

**For immediate release**

**28 September 2018**

**EUROPEAN METALS HOLDINGS LIMITED**

**Annual Results**

The Directors of European Metals Holdings Limited ("European Metals" or "the Company") (ASX and AIM: EMH) are pleased to announce the Company's annual results for the year ended 30 June 2018. The annual report has been released on the Australian Stock Exchange ("ASX") as required under the listing rules of the ASX.

Whilst the financial information included in this announcement has been prepared in accordance with the accounting policies and basis of preparation set out below, this announcement does not constitute the Company's statutory financial statements.

A copy of the annual report will be posted to shareholders and is also available on the Company's website [www.europeanmet.com](http://www.europeanmet.com).

A copy of the Corporate Governance Statements are available on the Company's website [www.europeanmet.com](http://www.europeanmet.com).

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**European Metals Holdings Limited**

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Michael Cornish

Roland Cornish

This announcement contains inside information for the purposes of Article 7 of EU Regulation 596/2014.

**EUROPEAN METALS HOLDINGS LIMITED**

ABRN 154 618 989

**ANNUAL REPORT 30 JUNE 2018**

**CORPORATE DIRECTORY**

**Directors**

Mr David Reeves

Mr Keith Coughlan

Mr Richard Pavlik

Mr Kiran Morzaria

Non-Executive Chairman

Managing Director and Chief Executive Officer

Executive Director

Non-Executive Director

**Company Secretary**

Ms Julia Beckett

**Registered Office in Australia**

**Nominated Advisor & Broker**

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**Auditor**

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**Reporting Accountants (UK)**

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**Securities Exchange Listing - Australia**

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PERTH WA 6000  
ASX Code: EMH

**Securities Exchange Listing – United Kingdom**

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10 Paternoster Square  
LONDON EC4M 7LS  
UNITED KINGDOM  
AIM Code: EMH

**CHAIRMANS LETTER**

Dear Shareholders

It is with pleasure that I introduce the 2018 Annual Report of European Metals Holdings limited (“European Metals” or “the Company”).

The year has seen continued improvement to the lithium flowsheet with a goal of improving recoveries and maximising cashflow. This work is now complete, and the year ahead will see locked cycle and pilot scale work undertaken which is an essential step in the finalisation of the Definitive Feasibility Study. With the improved recoveries developed over the year, the project continues to improve and highlight why it is such an exciting development story in the heartland of the electric vehicle revolution.

In parallel, a large amount of work has been invested in the background studies for environmental permits and infrastructure positioning to minimise environmental and social impacts. This work is ongoing and is an essential part of the permitting process on the road to mine development.

The Company continues to actively engage with all stakeholders in the Czech Republic with a view to supporting a Czech initiative whereby the full production chain from primary inputs, through battery and vehicle manufacturing predominantly occurs in the Czech Republic. With car manufacturing accounting for roughly 9% of GDP, this is an obvious route to follow and we look forward to further developments in this area. The manufacturing of large scale stationary storage systems in the Czech Republic is also an emerging area of interest to EMH.

From a Corporate perspective, we welcomed Neil Meadows as Chief Operating Officer to the team. Neil's experience with projects similar in size and complexity as the Cinovec Project has augmented our existing team, both in Australia and the Czech Republic.

The year ahead will see us into the detailed engineering of the Project and advancing the permitting in tandem. This will be a very busy time for the Company as it locks in the path to mining and production.

I would like to take this opportunity to thank all staff, advisors, contractors and our shareholders who have allowed us to continue this electrifying journey together.

David Reeves  
**CHAIRMAN**

## **PROJECT REVIEW**

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 @ 0.45% Li<sub>2</sub>O and 0.04% Sn and an Inferred Mineral Resource of 323Mt @ 0.39% Li<sub>2</sub>O 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% Li<sub>2</sub>O and 0.09% Sn has been declared to cover the first 20 years mining at an output of 22,500 tpa 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.

### **Project Development**

Project development for the year was centred on a significant drilling program embarked upon by the Company. There were numerous updates to this program released to the market during the period. Overall, results from the program either confirmed or exceeded expectations with respect of both lithium content and width of mineralisation.

On 16 August 2017 the Company announced analytical results for the first drillhole CIS-4 at the Cinovec Lithium-Tin Project (“the project” or “Cinovec”) and reported on its ongoing infill drilling program. Infill drilling was undertaken in the southwest section of the deposit, targeting two ‘gaps’ in the resource model that could potentially be targeted for mining in the initial years. Five out of six planned drillholes were completed during the period, for a total of 2163.1m. Assays were received for the first drillhole CIS-4, which returned a continuous mineralized intercept of 148.30m averaging 0.40% Li<sub>2</sub>O from 297.7m drill string depth. In addition, the upper section of the main lithium interval contains significant tin and tungsten mineralization with 15.85 meters averaging 0.70% Li<sub>2</sub>O, 0.29% tin and 0.073% tungsten.

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 were reported.

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.

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

On 6 June 2018 the Company announced the commencement of the beneficiation and magnetic separation of a 15 tonne bulk sample which represents the ore that will be mined in the first stages of project development. The beneficiation and magnetic separation of a lithium rich concentrate will provide pilot plant feed for planned downstream processing through the roast, leach, purification and final product precipitation flowsheet that has been developed. It is intended to ultimately produce up to 200 kg of battery grade lithium carbonate or, lithium hydroxide from this material for marketing and other user acceptance purposes. The program work was carried out by UVR-FIA GmbH in Freiberg who are specialists in beneficiation and magnetic separation testwork.

### **Developments Post 30 June 2018**

On 11 July 2018 the Company reported that it had completed roast optimisation testwork and that improved recoveries have resulted in increased lithium carbonate production from the Cinovec Project to 22,500 tpa. All recent roast/leach tests have reliably achieved lithium extractions in the region of 94% recovery. The significance of these results is that a 7% increase in lithium recovery is predicted over that used in the Preliminary Feasibility Study (PFS) completed last year which in turn leads to an increase to 22,500 tpa of lithium carbonate production from the project. The increased production results in approximately a 10% increase in EBITDA margins for the project which will have obvious positive effects to the project returns which the definitive feasibility will re-model.

### **Progress of Mining Licence**

On 19 December 2017 the Company announced that the Cinovec NorthWest Resource had been added to the Czech State resource register. This followed the addition of the Cinovec South Resource earlier in the year. The addition of Resources to the Czech State register is the first step in the process for the granting of a mining permit.

### **Other Developments**

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.

Mr Neil Meadows was appointed to the position of Chief Operating Officer on 11 April 2018. Neil has previously held the position of Chief Operating Officer at Karara Mining Ltd, Managing Director of IMX Resources Limited and worked with the Australian Premium Iron Ore Joint Venture on mine infrastructure. Prior to that, he was the Chief Operating Officer of Queensland Nickel Pty Ltd, subsequent to the sale of the business by BHP and was previously the General Manager of the Yabulu Refinery site for BHP. Prior to that he was the General Manager at the Murrin Operation for Minara Resources Ltd, a position he held for almost five years.

### Mineral Resource and Ore Reserve Statement

Based upon the Preliminary Feasibility Study undertaken for the Cinovec Project, the Company declares a maiden Probable Ore Reserve of 34.5 Mt @ 0.65% Li<sub>2</sub>O, as detailed below. The Probable Reserves have been declared solely from the Indicated Mineral Resource category and are classified based on a PFS level of study and category of Mineral Resource.

#### CINOVEC ORE RESERVES SUMMARY

Category	Tonnes	Li	Li <sub>2</sub> O	Sn	W
	(Millions)	%	%	%	%
Proven Ore Reserves	0	0	0	0	0
Probable Ore Reserves	34.5	0.30	0.64	0.09	0.03
<b>Total Ore Reserves</b>	<b>34.5</b>	<b>0.30</b>	<b>0.64</b>	<b>0.09</b>	<b>0.03</b>

Notes to Reserve Table:

1. Probable Ore Reserves have been prepared by Bara International in accordance with the guidelines of the JORC Code (2012).
2. The effective date of the Probable Ore Reserve is June 2017
3. All figures are rounded to reflect the relative accuracy of the estimate
4. The operator of the project is Geomet S.R.O a wholly-owned subsidiary of EMH. Gross and Net Attributable Probable Ore Reserve are the same.
5. Any apparent inconsistencies are due to rounding errors

The Ore Reserve is based on the Mineral Resource for the Cinovec deposit prepared by Widenbar and Associates and issued in February 2017. The Mineral Resource is reported in the report Cinovec Resource Estimation published by Widenbar and Associates and is reported in accordance with the JORC 2012 guidelines. The table below summarises the Mineral Resource declared.

#### CINOVEC NOVEMBER 2017 RESOURCE

	Cutoff	Tonnes	Li	Li <sub>2</sub> O	Sn	W
	%	(Millions)	%	%	%	%
Indicated	0.1%	372.4	0.206	0.44	0.04	0.016
Inferred	0.1%	323.5	0.183	0.39	0.04	0.013
<b>Total</b>	<b>0.1%</b>	<b>695.9</b>	<b>0.195</b>	<b>0.43</b>	<b>0.04</b>	<b>0.014</b>

Notes:

1. Mineral Resources are not Reserves until they have demonstrated economic viability based on a feasibility study or prefeasibility study.
2. Mineral Resources are reported inclusive of any reserves and are prepared by Widenbar in accordance with the guidelines of the JORC Code (2012).
3. The effective date of the Mineral Resource is November 22, 2017.
4. All figures are rounded to reflect the relative accuracy of the estimate.
5. The operator of the project is Geomet s.r.o., a wholly-owned subsidiary of EMH. Gross and Net Attributable resources are the same.
6. Any apparent inconsistencies are due to rounding errors.
7. LCE is Lithium Carbonate Equivalent and is equivalent to Li<sub>2</sub>CO<sub>3</sub>

### COMPETENT PERSON

Information 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 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.

## **DIRECTORS' REPORT**

Your Directors' present their report, together with the financial statements of the Group, being the Company and its controlled entities, for the year ended 30 June 2018.

### **Directors**

The following persons were Directors of the Company and were in office for the entire year, and up to the date of this report, unless otherwise stated:

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

### **Company Secretary**

The following person held the position of Company Secretary at the end of the financial year:

Ms Julia Beckett holds a Certificate in Governance Practice and Administration and is a Certificated Member of the Governance Institute of Australia. Julia is a Corporate Governance professional, having worked in corporate administration and compliance for the past 11 years. She has been involved in business acquisitions, mergers, initial public offerings, capital raisings as well as statutory and financial reporting. Julia is also Company Secretary of Calidus Resources Limited (ASX: CAI) Drake Resources Limited (ASX: DRK) and Joint Company Secretary of Doriemus Plc (ASX: DOR) and has held non-executive director roles for a number of ASX listed companies.

### **Principal Activities**

The Company is primarily involved in the development of a lithium and tin project in the Czech Republic.

### **Review of Operations**

The 2018 Financial Year has been one of significant growth and development for the Company. For further information refer to the Project Review on page 4 to 6.

### **Results of Operations**

The consolidated loss for year ended 30 June 2018 amounted to \$4,655,209 (2017 loss: \$4,145,872).

### Financial Position

The net assets of the Group have increased by \$1,904,068 to \$12,399,098 at 30 June 2018.

### Significant Changes in the State of Affairs

The following significant changes in the state of affairs of the parent entity occurred during the financial year:

- On 1 August 2017, the Company issued 364,679 CDIs at \$0.7061 per share to 6466 Investments Pty Ltd in respect to the second advance of AUD\$250,000 under the Funding Facility Agreement and in settlement for the facility draw down fee of 3% (AUD\$7,500) on the second advance.
- On 10 August 2017, the Company issued 351,448 CDIs at \$0.7327 per share to 6466 Investments Pty Ltd in respect to the third advance of AUD\$250,000 under the Funding Facility Agreement and in settlement for the facility draw down fee of 3% (AUD\$7,505) on the third advance.
- On 1 September 2017, the Company issued 375,905 CDIs at \$0.685 per share to 6466 Investments Pty Ltd in respect to the fourth advance of AUD\$250,000 under the Funding Facility Agreement and in settlement for the facility draw down fee of 3% (AUD\$7,495) on the fourth advance.
- On 10 October 2017, the Company issued 371,644 CDIs at \$0.693 per share to 6466 Investments Pty Ltd in respect to the fifth advance of AUD\$250,000 under the Funding Facility Agreement and in settlement for the facility draw down fee of 3% (AUD\$7,550) on the fifth advance.
- On 14 December 2017 the Company issued 1,650,000 CDIs to the Directors, at a price of \$0.725 per CDI, under the Company's Employee Securities Incentive Plan as approved by Shareholders at the Annual General Meeting held on 30 November 2017.
- On 20 December 2017 the Company issued 6,517,142 CDIs to sophisticated investors at a price of \$0.615 per CDI.
- On 6 June 2018 the Company issued a total of 1,500,000 CDIs, at an issue price of \$0.4848 per CDI, under the Company's Employee Securities Incentive Plan as approved by Shareholders at the Annual General Meeting held on 30 November 2017.

### Dividends Paid or Recommended

No dividends were declared or paid during the year and the Directors do not recommend the payment of a dividend.

### Information on Directors

<b>David Reeves</b>	Non-Executive Chairman – Appointed 6 March 2014
Qualifications	Mining Engineer
Experience	Mr Reeves is a qualified mining engineer with 25 years' experience globally. Mr Reeves holds a First Class Honours Degree in Mining Engineering from the University of New South Wales, a Graduate Diploma in Applied Finance and Investment from the Securities Institute of Australia and a First Class Mine Managers Certificate of Competency.
Interest in CDIs and Options	4,020,244 CDIs 1,000,000 Options, 16.6 cents, expire 17 August 2020 542,651 Class B Performance Shares
Special Responsibilities	Member of all the Committees
Directorships held in other listed entities	Director of Keras Resources Plc (AIM) Managing Director of Calidus Resources Limited (ASX)
<b>Keith Coughlan</b>	Managing Director (CEO) – Appointed 6 September 2013
Qualifications	BA

## Information on Directors

Experience	Mr Coughlan has almost 30 years' experience in stockbroking and funds management. He has been largely involved in the funding and promoting of resource companies listed on ASX, AIM and TSX. He has advised various companies on the identification and acquisition of resource projects and was previously employed by one of Australia's then largest funds management organizations.
Interest in CDIs and Options	9,350,000 CDIs 2,000,000 Options, 16.6 cents, expire 17 August 2020
Special Responsibilities	Member of Audit and Risk Committee Member of Nomination Committee
Directorships held in other listed entities	Non-Executive Director of Calidus Resources Limited Non-Executive Director of Southern Hemisphere Mining Limited Mr Coughlan previously held the position of Non-Executive Chairman of Talga Resources Limited from 17 September 2013 to 8 February 2017.
<b>Richard Pavlik</b>	Executive Director – Appointed 27 June 2017
Qualifications	Masters Degree in Mining Engineer
Experience	Mr Pavlik is the General Manager of Geomet sro, the Company's wholly owned Czech subsidiary, and is a highly experienced Czech mining executive. Mr Pavlik holds a Masters Degree in Mining Engineer from the Technical University of Ostrava in Czech Republic. He is the former Chief Project Manager and Advisor to the Chief Executive Officer at OKD. OKD has been a major coal producer in the Czech Republic. He has almost 30 years of relevant industry experience in the Czech Republic. Mr Pavlik also has experience as a Project Analyst at Normandy Capital in Sydney as part of a postgraduate program from Swinburne University. Mr Pavlik has held previous senior positions within OKD and New World Resources as Chief Engineer, and as Head of Surveying and Geology. He has also served as the Head of the Supervisory Board of NWR Karbonia, a Polish subsidiary of New World Resources (UK) Limited. He has an intimate knowledge of mining in the Czech Republic.
Interest in CDIs and Options	300,000 CDIs 400,000 Options, 58 cents, expire 3 June 2020
Special Responsibilities	Nil
Directorships held in other listed entities	Nil
<b>Kiran Morzaria</b>	Non-Executive Director – Appointed 10 December 2015
Qualifications	Bachelor of Engineering (Industrial Geology) from the Camborne School of Mines and an MBA (Finance) from CASS Business School
Experience	Mr Morzaria has extensive experience in the mineral resource industry working in both operational and management roles. He spent the first four years of his career in exploration, mining and civil engineering before obtaining his MBA. Mr Morzaria has served as a director of a number of public companies in both an executive and non-executive capacity.
Interest in CDIs and Options	Mr Morzaria is a director and chief executive of Cadence Minerals Plc which owns 27,846,470 CDIs. Mr Morzaria has 200,000 direct interest in CDIs.
Special Responsibilities	Member of Audit and Risk Committee Member of Remuneration Committee



Directorships held in other listed entities Chief Executive Officer and Director of Cadence Minerals plc and Director of UK Oil & Gas plc. Mr Morzaria was previously a Director of Bacanora Minerals plc.

