

15 March 2019

For immediate release

EUROPEAN METALS HOLDINGS LIMITED
Unaudited Interim Financial Report
For the six months ended 31 December 2018

The Directors of European Metals Holdings Limited (“European Metals” or “the Company”) (ASX & AIM: EMH), the specialty lithium exploration and development company with assets in the Czech Republic, are pleased to release its interim unaudited financial report for the half year ended 31 December 2018.

A copy of the European Metals Half Year Report is also available on the Company's website at 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. The person who arranged for the release of this announcement on behalf of the Company was Keith Coughlan, Director.

DIRECTORS' REPORT

Your Directors submit the financial report of the consolidated group for the half year ended 31 December 2018.

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 2018 amounted to \$2,188,030 (2017: \$1,877,730 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

The Company completed additional roast optimisation testwork early in the quarter and reported that sustained improved recoveries had resulted in a predicted increase in lithium carbonate modelled production to 22,500 tpa from the project. This is likely to improve cash margins on the Project by approximately 10%. The Company also reported that the optimised reagent mix

developed during the testwork as compared to that reported in the PFS resulted in the elimination of all high cost inputs to the roast predicted previously. The use of low cost waste gypsum from local power plants as a roasting reagent not only enhances the economics of the project, but is a significant positive environmental outcome for the region.

On 4 September 2018 the Company confirmed the commencement on the development of an updated Preliminary Feasibility Study (PFS) modelling the economics of the production of lithium hydroxide from Cinovec ore. The updated PFS included a process flowsheet whereby battery grade lithium hydroxide may be precipitated directly from the roast and water leach steps.

Further advancements made in the development of the Cinovec Project and reported at that time include:

- Permits required for the DFS resource drilling campaign had been granted.
- A total of 13 drill holes for a total drilled length of 3,386 metres had been permitted.
- The first 4 geotechnical drill holes at the proposed site of the mine portal had been completed.
- Testing of the revised lithium hydroxide product flowsheet had commenced on schedule.

During the period testwork at Dorfner Anzaplan in Germany had commenced on schedule.

On 5 November 2018, the Company provided a project update highlighting further significant advancements to the Cinovec Project including the following highlights:

- The planned diamond drilling resource campaign has commenced.
- A total of eight resource drill holes will be completed during this campaign with the first hole already completed.
- Geophysical logging of the first four geotechnical drill holes at the proposed mine portal site has been completed.
- A further five geotechnical drill holes are planned once resource drilling has been completed

Operations

On 7 November 2018, the Directors announced the appointment of WH Ireland Limited as Joint Broker to the Company.

Significant Change in State of Affairs

On 20 November 2018, the Company announced that it had raised gross proceeds of £1,035,500 (approximately AUD \$1.82 million (before costs)) via a share placing to Australian and UK investors. The raising was completed on 27 November 2018 through an issue of 5,177,500 CDIs at a price of 20p or 35.1 cents.

On 14 December 2018, 1,650,000 CDIs issued to the Directors of the Company at A\$0.725 per share were released from escrow.

As at 31 December 2018 the issued performance shares including the terms and conditions were as follows:

Number	Description	Summary Terms & Conversion Hurdles
1,000,000 1,000,000	A Class Performance Shares B Class Performance Shares	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 A Class Performance Shares and 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.
1,000,000 1,000,000	A Class Performance Shares B Class Performance Shares	Convert into Shares and an equivalent number of CDIs upon the issuance of the preliminary mining licenses relating to the Cinovec Project. The A Class Performance Shares and 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.
3,000,000 3,000,000	A Class Performance Shares B Class Performance Shares	Convert into Shares and an equivalent number of CDIs upon the completion 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 A Class Performance Shares and 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.
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Tenement Schedule

Permit	Code	Deposit	Interest at beginning of Quarter	Acquired / Disposed	Interest at end of Quarter
Exploration Area	Cinovec	N/A	100%	N/A	100%
	Cinovec II		100%	N/A	100%
	Cinovec III		100%	N/A	100%
	Cinovec IV		100%	N/A	100%
Preliminary Mining Permit	Cinovec I	Cinovec East	100%	N/A	100%
	Cinovec II	Cinovec South	100%	N/A	100%

