EUROPEAN METALS HOLDINGS LIMITED

ARBN 154 618 989

ANNUAL REPORT
30 JUNE 2015

CORPORATE DIRECTORY

Directors

Mr David Reeves	Non-Executive Director Chairman
Mr Keith Coughlan	Managing Director and Chief Executive Officer
Dr Pavel Reichl	Non-Executive Director

Company Secretary
Ms Julia Beckett

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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 2015.

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
Dr Pavel Reichl	Non-Executive Director	Appointed 6 March 2014
Mr Robert Timmins	Non-Executive Chairman	Appointed 24 November 2011, resigned 5 November 2014
Mr Colin Ikin	Non-Executive Director	Appointed 23 June 2011, resigned 5 November 2014
Mr David Porter	Non-Executive Director	Appointed 8 January 2012, resigned 5 November 2014

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 Chartered Secretaries Australia. Julia is a Corporate Governance professional, having worked in corporate administration and compliance for the past 8 years. She has been involved in business acquisitions, mergers, initial public offerings, capital raisings as well as statutory and financial reporting. Julia is also Joint Company Secretary of Ensurance Limited.

Principal Activities

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

Review of Operations

The 2015 Financial Year has been one of significant growth and development for the Company.

The Company spent the first part of the year conducting a Scoping Study on the Cinovec Lithium and Tin Project. Consultants were appointed early in the year to advise on all aspects of the Study and this work continued into the first quarter of 2015.

The Scoping Study demonstrates that Cinovec has the potential to be technically and financially viable. Mine design work carried out as part of the Study suggests Cinovec could be a bulk underground mining operation. It is envisaged that processing via a traditional gravity plant would produce tin and tungsten concentrates with the tails being fed to a lithium processing plant. Atmospheric leach would then be used to produce battery grade lithium carbonate. Cost estimates in the study were calculated by independent consultants and are based upon data from recent projects and industry standard estimating factors.

Towards the end of the first half the Company entered into a strategic relationship with ASX listed Lithium Australia Limited ('LIT' formerly Cobre Montana) to test the commercial potential of the Cinovec lithium resource.

It had been known for many years that the Cinovec project contained a very large low grade lithium deposit. The lithium was historically concentrated by magnetic means to produce a lithium concentrate which was then used to produce a lithium carbonate based on a sulphate processing route. The world's first lithium carbonate was produced in this fashion with Cinovec lithium in 1923.

Lithium Australia through its alliance with Perth based Strategic Metallurgy has the technical knowhow to extract lithium from the micas that occur in the mineralised zones at Cinovec with a reduced cost profile. The technology not only provides a low power cost process for lithium carbonate production, it also allows the recovery of potassium as potassium sulphate, a valuable component of fertilizers. It is also possible to recover rare metals from the mica.

DIRECTORS' REPORT

Review of Operations (Continued)

LIT began test work early in 2015. The results of this work were excellent from both flotation and leach with 98% of lithium recovered to concentrate via flotation and 99.5% recovered via leaching from the concentrate. Significantly, LIT were able to produce battery grade lithium carbonate from the Cinovec ore sample with a grade of 99.56%. The conclusion of the lithium metallurgical test work is that Cinovec has the potential to be a very low cost producer of lithium carbonate, net of by -product credits.

In February the Company announced a significant increase in resources at Cinovec. Of particular note was the very large increase in the inferred lithium resource to 5.5 mt LCE along with a significant additional exploration target. Given the size of the lithium deposit at Cinovec and the very low cost profile indicated by the metallurgical test work, Cinovec has become a globally significant lithium and tin deposit.

We are very happy with this progress, particularly in light of the continued demand for lithium products globally, largely due to the expansion of the Electric Vehicle and Power Storage industries. European Metals is uniquely placed to take advantage of this increase in demand being the holder of the largest lithium resource in Europe.