### Director Meetings

The number of Directors' meetings and meetings of Committees of Directors held during the year and the number of meetings attended by each of the Directors of the Company during the year is:

Name	Directors' Meetings	
	Number attended	Number eligible to attend
David Reeves	4	4
Keith Coughlan	4	4
Richard Pavlik	3	4
Kiran Morzaria	4	4

### Indemnifying officers or auditor

During or since the end of the financial year the Company has given an indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums as follows:

- i. The Company has entered into agreements to indemnify all Directors and provide access to documents, against any liability arising from a claim brought by a third party against the Company. The agreement provides for the Company to pay all damages and costs which may be awarded against the Directors.
- ii. The Company has paid premiums to insure each of the Directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of Director of the Company, other than conduct involving a willful breach of duty in relation to the Company. Under the terms and conditions of the insurance contract, the nature of the liabilities insured against and the premium paid cannot be disclosed.
- iii. No indemnity has been paid to auditors.

### CDIs under option

Unissued CDIs of European Metals Holdings Limited under option at the date of this report is as follows:

Expiry date	Exercise Price	Number under option
17 August 2020	16.6 cents	3,750,000
3 January 2020	58.0 cents	400,000

No person entitled to exercise the option has or has any right by virtue of the option to participate in any share issue of any other body corporate. No options were exercised during the year or to the date of this report (2017: 2,500,000 options receiving \$540,000).

### Performance Shares

As at the date of this report, 5,000,000 Class B Performance Shares were issued to the original vendors of the Cinovec Project in replacement of the Class B performance shares issued to them in 2014 as approved by Shareholders at Annual General Meeting held 18 November 2016.

### CDIs Issued Under Employee Securities Incentive Plan

On 14 December 2017, the Company issued 1,650,000 Loan 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 Loan CDIs, Mr David Reeves was entitled for 300,000 Loan CDIs, Mr Richard Pavlik was entitled for 300,000 Loan CDIs and Mr Kiran Morzaria was entitled for 200,000 Loan CDIs respectively. A value of \$1,149,653 has been attributed to the Loan CDIs has been fully expensed.

In consideration of retaining key quality employees of European Metals, on the 6 June 2018 the Company issued 1,500,000 Loan CDIs under the Employee Securities Incentive Plan during the year ended 30 June 2018 of which 1,400,000 Loan CDIs were issued to key management personnel. An interest free loan for the full amount to purchase the employee securities will be made available to the employee.

### **Environmental Regulations**

The Group's operations are subject to the environmental risks inherent in the mining industry.

### **Proceedings on Behalf of the Company**

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

### **Non-audit Services**

Stantons International has not provided any non-audit services during the year.

### **Significant events after the reporting date**

At the meeting of the Board held on 15 August 2018 the Board noted that the terms and conditions of the Performance B shares are incorrect. At this meeting it was agreed that the corrected terms and conditions of the Performance B shares be put to Shareholders for approval at the upcoming Annual General Meeting.

Except for the matters noted above there have been no other significant events arising after the reporting date.

### **Auditor's Independence Declaration**

The auditor's independence declaration for the year ended 30 June 2018 has been received and can be found on page 20 of the financial report.

## **REMUNERATION REPORT (AUDITED)**

This report details the nature and amount of remuneration for each Director of the Company, and Key Management Personnel. The directors are pleased to present the remuneration report which sets out the remuneration information for European Metals Holdings Limited's non-executive directors, executive directors and other key management personnel.

### **A. Principles used to determine the nature and amount of remuneration**

The remuneration policy of the Group has been designed to align Director and management objectives with shareholder and business objectives by providing a fixed remuneration component, and offering specific long-term incentives based on key performance areas affecting the Group financial results. The Board of the Company believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best management and Directors to run and manage the Group, as well as create goal congruence between Directors, Executives and shareholders.

The Board's policy for determining the nature and amount of remuneration for Board members and Senior Executives of the Group is as follows:

The remuneration policy, setting the terms and conditions for the Executive Directors and other Senior Executives, was developed by the Board. All Executives receive a base salary (which is based on factors such as length of service and experience), superannuation, options and performance incentives. The Board reviews

Executive packages annually by reference to the Group's performance, executive performance, and comparable information from industry sectors and other listed companies in similar industries.

Executives are also entitled to participate in the employee share and option arrangements.

All remuneration paid to Directors and Executives is valued at the cost to the Group and expensed.

The Board policy is to remunerate Non-executive Directors at commercial market rates for comparable companies for time, commitment, and responsibilities. The Board determines payments to the Non-executive Directors and reviews their remuneration annually based on market practice, duties, and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to Non-executive Directors is subject to approval by shareholders at the Annual General Meeting. Fees for Non-Executive Directors are not linked to the performance of the Group. However, to align Directors' interests with shareholder interests, the Directors are encouraged to hold CDIs in the Company.

The remuneration policy has been tailored to increase the direct positive relationship between shareholders' investment objectives and Directors' and Executives' performance. Currently, this is facilitated through the issue of options to the majority of Directors and Executives to encourage the alignment of personal and shareholder interests. The Company believes this policy will be effective in increasing shareholder wealth. For details of Directors' and Executives' interests in CDIs, options and performance shares at year end, refer to the remuneration report.

## **B. Details of Remuneration**

Details of the nature and amount of each element of the emoluments of each of the KMP of the Company (the Directors) for the year ended 30 June 2018 and 30 June 2017 are set out in the following tables:

The maximum amount of remuneration for non-executive directors is \$300,000 as approved by shareholders.

**2018****Group Key Management Personnel**

	Short-term benefits				Post-employment benefits	Long-term benefits	Equity-settled share-based payments		Total	% of remuneration as share based payments
	Salary, fees and leave	Profit share and bonuses	Non-monetary	Other <sup>1</sup>	Super-annuation	Other	Equity <sup>2</sup>	Options <sup>3</sup>		
	\$	\$	\$	\$	\$	\$	\$	\$	\$	
<b>Directors</b>										
David Reeves	36,000	-	-	17,000	-	-	209,028	-	262,028	80%
Keith Coughlan	240,000	-	-	-	22,800	-	592,245	-	855,045	69%
Kiran Morzaria	24,000	-	-	-	-	-	139,352	-	163,352	85%
Richard Pavlik	159,542	-	-	-	-	-	209,028	58,388	426,958	63%
<b>Key Management Personnel</b>										
James Carter	30,125	-	-	19,833	2,862	-	-	-	52,820	-
Neil Meadows	76,083	-	-	-	7,228	-	6,228	-	89,539	17%
	<b>565,750</b>	<b>-</b>	<b>-</b>	<b>36,833</b>	<b>32,890</b>	<b>-</b>	<b>1,155,881</b>	<b>58,388</b>	<b>1,849,742</b>	

**2017****Group Key Management Personnel**

	Short-term benefits				Post-employment benefits	Long-term benefits	Equity-settled share-based payments		Total	% of remuneration as share based payments
	Salary, fees and leave	Profit share and bonuses	Non-monetary	Other <sup>1</sup>	Super-annuation	Other	Equity	Options		
	\$	\$	\$	\$	\$	\$	\$	\$	\$	
<b>Directors</b>										
David Reeves	36,000	-	-	60,000	-	-	-	-	96,000	0%
Keith Coughlan	230,000	-	-	-	21,850	-	-	-	251,850	0%
Kiran Morzaria	24,000	-	-	-	-	-	-	-	24,000	0%
Richard Pavlik <sup>4</sup>	73,675	-	-	-	-	-	-	29,559	103,234	29%
Pavel Reichl <sup>5</sup>	24,000	-	-	120,251	-	-	-	-	144,251	0%
	<b>387,675</b>	<b>-</b>	<b>-</b>	<b>180,251</b>	<b>21,850</b>	<b>-</b>	<b>-</b>	<b>29,559</b>	<b>619,335</b>	

**Notes:**

- Consulting services of Company Non-Executive Director (David Reeves) and the Company which he controls, Wilgus Investments Pty Ltd. The amounts billed related to this consulting service amounted to \$17,000 (2017: \$60,000) based on normal market rates and the amount outstanding at reporting date was nil (2017: nil).  
Consulting services of Company Non-Executive Director (Pavel Reichl) and the Company which he controls, Orex consultant S.R.O. The amounts billed related to this consulting service amounted to \$nil (2017: \$120,251) based on normal market rates and the amount outstanding at reporting date was nil (2017: nil).  
Consulting services of Mr Carter and the Company which he controls Stillwater Resources Group Pty Ltd (Stillwater) to provide Chief Financial Officer services to the Company. The amounts billed related to his consulting service amounted to \$19,833 (2017L nil) based on normal market rates and the amount outstanding at reporting date was nil (2017: nil)
- Loan CDIs are treated similar to options and value is an estimate calculated using an appropriate mathematical formula based on Black-Scholes option pricing model. The amount disclosed as part of remuneration for the financial year is the amount expensed over the vesting period.
- The value of the options granted to key management personnel as part of their remuneration is calculated as at the grant date using the Black and Scholes. The amount disclosed as part of remuneration for the financial year is the amount expensed over the vesting period.
- Balance at the end of year represents Non-Executive Director and Key Management Personnel remuneration from 3 January 2017.
- Total for the year represents Non-executive Director remuneration to date of resignation on 27 June 2017.

**C. Service Agreements**

It was formally agreed at a meeting of the directors that the following remuneration be established; there are no formal notice periods, leave accruals or termination benefits payable on termination.

Mr Keith Coughlan, Managing Director, to receive a salary of \$200,000 per annum plus SGC of 9.5% for the period 1 July 2016 to 31 March 2017 and a salary of \$240,000 per annum plus SGC of 9.5% from 1 April 2017.

Mr James Carter, Chief Financial Officer, to receive a salary of \$72,300 per annum plus SGC of 9.5% from 1 February 2018.

Mr Neil Meadows, Chief Operating Officer, to receive a salary of \$220,000 per annum plus SGC of 9.5% from 20 February 2018.

#### D. Share-based compensation

In consideration of retaining key quality employees of European Metals, the Company issued 3,050,000 Loan CDIs to KMP under the Employee Securities Incentive Plan during the year ended 30 June 2018.

30 June 2018	Loan CDIs Grant Details			Exercised		Lapsed		Balance at End of Year		
	Grant Date	No.	Value \$	No.	Value \$	No.	Value \$	No Vested	No. Not Vested	Value \$
<b>Group KMP</b>										
David Reeves	30 Nov 2017	300,000	209,028	-	-	-	-	300,000	-	209,028
Keith Coughlan	30 Nov 2017	850,000	592,245	-	-	-	-	850,000	-	592,245
Richard Pavlik	30 Nov 2017	300,000	209,028	-	-	-	-	300,000	-	209,028
Kiran Morzaria	30 Nov 2017	200,000	139,352	-	-	-	-	200,000	-	139,352
James Carter	6 June 2018	400,000	106,550	-	-	-	-	-	400,000	106,550
Neil Meadows	6 June 2018	1,000,000	266,376	-	-	-	-	-	1,000,000	266,376
		<b>3,050,000</b>	<b>1,522,579</b>	-	-	-	-	<b>1,650,000</b>	<b>1,400,000</b>	<b>1,522,579</b>

#### Employee Securities Incentive Plan

Key quality employees of European Metals were issued 3,050,000 CDIs under the Employee Securities Incentive Plan. The terms of the employee securities were as follows:

- Employee securities had the following issue price:
  - \$0.725 per CDI for 1,650,000 CDIs
  - \$0.4848 per share for 1,400,000 CDIs
- The employee must remain employed by a member of the Group for one year after the date the employee securities are issued
- 1,650,000 of the employee securities are held in a voluntary holding lock for a period of 12 months from the date of issue, until 14 December 2018
- 1,400,000 of the employee securities are held in a voluntary holding lock until 26 February 2019
- An interest free loan for the full amount to purchase the employee securities will be made available to the employee. The terms of the loan were as follows:
  - The Company agrees to lend the amount equal to the issue price multiplied by the number of employee securities
  - The employee can repay the balance outstanding on the loan at any time
  - The loan is interest free
  - The outstanding amount of the loan will become payable on the earliest of:
    - The repayment date for 1,650,000 CDIs - 15 years after the date of loan advance
    - The repayment date for 1,400,000 CDIs – 7 years after the date of loan advice
    - The employee securities being sold
    - The employee becoming insolvent
    - The employee ceasing to be an employee

- The employee securities being acquired by a third party by way of an amalgamation, arrangement or formal takeover bid
- The employee may not repay the balance outstanding on the loan in respect of the employee securities which are in voluntary holding lock.

#### E. Options issued as part of remuneration for the year ended 30 June 2018

No options were issued as part of the remuneration for the year ended 30 June 2018.

#### F. Options issued as part of remuneration for the year ended 30 June 2017

On 3 January 2017, 400,000 options with an exercise price of \$0.58 on or before the 3 January 2020 was granted to Richard Pavlik who was the general manager of Geomet S.R.O at that date. The options were valued under Black and Scholes and were recognised as a share based payment in the profit and loss.

30 June 2017	Options Grant Details			Exercised		Lapsed		Balance at End of Year	
	Grant Date	No.	Value <sup>1</sup> \$	No.	Value \$	No.	Value \$	No.	Value \$
<b>Group KMP</b>									
David Reeves	-	-	-	-	-	-	-	-	-
Keith Coughlan	-	-	-	-	-	-	-	-	-
Pavel Reichl <sup>2</sup>	-	-	-	-	-	-	-	-	-
Kiran Morzaria	-	-	-	-	-	-	-	-	-
Richard Pavlik	<b>3 January 2017</b>	<b>400,000</b>	<b>177,352</b>	-	-	-	-	<b>400,000</b>	<b>177,352</b>
		<b>400,000</b>	<b>177,352</b>	-	-	-	-	<b>400,000</b>	<b>177,352</b>

Notes:

1. The value of the options granted to key management personnel as part of their remuneration is calculated as at the grant date using the Black and Scholes. 250,000 of the options issued will vest at completion of the Definitive Feasibility Study and the balance will vest 12 months thereafter. The value of the options have been prorated over the vesting period, therefore, the value included in Section B of the remuneration report as at 30 June 2017 and 30 June 2018 is the prorated amount relating to that period.
2. Pavel Reichl resigned on 27 June 2017.

#### G. Equity instruments issued on exercise of remuneration options

There were no equity instruments issued during the year to Directors or other KMP as a result of options exercised that had previously been granted as compensation.

#### H. Loans to Directors and Key Management Personnel

Apart from the 1,650,000 Loan CDIs to Directors issued at \$0.4848 and 1,400,000 Loan CDIs issued at \$0.725 to Key Management Personnel, no other loans were provided. (2017: nil).

#### I. Company performance, shareholder wealth and Directors' and Executives' remuneration

The remuneration policy has been tailored to increase the direct positive relationship between shareholders' investment objectives and Directors' and Executives' performance. This will be facilitated through the issue of options to the majority of Directors and Executives to encourage the alignment of personal and shareholder interests. The Company believes this policy will be effective in increasing shareholder wealth. At commencement of mine production, performance based bonuses based on key performance indicators are expected to be introduced.

#### J. Other information

### Options held by Key Management Personnel

The number of options to acquire CDIs in the Company held during the 2018 and 2017 reporting period by each of the Key Management Personnel of the Group; including their related parties are set out below.