Significant events after the reporting date

Post the quarter, the Company announced initial results from its current eight core-hole resource drilling programme at the Cinovec Project. Drilling of five of the eight holes was reported as completed. The Company is pleased with the results of the drilling programme to date and believes that the programme will achieve its aim of bringing a portion of the resource in to the measured category. This work forms part of the Company's ongoing Definitive Feasibility Study.

On 17 January 2019, the Company confirmed that it received a letter from Krupa Global Investments (KGI) purporting to make an indicative offer on behalf of the Ceske Lithium company (a member of the KGI Group) to purchase the lithium mining and processing project at Cinovec. Considering the absence of any details with regards to price, terms or conditions, the Company was unable to provide any further information to the market and was unable to fully consider the purported offer.

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 2018 has been received and can be found on page 6 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

15 March 2019

AUDITOR'S INDEPENDENCE DECLARATION

15 March 2019

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 2018, 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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2018

	Note	31 Dec 2018	31 Dec 2017
		\$	\$
Revenue – Interest income		1,296	1,592
Professional fees		(565,398)	(167,288)
Audit and compliance fees		(18,295)	(13,175)
Advertising and promotion		(45,667)	(28,116)
Share based payment expense	5	(909,898)	(1,179,212)
Depreciation		(1,089)	(267)
Employee benefits		(341,191)	(225,670)
Travel and accommodation		(104,582)	(62,485)
Share registry fees		(57,129)	(79,741)
Insurance		(8,134)	(11,668)
Rent and utilities		(35,658)	(39,619)
Directors Fees		(30,000)	-
Other administration expenses		(13,595)	(72,081)
Loss before income tax		(2,129,340)	(1,877,730)
Income tax expense		(58,690)	-

Loss for the period		(2,188,030)	(1,877,730)
Other comprehensive income			
Items that will not be reclassified to profit or loss		-	-
Items that may be reclassified subsequently to profit or loss			
- Exchange differences on translating foreign operations		334,069	431,736
Other comprehensive income/(loss) for the period, net of tax		334,069	431,736
Total comprehensive loss for the period		(1,853,961)	(1,445,994)
Net Loss attributable to:			
members of the parent entity		(2,188,030)	(1,877,730)
Total Comprehensive loss attributable to:		(2,188,030)	(1,877,730)
members of the parent entity		(1,853,961)	(1,445,994)
Basic and diluted loss per CDI	3	(0.02)	(0.01)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	Note	31 Dec 2018	30 June 2018
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents		2,006,627	2,223,109
Trade and other receivables		51,484	32,640
Other assets		17,136	11,982
TOTAL CURRENT ASSETS		2,075,247	2,267,731
NON-CURRENT ASSETS			
Property, plant and equipment		385,755	372,997
Exploration and evaluation expenditure	4	11,298,254	10,169,177
Intangible assets		6,301	6,056
TOTAL NON-CURRENT ASSETS		11,690,310	10,107,460
TOTAL ASSETS		13,765,557	12,815,961
CURRENT LIABILITIES			
Trade and other payables		535,996	342,214
Provisions – employee entitlements		79,874	74,649
TOTAL CURRENT LIABILITIES		615,870	416,863
TOTAL LIABILITIES		615,870	416,863

	Note	31 Dec 2018	30 June 2018
NET ASSETS		13,149,687	12,399,098
EQUITY			
Issued capital	5	22,079,054	20,413,074
Reserves		6,419,943	5,147,304
Accumulated losses		(15,349,310)	(13,161,280)
TOTAL EQUITY		13,149,687	12,399,098