The strategic value of the Cinovec asset is becoming better recognised in the industry. In June the Company secured a capital raising from a number of key European based investors notably Rare Earth Minerals plc ('REM'), an AIM listed company with a portfolio of investments in lithium companies and projects. REM's most significant investment is in the Sonora Lithium Project in Mexico via a shareholding in fellow AIM Listed company, Bacanora Minerals and directly into the project.

The major US electric vehicle and power storage company, Tesla Motors, has recently announced a conditional off take agreement with Bacanora for lithium from the Sonora Project. This is the first off take agreement that Tesla has entered into.

The interest shown in European Metals from European investors has led the Company to the decision to dual list its securities on the AIM Market. This was announced to the ASX in June and is expected to be completed in November.

Overall it has been a very productive and exciting year for the Company and the Cinovec Project and we look forward to bringing you further news regarding the development of the project.

Results of Operations

The consolidated loss for year ended 30 June 2015 amounted to $666,872 (2014 loss: $1,328,196).

Financial Position

The net assets of the Group have increased by $1,116,757 to $4,144,822 at 30 June 2015.

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:

The Oyabi license expired in July 2014. In light of the Company's strong desire to focus its attention exclusively on the Czech projects – coupled with a significant decline in iron ore prices and unsatisfactory exploration results – no extension of the Oyabi license was sought.

On 3 October 2014 the Company announced the award of a research grant under the FAME project, the project will last approximately 48 months and the Company may be eligible for up grant over this period of up to Euro 105,000.

On 6 November 2014 the Company placed 21,943,023 CDIs at $0.05 to raise an additional $1,097,151 for working capital.

DIRECTORS' REPORT

Significant Changes in the State of Affairs (Continued)

The Company announced a substantial increase in resources at the Cinovec project, particularly with respect to the lithium resource. The lithium resource has increased in tonnage by 285% and in terms of contained lithium by 175%. The resource is currently 5.5Mt LCE, 514.8Mt @ 0.43% Li_2O (0.1% Li cutoff). There is an additional Exploration Target of 3.4 – 5.3 Mt LCE, 350 – 450Mt @ 0.39 – 0.47% Li_2O.

On the 27 May 2015 Performance A CDIs issued to vendors for the acquisition of the European Metals, as approved by shareholders on 20 February 2014, were converted into 5,000,000 CDIs. The performance criteria of these CDIs were driven by the Net Present Value of the Cinovec project meeting the performance hurdles.

On 30 June 2015 the Company placed 9,339,430 CDIs at $0.08 to raise an additional $747,154 for working capital.

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

David Reeves	Non-Executive Chairman – Appointed 6 March 2014
Qualifications	Mining Engineer
Experience	Mr Reeves is a qualified mining engineer with 25 years' experience in Africa and Australia. 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	3,061,872 CDIs 1,658,372 Options 542,651 Class B Performance Shares
Special Responsibilities	Member of all the Committees
Directorships held in other listed entities	Managing Director of Ferrex Plc (AIM)

Keith Coughlan	Managing Director (CEO) – Appointed 6 September 2013
Qualifications	BA
Experience	Keith has over 26 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	4,500,000 CDIs 6,000,000 Options
Special Responsibilities	Member of all the Committees
Directorships held in other listed entities	Non Executive Chairman of Talga Resources Limited

Pavel Reichl	Non-Executive Director – Appointed 6 March 2014
Qualifications	PhD from University of Montana
Experience	Dr Reichl has over 15 years' experience in precious, base and PGE metals exploration and production and has a PhD from University of Montana. He was formerly Business Unit Manager of a Canadian listed minerals exploration company responsible for Europe and Central Asia. Dr Reichl was the former head of the Newmont acquisition program in Eastern Europe and exploration manager for Kyrgyzstan and Uzbekistan. He is fluent in English, Czech and Russian.