<b>30 June 2018</b>	<b>Balance at the start of the year</b>	<b>Granted during the year</b>	<b>Exercised during the year</b>	<b>Other changes during the year</b>	<b>Balance at the end of the year</b>	<b>Vested and exercisable</b>	<b>Unvested</b>
David Reeves	1,000,000	-	-	-	1,000,000	1,000,000	-
Keith Coughlan	2,000,000	-	-	-	2,000,000	2,000,000	-
Kiran Morzaria	-	-	-	-	-	-	-
Richard Pavlik	400,000	-	-	-	400,000	-	400,000
James Carter	-	-	-	-	-	-	-
Neil Meadows	-	-	-	-	-	-	-
<b>Total</b>	<b>3,400,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,400,000</b>	<b>3,000,000</b>	<b>400,000</b>

<b>30 June 2017</b>	<b>Balance at the start of the year</b>	<b>Granted during the year</b>	<b>Exercised during the year</b>	<b>Other changes during the year</b>	<b>Balance at the end of the year</b>	<b>Vested and exercisable</b>	<b>Unvested</b>
David Reeves	1,000,000	-	-	-	1,000,000	1,000,000	-
Keith Coughlan	2,000,000	-	-	-	2,000,000	2,000,000	-
Kiran Morzaria	-	-	-	-	-	-	-
Richard Pavlik	-	400,000	-	-	400,000	-	400,000
Pavel Reichl <sup>1</sup>	750,000	-	-	-	750,000	750,000	-
<b>Total</b>	<b>3,750,000</b>	<b>400,000</b>	<b>-</b>	<b>-</b>	<b>4,150,000</b>	<b>3,750,000</b>	<b>400,000</b>

Note 1: Pavel Reichl resigned on 27 June 2017.

### Chess Depositary Interests ('CDIs') held by Key Management Personnel

The number of ordinary CDIs held in the Company during the 2018 and 2017 reporting period held by each of the Key Management Personnel of the Group; including their related parties are set out below.

The CDIs held directly have been obtained through the Employee Securities Incentive Plan.

<b>2018</b>	<b>Balance at Start of year</b>	<b>Granted as remuneration during the year <sup>1</sup></b>	<b>Issued on exercise of options</b>	<b>Other Changes during the year</b>	<b>Balance at end of year</b>
<b>Name</b>					
David Reeves	-	300,000	-	-	300,000
<i>Indirect</i>	3,720,244	-	-	-	3,720,244
Keith Coughlan	-	850,000	-	-	850,000
<i>Indirect</i>	8,500,000	-	-	-	8,500,000
Kiran Morzaria	-	200,000	-	-	200,000
<i>Indirect</i> <sup>2</sup>	26,860,756	-	-	985,714	27,846,470
Richard Pavlik	-	300,000	-	-	300,000
James Carter	-	400,000	-	-	400,000
Neil Meadows	-	1,000,000	-	-	1,000,000
<b>Total</b>	<b>39,081,000</b>	<b>3,050,000</b>	<b>-</b>	<b>985,714</b>	<b>43,116,714</b>

Notes:

- Issue of Loan CDIs through the Employee Securities Incentive Plan.
- Mr Morzaria is a director and chief executive of Cadence Minerals Plc. One 24 November 2016, Cadence Minerals Plc acquired a further 5,000,000 CDIs as part of a CDI placement to raise \$2,600,000. On 17 October 2016, Cadence Minerals Plc exercised 2,000,000 listed options at 20 cents. On 20 December 2017, Cadence Minerals Plc acquired a further 985,714 CDIs as part of a CDI placement to raise approximately \$4,000,000.

<b>2017</b>	<b>Balance at Start of year</b>	<b>Granted as remuneration during the year</b>	<b>Issued on exercise of options</b>	<b>Other Changes during the year</b>	<b>Balance at end of year</b>
<b>Name</b>					
David Reeves	-	-	-	-	-

<i>Indirect</i>	3,720,244	-	-	-	3,720,244
Keith Coughlan	-	-	-	-	-
<i>Indirect</i>	8,500,000	-	-	-	8,500,000
Kiran Morzaria	-	-	-	-	-
<i>Indirect</i> <sup>1</sup>	19,860,756	-	-	7,000,000	26,860,756
Richard Pavlik	-	-	-	-	-
Pavel Reichl <sup>2</sup>	2,778,672	-	-	-	2,778,672
<b>Total</b>	<b>34,859,672</b>	<b>-</b>	<b>-</b>	<b>7,000,000</b>	<b>41,859,672</b>

Notes:

1. Mr Morzaria is a director and chief executive of Cadence Minerals Plc. On 24 November 2016, Cadence Minerals Plc acquired a further 5,000,000 CDIs as part of a CDI placement to raise \$2,600,000. On 17 October 2016, Cadence Minerals Plc exercised 2,000,000 listed options at 20 cents. On 20 December 2017, Cadence Minerals Plc acquired a further 985,714 CDIs as part of a CDI placement to raise approximately \$4,000,000.
2. Pavel Reichl resigned on 27 June 2017.

### Performance Shares granted to Key Management Personnel

The number of B Class Performance shares held in the Company during the 2018 and 2017 reporting period held by each of the Key Management Personnel of the Group:

30 June 2018	Grant Details			Exercised		Lapsed		Balance at End of Year	
	Grant Date	No.	Value \$	No.	Value \$	No.	Value \$	No. Unvested	Value \$
<b>Group KMP</b>									
David Reeves	24 Nov 2016	542,651	289,932	-	-	-	-	542,651	289,932
Keith Coughlan	-	-	-	-	-	-	-	-	-
Richard Pavlik	-	-	-	-	-	-	-	-	-
Kiran Morzaria	-	-	-	-	-	-	-	-	-
James Carter	24 Nov 2016	514,650	274,971	-	-	-	-	514,650	274,971
Neil Meadows	-	-	-	-	-	-	-	-	-
		<b>1,057,301</b>	<b>564,903</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,057,301</b>	<b>564,903</b>

30 June 2017	Grant Details			Exercised		Lapsed		Balance at End of Year	
	Grant Date	No.	Value \$	No.	Value \$	No.	Value \$	No. Unvested	Value \$
<b>Group KMP</b>									
David Reeves	24 Nov 2016	542,651	289,932	-	-	-	-	542,651	289,932
Keith Coughlan	-	-	-	-	-	-	-	-	-
Pavel Reichl <sup>1</sup>	24 Nov 2016	793,906	424,175	-	-	-	-	793,906	424,174
Kiran Morzaria	-	-	-	-	-	-	-	-	-
		<b>1,336,557</b>	<b>714,106</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,336,557</b>	<b>714,106</b>

Note 1: Pavel Reichl resigned on 27 June 2017.

### Description of 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 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 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 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.

At the meeting of the Board held on 15 August 2018 the Board noted that the terms and conditions of the Performance B shares require a correction. The correction to the terms and conditions of the Performance B shares are to be put to Shareholders for approval at the upcoming Annual General Meeting with details to be provided in the Notice of Meeting.

#### Other transactions with Key Management Personnel

Purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. The Group acquired the following services from entities that are controlled by members of the Group's KMP:

Some Directors or former Directors of the Group hold or have held positions in other companies, where it is considered they control or significantly influence the financial or operating policies of those entities. During the year, the following entities provided corporate services and rental to the Group. Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Entity	Nature of transactions	Key Management Personnel	Total Transactions		Payable Balance	
			2018	2017	2018	2017
			\$	\$	\$	\$
Wilgus Investments Pty Ltd	Rental	David Reeves	59,000	32,300	6,270	-

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

There were no other transactions with Key Management Personnel during the financial year.

### **End of Remuneration Report**

Signed in accordance with a resolution of the Board of Directors.

Keith Coughlan

**MANAGING DIRECTOR**

Dated at 28 September 2018

### **AUDITOR'S INDEPENDENCE DECLARATION**

28 September 2018

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

Dear Directors

**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 the Audit Director for the audit of the financial statements of European Metals Holdings Limited for the year ended 30 June 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 audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

**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 YEAR ENDED 30 JUNE 2018**

	<b>Note</b>	<b>30 June 2018</b>	<b>30 June 2017</b>
		<b>\$</b>	<b>\$</b>
Revenue – interest income		1,599	12,622

Other income		645,554	174,305
Professional fees		(944,334)	(237,065)
Audit fees	6	(33,175)	(31,266)
Directors' fees		(60,000)	(62,645)
Share based payments	16	(1,216,018)	(3,077,218)
Advertising and Promotion		(94,951)	(28,116)
Employees' benefits		(580,751)	(300,914)
Travel and accommodation		(187,683)	(99,464)
Office and rent expense		(83,470)	(58,738)
Insurance expense		(46,777)	(14,923)
Impairment expense		(1,880,742)	(55)
Share registry expense		(154,844)	(115,611)
Depreciation expense		(1,945)	(242)
Other expenses		(17,672)	(306,542)
<b>Loss before income tax</b>		<b>(4,655,209)</b>	<b>(4,145,872)</b>
Income tax expense	3	-	-
<b>Loss for the year</b>		<b>(4,655,209)</b>	<b>(4,145,872)</b>
<b>Other comprehensive income</b>			
Items that may be reclassified subsequently to profit or loss – exchange differences on translating foreign operations		517,841	238,343
Other comprehensive income/(loss) for the year, net of tax		517,841	238,343
<b>Total comprehensive loss for the year</b>		<b>(4,137,368)</b>	<b>(3,907,529)</b>
Net Loss attributable to:			
members of the parent entity		(4,655,209)	(4,145,872)
		<u>(4,655,209)</u>	<u>(4,145,872)</u>
Total Comprehensive loss attributable to:			
members of the parent entity		(4,137,368)	(3,907,529)
		<u>(4,137,368)</u>	<u>(3,907,529)</u>
Basic and diluted loss per CDI (cents)	7	(3.43)	(3.28)

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

#### CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	Note	2018 \$	2017 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	8	2,223,109	446,112
Other receivables	9	32,640	236,103
Other assets	10	11,982	37,605
<b>TOTAL CURRENT ASSETS</b>		<b>2,267,731</b>	<b>719,820</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	11	372,997	349,024
Exploration and evaluation expenditure	12	10,169,177	9,752,757
Intangible assets		6,056	5,679
<b>TOTAL NON-CURRENT ASSETS</b>		<b>10,548,230</b>	<b>10,107,460</b>
<b>TOTAL ASSETS</b>		<b>12,815,961</b>	<b>10,827,280</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	13	342,214	332,250
Provisions – employee entitlements		74,649	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>416,863</b>	<b>332,250</b>

	Note	2018 \$	2017 \$
<b>TOTAL LIABILITIES</b>		416,863	332,250
<b>NET ASSETS</b>		12,399,098	10,495,030
<b>EQUITY</b>			
Issued capital	14	20,413,074	15,587,656
Reserves	15	5,147,304	3,413,445
Accumulated losses		(13,161,280)	(8,506,071)
<b>TOTAL EQUITY</b>		12,399,098	10,495,030

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

#### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2018

	Issued Capital \$	Share Based Payment Reserve \$	Foreign Currency Translation Reserve \$	Accumulated Losses \$	Total \$
<b>Balance at 1 July 2016</b>	11,674,141	557,246	87,301	(4,360,199)	7,958,489
Loss attributable to members of the Company	-	-	-	(4,145,872)	(4,145,872)
Other comprehensive loss	-	-	238,343	-	238,343
Total comprehensive loss for the year	-	-	238,343	(4,145,872)	(3,907,529)
<b>Transactions with owners, recognised directly in equity</b>					
CDIs issued during the year, net of costs	3,913,515	(546,663)	-	-	3,366,852
Equity based payments	-	3,077,218	-	-	3,077,218
<b>Balance at 30 June 2017</b>	15,587,656	3,087,801	325,644	(8,506,071)	10,495,030
<b>Balance at 1 July 2017</b>	15,587,656	3,087,801	325,644	(8,506,071)	10,495,030
Loss attributable to members of the Company	-	-	-	(4,655,209)	(4,655,209)
Other comprehensive loss	-	-	517,841	-	517,841
Total comprehensive loss for the year	-	-	517,841	(4,655,209)	(4,137,368)
<b>Transactions with owners, recognised directly in equity</b>					
CDIs issued during the year, net of costs	4,825,418	-	-	-	4,825,418
Equity based payments	-	58,386	-	-	58,386
CDI's issued pursuant to loan plan	-	1,157,632	-	-	1,157,632
<b>Balance at 30 June 2018</b>	20,413,074	4,303,819	843,485	(13,161,280)	12,399,098

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

#### CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2018

	30 June 2018	30 June 2017
Note	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Payments to suppliers and employees	(1,658,465)	(1,085,804)
Interest received	1,599	12,622
R&D Rebate	820,647	-
<b>Net cash (used in) operating activities</b>	<b>17</b> (836,219)	<b>(1,073,182)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for exploration and evaluation expenditure	(2,190,590)	(4,641,232)
Payments for property, plant and equipment	(4,436)	(352,361)
<b>Net cash (used in) investing activities</b>	<b>(2,195,026)</b>	<b>(4,993,593)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of CDIs	5,018,667	3,530,000
Proceeds from related party	200,000	-
Repayment of related party	(200,000)	-
Capital raising costs paid	(212,674)	(163,150)
<b>Net cash from financing activities</b>	<b>4,805,993</b>	<b>3,366,850</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>1,774,748</b>	<b>(2,699,925)</b>
Cash and cash equivalents at the beginning of the financial year	446,112	3,134,661
Change in foreign currency held	2,249	11,376
Cash and cash equivalents at the end of financial year	<b>2,223,109</b>	<b>446,112</b>

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) Basis of preparation

These consolidated financial statements and notes represent those of European Metals Holdings Limited (“the Company”) and Controlled Entities (the “Consolidated Group” or “Group”). The separate financial statements of the parent entity, European Metals Holdings Limited, have not been presented within this financial report as is permitted by *Corporations Act 2001*.

The financial statements are general purpose financial statements, which have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Boards (AASB) and the *Corporations Act 2001*. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

The accounting policies detailed below have been adopted in the preparation of the financial report. Except for cash flow information, the financial statements have been prepared on an accrual basis and are based on historical cost, modified, where applicable, by the measurement at fair values of selected non-current assets, financial assets and financial liabilities.

The Group is a listed public company, incorporated in the British Virgin Islands and registered in Australia.

#### (i) Accounting policies

The Group has consistently applied the following accounting policies to all periods presented in the financial statements. The Group has considered the implications of new and amended Accounting Standards applicable for annual reporting periods beginning after 1 January 2017 but determined that their application to the financial statements is either not relevant or not material.

#### (ii) Statement of Compliance

The financial report was authorised for issue on 28 September 2018.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in the financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB.

**(iii) Going Concern**

The directors have prepared the financial statements on going concern basis, which contemplates continuity of normal business activities and the realisation of assets and extinguishment of liabilities in the ordinary course of business.

At 30 June 2018, the consolidated entity comprising the Company and its subsidiaries has incurred a loss for the year amounting to \$4,655,209. The Consolidated entity has a net working capital of \$1,850,868, current liabilities of \$416,863 and cash and cash equivalents of \$2,223,109.

The directors consider these funds, combined with additional funds from any capital raising to be sufficient for planned expenditure on the mineral project for the ensuing 12 months as well as for corporate and administrative overhead costs. The directors also believe that they have the capacity to raise additional capital should that become necessary. For these reasons, the directors believe the going concern basis of preparation is appropriate.

**(iv) Critical accounting estimates and judgements**

The application of accounting policies requires the use of judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognised in the period in which the estimate is revised if it affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

*Share-based payment transactions*

The Group measures the cost of equity-settled transactions with employees by reference to the estimated fair value of the equity instruments at the date at which they are granted. These are expensed over the estimated vesting periods.

**(iv) Critical accounting estimates and judgements (continued)**

*Impairment of capitalised exploration and evaluation expenditure*

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Group decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Factors that could impact the future recoverability include the level of reserves and resources, future technological changes, which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, profits and net assets will be reduced in the period in which this determination is made.

*Recognition of deferred tax assets*

Deferred tax assets relating to temporary differences and unused tax losses have not been recognised as the Directors are of the opinion that it is not probable that future taxable profit will be available against which the benefits of the deferred tax assets can be utilised.

**(b) Income Tax**

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

### **(c) Impairment of assets**

At the end of each reporting period the Group assesses whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount in which case the impairment loss is treated as a revaluation decrease.