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 31 DECEMBER 2018

	Issued Capital	Options, warrants, loan CDIs and performance shares Reserves	Foreign Currency Translation Reserve	Accumulated Losses	Total
	\$	\$	\$	\$	\$
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 loss	-	-	431,736	-	431,736
Total comprehensive loss for the period	-	-	431,736	(1,877,730)	(1,445,994)
Transactions with owners, recognised directly in equity					
CDIs issued during the period, net of costs	4,834,722	-	-	-	4,834,722
Equity based payments	-	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
Balance at 1 July 2018	20,413,074	4,303,819	843,485	(13,161,280)	12,399,098
Loss attributable to members of the Company	-	-	-	(2,188,030)	(2,188,030)
Other comprehensive income	-	-	334,069	-	334,069
Total comprehensive income/(loss) for the period	-	-	334,069	(2,188,030)	(1,853,961)
Transactions with owners, recognised directly in equity					
Shares issued during the period, net of costs	1,665,980	28,672	-	-	1,694,652
Equity based payment	-	909,898	-	-	909,898
Balance at 31 December 2018	22,079,054	5,242,389	1,177,554	(15,349,310)	13,149,687

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

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF YEAR ENDED 31 DECEMBER 2018

	31 Dec 2018	31 Dec 2017
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(1,123,926)	(733,290)
Interest received	1,296	1,592
R&D Rebate	-	174,305
Net cash used in operating activities	(1,122,630)	(557,393)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for exploration and evaluation expenditure	(798,087)	(1,290,091)
Payments for property, plant and equipment	-	-
Net cash used in investing activities	(798,087)	(1,290,091)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of CDIs	1,817,303	5,018,667
Proceeds from related party	-	200,000
Repayment of related party	-	(200,000)
Capital raising costs	(122,651)	(186,632)
Net cash from financing activities	1,694,652	4,832,035
Net decrease in cash and cash equivalents	(226,065)	2,984,551
Cash and cash equivalents at the beginning of the financial period	2,223,109	446,112
Foreign currency translation	9,583	1,812
Cash and cash equivalents at the end of financial period	2,006,627	3,432,475

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

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2018

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 2018 annual financial report for the financial year ended 30 June 2018, 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 2018. All applicable new standards and interpretations effective since 1 January 2018 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, warrants, performance shares, loan CDIs and remuneration shares issued is an estimate calculated using where an applicable mathematical formula based on Black-Scholes option pricing model. The choice of models and the resultant values require assumptions to be made in relation to the likelihood and timing of the conversion of the options, warrants, performance shares, loan CDIs 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 amended accounting standards adopted by the Group

The Group has considered the implications of new or amended Accounting Standards which have become applicable for the current financial reporting period and the Group had to change its accounting policies as a result of adopting the following standards:

- AASB 9: Financial Instruments; and
- AASB 15: Revenue from Contracts with Customers

The adoption of these amended standards has had no significant impact on the Group's financial statements given the Group's current state of operations.

New Accounting Standards for Application in Future Periods

AASB 16: Leases (applicable to annual reporting periods beginning on or after 1 January 2019).

The directors anticipate that the adoption of AASB 16 will not have a significant impact on the Group's financial statements.

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.

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 Dec 2018	31 Dec 2017
Basic and diluted loss per CDI	(\$0.02)	(\$0.01)

Loss attributable to members of European Metals Holdings Limited	(\$2,188,030)	(\$1,877,730)
Weighted average number of CDIs outstanding during the period	142,618,409	131,863,182

NOTE 4: EXPLORATION AND EVALUATION EXPENDITURE

	31 Dec 2018	30 June 2018
	\$	\$
Exploration at cost		
Balance at the beginning of the year	10,169,177	9,752,757
Exploration of tenements	798,087	1,772,258
Impairment of exploration assets	-	(1,880,742)
Foreign exchange movement	330,990	524,904
	<u>11,298,254</u>	<u>10,169,177</u>

NOTE 5: ISSUED CAPITAL AND RESERVES

	<u>Number</u>	<u>\$</u>
(a) Issued and paid up capital		
146,642,227 (30 June 2018: 141,464,727 CDIs)	146,642,227	22,079,054
Total issued capital		<u>22,079,054</u>