Information on Directors

Interest in CDIs and Options	2,778,672 CDIs 750,000 Options 793,906 Class B Performance Shares
Special Responsibilities	Member of all the Committees
Directorships held in other listed entities	Nil
Robert Timmins	Non-Executive Chairman – Appointed 24 November 2011, resigned 5 November 2014
Qualifications	Geophysicist
Experience	Robert (Bob) Timmins has 40 years experience in mineral and oil exploration. Bob founded Timmins Geophysics Pty Ltd in 1978, a geophysical consulting and contracting company. With up to 35 employees this company was principally involved in the acquisition and interpretation of electromagnetic, magnet (including polarization) and gravity data. Geophysics customers' included iron explorers: CR, Hamersley Iron, BHP, CSR and others. Bob conducted and interpreted the initial geophysics and sited the drilling which led to the discovery of the Yandie iron ore deposit. Timmins Geophysics (1988) merged with ASX listed Aerodata Holdings to form World Geoscience Corporation ("WGC"). WGC managed the conducting, reporting and presentation of the initial European Union sponsored airborne geophysical survey of Namibia and Botswana. Bob has consulted extensively in Australia, Africa (Namibia, Botswana, South Africa, Tanzania, Kenya and Central African Republic) and the Americas.
Interest in CDIs and Options(1)	Nil CDIs 500,000 Options (expired 19 July 2015)
Special Responsibilities	Member of all the Committees
Directorships held in other listed entities	Nil
Colin Ikin	Non-Executive Director - Appointed 23 June 2011, resigned 5 November 2014
Qualifications	Stockbroker
Experience	Colin was a stockbroker for 17 years. He has extensive experience as CEO of several mining companies listed on the ASX and AIM. Colin has developed gold, copper, nickel and cobalt mines in Australia and Africa, including the Bulong pressure acid leach Nickel Cobalt mine and the Horseshoe polymetallic mine. Colin is a non-executive director of Cominco Resources Ltd, a company currently developing the Hinda phosphate and uranium project in the Republic of Congo. He has played a major role in property developments in Indonesia and Australia.
Interest in CDIs and Options(1)	4,093,580 CDI's and Nil options
Special Responsibilities	Member of all the Committees
Directorships held in other listed entities	Current Executive Chairman of Namibian Copper NL.
David Porter	Non-Executive Director – Appointed 8 January 2012, resigned 5 November 2014
Qualifications	Geologist, BSc (Hons), MSc, FIMM
Interest in CDIs and Options(1)	110,000 CDIs 500,000 Options (expired 19 July 2015)
Special Responsibilities	Member of all the Committees
Directorships held in other	Nil

DIRECTORS' REPORT

Information on Directors

listed entities

(1) Number of CDIs and Options held on the date of resignation which was 5 November 2014.

Director Meetings

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

	Directors' Meetings	
Name	**Number attended**	**Number eligible to attend**
David Reeves	3	3
Keith Coughlan	3	3
Pavel Reichl	3	3
Robert Timmins	1	1
Colin Ikin	1	1
David Porter	1	1

DIRECTORS' 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 Company 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 Company's 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 Company, 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 Company 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 Company'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 Company 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 Company. 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 and options 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 2014 and 30 June 2015 are set out in the following tables:

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED)

B. Details of Remuneration (Continued)

2015

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[1]	Super-annuation	Other	Equity	Options		
Directors:	$	$	$	$	$	$	$	$	$	
David Reeves	24,000	-	-	40,000	-	-	-	-	64,000	-
Keith Coughlan	200,000	-	-	-	19,000	-	-	-	219,000	-
Pavel Reichl	83,000	-	-	-	-	-	-	-	83,000	-
Robert Timmins*	-	-	-	-	-	-	-	-	-	-
Colin Ikin*	-	-	-	-	-	-	-	-	-	-
David Porter*	-	-	-	-	-	-	-	-	-	-
	307,000	-	-	40,000	19,000	-	-	-	366,000	