An assessment is also made at each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in

future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

**(d) Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities in the Statement of Financial Position.

**(e) Revenue**

***Interest***

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

**(f) Goods and Services Tax (GST)**

Revenues, expenses, and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

Cash flows are presented in the Statement of Cash Flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

**(g) Trade and other receivables**

Trade receivables are measured on initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method, less any allowance for impairment. Trade receivables are generally due for settlement within 30 days. Impairment of trade receivables is continually reviewed and those that are considered to be uncollectible are written off by reducing the carrying amount directly. An allowance account is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms. Factors considered by the Group in making this determination include known significant financial difficulties of the debtor, review of financial information and significant delinquency in making contractual payments to the Group.

The impairment allowance is set equal to the difference between the carrying amount of the receivable and the present value of estimated future cash flows, discounted at the original effective interest rate. Where receivables are short-term discounting is not applied in determining the allowance.

The amount of the impairment loss is recognised in the profit and loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the profit and loss.

**(h) Finance Income and Finance Costs**

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss, and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

**(i) Government Grants**

An unconditional government grant is recognised in profit or loss as other income when the grant becomes receivable. Grants that compensate the Group for expenses incurred are recognised in profit or loss as other income on a systematic basis in the same period in which the expenses are recognised.

Research and development tax incentives are recognised in the statement of profit or loss when received or when the amount to be received can be reliably estimated.

**(j) Employee Benefits**

Short-term benefits



Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Other long-term employee benefits

Provision is made for the liability due to employee benefits arising from services rendered by employees to the reporting date. Employee benefits expected to be settled within one year together with benefits arising out of wages and salaries, sick leave and annual leave which will be settled after one year, have been measured at their nominal amount. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Contributions made to defined employee superannuation funds are charged as expenses when incurred.

#### **(k) Exploration and Evaluation Assets**

Exploration and evaluation costs, including costs of acquiring licenses, are capitalised as exploration and evaluation assets on an area of interest basis. Costs of acquiring licences which are pending the approval of the relevant regulatory authorities as at the date of reporting are capitalised as exploration and evaluation cost if in the opinion of the Directors it is virtually certain the Group will be granted the licences.

Exploration and evaluation assets are only recognised if the rights of tenure to the area of interest are current and either:

- (a) The expenditures are expected to be recouped through successful development and exploitation of the area of interest, or
- (b) Activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed for impairment when:

- (i) Sufficient data exists to determine technical feasibility and commercial viability, and
- (ii) Facts and circumstances suggest that the carrying amount exceeds the recoverable amount (see impairment accounting policy in Note 1(c)). For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which exploration activity relates. The cash generating unit shall not be larger than the area of interest.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified from intangible assets to mining property and development assets within property, plant and equipment.

#### **(l) Financial Instruments**

Initial recognition and measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the Group becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Financial assets at fair value through profit and loss

Financial assets are classified at “fair value through profit or loss” when they are held for trading for the purpose of short term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a Group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying amount being included in profit or loss.

#### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period. All other loans and receivables are classified as non-current assets.

### **(I) Financial Instruments (continued)**

#### **Held-to-maturity investments**

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group’s intention to hold these investments to maturity. Such assets are recognised initially at fair value plus any directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest rate method, less any impairment losses.

Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period. All other investments are classified as current assets.

If during the period the Group sold or reclassified more than an insignificant amount of the held-to-maturity investments before maturity, the entire held-to-maturity investments category would be tainted and reclassified as available-for-sale.

#### **Available-for-sale financial assets**

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign exchange gains and losses on available-for-sale monetary items, are recognised as a separate component of equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit and loss. Available-for-sale financial assets are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period. All other available-for-sale financial assets are classified as current assets.

#### **Financial liabilities**

Non-derivative financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method.

#### **Fair value**

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm’s length transactions, reference to similar instruments and option pricing models.

#### **Derecognition**

Financial assets are derecognised where the contractual rights to cash flow expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

**(m) Trade and other payables**

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial period that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. Trade and other payables are presented as current liabilities unless payment is not due within 12 months.

**(n) Earnings Per CDI**

Basic earnings per CDI

Basic earnings per CDI is determined by dividing the profit or loss attributable to ordinary shareholders of the Company, by the weighted average number of CDIs outstanding during the period, adjusted for bonus elements in CDIs issued during the period.

Diluted earnings per CDI

Diluted earnings per CDI adjusts the figure used in the determination of basic earnings per CDI to take into account the after income tax effect of interest and other financial costs associated with dilutive potential CDIs and the weighted average number of CDIs assumed to have been issued for no consideration in relation to dilutive potential CDIs, which comprise convertible notes and CDI options granted.

**(o) Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in income in the period in which they are incurred.

**(p) Provisions**

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

**(q) Segment reporting**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segments' results are reviewed by the Group's Managing Director to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

**(r) CDI based payments**

The grant date fair value of CDI-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do not meet the related service and non-market performance conditions at the vesting date. For CDI-based payment awards with non-vesting conditions, the grant date fair value of the CDI-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Loan CDIs are treated similar to options and value is an estimate calculated using an appropriate mathematical formula based on Black-Scholes option pricing model. The choice of models and the resultant Loan CDI value require assumptions to be made in relation to the likelihood and timing of the vesting of the Loan CDIs and the value and volatility of the price of the underlying shares.

**(s) Foreign Currency Transactions and Balances**

Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in Profit or Loss, except where deferred in equity as a qualifying cash flow or net investment hedge. Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in other comprehensive income; otherwise the exchange difference is recognised in Profit or Loss.

Group companies

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- Assets and liabilities are translated at year end exchange rates prevailing at the end of the reporting period;
- Income and expenses are translated at average exchange rates for the period; and
- Retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations recognised in the other comprehensive income and included in the foreign currency translation reserve in the Statement of Financial Position. These differences are reclassified into Profit or Loss in the period in which the operation is disposed.

**(t) Issued capital**

CDIs are classified as equity. Incremental costs directly attributable to the issue of new CDIs or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new CDIs or options for the acquisition of a new business are not included in the cost of acquisition as part of the purchase consideration.

**(u) Principles of Consolidation**

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent European Metals Holdings Limited and all of the subsidiaries. Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in Note 20.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between Group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as “non-controlling interests”. The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary's net assets on liquidation at either fair value or at the non-controlling interests' proportionate share of the subsidiary's net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income.

## NOTE 2: DETERMINATION OF FAIR VALUES

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

### CDI-based payment transactions

The fair value of the employee CDI options and the share appreciation right is measured using the Black-Scholes formula. Measurement inputs include CDI price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

## NOTE 3: INCOME TAX

	30 June 2018 \$	30 June 2017 \$
<b>(a) Income tax expense</b>		
Current tax	-	-
Deferred tax	-	-
Deferred income tax expense included in income tax expense comprises:	-	-
(Increase) in deferred tax assets	-	-
Increase in deferred tax liabilities	-	-
<b>(b) Reconciliation of income tax expense to prima facie tax payable</b>		
Net loss before tax	(4,655,209)	(4,145,872)
Prima facie tax on operating loss at 27.5% (2017: 27.5%)	(1,280,182)	(1,140,115)
Add / (Less): Non-deductible items		
-Impairments	517,204	-
-Legal fees	23,468	36,315
-Share-based payments	334,405	846,235
-Other	72,748	146,455
Current year tax loss not recognised	332,357	111,110
Income tax attributable to operating loss	-	-
The applicable weighted average effective tax rates are as follows:	Nil%	Nil%
Balance of franking account at year end	Nil	Nil
<b>Deferred tax assets</b>		
Tax losses	706,261	174,490
Accruals	4,950	4,538
Capital raising costs	-	92,336
Provisions	20,529	-
Unrecognised deferred tax asset	731,740	271,364
Set-off deferred tax liabilities	(36,274)	-
Net deferred tax assets	695,466	271,364

<b>Deferred tax liabilities</b>		
Exploration expenditure	(35,295)	-
Property, plant and equipment	(979)	-
	(36,274)	-
Set-off deferred tax assets	36,274	-
Net deferred tax liabilities	-	-
Tax losses		
Unused tax losses for which no deferred tax asset has been recognised	2,568,222	634,510

### NOTE 3: INCOME TAX (CONTINUED)

The Company is registered in the British Virgin Islands (BVI) and the Company is a tax resident of Australia. The unused tax losses are representative of losses incurred in Australia.

There are currently no withholding taxes or exchange control regulations in the BVI applicable to the Company. The Company is subject to the taxation regulations of the Czech Republic where it currently holds mining license via Geomet S.R.O, and also to UK taxation regulations in respect of European Metals (UK) Limited.

### NOTE 4: RELATED PARTY TRANSACTIONS

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Other than transactions with Key Management Personnel and their related entities (refer Note 5), there were no other related party transactions during the year.

### NOTE 5: KEY MANAGEMENT PERSONNEL COMPENSATION

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Group's key management personnel (KMP) for the year ended 30 June 2018 and 30 June 2017.

The totals of remuneration paid to KMP during the year are as follows:

	2018	2017
	\$	\$
Short-term benefits	565,750	387,675
Post-employment benefits	32,890	21,850
Equity settled	1,214,269	29,559
Other payments	36,833	180,251
	<u>1,849,742</u>	<u>619,335</u>

### Loans to Key Management Personnel

Apart from Loan CDIs issued to Directors 1,650,000 and Key Management Personnel 1,400,000, there were no other loans to Key Management Personnel during the financial year. The deemed value of the Loan issued to directors was \$1,198,250 based on an issue price of \$0.725 per Loan CDI and the deemed value of the loans issued to other key management personnel was \$678,720 based on the issue price of \$0.4848 per Loan CDI.

### Other transactions with Key Management Personnel

Purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. The Group acquired the following services from entities that are controlled by members of the Group's KMP:

Some Directors or former Directors of the Group hold or have held positions in other companies, where it is considered they control or significantly influence the financial or operating policies of those entities. During the year, the following entities provided corporate services and rental to the Group. Transactions between related

parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Entity	Nature of transactions	of Key Management Personnel	Total Transactions		Payable Balance	
			2018 \$	2017 \$	2018 \$	2017 \$
Wilgus Investments Pty Ltd	Rental	David Reeves	59,000	32,300	6,270	-

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

There were no other transactions with Key Management Personnel during the financial year.

#### NOTE 6: AUDITOR'S REMUNERATION

	2018 \$	2017 \$
Details of the amounts paid to the auditor of the Group, Stantons International Audit and Consulting Pty Ltd for audit and non-audit services provided during the year are set out below:		

##### Auditor's services

Audit and review of financial report	33,175	31,266
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#### NOTE 7: BASIC AND DILUTED LOSS PER CDI

	2018	2017
Basic and diluted loss per CDI (cents)	(3.43)	(3.28)
Loss attributable to members of European Metals Holdings Limited	(4,655,209)	(4,145,872)
Weighted average number of CDI outstanding during the year	135,979,290	126,508,202

The Group is in a loss making position and it is unlikely that the conversion to, calling of, or subscription for, CDI capital in respect of potential CDIs would lead to diluted earnings per CDI that shows an inferior view of the earnings per CDI. For this reason, the diluted losses per CDI for the year ended 30 June 2018 are the same as basic loss per CDI.

#### NOTE 8: CASH AND CASH EQUIVALENTS

	2018 \$	2017 \$
Cash at bank	2,223,109	446,112
Total cash and cash equivalents in the Statement of Cash Flows	2,223,109	446,112

#### NOTE 9: OTHER RECEIVABLES

	2018 \$	2017 \$
<b>CURRENT</b>		
GST and VAT Receivable	34,526	58,932
Other receivables	(1,886)	177,171
	32,640	236,103

#### NOTE 10: OTHER ASSETS

	2018 \$	2017 \$
<b>Current</b>		
Prepayments	11,982	37,605
	11,982	37,605

#### NOTE 11: PROPERTY, PLANT AND EQUIPMENT

	2018 \$	2017 \$
Land at cost	352,660	330,554
Buildings at cost	5,848	5,481
Less accumulated depreciation	(427)	(118)

	5,421	5,363
Plant and equipment at cost	18,641	17,812
Less accumulated depreciation	(3,725)	(4,705)
	14,916	13,107
Total Property, Plant and Equipment at cost	377,149	353,847
Less accumulated Depreciation	(4,152)	(4,823)
Total Property, Plant and Equipment	372,997	349,024

### Reconciliation

Reconciliation of the carrying amounts set out below.

Opening Property, Plant and Equipment	349,024	-
Additions	5,444	353,847
Disposals	(1,411)	
Depreciation	(4,152)	(4,823)
Foreign currency differences	24,092	
Carrying amount at the end of the year	372,997	349,024

### NOTE 12: EXPLORATION AND EVALUATION EXPENDITURE

	2018	2017
	\$	\$
Exploration at cost		
Balance at the beginning of the year	9,752,757	4,940,613
Acquisition of tenements	-	-
Exploration of tenements	1,772,258	4,688,558
Impairment of exploration assets	(1,880,742)	
Foreign exchange movement	524,904	123,586
	10,169,177	9,752,757

### NOTE 13: TRADE AND OTHER PAYABLES

	2018	2017
	\$	\$
CURRENT		
Trade payables	263,409	295,619
Accrued expenses	78,805	36,631
	342,214	332,250

Payables are normally due for payment within 30 days.

### NOTE 14: ISSUED CAPITAL

	Number	\$
(a) Issued and paid up capital		
141,464,727 (30 June 2017: 130,333,909 CDIs)	141,464,727	20,413,074
Total issued capital		20,413,074

### (b) Movements in CDIs

	Date	Number	\$
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	130,333,909	15,587,656

Date	Number	\$
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<b>Balance at the beginning of the year</b>	<b>1 July 2017</b>	<b>130,333,909</b>	<b>15,587,656</b>
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)
<b>Balance at the end of the year</b>	<b>30 June 2018</b>	<b>141,464,727</b>	<b>20,413,074</b>

**(c) Loan CDIs Reserve**

	<u>Date</u>	<u>Number</u>	<u>Unit Value \$</u>	<u>Total\$</u>	<u>Amount Expensed</u>
<b>Balance at the beginning of the year</b>	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	7,979
					<b>1,159,632</b>

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 B Class Performance Shares**

	<u>Date</u>	<u>Number</u>	<u>\$</u>
<b>Balance at the beginning of the year</b>	<b>1 July 2016</b>	-	-
Performance Shares issued	24 November 2016	5,000,000	2,671,444
<b>Balance at the end of the year</b>	<b>30 June 2017</b>	<b>5,000,000</b>	<b>2,671,444</b>
<b>Balance at the beginning of the year</b>	<b>1 July 2017</b>	<b>5,000,000</b>	<b>2,671,444</b>
<b>Balance at the end of the year</b>	<b>30 June 2018</b>	<b>5,000,000</b>	<b>2,671,444</b>

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. \$2,671,444 has been attributed to the Performance Shares.

#### (e) Capital risk management

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it may continue to provide returns for shareholders and benefits for other stakeholders.

The capital structure of the Group consists of equity comprising issued capital, reserves and accumulated losses.

Due to the nature of the Group's activities, being mineral exploration, the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings. Therefore, the focus of the Group's capital risk management is to maintain sufficient current working capital position to meet the requirements of the Group to meet exploration programs and corporate overheads. The Group's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required.

The working capital position of the Group at 30 June is as follows:

	<b>2018</b>	<b>2017</b>
	\$	\$
Cash and cash equivalents	2,223,109	446,112
Other receivables	32,640	236,103
Trade and other payables	(342,214)	(332,250)
Employee entitlement	74,649	
	<u>1,988,184</u>	<u>349,965</u>

The Group is not subject to any externally imposed capital requirements.

**NOTE 15: RESERVES**

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Option Reserve	474,743	416,357
Performance Shares Reserve	2,671,444	2,671,444
CDIs Reserve	1,157,632	-
Foreign Currency Translation Reserve	843,485	325,644
<b>Total Reserves</b>	<u>5,147,304</u>	<u>3,413,445</u>

**Option Reserve**

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Balance at the beginning of the financial year	416,357	557,246
Reverse of exercised Options transferred to issued capital	-	(546,663)
Equity based payment expense	58,386	405,774
Balance at the end of the financial year	<u>474,743</u>	<u>416,357</u>

The options reserve is used to recognise the fair value of all options on issue but not yet exercised.

