test work has produced both battery grade lithium carbonate and high-grade tin concentrate at excellent recoveries. Cinovec is centrally located for European end-users and is well serviced by infrastructure, with a sealed road adjacent to the deposit, rail lines located 5 km north and 8 km south of the deposit and an active 22 kV transmission line running to the historic mine. As the deposit lies in an active mining region, it has strong community support.

The economic viability of Cinovec has been enhanced by the recent strong increase in demand for lithium globally, and within Europe specifically.

## **CONTACT**

For further information on this update or the Company generally, please visit our website at [www.europeanmet.com](http://www.europeanmet.com) or contact:

**Mr. Keith Coughlan**  
**Managing Director**

## **COMPETENT PERSON**

Information in this release that relates to exploration results is based on information compiled by Dr Pavel Reichl. Dr Reichl is a Certified Professional Geologist (certified by the American Institute of Professional Geologists), a member of the American Institute of Professional Geologists, a Fellow of the Society of Economic Geologists and is a Competent Person as defined in the 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves and a Qualified Person for the purposes of the AIM Guidance Note on Mining and Oil & Gas Companies dated June 2009. Dr Reichl consents to the inclusion in the release of the matters based on his information in the form and context in which it appears. Dr Reichl holds CDIs in European Metals.

The information in this release that relates to Mineral Resources and Exploration Targets has been compiled by Mr Lynn Widenbar. Mr Widenbar, who is a Member of the Australasian Institute of Mining and Metallurgy, is a full time employee of Widenbar and Associates and produced the estimate based on data and geological information supplied by European Metals. Mr Widenbar has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that he is undertaking to qualify as a Competent Person as defined in the JORC Code 2012 Edition of the Australasian Code for Reporting of Exploration Results, Minerals Resources and Ore Reserves. Mr Widenbar consents to the inclusion in this report of the matters based on his information in the form and context that the information appears.

## **CAUTION REGARDING FORWARD LOOKING STATEMENTS**

Information included in this release constitutes forward-looking statements. Often, but not always, forward looking statements can generally be identified by the use of forward looking words such as "may", "will", "expect", "intend", "plan", "estimate", "anticipate", "continue", and "guidance", or other similar words and may include, without limitation, statements regarding plans, strategies and objectives of management, anticipated production or construction commencement dates and expected costs or production outputs.

Forward looking statements inherently involve known and unknown risks, uncertainties and other factors that may cause the company's actual results, performance and achievements to differ materially from any future results, performance or achievements. Relevant factors may include, but are not limited to, changes in commodity prices, foreign exchange fluctuations and general economic conditions, increased costs and demand for production inputs, the speculative nature of exploration and project development, including the risks of obtaining necessary licences and permits and

diminishing quantities or grades of reserves, political and social risks, changes to the regulatory framework within which the company operates or may in the future operate, environmental conditions including extreme weather conditions, recruitment and retention of personnel, industrial relations issues and litigation.

Forward looking statements are based on the company and its management's good faith assumptions relating to the financial, market, regulatory and other relevant environments that will exist and affect the company's business and operations in the future. The company does not give any assurance that the assumptions on which forward looking statements are based will prove to be correct, or that the company's business or operations will not be affected in any material manner by these or other factors not foreseen or foreseeable by the company or management or beyond the company's control.

Although the company attempts and has attempted to identify factors that would cause actual actions, events or results to differ materially from those disclosed in forward looking statements, there may be other factors that could cause actual results, performance, achievements or events not to be as anticipated, estimated or intended, and many events are beyond the reasonable control of the company. Accordingly, readers are cautioned not to place undue reliance on forward looking statements. Forward looking statements in these materials speak only at the date of issue. Subject to any continuing obligations under applicable law or any relevant stock exchange listing rules, in providing this information the company does not undertake any obligation to publicly update or revise any of the forward looking statements or to advise of any change in events, conditions or circumstances on which any such statement is based.

#### **LITHIUM CLASSIFICATION AND CONVERSION FACTORS**

Lithium grades are normally presented in percentages or parts per million (ppm). Grades of deposits are also expressed as lithium compounds in percentages, for example as a percent lithium oxide ( $\text{Li}_2\text{O}$ ) content or percent lithium carbonate ( $\text{Li}_2\text{CO}_3$ ) content.