* Directors resigned on 5 November 2014

2014

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	Super-annuation	Other	Equity	Options		
Directors:	$	$	$	$	$	$	$	$	$	
Robert Timmins	16,667	-	-	-	-	-	-	-	16,667	-
Keith Coughlan	100,000	-	-	-	9,250	-	100,000	-	209,250	48%
Pavel Reichl	39,945	-	-	-	-	-	-	-	39,945	-
Colin Ikin	-	-	-	-	-	-	-	-	-	-
David Reeves	-	-	-	-	-	-	-	-	-	-
David Porter	14,583	-	-	-	-	-	-	-	14,583	-
	171,195	-	-	-	9,250	-	100,000	-	280,445	

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 to receive a salary of $200,000 per annum plus SGC of 9.5%. Mr Coughlan was paid at a rate of $100,000 per annum from 1 November 2013 and $200,000 from 1 March 2014. Mr Coughlan agreed to accrue half of the salary from

[1] Consulting services of Company Non-Executive Director (David Reeves) and the Company which he controls. The amounts billed related to this consulting service amounted to $40,000 (2014: $Nil) based on normal market rates and the amount outstanding at reporting date was $30,000 (2014: $Nil) the amount outstanding was equity settled subsequent to balance date.

REMUNERATION REPORT (AUDITED)

C. Service Agreements (Continued)

1 March 2014 until such time as the Company is successful at completing a capital raising, the Company completed a successful capital raising on 6 November 2014.

D. Options issued as part of remuneration for the year ended 30 June 2015.

No options were granted to directors as remuneration during the year ended 30 June 2015 (30 June 2014: Nil) and no options lapsed during the year.

E. 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.

F. Loans to Directors and Executives

No loans have been made to Directors or Executives of the Company during, or since, the year ended 30 June 2015 (2014: nil).

G. 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.

H. Other information

Options held by Key Management Personnel

The number of options to acquire CDIs in the Company held during the 2015 reporting period by each of the Key Management Personnel of the Group; including their related parties are set out below.

30 June 2015	Balance at the start of the year	Granted during the year	Exercised during the year	Other changes [2] during the year	Balance at the [3] end of the year	Vested and exercisable	Unvested
David Reeves	-	-	-	658,372	658,372	658,372	-
Keith Coughlan	-	-	-	4,000,000	4,000,000	4,000,000	-
Pavel Reichl	-	-	-	-	-	-	-
Robert Timmins	500,000	-	-	-	500,000	500,000	-
Colin Ikin	-	-	-	-	-	-	-
David Porter	500,000	-	-	-	500,000	500,000	-
Total	1,000,000	-	-	4,658,372	5,658,372	5,658,372	-

[2] Participation in CDI placement, the offer comprised of four new CDIs for every seven held at an issue price of $0.05 cents per CDI. For every CDI taken up holders were provided one free attaching option with an exercise price of $0.10 expiring 30 June 2016.

[3] Balance at resignation date of 5 November 2014, for those directors (Mr Ikin, Mr Porter and Mr Timmins) who retired during the year.

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED)
H. Other information (Continued)

30 June 2014	Balance at the start of the year	Granted during the year	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable	Unvested
Robert Timmins	500,000	-	-	-	500,000	500,000	-
Keith Coughlan	-	-	-	-	-	-	-
Pavel Reichl	-	-	-	-	-	-	-
David Reeves	-	-	-	-	-	-	-
Colin Ikin	-	-	-	-	-	-	-
David Porter	500,000	-	-	-	500,000	500,000	-
Total	1,000,000	-	-	-	1,000,000	1,000,000	-

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

The number of ordinary CDIs in the Company during the 2015 reporting period held by each of the Key Management Personnel of the Group; including their related parties are set out below.