At 30 June 2018 the following options are outstanding:

- 3,750,000 unlisted options exercisable at 16.6 cents on or before 17 August 2020 were issued to key management personnel.
- 400,000 unlisted options were issued on 3 January 2017 to Richard Pavlik a director of the Company with an exercise price of 58 cents and expiry date of 3 January 2020. 250,000 of these options will vest at the completion of the Definitive Feasibility Study and the balance will vest 12 months thereafter.

**Performance Share Reserve**

The Performance Share reserve records the fair value of the Performance Shares issued.

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Balance at the beginning of the financial year	2,671,444	-
Equity based payment	-	2,671,444
Balance at the end of the financial year	<u>2,671,444</u>	<u>2,671,444</u>

**Loan CDIs Reserve**

The CDIs reserve records the fair value of the Loan CDIs issued.

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Balance at the beginning of the financial year	-	-
Loan CDIs issued to directors – equity based expense	1,149,653	-
Loan CDIs issued to employees - equity based expense	7,979	-
Balance at the end of the financial year	<u>1,157,632</u>	<u>-</u>

**Employee securities incentive plan**

During the year remuneration in the form of Employee Securities Incentive Plan were issued to the Directors and employees 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:

- 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.
- 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.
- 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. The repayment date for 1,650,000 Director CDIs - 15 years after the date of loan advance and the repayment date for 1,500,000 Employee CDIs – 7 years after the date of loan advice
- 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.

**Sale of loan CDIs**

- i. 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.

**Foreign Currency Translation Reserve**

The foreign currency translation reserve records exchange differences arising on translation of foreign controlled subsidiaries.

	2018	2017
	\$	\$
Balance at the beginning of the financial year	325,644	87,301
Movement during the year	517,841	238,343
Balance at the end of the financial year	843,485	325,644

**NOTE 16: SHARE BASED PAYMENTS**

No option share-based payments were granted during the current period.

	Number	Weighted Average Exercise Price
Options Outstanding as at 1 July 2016	3,750,000	\$0.166
Granted	900,000	\$0.413
Exercised	(500,000)	\$0.280
Options outstanding as at 30 June 2017	4,150,000	\$0.206
Options outstanding as at 30 June 2018	4,150,000	\$0.206

The following option share-based payment arrangements existed 30 June 2018 and at 30 June 2017:

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 30 June 2017.

On 19 April 2017, 500,000 options with an exercise price of 28 cents and exercisable on or before the 30 April 2018 were granted to the consultants of the Company as consideration for the preparation of preliminary feasibility study. The options were valued under Black and Scholes and a fair value adjustment of \$376,215 were recognised as a share based payment in the profit and loss in 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 and loss in 2017. The share based payment recognised in the profit is less in 2018 amounted to \$58,386.

On 1 June 2017, 250,000 options were exercised for 28 cents. On 6 June 2017, 250,000 options were exercised for 28 cents.

**Options granted to are as follows:**

Grant Date	Number	\$
19 April 2017 <sup>1</sup>	500,000	376,215
3 January 2017 <sup>1</sup>	400,000	29,559
<b>Total</b>	<b>900,000</b>	<b>405,774</b>

Note 1: These instruments vest immediately except for the 400,000 Options issued to Richard Pavlik. The instruments hold no voting or dividend rights. The options are unlisted. All options were issued. The 400,000 options issued to Richard Pavlik during the year have vesting conditions attached which have not been met during the current year. All other options have vested. In respect of the above options issued for services provided it was determined that no fair value of the services was able to be determined, as such the fair value of the instruments was used as the fair value recorded.

A summary of the inputs used in the valuation of the options in 2017 is as follows:

Descriptions	Options	Options
Exercise price	\$0.28	\$0.58
Share price at date of issue	\$0.98	\$0.60
Grant date	19 April 2017	3 January 2017
Expected volatility (i)	126.44%	126.44%
Expiry date	30 April 2018	3 January 2020
Expected dividends	-	-
Risk free interest rate	1.62%	1.97%
Value per option/warrant	\$0.75243	\$0.44338
Number of options/warrants	500,000	400,000
<b>Total value of options</b>	<b>\$376,215</b>	<b>\$177,352</b>

**The following performance share-based payment arrangements existed at 30 June 2018 and 30 June 2017:**

Instruments granted are as follows:

B Class Performance Shares granted are as follows:

Grant Date	2018		2017	
	Number	\$	Number	\$
18 November 2016 (related parties)	1,057,301	564,903	1,336,557	714,107
18 November 2016 (non-related parties)	3,942,699	2,106,541	3,663,443	1,957,337
	<b>5,000,000</b>	<b>2,671,444</b>	<b>5,000,000</b>	<b>2,671,444</b>

\$2,671,444 has been attributed to the Performance Shares.

**Fair value of Loan CDIs in existence at 30 June 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 30 June 2018.

	Number	Value recognised during the year	Value to be recognised in future years
Director Loan CDIs	1,650,000	1,149,653	-
Employee Securities Incentive Plan Loan CDIs <sup>1</sup>	1,500,000	7,979	285,035

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 2022	30 November 2022	30 November 2022	30 November 2022
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
<b>Total value</b>	<b>\$592,245</b>	<b>\$209,028</b>	<b>\$209,028</b>	<b>\$139,352</b>

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

Loan CDIs	Tranche 1 <sup>1</sup>	Tranche 2 <sup>2</sup>	Tranche 3 <sup>3</sup>	Tranche 4 <sup>4</sup>	Tranche 5 <sup>5</sup>
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
<b>Total value</b>	<b>\$146,507</b>	<b>\$66,594</b>	<b>\$66,594</b>	<b>\$53,275</b>	<b>\$66,594</b>

Notes:

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

**NOTE 17: CASH FLOW INFORMATION**

	2018 \$	2017 \$
<b>(a) Reconciliation of cash flow from operating activities with the loss after tax</b>		
Loss after income tax	(4,655,209)	(4,145,872)
<i>Adjustments for:</i>		
Exploration costs expensed	442,029	
Impairment of exploration	1,880,742	-
Share based payments	1,216,018	3,077,218
Unrealised foreign exchange loss/ (gain)	(35,442)	103,397
Depreciation expense	1,945	242
<i>Changes in assets and liabilities</i>		
Decrease/ (Increase) in other receivables	203,463	(134,580)
(Increase)/ Decrease in other assets	25,623	(1,856)
(Decrease)/ Increase in trade and other payables	9,963	28,269
(Decrease)/ Increase in provisions	74,649	-
Cash flow (used in)/from operating activities	<u>(836,219)</u>	<u>(1,073,182)</u>

**(b) Credit standby facilities**

The Company had no credit standby facilities as at 30 June 2018 and 2017.

**(c) Investing and Financing Activities – Non-Cash**

There were no non-cash movements during the year.

**NOTE 18: 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, two or more operating segments may be aggregated into a single operating segment if the segments have similar economic characteristics, and the segments are similar in each of the following respects:

- The nature of the products and services;
- The nature of the production processes;
- The type or class of customer for their products and services;
- The methods used to distribute their products or provide their services; and
- If applicable, the nature of the regulatory environment, for example; banking, insurance and public utilities.

The Group currently has one project which takes into account each of the above mentioned aspects. The principal activity for the project is exploration of Lithium. This is expected to be the same for future projects. Accordingly, management has identified one operating segment based on the location of the project, that being the Czech Republic and two geographical segments.

	Australia \$	Czech \$	Total \$
<b>30 June 2018</b>			
<b>REVENUE</b>			
Interest revenue	1,599	-	1,599
Other Revenue	645,554	-	645,554
<b>Total segment revenue</b>	<u>647,153</u>	<u>-</u>	<u>647,153</u>
Net expenditure	(3,193,197)	(2,109,165)	(5,302,362)
Loss before income tax	(2,546,044)	(2,109,165)	<u>(4,655,209)</u>
<b>Segment assets</b>	<u>2,240,188</u>	<u>10,575,773</u>	<u>12,815,961</u>

Segment liabilities	339,820	77,043	416,863
	Australia \$	Czech \$	Total \$
<b>30 June 2017</b>			
<b>REVENUE</b>			
Interest revenue	12,622	-	12,622
Other Revenue	174,305	-	174,305
<b>Total segment revenue</b>	186,927	-	186,927
Net expenditure	(4,200,411)	(132,388)	(4,332,799)
Loss before income tax	(4,013,484)	(132,388)	(4,145,872)
<b>Segment assets</b>	652,866	10,174,414	10,827,280
<b>Segment liabilities</b>	119,140	213,110	332,250

#### NOTE 19: FINANCIAL RISK MANAGEMENT

The Group's financial instruments consist mainly of deposits with banks, equity instruments and accounts receivable and payable.

The main purpose of non-derivative financial instruments is to raise finance for Group's operations. The Group does not speculate in the trading of derivative instruments.

The Group holds the following financial instruments:

	2018 \$	2017 \$
<b>Financial assets</b>		
Cash and cash equivalents	2,223,109	446,112
Other receivables	32,640	236,103
<b>Total financial assets</b>	2,255,749	682,215
Trade and other payables	342,214	332,250
<b>Total financial liabilities</b>	342,214	332,250

The fair value of the Group's financial assets and liabilities approximate their carrying value.

#### Specific Financial Risk Exposures and Management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk) credit risk and liquidity risk.

##### (i) Market risk

The Board meets on a regular basis to analyse currency and interest rate exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

##### Interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The Group is also exposed to earnings volatility on floating rate instruments.

Interest rate risk is not material to the Group as no interest bearing debt arrangements have been entered into.

##### Price risk



Price risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Group is not exposed to securities price risk as it does not hold any investments.

### **Foreign exchange risk**

Exposure to foreign exchange risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the Group holds financial instruments which are other than the AUD functional currency of the Group.

With instruments being held by overseas operations, fluctuations in foreign currencies may impact on the Group's financial results. The Group's exposure to foreign exchange risk is monitored by the Board. The majority of the Group's funds are held in Australian dollars, British Stirling and Czech Koruna.

At 30 June 2018, the Group has financial assets and liabilities denominated in the foreign currencies detailed below:

	<b>2018</b>		<b>2017</b>			
	<b>Amount in CZK</b>	<b>Amount in GBP</b>	<b>Amount in AUD</b>	<b>Amount in CZK</b>	<b>Amount in GBP</b>	<b>Amount in AUD</b>
Cash and cash equivalents in EMHL	-	823,600	-	-	-	-
Intercompany payables to EMHL by subsidiaries	-	24,608	4,225,696	-	31,000	3,567,245
	-	848,208	4,225,696	-	31,000	3,567,245
5% effect in foreign exchange rates	-	42,410	211,285	-	1,550	178,362

Other than intercompany balances there were no financial assets and liabilities denominated in foreign currencies for EMH UK or Geomet s.r.o..

### **(ii) Credit risk**

Credit exposure represents the extent of credit related losses that the Group may be subject to on amounts to be received from financial assets. Credit risk arises principally from trade and other receivables. The objective of the Group is to minimise the risk of loss from credit risk. Although revenue from operations is minimal, the Group trades only with creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is insignificant. The Group's maximum credit risk exposure is limited to the carrying value of its financial assets as indicated on the Statement of Financial Position and notes to the financial statements.

The credit quality of the financial assets was high during the year. The table below details the credit quality of the financial assets at the end of the year:

<b>Financial assets</b>	<b>Credit Quality</b>	<b>2018 \$</b>	<b>2017 \$</b>
Cash and cash equivalents held at Komerční Bank	High	10,924	31,128
Cash and cash equivalents held at Westpac Bank			
• Interest-bearing deposits	High	735,960	401,368
Cash and cash equivalents held at ANZ bank	High	1,476,255	13,616
Other receivables and deposits	High	32,640	236,103
		<u>2,255,749</u>	<u>682,215</u>

### **(iii) Liquidity risk**

Liquidity risk is the risk that the entity will not be able to meet its financial obligations as they fall due. The objective of the Group is to maintain sufficient liquidity to meet commitments under normal and stressed conditions.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed credit facilities. Due to the lack of material revenue, the Group aims at maintaining flexibility in funding by maintaining adequate reserves of liquidity.

The Group did not have access to any undrawn borrowing facilities at the reporting date. In June 2017, the Company entered into an interim funding facility. This facility has been provided by an Australian based sophisticated investor, 6466 Investments Pty Ltd, and allows for the drawdown of up to AUD 2 million in tranches as required over 12 months. Any funds drawn down will convert to CDI's in the Company at a 10% discount to the 10 day VWAP in the Company's securities. The funds will be used in the preparation of the Company's Definitive Feasibility Study, for further drilling and general working capital. The issue of shares pursuant to draw downs does not require shareholder approval. The undrawn amount to 30 June 2018 was \$1,327,495 which included a 2% Establishment Fee for the first drawdown (\$40,000) and a 3% Draw Down Fee for each advance (total for the 5 drawdowns \$37,495).

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting arrangements.

	Carrying Amount	Contractual Cash flows	<3 months	3-6 months	6-24 months
	\$	\$	\$	\$	\$
<b>As at 30 June 2018</b>					
Trade and other payables	342,214	342,214	342,214	-	-
	342,214	342,214	342,214	-	-
	Carrying Amount	Contractual Cash flows	<3 months	3-6 months	6-24 months
	\$	\$	\$	\$	\$
<b>As at 30 June 2017</b>					
Trade and other payables	332,250	332,250	332,250	-	-
	332,250	332,250	332,250	-	-

**(iv) Cash flow and fair value interest rate risk**

From time to time the Group has significant interest bearing assets, but they are as a result of the timing of equity raising and capital expenditure rather than a reliance on interest income. The interest rate risk arises on the rise and fall of interest rates. The Group's income and operating cash flows are not expected to be materially exposed to changes in market interest rates in the future and the exposure to interest rates is limited to the cash and cash equivalents balances.

The Group's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities:

	Floating Interest Rate	Non-interest bearing	2018 Total	Floating Interest Rate	Non-interest bearing	2017 Total
	\$	\$	\$	\$	\$	\$
<b>Financial assets</b>						
- Within one year						
Cash and cash equivalents	2,223,109	-	2,223,109	446,112	-	446,112
Other receivables	-	32,640	32,640	-	236,103	236,103
<b>Total financial assets</b>	2,223,109	32,640	2,255,749	446,112	236,103	682,215
<i>Weighted average interest rate</i>	0.10%			0.69%		
<b>Financial Liabilities</b>						
- Within one year						
Trade and other Payables	-	342,214	342,214	-	332,250	332,250
<b>Total financial liabilities</b>	-	342,214	342,214	-	332,250	332,250
<b>Net financial assets/ (liabilities)</b>	2,223,109	(309,574)	1,913,535	446,112	(96,147)	349,965

Cash flow sensitivity analysis for variable rate instruments.

A change of 100 basis points in the interest rates at the reporting date would have increased or decreased the Group's equity and profit or loss by \$16,642 (2017: \$4,461).

**(v) Net fair value of financial assets and liabilities**

The net fair value of cash and cash equivalents and non-interest bearing monetary assets and financial liabilities approximates their carrying values.

**NOTE 20: CONTROLLED ENTITIES**

Subsidiaries of European Metals Holdings Limited

Controlled entity	Country of Incorporation	Class of Shares	Percentage Owned	
			2018	2017
Equamineral Group Limited (EGL)*	British Virgin Islands	Ordinary	100%	100%
Equamineral SA (ESA Congo)	Republic of Congo	Ordinary	100%	100%
European Metals UK Limited **	United Kingdom	Ordinary	100%	100%
Geomet S.R.O	Czech Republic	Ordinary	100%	100%

\*EGL was incorporated on 8 December 2010 and domiciled in the British Virgin Islands. EGL is the parent company for Equamineral SA (ESA Congo) located in the Republic of Congo. EGL is the beneficial holder of 100% of the issued share capital in Equamineral SA. This company is currently in the process of being deregistered.

\*\*EMH UK Limited is the parent company for Geomet S.R.O

**NOTE 21: PARENT ENTITY DISCLOSURE**

The following information has been extracted from the books and records of the parent and has been prepared in accordance with Australian Accounting Standards.