(b) Movements in CDIs

	<u>Date</u>	<u>Number</u>	<u>\$</u>
Balance at the beginning of the year	1 July 2017	130,333,909	15,587,656
CDI issue under the Funding Facility Agreement @ \$0.7061 per CDI	1 August 2017	364,679	257,500
CDI issue under the Funding Facility Agreement @ \$0.7327 per CDI	10 August 2017	351,448	257,505
CDI issue under the Funding Facility Agreement @ \$0.685 per CDI	1 September 2017	375,905	257,495
CDI issued under the Funding Facility Agreement @ \$0.693 per CDI	10 October 2017	371,644	257,550
CDI issue to Directors under the Employee Securities Incentive Plan @ \$0.725 per CDI	14 December 2017	1,650,000	-
CDI capital raising @ \$0.615 per CDI	20 December 2017	6,517,142	4,008,042
CDIs issued under the Employee Securities Incentive Plan @0.4848 per CDI	6 June 2018	1,500,000	-
Capital raising cost		-	(212,674)
Balance at the end of the year	30 June 2018	141,464,727	20,413,074

	<u>Date</u>	<u>Number</u>	<u>\$</u>
Balance at the beginning of the period	1 July 2018	141,464,727	20,413,074
CDI capital raising @ \$0.3510 per CDI	20 November 2018	5,177,500	1,817,303
Capital raising cost		-	(151,323)
Balance at the end of the period	31 December 2018	146,642,227	22,079,054

(c) Loan CDIs Reserve

	<u>Date</u>	<u>Number</u>	<u>Unit Value \$</u>	<u>Total\$</u>	<u>Amount Expensed</u>
Balance at the beginning of the year	1 Jul 2017	-	-	-	-
Loan CDIs Employee Securities Incentive Plan	14 Dec 2017	1,650,000	\$0.69676	1,149,653	1,149,653
Loan CDIs Employee Securities Incentive Plan	6 Jun 2018	1,500,000	\$0.26638	399,564	88,075
					<u>1,237,728</u>

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 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 Holdings limited is a company limited by shares incorporated in the British Virgin Islands with an authorised share capital of 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. Legal title and the underlying shares is held by Chess Depository Nominees Pty Ltd.

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

1. the right to one vote at a meeting of the Shareholders of the Company or on any Resolution of Shareholders;
2. the right to an equal share in any dividend paid by the Company; and
3. the right to an equal share in the distribution of the surplus assets of the Company on its liquidation.

(d) Movements Performance Shares

	<u>Date</u>	<u>Number</u>	<u>\$</u>
Balance at the beginning of the year	1 July 2017	5,000,000	2,671,444
Performance Shares issued	-	-	-
Balance at the end of the year period	30 June 2018	5,000,000	2,671,444
Balance at the beginning of the period	1 July 2018	5,000,000	2,671,444
Performance Shares issued (Class A)	18 December 2018	5,000,000	800,000
Balance at the end of the period	31 December 2018	10,000,000	3,471,444

On the 18 December 2018 5,000,000 A Class Performance Shares were issued on the same terms as the B Class Performance Shares.

The terms of the B Class 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
- (iii) 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.

- (iv) 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.

NOTE 6: SHARE BASED PAYMENT EXPENSE

The following option and warrant share-based payment arrangements existed as at 31 December 2018:

On 17 August 2015 3,750,000 options with an exercise price of 16.6 cents and exercisable on or before 17 August 2020 were granted to directors. These remain outstanding as at 30 June 2018 and 31 December 2018.

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 and loss in 2017. The share based payment recognised in the profit is less in the half-year amounted to \$29,802.

On the 22 November 2018, 116,875 warrants were granted to brokers as a cost of capital raising. The warrants have an exercise of 20 pence (31.5 cents) in line with the capital raise on the 20 November 2018. Warrants are exercisable on or before 22 November 2021. The warrants were valued under the Black and Scholes at \$28,672 with the share based payment recognised as a capital raising cost. The key inputs to the models used were as follows.