2015 Name	Balance at Start of year	Granted as remuneration during the year	Issued on exercise of options	Other Changes during the year[4]	Balance at end of year[5]
David Reeves					
Indirect	1,364,124	-	-	1,201,023	2,565,147
Keith Coughlan					
Indirect	500,000	-	-	4,000,000	4,500,000
Pavel Reichl	1,984,766	-	-	793,906	2,778,672
Robert Timmins	-	-	-	-	-
Colin Ikin	225,000	-	-	-	225,000
Indirect	3,868,580	-	-	-	3,868,580
David Porter					
Indirect	110,000	-	-	-	110,000
Total	**8,052,470**	**-**	**-**	**5,994,929**	**14,047,399**

2014 Name	Balance at Start of year	Granted as remuneration during the year	Issued on exercise of options	Other Changes during the year	Balance at end of year
David Reeves	-	-	-	1,364,124	1,364,124
Keith Coughlan	-	-	-	-	-
Indirect	-	500,000	-	-	500,000
Pavel Reichl	-	-	-	1,984,766	1,984,766
Robert Timmins	-	-	-	-	-
Colin Ikin	225,000	-	-	-	225,000
Indirect	3,868,580	-	-	-	3,868,580
David Porter	-	-	-	-	-
Indirect	110,000	-	-	-	110,000
Total	**4,203,580**	**500,000**	**-**	**3,348,890**	**8,052,470**

[4] Participation in CDI placement, the offer comprised of four new CDIs for every seven held at an issue price of $0.05 cents per CDI. For every CDI taken up holders were provided one free attaching option with an exercise price of $0.10 expiring 30 June 2016. Other changes included the conversion of Class A Performance Shares for Mr Reeves and Mr Reichl into CDIs according to the terms of Class A Performance Shares.

[5] Balance at resignation date of 5 November 2014, for those directors (Mr Ikin, Mr Porter and Mr Timmins) who retired during the year.

REMUNERATION REPORT (AUDITED)

H. Other information (Continued)

Loans to Key Management Personnel

There were no loans to Key Management Personnel during the financial year.

Other transactions with Key Management Personnel

During 2015, the Group used the following services of the directors of the Company.

- Sub-underwriting fee of 2% was paid to the Keith Coughlan $7,144 and David Reeves $799 for capital raising sub-underwriting. The amounts billed were based on normal market rates and the amount outstanding at reporting date was $Nil.
- During the year the Company converted 5,000,000 Performance A Shares into CDIs in accordance with the Term Sheet approved by Shareholders on the 20 February 2014. The conversion was dependent on the NPV of the Cinovec project. Mr David Reeves and Mr Pavel Reichl were vendors to the original Term Sheet and participated in the CDI conversion. The A Class Performance Shares were converted as follows:
  Mr David Reeves, conversion of 542,651 Class A Performance Shares to CDIs at a Grant Date Value of nil.
  Mr Pavel Reichl, conversion of 793,906 Class A Performance Shares to CDIs at a Grant Date Value of nil.
- During the year ended 30 June 2014, the Company sold its investment in securities in a TSX listed entity to a related entity of Mr Colin Ikin at an agreed price of $473,495 AUD. Total proceeds received was £251,017 (approximately $459,824 at date of receipt).

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

End of Remuneration Report

CDIs under option

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

Expiry date	Exercise Price	Number under option
30 June 2016	10 cents	21,943,023
17 August 2020	16.6 cents	3,750,000

No option holder has any right under the options to participate in any other share issue of the Company or of any other entity.

Environmental Regulations

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

Significant events after the reporting date

On 31 July 2015 the Company held a General meeting, the following matters relating the issue of new equity instruments were approved for issue:

- Issue of 496,725 CDIs to Mr David Reeves (Non-Executive Chairman) in lieu of consulting fees for the year ended 30 June 2015[6].
- Issue of 2,000,000 options to Mr Keith Coughlan (Executive Director) exercisable at $0.16 cent on or before 17 August 2020.
- Issue of 1,000,000 options to Mr David Reeves (Non-Executive Chairman) exercisable at $0.16 cent on or before 17 August 2020.
- Issue of 750,000 options to Dr Pavel Reichl exercisable at $0.16 cent on or before 17 August 2020.