**Statement of Financial Position**

	2018 \$	2017 \$
<b>ASSETS</b>		
Current assets	2,236,630	652,868
Non-current assets	3,512	-
<b>TOTAL ASSETS</b>	<u>2,240,142</u>	<u>652,868</u>
<b>LIABILITIES</b>		
Current liabilities	339,820	119,140
<b>TOTAL LIABILITIES</b>	<u>339,820</u>	<u>119,140</u>
<b>NET ASSETS</b>	<u>1,900,322</u>	<u>533,728</u>
<b>EQUITY</b>		
	2018 \$	2017 \$
Issued capital	20,413,074	15,587,656
Reserves	4,303,818	3,087,801
Accumulated losses	(22,816,570)	(18,141,729)
<b>TOTAL EQUITY</b>	<u>1,900,322</u>	<u>533,728</u>
<b>Profit or Loss and Other Comprehensive Income</b>		
Loss for the year	(4,674,841)	(8,491,514)
Total comprehensive loss	<u>(4,674,841)</u>	<u>(8,491,514)</u>

**Guarantees**

There are no guarantees entered into by European Metals Holdings Limited for the debts of its subsidiary as at 30 June 2018.

**Contingent liabilities**

There are no contingent liabilities as at 30 June 2018.

#### **Commitments**

There were no commitments as at 30 June 2018.

#### **NOTE 22: CAPITAL COMMITMENTS**

There are no capital commitments as at 30 June 2018.

#### **NOTE 23: CONTINGENT LIABILITIES**

There are no contingent liabilities as at 30 June 2018.

#### **NOTE 24: SIGNIFICANT EVENTS AFTER THE REPORTING DATE**

At the meeting of the Board held on 15 August 2018 the Board noted that the terms and conditions of the Performance B shares are incorrect. At this meeting it was agreed that the corrected terms and conditions of the Performance B shares be put to Shareholders for approval at the upcoming Annual General Meeting.

Except for the matters noted above there have been no other significant events arising after the reporting date.

#### **NOTE 25: NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE PERIODS**

Accounting Standards issued by the AASB that are not yet mandatory applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, as discussed below:

- AASB 9: Financial Instruments and associated Amending Standards (applicable for annual reporting period commencing 1 January 2018)

The Standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

The key changes that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of the Standard, the application of such accounting would be largely prospective.

Although the directors anticipate that the adoption of AASB 9 may have an impact on the Group's financial instruments it is not expected to be material.

- AASB 15: Revenue from Contracts with Customers (applicable to annual reporting periods commencing on or after 1 January 2018).

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Apart from a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

This Standard will require retrospective restatement, as well as enhanced disclosures regarding revenue. Although the directors anticipate that the adoption of AASB 15 may have an impact on the Group's financial statements, it is not expected to be material.

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

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and related interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as either operating leases or finance leases. Lessor accounting remains similar to current practice.

The main changes introduced by the new Standard are as follows:

- recognition of the right-to-use asset and liability for all leases (excluding short term leases with less than 12 months of tenure and leases relating to low value assets);
- depreciating the right-to-use assets in line with AASB 116: Property, Plant and Equipment in profit or loss and unwinding of the liability in principal and interest components;
- inclusion of variable lease payments that depend on an index or a rate in the initial measurement of the lease liability using the index or rate at the commencement date;
- application of a practical expedient to permit a lessee to elect not to separate non-lease components and instead account for all components as a lease; and
- additional disclosure requirements.

The transitional provisions of AASB 16 allow a lease to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity at the date of initial application.

Although the directors anticipate that the adoption of AASB 16 may have an impact on the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

- AASB 2014-10: Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (applicable to annual reporting periods commencing on or after 1 January 2018).

This Standard amends AASB 10: Consolidated Financial Statements with regards to a parent losing control over a subsidiary that is not a “business” as defined in AASB 3: Business Combinations to an associate or joint venture and requires that:

- a gain or loss (including any amounts in other comprehensive income (OCI)) be recognised only to the extent of the unrelated investor's interest in that associate or joint venture;
- the remaining gain or loss be eliminated against the carrying amount of the investment in that associate or joint venture; and
- any gain or loss from remeasuring the remaining investment in the former subsidiary at fair value also be recognised only to the extent of the unrelated investor's interest in the associate or joint venture. The remaining gain or loss should be eliminated against the carrying amount of the remaining investment.

Although the directors anticipate that the adoption of AASB 2014-10 may have an impact on the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

- AASB 2016-5 *Amendments to Australian Accounting Standards - Classification and Measurement of Share-based Payment Transactions* (applicable to annual reporting periods commencing on or after 1 January 2018).

The AASB issued amendments to AASB 2 *Share-based Payment* that address three main areas:

- the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction;
- the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and
- accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. Early application of this amendment is permitted.

Although the directors anticipate that the adoption of this amendment may have an impact on the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 21 to 54, are in accordance with the *Corporations Act 2001* and:
  - (a) comply with Accounting Standards;
  - (b) are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, as stated in Note 1 to the financial statements; and
  - (c) give a true and fair view of the financial position as at 30 June 2018 and of the performance for the year ended on that date of the Group.
2. the Chief Executive Officer and Chief Finance Officer have each declared that:
  - (a) the financial records of the Group for the financial year have been properly maintained in accordance with s286 of the *Corporations Act 2001*;
  - (b) the financial statements and notes for the financial year comply with the Accounting Standards; and
  - (c) the financial statements and notes for the financial year give a true and fair view.
3. 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 and is signed for and on behalf of the Directors by:

Keith Coughlan

**MANAGING DIRECTOR**

Dated at Perth on 28 September 2018

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF EUROPEAN METALS HOLDINGS LIMITED

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

Report on the Audit of the Financial Report

**Opinion**

We have audited the financial report of European Metals Holdings Limited (the Company), and its subsidiaries (the Group), which comprises the statement of the consolidated financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies, and the directors' declaration

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

**Basis for Opinion**

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110: Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key Audit Matters**

We have determined the matter described below to be a key audit matter to be communicated in the report.

We have defined the matter described below to be key audit matter to be communicated in our report. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. This matter was addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

**Key Audit Matters**

**How the matter was addressed in the audit**

**Carrying Value of Exploration and Evaluation Expenditure**

The Company has capitalised exploration and evaluation expenditure totalling \$10,169,177 (refer to Note 12) in terms of the application of the Company's accounting policy for exploration and evaluation expenditure, as set out in Note 1(k).

The carrying value of Capitalised Exploration and Evaluation expenditure is a key audit matter due to:

Inter alia, our audit procedures included the following:

- i. Assessing the Group's right to tenure over exploration assets by corroborating the ownership of the relevant licences for mineral resources to government registries and relevant third party documentation;

- The significance of the total balance (79% of total assets);
  - The necessity to assess management's application of the requirements of the accounting standard Exploration for and Evaluation of Mineral Resources ("AASB 6"), in light of any indicators of impairment that may be present;
  - The assessment of significant judgements made by management in relation to the Capitalised Exploration and Evaluation Expenditure.
- ii. Reviewing the directors' assessment of the carrying value of the exploration and evaluation expenditure, ensuring the veracity of the data presented and that management has considered the effect of potential impairment indicators, commodity prices and the stage of the Group's projects against AASB 6;
  - iii. Evaluation of Group documents for consistency with the intentions for the continuing of exploration and evaluation activities in certain areas of interest, and corroborated with enquiries of management. Inter alia, the documents we evaluated included:
    - Minutes of meetings of the board and management;
    - Announcements made by the Group to the Australian Securities Exchange;
    - NPV Model of the Cinovec Project; and
    - Cash forecasts;
  - iv. Consideration of the requirements of accounting standard AASB 6. We assessed the financial statements in relation to AASB 6 to ensure appropriate disclosures are made.
- 

### ***Other Information***

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance opinion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### ***Responsibilities of the Directors for the Financial Report***

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.



## ***Auditor's Responsibilities for the Audit of the Financial Report***

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional skepticism throughout the audit. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report.

The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

We evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in Internal control that we identify during our audit.

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## **Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 12 to 19 of the directors' report for the year ended 30 June 2018. The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards

### **Opinion on the Remuneration Report**

In our opinion, the Remuneration Report of European Metals Holdings Limited for the year ended 30 June 2018 complies with section 300A of the Corporations Act 2001.

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

**Samir Tirodkar**

Director

West Perth, Western Australia

28 September 2018

### **ASX CORPORATE GOVERNANCE STATEMENT**

This Corporate Governance summary discloses the extent to which the Company will follow the recommendations set by the ASX Corporate Governance Council in its publication 'Corporate Governance Principles and Recommendations (3<sup>rd</sup> Edition)' (**Recommendations**). The Recommendations are not mandatory, however, the Recommendations that will not be followed have been identified and reasons have been provided for not following them.

The Company's Corporate Governance Plan has been posted on the Company's website at [www.europeanmet.com](http://www.europeanmet.com).

<b>PRINCIPLES AND RECOMMENDATIONS</b>	<b>COMPLY</b>	<b>EXPLANATION</b>
<b><i>Principle 1: Lay solid foundations for management and oversight</i></b>		
<b>Recommendation 1.1</b> A listed entity should have and disclose a charter which: (a) sets out the respective roles and responsibilities of the board, the chair and management; and (b) includes a description of those matters expressly reserved to the board and those delegated to management.	Complying	The Company has adopted a Board Charter. The Board Charter sets out the specific responsibilities of the Board, requirements as to the Boards composition, the roles and responsibilities of the Chairman and Company Secretary, the establishment, operation and management of Board Committees, Directors access to company records and information, details of the Board's relationship with management, details of the Board's performance review and details of the Board's disclosure policy. A copy of the Company's Board Charter is stated in Schedule 1 of the Corporate Governance Plan which is available on the Company's website.
<b>Recommendation 1.2</b> A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and	Complying	(a) The Company has detailed guidelines for the appointment and selection of the Board. The Company's Corporate Governance Plan requires the Board to undertake appropriate checks before appointing a person, or putting forward to

PRINCIPLES AND RECOMMENDATIONS	COMPLY	EXPLANATION
(b) provide security holders with all material information relevant to a decision on whether or not to elect or re-elect a director.		security holders a candidate for election, as a director.  (b) Material information relevant to any decision on whether or not to elect or re-elect a Director will be provided to security holders in the notice of meeting holding the resolution to elect or re-elect the Director.
<b>Recommendation 1.3</b> A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	Complying	The Company's Corporate Governance Plan requires the Board to ensure that each Director and senior executive is a party to a written agreement with the Company which sets out the terms of that Director's or senior executive's appointment.
<b>Recommendation 1.4</b> The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	Complying	The Board Charter outlines the roles, responsibility and accountability of the Company Secretary. The Company Secretary is accountable directly to the Board, through the chair, on all matters to do with the proper functioning of the Board.
<b>Recommendation 1.5</b> A listed entity should: (a) have a diversity policy which includes requirements for the board: (i) to set measurable objectives for achieving gender diversity; and (ii) to assess annually both the objectives and the entity's progress in achieving them; (b) disclose that policy or a summary or it; and (c) disclose as at the end of each reporting period: (i) the measurable objectives for achieving gender diversity set by the board in accordance with the entity's diversity policy and its progress towards achieving them; and (ii) either: (A) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or (B) the entity's "Gender Equality Indicators", as defined in the Workplace Gender Equality Act 2012.	Complying	(a) The Company has adopted a Diversity Policy. (i) The Diversity Policy provides a framework for the Company to achieve a list of 6 measurable objectives that encompass gender equality. (ii) The Diversity Policy provides for the monitoring and evaluation of the scope and currency of the Diversity Policy. The company is responsible for implementing, monitoring and reporting on the measurable objectives. (b) The Diversity Policy is stated in Schedule 10 of the Corporate Governance Plan which is available on the company website. (c) (i) The measurable objectives set by the Board will be included in the annual key performance indicators for the CEO, MD and senior executives. In addition, the Board will review progress against the objectives in its annual performance assessment. (ii) The Company currently has no employees and utilizes external consultants and contractors as and when required.  The Board will review this position on an annual basis and will implement measurable objectives as and when they deem the Company to require them.

PRINCIPLES AND RECOMMENDATIONS	COMPLY	EXPLANATION
<p><b>Recommendation 1.6</b> A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and</p> <p>(b) disclose in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>Complying</p>	<p>(a) The Board is responsible for evaluating the performance of the Board and individual directors on an annual basis. It may do so with the aid of an independent advisor. The process for this can be found in Schedule 6 of the Company's Corporate Governance Plan.</p> <p>(b) The Company's Corporate Governance Plan requires the Board to disclose whether or not performance evaluations were conducted during the relevant reporting period.</p> <p>Due to the size of the Board and the nature of the business, it has not been deemed necessary to institute a formal documented performance review program of individuals. However, the Chairman intends to conduct formal reviews each financial year whereby the performance of the Board as a whole and the individual contributions of each director are disclosed. The Board considers that at this stage of the Company's development an informal process is appropriate.</p> <p>The review will assist to indicate if the Board's performance is appropriate and efficient with respect to the Board Charter. The Board regularly reviews its skill base and whether it remains appropriate for the Company's operational, legal and financial requirements. New Directors are obliged to participate in the Company's induction process, which provides a comprehensive understanding of the Company, its objectives and the market in which the Company operates.</p> <p>Directors are encouraged to avail themselves of resources required to fulfil the performance of their duties.</p>