Lithium carbonate equivalent ("LCE") is the industry standard terminology for, and is equivalent to,  $\text{Li}_2\text{CO}_3$ . Use of LCE is to provide data comparable with industry reports and is the total equivalent amount of lithium carbonate, assuming the lithium content in the deposit is converted to lithium carbonate, using the conversion rates in the table included below to get an equivalent  $\text{Li}_2\text{CO}_3$  value in percent. Use of LCE assumes 100% recovery and no process losses in the extraction of  $\text{Li}_2\text{CO}_3$  from the deposit.

Lithium resources and reserves are usually presented in tonnes of LCE or Li.

The standard conversion factors are set out in the table below:

**Table: Conversion Factors for Lithium Compounds and Minerals**

<b>Convert from</b>		<b>Convert to Li</b>	<b>Convert to <math>\text{Li}_2\text{O}</math></b>	<b>Convert to <math>\text{Li}_2\text{CO}_3</math></b>
Lithium	Li	<b>1.000</b>	2.153	5.324
Lithium Oxide	$\text{Li}_2\text{O}$	0.464	<b>1.000</b>	2.473
Lithium Carbonate	$\text{Li}_2\text{CO}_3$	0.188	0.404	<b>1.000</b>

#### **WEBSITE**

A copy of this announcement is available from the Company's website at [www.europeanmet.com](http://www.europeanmet.com).

#### **ENQUIRIES:**

**European Metals Holdings Limited**

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The information contained within this announcement is considered to be inside information, for the purposes of Article 7 of EU Regulation 596/2014, prior to its release.

# Appendix 5B

## Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

EUROPEAN METALS HOLDINGS LIMITED (ASX: EMH)

ABN

55 154 618 989

Quarter ended (Current quarter)

31 March 2018

### Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (9 Months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	-	-
1.2 Payments for:		
(a) exploration and evaluation	(551)	(1,842)
(b) development	-	-
(c) production	-	-
(d) staff costs and board remuneration	(111)	(397)
(e) administration and corporate costs	(213)	(660)
(f) UK Listing	-	-
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	2
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	174
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(875)</b>	<b>(2,723)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
<b>2.6 Net cash from / (used in) investing activities</b>	<b>-</b>	<b>-</b>

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (3 Months) \$A'000</b>
<b>3. Cash flows from financing activities</b>			
3.1	Proceeds from issues of shares	-	5,019
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	(26)	(213)
3.5	Proceeds from borrowings	-	200
3.6	Repayment of borrowings	-	(200)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>(26)</b>	<b>4,806</b>
<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>			
4.1	Cash and cash equivalents at beginning of quarter/year to date	3,432	446
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(875)	(2,723)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(26)	4,806
4.5	Effect of movement in exchange rates on cash held	3	5
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>2,534</b>	<b>2,534</b>
<b>5. Reconciliation of cash and cash equivalents</b>			
	at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	2,534	3,432
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter</b> (should equal item 4.6 above)	<b>2,534</b>	<b>3,432</b>
<b>6. Payments to directors of the entity and their associates</b>		<b>Current quarter \$A'000</b>	
6.1	Aggregate amount of payments to these parties included in item 1.2		60
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3		-
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2		
Amounts paid to directors and their associates as director remuneration and reimbursement expenses.			
<b>7. Payments to related entities of the entity and their associates</b>		<b>Current quarter \$A'000</b>	
7.1	Aggregate amount of payments to these parties included in item 1.2		29
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3		-
7.3	Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2		
Amounts paid to Wilgus Investments Pty Ltd a related entity of David Reeves for Rent and Consulting Fees.			
<b>8. Financing facilities available</b>		<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
	Add notes as necessary for an understanding of the position		
8.1	Loan facilities	-	-
8.2	Credit standby arrangements	-	-
8.3	Other (please specify)	-	-

- 8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.

N/A

**9. Estimated cash outflows for next quarter**

	<b>\$A'000</b>
9.1 Exploration and evaluation	1,210
9.2 Development	-
9.3 Production	-
9.4 Staff costs and director remuneration	148
9.5 Administration and corporate costs	151
9.6 Other (provide details if material)	-
<b>9.7 Total estimated cash outflows</b>	<b>1,509</b>

**10. Changes in tenements**  
(items 2.1(b) and 2.2(b) above)

	<b>Tenement reference and location</b>	<b>Nature of interest</b>	<b>Interest at beginning of quarter %</b>	<b>Interest at end of quarter %</b>
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	Nil			
10.2 Interests in mining tenements and petroleum tenements acquired or increased	Nil			

## Compliance statement

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

Signed:



Dated: Monday, 30 April 2018

Company Secretary

Print name: Julia Beckett

## Notes

- The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
- If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
- Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.