[6] Fees were accrued for the year end 30 June 2015

DIRECTORS' REPORT

Significant events after the reporting date (Continued)

- On 31 July 2015 the Company held a General Meeting and received shareholder approval to place 9,410,578 CDIs at $0.08 to raise an additional $752,846 for working capital.
- On 31 August 2015 Dr Pavel Reichl was appointed a Non-executive Director of the Company (previously Executive Director).

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

Indemnifying officers or auditor

During or since the end of the financial period 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.

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.

Auditor's Independence Declaration

The auditor's independence declaration for the year ended 30 June 2015 has been received and can be found on page 14 of the financial report.

This report of the Directors incorporating the remuneration report, is signed in accordance with a resolution of the Board of Directors.

Keith Coughlan
Managing Director
Dated at 30 September 2015

Stantons International Audit and Consulting Pty Ltd
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30 September 2015

Board of Directors
European Metals Holdings Limited
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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 2015, 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)

John Van Dieren - FCA
Director

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2015

	Note	30 June 2015	30 June 2014
		$	$
Revenue – interest income		6,917	8,743
Other income		21,516	-
Professional fees		(270,257)	(120,004)
Audit fees	7	(26,025)	(23,127)
Directors' fees		-	(31,250)
Share based payments	17	-	(100,000)
Employees' benefits		(219,000)	(114,071)
Travel and accommodation		(29,551)	(39,233)
Office rent		(16,396)	(35,769)
Insurance expense		(20,329)	(12,776)
Share registry expense		(51,114)	(39,645)
Depreciation expense		(2,333)	(17,436)
Impairment expense	3	-	(673,968)
Other expenses		(60,300)	(129,660)
Loss before income tax		(666,872)	(1,328,196)
Income tax expense	4	-	-
Loss for the year		(666,872)	(1,328,196)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss – exchange differences on translating foreign operations		(2,258)	40,304
Other comprehensive (loss)/income for the year, net of tax		(2,258)	40,304
Total comprehensive loss for the year		(669,130)	(1,287,892)
Net Loss attributable to:			
members of the parent entity		(666,872)	(1,328,196)
		(666,872)	(1,328,196)
Total Comprehensive income attributable to:			
members of the parent entity		(669,130)	(1,287,892)
		(669,130)	(1,287,892)
Basic and diluted loss per CDI (cents)	8	(1.25)	(4.53)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2015

	Note	2015 $	2014 $
CURRENT ASSETS			
Cash and cash equivalents	**9**	889,208	378,615
Other receivables	**10**	28,703	26,707
Other assets	**11**	32,918	11,516
TOTAL CURRENT ASSETS		950,829	416,838
NON-CURRENT ASSETS			
Property, plant and equipment		488	1,953
Exploration and evaluation expenditure	**12**	3,414,934	2,814,798
Intangible assets		3,398	4,229
TOTAL NON-CURRENT ASSETS		3,418,820	2,820,980
TOTAL ASSETS		4,369,649	3,237,818
CURRENT LIABILITIES			
Trade and other payables	**13**	201,536	186,495
Other liabilities	**14**	23,291	23,258
TOTAL CURRENT LIABILITIES		224,827	209,753
TOTAL LIABILITIES		224,827	209,753
NET ASSETS		4,144,822	3,028,065
EQUITY			
Issued capital	**15**	6,788,183	5,002,296
Reserves	**16**	222,761	225,019
Accumulated losses		(2,866,122)	(2,199,250)
TOTAL EQUITY		4,144,822	3,028,065