PRINCIPLES AND RECOMMENDATIONS	COMPLY	EXPLANATION								
<p><b>Recommendation 1.7</b> A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of its senior executives; and</p> <p>(b) disclose in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	Complying	<p>(a) The Board is responsible for evaluating the performance of senior executives. The Board is to arrange an annual performance evaluation of the senior executives.</p> <p>(b) The Company's Corporate Governance Plan requires the Board to conduct annual performance of the senior executives. Schedule 6 'Performance Evaluation' requires the Board to disclose whether or not performance evaluations were conducted during the relevant reporting period.</p> <p>During the financial year an evaluation of performance of the individuals was not formally carried out. However, a general review of the individuals occurs on an on-going basis to ensure that structures suitable to the Company's status as a listed entity are in place.</p>								
<b>Principle 2: Structure the board to add value</b>										
<p><b>Recommendation 2.1</b> The board of a listed entity should:</p> <p>(a) have a nomination committee which:</p> <p>(i) has at least three members, a majority of whom are independent directors; and</p> <p>(ii) is chaired by an independent director, and disclose:</p> <p>(iii) the charter of the committee;</p> <p>(iv) the members of the committee; and</p> <p>(v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, experience, independence and knowledge of the entity to enable it to discharge its duties and responsibilities effectively.</p>	Part - Complying	<p>(a) The Nomination Committee was formed on 26 August 2015. There are currently two members of the Committee being Mr Reeves (Chairman) and Mr Coughlan. Given the Company's present size and scope of the Company's operations, no efficiencies or benefits would be gained by having a third member. The Board intends to re-evaluate the requirement for another member as the Company's operations increase in size and scale.</p> <p>The role and responsibilities of the Nomination Committee are outlined in Nomination Committee Charter available online on the Company's website.</p> <p>The Board devotes time at board meetings to discuss board succession issues. All members of the Board are involved in the Company's nomination process, to the maximum extent permitted under the Corporations Act and ASX Listing Rules.</p> <p>The Board regularly updates the Company's board skills matrix (in accordance with recommendation 2.2) to assess the appropriate balance of skills, experience, independence and knowledge of the entity.</p>								
<p><b>Recommendation 2.2</b> A listed entity should have and disclose a board skill matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.</p>	Complying	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th data-bbox="863 1787 1190 1883" style="text-align: left;">Board Skills Matrix</th> <th data-bbox="1190 1787 1393 1883" style="text-align: center;">Number of Directors that Meet the Skill</th> </tr> </thead> <tbody> <tr> <td data-bbox="863 1883 1190 1944">Executive &amp; Non-Executive experience</td> <td data-bbox="1190 1883 1393 1944" style="text-align: center;">4</td> </tr> <tr> <td data-bbox="863 1944 1190 2004">Industry experience &amp; knowledge</td> <td data-bbox="1190 1944 1393 2004" style="text-align: center;">4</td> </tr> <tr> <td data-bbox="863 2004 1190 2054">Leadership</td> <td data-bbox="1190 2004 1393 2054" style="text-align: center;">4</td> </tr> </tbody> </table>	Board Skills Matrix	Number of Directors that Meet the Skill	Executive & Non-Executive experience	4	Industry experience & knowledge	4	Leadership	4
Board Skills Matrix	Number of Directors that Meet the Skill									
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PRINCIPLES AND RECOMMENDATIONS	COMPLY	EXPLANATION																										
		<table border="1"> <tr> <td>Corporate governance &amp; risk management</td> <td>4</td> </tr> <tr> <td>Strategic thinking</td> <td>4</td> </tr> <tr> <td>Desired behavioural competencies</td> <td>4</td> </tr> <tr> <td>Geographic experience</td> <td>4</td> </tr> <tr> <td>Capital Markets experience</td> <td>4</td> </tr> <tr> <td colspan="2"><i>Subject matter expertise:</i></td> </tr> <tr> <td>- accounting</td> <td>3</td> </tr> <tr> <td>- capital management</td> <td>4</td> </tr> <tr> <td>- corporate financing</td> <td>4</td> </tr> <tr> <td>- industry taxation <sup>1</sup></td> <td>0</td> </tr> <tr> <td>- risk management</td> <td>4</td> </tr> <tr> <td>- legal<sup>2</sup></td> <td>0</td> </tr> <tr> <td>- IT expertise <sup>2</sup></td> <td>1</td> </tr> </table> <p>(1) Skill gap noticed however an external taxation firm is employed to maintain taxation requirements.</p> <p>(2) Skill gap noticed however an legal firm is employed on an adhoc basis to maintain IT requirements.</p>	Corporate governance & risk management	4	Strategic thinking	4	Desired behavioural competencies	4	Geographic experience	4	Capital Markets experience	4	<i>Subject matter expertise:</i>		- accounting	3	- capital management	4	- corporate financing	4	- industry taxation <sup>1</sup>	0	- risk management	4	- legal <sup>2</sup>	0	- IT expertise <sup>2</sup>	1
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<p><b>Recommendation 2.3</b>  <b>A listed entity should disclose:</b></p> <p>(a) the names of the directors considered by the board to be independent directors;</p> <p>(b) if a director has an interest, position, association or relationship of the type described in Box 2.3 of the ASX Corporate Governance Principles and Recommendation (3rd Edition), but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and</p> <p>(c) the length of service of each director</p>	Complying	<p>(a) The Board Charter provides for the disclosure of the names of Directors considered by the Board to be independent. None of the directors are independent directors. The details of the directors are disclosed in the Annual Report and Company website.</p> <p>(b) The Board Charter requires Directors to disclose their interest, positions, associations and relationships and requires that the independence of Directors is regularly assessed by the Board in light of the interests disclosed by Directors. Details of the Directors interests, positions associations and relationships are provided in the Annual Reports and Company website.</p> <p>(c) The Board Charter provides for the determination of the Directors' terms and requires the length of service of each Director to be disclosed. The length of service of each Director is provided in the Annual Reports and Company website.</p>																										
<p><b>Recommendation 2.4</b>  A majority of the board of a listed entity should be independent directors.</p>	Not-complying	<p>The Board Charter requires that where practical the majority of the Board will be independent. Given the Company's present size and scope it is currently not Company policy to have a majority of Independent Directors. Details of each Director's independence are provided in the Annual Reports and Company website.</p>																										

PRINCIPLES AND RECOMMENDATIONS	COMPLY	EXPLANATION
<p><b>Recommendation 2.5</b> The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.</p>	Not-complying	<p>The Board Charter provides that where practical, the Chairman of the Board will be a non-executive director. Mr David Reeves is the Chairman of the Board and is not an independent director. Keith Coughlan is the Managing Director of the Company and is not an independent director. If the Chairman resigns the Board will consider appointing a lead independent Director.</p>
<p><b>Recommendation 2.6</b> A listed entity should have a program for inducting new directors and providing appropriate professional development opportunities for continuing directors to develop and maintain the skills and knowledge needed to perform their role as a director effectively.</p>	Complying	<p>The Board Charter states that a specific responsibility of the Board is to procure appropriate professional development opportunities for Directors. The Board is responsible for the approval and review of induction and continuing professional development programs and procedures for Directors to ensure that they can effectively discharge their responsibilities.</p>
<b>Principle 3: Act ethically and responsibly</b>		
<p><b>Recommendation 3.1</b> A listed entity should: (a) have a code of conduct for its directors, senior executives and employees; and (b) disclose that code or a summary of it.</p>	Complying	<p>(a) The Corporate Code of Conduct applies to the Company's directors, senior executives and employees. (b) The Company's Corporate Code of Conduct is in Schedule 2 of the Corporate Governance Plan which is on the Company's website.</p>
<b>Principle 4: Safeguard integrity in financial reporting</b>		
<p><b>Recommendation 4.1</b> The board of a listed entity should: (a) have an audit committee which:     (i) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and     (ii) is chaired by an independent director, who is not the chair of the board,     and disclose:     (iii) the charter of the committee;     (iv) the relevant qualifications and experience of the members of the committee; and     (v) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its financial reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</p>	Part-Complying	<p>(a) The Audit and Risk Committee was formed on 26 August 2015, with directors appointed as members of the Committee, being Mr Kiran Morzaria (Chairman), Mr Reeves and Mr Coughlan. Given the Company's present size and scope of the Company's operations, no efficiencies or benefits would be gained by having a third non-executive director member. The Board intends to re-evaluate the requirement for another member as the Company's operations increase in size and scale. The role and responsibilities of the Audit and Risk Committee are outlined in Audit and Risk Committee Charter available online on the Company's website. The Board devote time at annual board meetings to fulfilling the roles and responsibilities associated with maintaining the Company's internal audit function and arrangements with external auditors. All members of the Board are involved in the Company's audit function to ensure the proper maintenance of the entity and the integrity of all financial reporting.</p>

PRINCIPLES AND RECOMMENDATIONS	COMPLY	EXPLANATION
<p><b>Recommendation 4.2</b> The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.</p>	Complying	The Company's Corporate Governance Plan states that a duty and responsibility of the Board is to ensure that before approving the entity's financial statements for a financial period, the CEO and CFO have declared that in their opinion the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.
<p><b>Recommendation 4.3</b> A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.</p>	Complying	The Company's Corporate Governance Plan provides that the Board must ensure the Company's external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.
<b>Principle 5: Make timely and balanced disclosure</b>		
<p><b>Recommendation 5.1</b> A listed entity should: (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it.</p>	Complying	<p>(a) The Board Charter provides details of the Company's disclosure policy. In addition, Schedule 7 of the Corporate Governance Plan is entitled 'Disclosure – Continuous Disclosure' and details the Company's disclosure requirements as required by the ASX Listing Rules and other relevant legislation.</p> <p>(b) The Board Charter and Schedule 7 of the Corporate Governance Plan are available on the Company website.</p>
<b>Principle 6: Respect the rights of security holders</b>		
<p><b>Recommendation 6.1</b> A listed entity should provide information about itself and its governance to investors via its website.</p>	Complying	Information about the Company and its governance is available in the Corporate Governance Plan which can be found on the Company's website.
<p><b>Recommendation 6.2</b> A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.</p>	Complying	<p>The Company has adopted a Shareholder Communications Strategy which aims to promote and facilitate effective two-way communication with investors. The Shareholder Communications Strategy outlines a range of ways in which information is communicated to shareholders.</p> <p>The Shareholder Communications Strategy can be found in Schedule 11 of the Board Charter which is available on the Company website.</p>
<p><b>Recommendation 6.3</b> A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.</p>	Complying	The Shareholder Communications Strategy states that as a part of the Company's developing investor relations program, Shareholders can register with the Company Secretary to receive email notifications of when an announcement is made by the Company to the ASX, including the release of the Annual Report, half yearly reports and quarterly reports. Links are made available to the



		Company's website on which all information provided to the ASX is immediately posted. Shareholders are encouraged to participate at all EGMs and AGMs of the Company. Upon the despatch of any notice of meeting to Shareholders, the Company Secretary shall send out material with that notice of meeting stating that all Shareholders are encouraged to participate at the meeting.
<b>Recommendation 6.4</b> A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	Complying	Security holders can register with the Company to receive email notifications when an announcement is made by the Company to the ASX. Shareholders queries should be referred to the Company Secretary at first instance.
<b>Principle 7: Recognise and manage risk</b>		
<b>Recommendation 7.1</b> The board of a listed entity should: (a) have a committee or committees to oversee risk, each of which: (i) has at least three members, a majority of whom are independent directors; and (ii) is chaired by an independent director, and disclose: (iii) the charter of the committee; (iv) the members of the committee; and (v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the process it employs for overseeing the entity's risk management framework.	Complying	(a) The Audit and Risk Committee was formed on 26 August 2015, with directors appointed as members of the Committee, being Mr Kiran Morzaria, Mr Reeves and Mr Coughlan. The role and responsibilities of the Audit and Risk Committee are outlined in Schedule 3 of the Company's Corporate Governance Plan available online on the Company's website. The Board devote time at annual board meeting to fulfilling the roles and responsibilities associated with overseeing risk and maintaining the entity's risk management framework and associated internal compliance and control procedures.
<b>Recommendation 7.2</b> The board or a committee of the board should: (a) review the entity's risk management framework with management at least annually to satisfy itself that it continues to be sound, to determine whether there have been any changes in the material business risks the entity faces and to ensure that they remain within the risk appetite set by the board; and (b) disclose in relation to each reporting period, whether such a review has taken place.	Complying	(a) The Company process for risk management and internal compliance includes a requirement to identify and measure risk, monitor the environment for emerging factors and trends that affect these risks, formulate risk management strategies and monitor the performance of risk management systems. Schedule 8 of the Corporate Governance Plan is entitled 'Disclosure – Risk Management' and details the Company's disclosure requirements with respect to the risk management review procedure and internal compliance and controls. (b) The Board Charter requires the Board to disclose the number of times the Board

		met throughout the relevant reporting period, and the individual attendances of the members at those meetings. Details of the meetings will be provided in the Company's Annual Report.
<p><b>Recommendation 7.3</b></p> <p>A listed entity should disclose:</p> <p>(a) if it has an internal audit function, how the function is structured and what role it performs; or</p> <p>(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.</p>	Complying	Schedule 3 of the Company's Corporate Plan provides for the internal audit function of the Company. The Board Charter outlines the monitoring, review and assessment of a range of internal audit functions and procedures.
<p><b>Recommendation 7.4</b></p> <p>A listed entity should disclose whether, and if so how, it has regard to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.</p>	Complying	Schedule 3 of the Company's Corporate Plan details the Company's risk management systems which assist in identifying and managing potential or apparent business, economic, environmental and social sustainability risks (if appropriate). Review of the Company's risk management framework is conducted at least annually, and reports are continually created by management on the efficiency and effectiveness of the Company's risk management framework and associated internal compliance and control procedures.
<b>Principle 8: Remunerate fairly and responsibly</b>		
<p><b>Recommendation 8.1</b></p> <p>The board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <p>(i) has at least three members, a majority of whom are independent directors; and</p> <p>(ii) is chaired by an independent director,</p> <p>and disclose:</p> <p>(iii) the charter of the committee;</p> <p>(iv) the members of the committee; and</p> <p>(v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</p>	Part - Complying	<p>The Remuneration Committee was formed on 26 August 2015, with directors appointed as members of the Committee, being Mr Reeves (Chairman) and Mr Coughlan. Given the Company's present size and scope of the Company's operations, no efficiencies or benefits would be gained by having a third member. The Board intends to re-evaluate the requirement for another member as the Company's operations increase in size and scale.</p> <p>The role and responsibilities of the Remuneration Committee are outlined in Remuneration Committee Charter available online on the Company's website.</p> <p>The Board devote time at annual board meetings to fulfilling the roles and responsibilities associated with setting the level and composition of remuneration for Directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</p>
<p><b>Recommendation 8.2</b></p> <p>A listed entity should separately disclose its policies and practices regarding the</p>	Complying	The Company's Corporate Governance Plan requires the Board to disclose its policies and

remuneration of non-executive directors and the remuneration of executive directors and other senior executives and ensure that the different roles and responsibilities of non-executive directors compared to executive directors and other senior executives are reflected in the level and composition of their remuneration.		practices regarding the remuneration of non-executive, executive and other senior directors.
<p><b>Recommendation 8.3</b></p> <p>A listed entity which has an equity-based remuneration scheme should:</p> <p>(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and</p> <p>(b) disclose that policy or a summary of it.</p>	Complying	<p>(a) Company's Corporate Governance Plan states that the Board is required to review, manage and disclose the policy (if any) on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme. The Board must review and approve any equity based plans.</p> <p>(b) A copy of the Company's Corporate Governance Plan is available on the Company's website.</p>

## QCA CORPORATE GOVERNANCE REPORT

The following sets out the Company's Corporate Governance Report in accordance with the AIM Rules for Companies, a copy of which is also available from the Company's website at:

<https://www.europeanmet.com/wp-content/uploads/2018/09/Corporate-Governance-Website-Disclosure-EMH-Sept-2018-Final.pdf>

### INTRODUCTION

In April 2018, the Quoted Companies Alliance (QCA) published an updated version of its Code which provides UK small and mid-sized companies such as European Metals Limited with a corporate governance framework that is appropriate for a Company of our size and nature. The Board considers the principles and recommendations contained in the QCA Code are appropriate and have therefore chosen to apply the QCA Code.

The updated 2018 QCA Code has 10 principles that should be applied. Each principle is listed below together with an explanation of how the Company applies or otherwise departs from each of the principles.

### PRINCIPLE ONE

#### ***Business Model and Strategy***

The Company is a minerals exploration and development company and has a clear and definitive vision of the Company's purpose, business model and strategy, being to develop the Cinovec lithium-tin project. The Company is currently preparing a definitive feasibility study.

European Metals owns 100% of the Cinovec lithium-tin project in the Czech Republic, through its wholly owned subsidiary Geomet s.r.o.. Cinovec is an historic mine incorporating a significant undeveloped lithium-tin resource with by-product potential including tungsten, rubidium, scandium, niobium and tantalum and potash. 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.

## **PRINCIPLE TWO**

### ***Understanding Shareholder Needs and Expectations***

The Board is committed to maintaining good communication and having constructive dialogue with its shareholders. The Company has close ongoing relationships with its private shareholders. Institutional shareholders and analysts have the opportunity to discuss issues and provide feedback at meetings with the Company. In addition, all shareholders are encouraged to attend the Company's Annual General Meeting. Investors also have access to current information on the Company through its website, [www.europeanmet.com](http://www.europeanmet.com), and via Keith Coughlan, Managing Director, who is available to answer investor relations enquiries.

The Company has adopted a Shareholder Communications Strategy which aims to promote and facilitate effective two-way communication with investors. The Shareholder Communications Strategy outlines a range of ways in which information is communicated to shareholders.

The Shareholder Communications Strategy can be found in Schedule 11 of the Board Charter which is available on the Company website, [www.europeanmet.com/corporate-governance](http://www.europeanmet.com/corporate-governance).

## **PRINCIPLE THREE**

### ***Considering wider stakeholder and social responsibilities***

The Board recognises that the long term success of the Company is reliant upon the efforts of the employees of the Company and its contractors, suppliers, regulators and other stakeholders.

The Company has close ongoing relationships with a broad range of its stakeholders and provides them with the opportunity to raise issues and provide feedback to the Company.

## **PRINCIPLE FOUR**

### ***Risk Management***

The Audit and Risk Committee was formed on 26 August 2015, with directors appointed as members of the Committee, being Mr Kiran Morzaria, Mr Reeves and Mr Coughlan. The role and responsibilities of the Audit and Risk Committee are outlined in Schedule 3 of the Company's Corporate Governance Plan available online on the Company's website, [www.europeanmet.com/corporate-governance](http://www.europeanmet.com/corporate-governance).

The Board devotes time at board meetings to fulfilling the roles and responsibilities associated with overseeing risk and maintaining the entity's risk management framework and associated internal compliance and control procedures.