Grant date	22 November 2018	Expected life of options (years)	3 Years
Dividend yield (%)	Nil	Underlying share price (\$)	\$0.39
Expected volatility (%)	91.27%	Option exercise price (\$)	\$0.315
Risk-free interest rate (%)	2.115%	Value of option (\$)	\$0.24532

The following share-based payment arrangements existed as at 31 December 2018:

Grant Date	Number	\$
18 November 2016 – Class B Performance Shares (related parties)	1,336,557	714,107
18 November 2016 – Class B Performance Shares (non-related parties)	3,663,443	1,957,337
18 December 2018 – Class A Performance Shares (related Parties)	1,336,557	213,849
18 December 2018 – Class A Performance Shares (non-related parties)	3,663,443	586,141
Total	10,000,000	3,471,444

During the half year \$800,000 has been attributed to the Performance Shares.

Fair value of Loan CDIs in existence at 31 December 2018

The fair value of the 3,150,000 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.

The following Loan CDIs share-based payment arrangements existed at 31 December 2018

	Number	Value recognised to date	Value to be recognised in future years
Director Loan CDIs	1,650,000	1,149,653	-
Employee Securities Incentive Plan Loan CDIs ¹	1,500,000	88,075	204,939

Note 1: These Loan CDIs are being expensed over the period.

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

Loan CDIs	Keith Coughlan	David Reeves	Richard Pavlik	Kiran Morzaria
Issue 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	143.41%	143.41%	143.41%	143.41%
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

A summary of the inputs used in valuation of the loan CDIs issued to employees.

Loan CDIs	Tranche 1 ¹	Tranche 2 ²	Tranche 3 ³	Tranche 4 ⁴	Tranche 5 ⁵
Exercise price	\$0.4848	\$0.4848	\$0.4848	\$0.4848	\$0.4848
Share price at date of issue	\$0.365	\$0.365	\$0.365	\$0.365	\$0.365
Grant date	6 June 2018	6 June 2018	6 June 2018	6 June 2018	6 June 2018
Expected volatility	85.9%	85.9%	85.9%	85.9%	85.9%
Expiry date	6 June 2025	6 June 2025	6 June 2025	6 June 2025	6 June 2025
Expected dividends	Nil	Nil	Nil	Nil	Nil
Risk free interest rate	2.42%	2.42%	2.42%	2.42%	2.42%
Value per loan CDI	\$0.2664	\$0.2664	\$0.2664	\$0.2664	\$0.2664
Number of loan CDIs	550,000	250,000	250,000	200,000	250,000
Total value	\$146,507	\$66,594	\$66,594	\$53,275	\$66,594

Notes:

1. Tranche 1 escrowed until 26 February 2019.
2. Tranche 2 escrowed until company announcing completion of the definitive feasibility study
3. Tranche 3 escrowed until company announcing construction has commenced at the Cinovec Project
4. Tranche 4 escrowed until the completion of project finance for the Cinovec Project
5. Tranche 5 escrowed until the practical completion of the Cinovec Project

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 2018 annual financial report for the financial year ended 30 June 2018 except the following.

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

Post the quarter, the Company announced initial results from its current eight core-hole resource drilling programme at the Cinovec Project. Drilling of five of the eight holes was reported as completed.

On 17 January 2019, the Company confirmed that it received a letter from Krupa Global Investments (KGI) purporting to make an indicative offer on behalf of the Ceske Lithium company (a member of the KGI Group) to purchase the lithium mining and processing project at Cinovec. Considering the absence of any details with regards to price, terms or conditions, European Metals does not consider this to be an offer to which it can give consideration at this time.

There were no other significant events after the reporting period.

DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. The financial statements and notes set out on pages 7 to 17:
 - (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 2018 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

15 March 2019

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 2018, 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 2018 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 15 March 2019.

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 2018 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)

Samir R Tirodkar
Director

West Perth, Western Australia
15 March 2019