



15 DECEMBER 2014

ASX ANNOUNCEMENT

Strategic Relationship to Test Commercial Potential of Cinovec Lithium Resource

HIGHLIGHTS

- MoU executed to investigate lithium and associated metals production from Cinovec
- Cinovec hosts an Inferred Resource of 37Mt @ 0.8% Li₂O (0.3% Li cut off) or 134Mt @ 0.6% Li₂O (0.2% Li cut off) (*Refer to ASX announcement 5 March 2014*)
- Is a valuable by-product to the large tin and tungsten mineralisation that is being investigated by the Scoping Study that is due for completion Q1 2015

European Metals Holdings Limited (ASX:EMH) is currently completing a Scoping Study on the Cinovec project which is located in the Czech Republic, 100 km NW of the capital, Prague close to the border with Germany.

The tin and tungsten mineralisation at Cinovec lies coincident with lithium mineralisation. As such, during the processing of this tin mineralisation, a waste tail containing significant quantities of lithium is produced. This lithium was historically concentrated by magnetic means to produce a lithium concentrate which then used to produce a lithium carbonate based on a sulphate processing route.

Cobre Montana (ASX:CXB) through its alliance with Perth Based Strategic Metallurgy (*Refer to ASX announcement 11 November 2014*) has the ability to use its licensing rights, and knowhow to extract lithium from the micas that occur within the mineralized zones at Cinovec.

The CXB technology not only provides a low power process for lithium carbonate production, it has the added benefits of recovering other metals from the mica, in particular potassium, which can be recovered as potassium sulphate, a valuable component of fertilizers. It is also possible to recover rare metals from the mica.

Based on these advantages, EMH has entered into a MOU with CXB which will allow Perth-based CXB to undertake test work over the next six months that will culminate in the presentation of a commercial development proposal to EMH.

Keith Coughlan, Managing Director of EMH said, "I am excited about the agreement with Cobre Montana as the lithium, potassium and rare metal credits could be very significant for the Cinovec project. The project is situated on the border with Germany which is a large scale user of lithium carbonate for its extensive lithium battery manufacturing that is used in its internal automotive and manufacturing sector. This could provide not just a ready market for the offtake of this material, but opens numerous possibilities for strategic alliances with end users of this product".



CXB/EMH Memorandum of Understanding

Under the terms of the Memorandum of Understanding announced today, Cobre Montana will have a six month exclusivity to study the lithium mineralisation and present European Metals with a commercial development proposal.

The terms of the agreement will see Cobre Montana include in its report, the ways in which the combined expertise of both companies can be optimised to enable more complete exploitation of the zinnwaldite mineralisation to produce lithium carbonate for the rapidly expanding global lithium battery industry.

Laboratory testing of the Cinovec feed material will commence in January 2015.

PROJECT OVERVIEW

Cinovec Tin Project

Cinovec is an historic tin mine, incorporating a significant undeveloped tin resource with by-product potential including tungsten, lithium, rubidium, scandium, niobium and tantalum. Cinovec is one of the largest undeveloped tin deposits in the world, with a total inferred resource of 28.1Mt grading 0.37% Sn for 103,970 tonnes of contained tin. Cinovec also hosts a partly-overlapping hard rock lithium deposit with a total inferred resource estimate of 36.8Mt @ 0.8% Li₂O. The resource estimates were based on exploration completed by the Czechoslovakian Government in the 1970s and 1980s, including 83,000m of drilling and 21.5km of underground exploration drifting. The deposit appears amenable to bulk mining techniques and has had over

400,000 tonnes trial mined as a sub-level open stope. Historical metallurgical test work, including the processing of the trial mine ore through the previous on-site processing plant, indicates the ore can be treated using simple gravity methods with good recovery rates for tin and tungsten in oxide minerals of approximately 75%. Cinovec is very well serviced by infrastructure, with a sealed road adjacent to the deposit, rail lines located 5km north and 8km south of the deposit and an active 22kV transmission line running to the mine. As the deposit lies in an active mining region, it has strong community support.

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COMPETENT PERSON

Information in this release that relates to exploration results is based on information compiled by European Metals Director Mr Pavel Reichl. Mr Reichl is a Certified Professional Geologist, a member of the American Institute of Petroleum Geologists, a Fellow Member 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, Minerals Resources and Ore Reserves. Mr Reichl consents to the inclusion in the release of the matters based on his information in the form and context in which it appears.

The information in this report that relates to Mineral Resources 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 2004 edition of the Australasian Code for Reporting of Exploration Results, Minerals Resources and Ore Reserves. Mr Widenbar consents to the inclusion in this report of the matters based on his information in the form and context that the information appears.

CAUTION REGARDING FORWARD LOOKING STATEMENTS

Information included in this release constitutes forward-looking statements. There can be no assurance that ongoing exploration will identify mineralisation that will prove to be economic, that anticipated metallurgical recoveries will be achieved, that future evaluation work will confirm the viability of deposits that may be identified or that required regulatory approvals will be obtained.