The Company process for risk management and internal compliance includes a requirement to identify and measure risk, monitor the environment for emerging factors and trends that affect these risks, formulate risk management strategies and monitor the performance of risk management systems. Schedule 8 of the Corporate Governance Plan is entitled 'Disclosure – Risk Management' and details the Company's disclosure requirements with respect to the risk management review procedure and internal compliance and controls.

The Board Charter requires the Board to disclose the number of times the Board met throughout the relevant reporting period, and the individual attendances of the members at those meetings. Details of the meetings will be provided in the Company's Annual Report.

## **PRINCIPLE FIVE**

### ***A Well Functioning Board of Directors***

The Board currently comprises of 4 members: 2 Executive members (the Managing Director, Keith Coughlan and Executive Director, Richard Pavlik) and 2 Non-Executive members (the Chairman, Dave Reeves and Non-executive Director, Kiran Morzaria). Biographical details of the current Directors are set out within Principle Six below. Pursuant to Article 8.5 of the Company's Articles of Association, at each annual general meeting one third of the directors (or, if their number is not a multiple of three, the number nearest to but not more than

one-third shall retire from office by rotation. A retiring director shall be eligible for re-election. All the Executive Directors are full time and the Non-Executive Directors are considered to be part time but are expected to provide as much time to the Company as is required.

All letters of appointment of Directors are available for inspection at the Company's registered office during normal business hours. The Board elects a Chairman to chair every meeting.

All letters of appointment of Directors are available for inspection at the Company's registered office during normal business hours. The Board elects a Chairman to chair every meeting.

The Board holds formal meetings periodically as issues arise and require more details. The Directors are in contact and discuss all necessary issues on a regular basis and to ensure that the Non-Executive Directors while not involved in the day to day running of the Company are still kept up to date on a regular basis.

The Company has established Audit, Remuneration, and Nomination committees, particulars of which are set out in Principle Nine below.

The QCA recommends a balance between executive and non-executive Directors and recommends that there be two independent non-executives. The Board Charter provides for the disclosure of the names of Directors considered by the Board to be independent.

Mr Morzaria is a Board nominee of Cadence Minerals Plc (previously named Rare Earth Minerals Plc), which owns 26,860,756 CDIs in the Company. Mr Morzaria is also a director and chief executive of Cadence Minerals Plc. On this basis, Mr Morzaria is not an independent Non-executive Director. Mr Reeves is interested in CDIs, options and Class B Performance Shares, and on this basis is also not an independent Non-executive Director. However, the Board believes that both Mr Reeves and Morzaria are relevant qualified professionals and with an understanding of what is expected of a Non-Executive Director and discharge their duties as Non-Executive Directors in an effective and appropriate manner on behalf of shareholders as a whole.

Given the Company's present size and scope of the Company's operations, no efficiencies or benefits would be gained appointing a Senior Independent Director ("SID"). The Board intends to re-evaluate the requirement for a SID as the Company's operations increase in size and scale.

The details of the directors are disclosed in the Annual Report and Company website, [www.europeanmet.com/directors-and-senior-management](http://www.europeanmet.com/directors-and-senior-management).

The Board Charter requires Directors to disclose their interest, positions, associations and relationships and requires that the independence of Directors is regularly assessed by the Board in light of the interests disclosed by Directors. Details of the Directors interests, positions associations and relationships are provided in the Annual Reports and Company website, [www.europeanmet.com/directors-and-senior-management](http://www.europeanmet.com/directors-and-senior-management).

The Board Charter provides for the determination of the Directors' terms and requires the length of service of each Director to be disclosed. The length of service of each Director is provided in the Annual Reports and Company website, [www.europeanmet.com/directors-and-senior-management](http://www.europeanmet.com/directors-and-senior-management). The Corporate Code of Conduct, which applies to the Company's directors, senior executives and employees. is in Schedule 2 of the Corporate Governance Plan which is on the Company's website, [www.europeanmet.com/corporate-governance](http://www.europeanmet.com/corporate-governance).

## **PRINCIPLE SIX**

### ***Appropriate Skills and Experience of the Directors***

The Company believes the current balance of skills in the Board as a whole, reflects a very broad range of commercial and professional skills across geographies and industries and each of the Director's has experience in public markets. An assessment of the Board's skills and expertise is also set out in the Corporate Governance Report included in the Company's Annual Report and Accounts, and which is available on the Company's website, <https://www.europeanmet.com/shareholdercentre-reports>.

The Board shall review annually the appropriateness and opportunity for continuing professional development whether formal or informal.

Profiles of the Directors are set out below:

**Mr David Reeves – Non-executive Chairman**

Mr Reeves is a qualified mining engineer with 25 years' experience globally. Mr Reeves holds a First Class Honours Degree in Mining Engineering from the University of New South Wales, a Graduate Diploma in Applied Finance and Investment from the Securities Institute of Australia and a First Class Mine Managers Certificate of Competency. Mr Reeves is the Managing Director of Calidus Resources Limited (ASX). Mr Reeves is currently a member of the Remuneration Committee, Audit and Risk Committee and Nomination Committee.

**Mr Keith Coughlan – Managing Director**

Mr Coughlan has almost 30 years' experience in stockbroking and funds management. He has been largely involved in the funding and promoting of resource companies listed on ASX, AIM and TSX. He has advised various companies on the identification and acquisition of resource projects and was previously employed by one of Australia's then largest funds management organizations. Mr Coughlan is currently Non-executive Chairman of Calidus Resources Limited (ASX), and Non-executive Director of Southern Hemisphere Mining Limited (ASX). He previously held the position of Non-executive Chairman of Talga Resources Limited (ASX) from 17 September 2013 to 8 February 2017. Mr Coughlan is currently a member of the Audit and Risk Committee and Nomination Committee.

**Mr Richard Pavlik – Executive Director**

Mr Pavlik is the General Manager of Geomet s.r.o., the Company's wholly owned Czech subsidiary, and is a highly experienced Czech mining executive. Mr Pavlik holds a Masters Degree in Mining Engineer from the Technical University of Ostrava in Czech Republic. He is the former Chief Project Manager and Advisor to the Chief Executive Officer at OKD. OKD has been a major coal producer in the Czech Republic. He has almost 30 years of relevant industry experience in the Czech Republic. Mr Pavlik also has experience as a Project Analyst at Normandy Capital in Sydney as part of a postgraduate program from Swinburne University. Mr Pavlik has held previous senior positions within OKD and New World Resources as Chief Engineer, and as Head of Surveying and Geology. He has also served as the Head of the Supervisory Board of NWR Karbonia, a Polish subsidiary of New World Resources (UK) Limited. He has an intimate knowledge of mining in the Czech Republic

**Mr Kiran Morzaria – Non-executive Director**

Mr Morzaria has a Bachelor of Engineering (Industrial Geology) and an MBA (Finance). He has extensive experience in the mineral resource industry working in both operational and management roles. He spent the first four years of his career in exploration, mining and civil engineering before obtaining his MBA. Mr Morzaria has served as a director of a number of public companies in both an executive and non-executive capacity. Mr Morzaria is a Director and Chief Executive of Cadence Minerals plc (AIM) and a director of UK Oil & Gas plc (AIM). He was previously a Director of Bacanora Minerals plc (AIM). Mr Morzaria is currently a member of the Remuneration Committee and the Audit and Risk Committee.

The CFO is not currently a member of the Board, which the Company believes is acceptable given the current focus of the Company on preparation of a definitive feasibility on the Cinovec deposit. As the scale and complexity of the Group develops, the Board will consider any further appointments to the Board as appropriate. The Company's Chief Financial Officer, James Carter, is a CPA and Chartered Company Secretary with 20 years' international experience in the mining industry and he is currently the Chief Financial Officer (CFO) of Keras Resources Plc (AIM).

**PRINCIPLE SEVEN**

***Evaluation of Board Performance***

The Board is responsible for evaluating the performance of the Board and individual directors on an annual basis. It may do so with the aid of an independent advisor. The process for this can be found in Schedule 6 of the Company's Corporate Governance Plan which requires the Board to disclose whether or not performance evaluations were conducted during the relevant reporting period.

Due to the size of the Board and the nature of the business, it has not been deemed necessary to institute a formal documented performance review program of individuals. However, the Chairman intends to conduct formal reviews each financial year whereby the performance of the Board as a whole and the individual contributions of each director are disclosed. The Board considers that at this stage of the Company's development an informal process is appropriate.

The review will assist to indicate if the Board's performance is appropriate and efficient with respect to the Board Charter.

The Board regularly reviews its skill base and whether it remains appropriate for the Company's operational, legal and financial requirements. New Directors are obliged to participate in the Company's induction process, which provides a comprehensive understanding of the Company, its objectives and the market in which the Company operates.

Directors are encouraged to avail themselves of resources required to fulfil the performance of their duties.

#### **PRINCIPLE EIGHT** ***Corporate Culture***

The Corporate Code of Conduct applies to the Company's directors, senior executives and employees. The purpose of the Corporate Code of Conduct is to provide a framework for decisions and actions in relation to ethical conduct in employment. It underpins the Company's commitment to integrity and fair dealing in its business affairs and to a duty of care to all employees, clients and stakeholders. The document sets out the principles covering appropriate conduct in a variety of contexts and outlines the minimum standard of behaviour expected from employees.

The directors consider that at present the Company has an open culture facilitating comprehensive dialogue and feedback and enabling positive and constructive challenge. The Company has adopted, with effect from the date on which its shares were admitted to AIM, a code for Directors' and employees' dealings in securities which is appropriate for a company whose securities are traded on AIM and is in accordance with the requirements of the Market Abuse Regulation which came into effect in 2016.

#### **PRINCIPLE NINE** ***Maintenance of Governance Structures and Processes***

The QCA Code recommends that the Company maintains governance structures and processes in line with its culture and appropriate to its size and complexity.

Ultimate authority for all aspects of the Company's activities rests with the Board, the respective responsibilities of the Chairman and Chief Executive Officer arising as a consequence of delegation by the Board. The Board has adopted appropriate delegations of authority which set out matters which are reserved to the Board. The Chairman is responsible for the effectiveness of the Board, while management of the Company's business and primary contact with shareholders has been delegated by the Board to the Managing Director.

The Board has established the following committees.

##### ***Audit and Risk Committee***

The Audit and Risk Committee was formed on 26 August 2015, with directors appointed as members of the Committee, being Mr Kiran Morzaria, Mr Reeves and Mr Coughlan. The role and responsibilities of the Audit and Risk Committee are outlined in Schedule 3 of the Company's Corporate Governance Plan available online on the Company's website, [www.europeanmet.com/corporate-governance](http://www.europeanmet.com/corporate-governance).

This committee has primary responsibility for monitoring the Financial Reporting function and internal controls in order to ensure that the financial performance of the Company is properly measured and reported. The committee receives the financial reports from the executive management and auditors relating to the interim and annual accounts and the accounting and internal control systems in use throughout the Company. The Audit

Committee shall meet not less than twice in each financial year and it has unrestricted access to the Company's auditors.

#### *Remuneration Committee*

The Remuneration Committee was formed on 26 August 2015, with directors appointed as members of the Committee, being Mr Kiran Morzaria, Mr Reeves. The role and responsibilities of the Remuneration Committee are outlined in Schedule 3 of the Company's Corporate Governance Plan available online on the Company's website, [www.europeanmet.com/corporate-governance](http://www.europeanmet.com/corporate-governance).

The Remuneration Committee reviews the performance of the executive directors and employees and makes recommendations to the Board on matters relating to their remuneration and terms of employment. The Remuneration Committee also considers and approves the granting of share options pursuant to the share option plan and the award of shares in lieu of bonuses pursuant to the Company's Remuneration Policy.

#### *Nominations Committee*

The Nominations Committee was formed on 26 August 2015, with directors appointed as members of the Committee, being Mr Reeves and Mr Coughlan. The role and responsibilities of the Nominations Committee are outlined in Schedule 3 of the Company's Corporate Governance Plan available online on the Company's website, [www.europeanmet.com/corporate-governance](http://www.europeanmet.com/corporate-governance).

### **PRINCIPLE TEN**

#### ***Shareholder Communication***

The Board is committed to maintaining good communication and having constructive dialogue with its shareholders. The Company has close ongoing relationships with its private shareholders. Institutional shareholders and analysts have the opportunity to discuss issues and provide feedback at meetings with the Company. In addition, all shareholders are encouraged to attend the Company's Annual General Meeting.

Investors also have access to current information on the Company through its website, [www.europeanmet.com](http://www.europeanmet.com), and via Keith Coughlan, Managing Director, who is available to answer investor relations enquiries.

The Company shall include, when relevant, in its annual report, any matters of note arising from the audit or remuneration committees.

### **ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES**

The following additional information is required by the Australian Securities Exchange Ltd in respect of listed public companies only.

#### **1 Shareholding as at 14 September 2018**

##### **(a) Distribution of Shareholders**

Category (size of holding)	Number of Shareholders
1 – 1,000	106
1,001 – 5,000	263
5,001 – 10,000	167
10,001 – 100,000	262
100,001 – and over	120
	<hr/>
	918
	<hr/>

**(b)** The number of shareholdings held in less than marketable parcels is 136.

##### **(c) Voting Rights**

The voting rights attached to each class of equity security are as follows:  
141,464,727 CDIs



- Each CDI is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

**(d) 20 Largest Shareholders — CDIs as at 14 September 2018**

Rank	Shareholder	Number of CDIs	% Held
1.	Citicorp Nominees Pty Limited	28,862,460	20.40
2.	Armco Barriers Pty Ltd	12,902,000	9.12
3.	J P Morgan Nominees Australia Limited	9,082,965	6.42
4.	Inswinger Holdings Pty Ltd	8,500,000	6.01
5.	Vidacos Nominees Limited <CLRLUX>	3,746,283	2.65
6.	Mrs Eleanor Jean Reeves <Elanwi A/C>	3,720,244	2.63
7.	Barclays Direct Investing Nominees Limited <Client 1>	2,869,515	2.03
8.	JM Nominees Limited <Jarvis>	2,799,825	1.98
9.	Hargreaves Lansdown (Nominees) Limited <15942>	2,643,116	1.87
10.	Lawshare Nominees Limited <SIPP>	2,281,904	1.61
11.	Hargreaves Lansdown (Nominees) Limited <VRA>	2,217,863	1.57
12.	Interactive Investor Services Nominees Limited <SMKTISAS>	2,034,295	1.44
13.	HSBC Global Custody Nominees (UK) Limited <777329>	1,910,000	1.35
14.	MR Neil Thacker MacLachlan	1,902,202	1.34
15.	CGWL Nominees Limited <GC1>	1,879,433	1.33
16.	Interactive Investor Services Nominees Limited <SMKTNOMS>	1,597,699	1.13
17.	Court Securities Pty Ltd	1,580,000	1.12
18.	Mr Edward Francis Gerrard Nealon	1,571,429	1.11
19.	HSDL Nominees Limited	1,469,481	1.04
20.	Lichter Services Pty Ltd <Lichter Family S/F A/C>	1,400,000	0.99
<b>Total Top 20 Shareholders</b>		<b>94,970,714</b>	<b>67.14</b>

- The name of the Company Secretary is Ms Julia Beckett.
- The address of the principal registered office in Australia is Suite 12, Level 1, 11 Ventnor Avenue, West Perth WA 6005. Telephone +61 8 6245 2050.
- Registers of securities are held at the following addresses**  
Computershare Investor Services Limited  
Level 11  
172 St Georges Terrace  
Perth, Western Australia 6000
- Securities Exchange Listing**  
Quotation has been granted for all the CDIs of the Company on all Member Exchanges of the Australian Securities Exchange Limited.
- Unquoted Securities**  
A total of 4,150,000 options over unissued CDIs are on issue.  
A total of 5,000,000 B Class Performance Shares
- Use of Funds**  
The Company has used its funds in accordance with its initial business objectives.

**TENEMENT SCHEDULE**

		Deposit	Project	Ownership
Exploration Area	Cinovec	n.a.	Czech Republic	100%
	Cinovec II			

	Cinovec III			
	Cinovec IV			
Preliminary mining permit	Cinovec II	Cinovec East		
	Cinovec III	Cinovec South		