

For immediate release

1 February 2018

EUROPEAN METALS HOLDINGS LIMITED

QUARTERLY ACTIVITIES REPORT – 31 DECEMBER 2017

HIGHLIGHTS

- Significant lithium grades and widths intersected in in-fill drill program
- Further increase in Indicated Resource at Cinovec South
- Capital raising of approx. AUD 4 million
- Further progress towards Mining Licence/Czech Government liaison
- Further roast optimization work completed

European Metals Holdings Limited (“European Metals” or “the Company”) (ASX & AIM: EMH) 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 December 2017.

SIGNIFICANT LITHIUM GRADES AND WIDTHS INTERSECTED

On 2 November 2017 the Company announced the successful completion of its six core-hole infill drilling program at the Cinovec Project. A total of 2,697.1m was completed on time and without loss time accidents. Analytical results for three drillholes in the eastern sector and for two drillholes on the western sector of the of the Cinovec South deposit are reported. Results for hole CIS-4 have previously been reported.

The following key points were noted:

- All six planned infill core drillholes completed for a total of 2,697.1m drilled.
- Analytical results confirmed the expected lithium, tin and tungsten contents and mineralization widths.
- The results for the two infill drillholes in the western part of the Cinovec South deposit exceed expectations.
- Drillhole CIS-9 returned one of the best results of the Company’s drilling program to date: 204.6m averaging 0.44% Li₂O, (and within it 70m@0.58%Li₂O; 13m@0.19%Sn, 6m@0.58%Sn, 3m@1.02%Sn and 0.179%W).
- Drillhole CIS-8 returned a continuous relatively high-grade lithium mineralization interval that includes multiple zones of tin and tungsten mineralization: 152.5m averaging 0.41% Li₂O, (and within it 3m@0.52%Sn, 6m@0.12%Sn and 0.077%W, 7m@0.14%Sn).
- In the eastern part, the best results are from CIS-7, with 45.5m averaging 0.37% Li₂O, and 102m averaging 0.31%Li₂O, with strong tin and tungsten credits (11m@0.24%Sn and second interval includes 12m@0.17%Sn and 13m@0.16%W).

FURTHER INCREASE IN INDICATED RESOURCE AT CINOVEC SOUTH

On 28 November 2017 the Company was pleased to announce a further upgrade of its JORC compliant Indicated Mineral Resources at the Cinovec Lithium/Tin Project in the Czech Republic, confirming its status as the largest lithium resource in Europe.

The Company had recently completed a four-month drilling campaign at Cinovec South, comprising six core drillholes for 2,697.1m meters, with the goal of closing 'gaps' in the existing resource model in and around the initial planned mining areas and upgrading part of the resource from the Inferred category to the higher confidence Indicated category. The results, summarised below, have exceeded expectations.

The following key points were noted:

- For the entire Cinovec deposit (South and North), the drilling added 39.4 Mt of Mineral Resource grading 0.41% Li₂O and 0.04% Sn (0.1% Li cutoff), or 220kt tonnes of lithium carbonate (LCE).
- Majority of resource increase (97%) is at Cinovec South where initial mining is planned.
- The Indicated Mineral Resource category increased by 7% to 372.4Mt@0.44% Li₂O.

EMH RAISES APPROX AUD 4 MILLION VIA SUBSCRIPTION

On 29 November 2017 European Metals 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 via an issue of 6,517,142 CDIs at a price of 35p or 61.5 cents and was placed using the Company's capacity under Listing Rule 7.1.

Shard Capital Partners LLP arranged the majority of the subscriptions.

The funds will be used to advance the on-going definitive feasibility on the Cinovec deposit, Europe's largest lithium resource, and for general working capital.

FURTHER PROGRESS TOWARDS MINING LICENCE/CZECH GOVERNMENT – ROAST OPTIMISATION

In February 2017, European Metals announced that the Cinovec South Resource had been added to the Czech State resource register, the first step in the process for the granting of a mining permit.

On 19 December 2017, the Company announced that the Cinovec NorthWest Resource had also been added to the Czech State resource register.

This permitting development follows on from the signing of a Memorandum of Understanding ("MoU") on 2 October 2017 with The Ministry of Industry and Trade of the Czech Republic regarding the development of the Cinovec Project. The MoU was signed in Usti nad Labem between the Minister of Industry and Trade, Jiri Havlicek and the Company, in the presence of the representatives of the Australian Embassy and Australian Trade and Investment Commission, 1st Deputy Governor of Usti Region Mr Martin Klika, president of the Tripartite of Usti Region, Mrs Gabriela Nekolova, Chairman of the Regional Bureau of Czechinvest Mrs Alena Hajkova, Chairman of the Regional Mining Bureau Mr Milos Matz, Mayor of the Town of Dubí Mr Petr Pipal and other guests.

On 2 November 2017 the Company noted the results of the recent elections held in the Czech Republic and the debate regarding development of lithium assets within the country leading into the elections. As the sole holder of exploration permits and preliminary mining permits with the preferential right of mining over the Cinovec Project, the Company looks forward to continuing the previous positive engagements with the new Government, once formed, and to rapidly advance development of the project to the mutual benefit of all stakeholders.

Additionally, recent optimisation test work has demonstrated the ability to reduce roast temperatures and duration which can result in significant cost savings both in CAPEX and OPEX.

The following key points were noted:

- NorthWest Resource added to Czech State resource register – majority of Cinovec Resource now officially recognised by Czech mining authorities.
- Optimisation test work indicates potential significant savings in both OPEX and CAPEX

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 372Mt @ 0.44% Li₂O and 0.04% Sn and an Inferred Mineral Resource of 324Mt @ 0.39% Li₂O and 0.04% Sn containing a combined 7.22 million tonnes Lithium Carbonate Equivalent and 278kt of tin. An initial Probable Ore Reserve of 34.5Mt @ 0.65% Li₂O 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 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 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 (Li₂O) content or percent lithium carbonate (Li₂CO₃) content.

Lithium carbonate equivalent ("LCE") is the industry standard terminology for, and is equivalent to, Li₂CO₃. Use of LCE is to provide data comparable with industry reports and is the total equivalent amount of lithium carbonate, assuming the lithium content in the deposit is converted to lithium carbonate, using the conversion rates in the table included below to get an equivalent Li₂CO₃ value in percent. Use of LCE assumes 100% recovery and no process losses in the extraction of Li₂CO₃ from the deposit.

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

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

Table: Conversion Factors for Lithium Compounds and Minerals

Convert from		Convert to Li	Convert to Li₂O	Convert to Li₂CO₃
Lithium	Li	1.000	2.153	5.324
Lithium Oxide	Li ₂ O	0.464	1.000	2.473
Lithium Carbonate	Li ₂ CO ₃	0.188	0.404	1.000

WEBSITE:

A copy of this announcement is available from the Company's website at www.europeanmet.com.

ENQUIRIES:

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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 December 2017

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (6 Months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for:	-	-
(a) exploration and evaluation	(670)	(1,172)
(b) development	-	-
(c) production	-	-
(d) staff costs and board remuneration	(147)	(258)
(e) administration and corporate costs	(246)	(444)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	1
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	175
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(1,063)	(1,698)
2. Cash flows from investing activities		
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)	-	-
2.6 Net cash from / (used in) investing activities	-	-

⁽¹⁾ Excludes amounts incurred and accrued in respect to exploration activities as at 31 December 2017, paid in January 2018, refer also 9.1.

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (6 Months) \$A'000
3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	4,119	4,869
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	(2)	(2)
3.5 Proceeds from borrowings	200	200
3.6 Repayment of borrowings	(200)	(200)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	4,117	4,867
4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year to date	561	446
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,063)	(1,698)
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)	4,117	4,867
4.5 Effect of movement in exchange rates on cash held	(32)	(32)
4.6 Cash and cash equivalents at end of quarter	3,583	3,583

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	3,583	561
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	3,583	561

6. Payments to directors of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	144
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.	

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	18
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.	

8. Financing facilities available Add notes as necessary for an understanding of the position	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
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.

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9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation ⁽²⁾	1,043
9.2 Development	-
9.3 Production	-
9.4 Staff costs and director remuneration	153
9.5 Administration and corporate costs	282
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows	1,478

⁽²⁾ This includes amounts incurred and accrued in respect to exploration activities as at 31 December 2017, paid in January 2018.

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter %	Interest at end of quarter %
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: Wednesday, 31 January 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.