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2015

	Issued Capital	Option Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total
	$	$	$	$	$
Balance at 1 July 2013	2,402,296	97,560	87,155	(871,054)	1,715,957
Loss attributable to members of the Company	-	-	-	(1,328,196)	(1,328,196)
Other comprehensive income	-	-	40,304	-	40,304
Total comprehensive loss for the year	-	-	40,304	(1,328,196)	(1,287,892)
Transactions with owners, recognised directly in equity					
CDIs issued during the year, net of costs	-	-	-	-	-
Share based payments	2,600,000	-	-	-	2,600,000
Balance at 30 June 2014	5,002,296	97,560	127,459	(2,199,250)	3,028,065
Balance at 1 July 2014	5,002,296	97,560	127,459	(2,199,250)	3,028,065
Loss attributable to members of the Company	-	-	-	(666,872)	(666,872)
Other comprehensive loss	-	-	(2,258)	-	(2,258)
Total comprehensive loss for the year	-	-	(2,258)	(666,872)	(669,130)
Transactions with owners, recognised directly in equity					
CDIs issued during the year, net of costs	1,755,857	-	-	-	1,755,857
Share based payments	30,030	-	-	-	30,030
Balance at 30 June 2015	6,788,183	97,560	125,201	(2,866,122)	4,144,822

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

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2015

	Note	30 June 2015 $	30 June 2014 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(712,182)	(478,795)
Interest received		6,917	8,743
Receipts for services		21,516	-
Net cash (used in) operating activities	**18**	(683,749)	(470,052)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for exploration and evaluation expenditure		(567,136)	(187,081)
Sale of investments in listed security		-	459,824
Net cash (used in)/ from investing activities		(567,136)	272,743
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of CDIs		1,844,307	-
Capital raising costs paid		(82,829)	-
Net cash from financing activities		1,761,478	-
Net increase/ (decrease) in cash and cash equivalents		510,593	(197,309)
Cash and cash equivalents at the beginning of the financial year		378,615	575,924
Cash and cash equivalents at the end of financial year		889,208	378,615

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

NOTE 1: SUMMARY 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) Adoption of new and revised standards

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2014 affected any of the amounts recognised in the current period or any prior period, although it caused minor changes to the Group's disclosures.

(ii) Statement of Compliance

The financial report was authorised for issue on 30 September 2015.

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) 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 fair value of the equity instruments at the date at which they are granted.

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(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 treated as a revaluation decrease).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(c) Impairment of assets (continued)

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(i) 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.

(j) 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.

(k) 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(k) Financial Instruments (Continued)

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 the 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.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(k) Financial Instruments (Continued)

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.

(l) 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.

(m) 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.

(n) 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.

(o) 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.

(p) 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.

(q) 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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(q) CDI based payments (Continued)

expected and actual outcomes.

(r) 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.

(s) 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 21.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	30 June 2015	30 June 2014
NOTE 3: LOSS BEFORE INCOME TAX		
(a) Significant revenues and expenses	$	$
The following significant revenue and (expense) items are relevant in explaining the financial performance:		
Impairment Expense		
• Exploration and expenditure	-	(602,435)
• Property plant and equipment	-	(21,754)
• Other assets	-	(49,779)
	-	(673,968)

	30 June 2015	30 June 2014
NOTE 4: INCOME TAX	$	$
(a) Income tax expense	-	-
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) Reconciliation of income tax expense to prima facie tax payable		
Net loss before tax	(666,872)	(1,328,196)
Prima facie tax on operating loss at 30% (2014: 30%)	(200,062)	(398,459)
Add / (Less): Non-deductible items		
-Impairments	-	202,190
-Share-based payments	-	30,000
-Other	10,981	55,254
Current year tax loss not recognised	189,081	111,015
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
Deferred tax assets		
Tax losses	140,677	140,122
Capital raising costs	12,127	6,820
Unrecognised deferred tax asset	152,804	146,942

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	30 June 2015	30 June 2014
NOTE 4: INCOME TAX	**$**	**$**
Set-off deferred tax liabilities	-	-
Net deferred tax assets	152,804	146,942
Deferred tax liabilities		
Exploration expenditure	-	-
	-	-
Set-off deferred tax assets	-	-
Net deferred tax liabilities	-	-
Tax losses		
Unused tax losses for which no deferred tax asset has been recognised	468,923	467,072

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 5: 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 6), there were no other related party transactions during the year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

NOTE 6: 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 2015.

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

	2015	2014
	$	$
Short-term benefits	307,000	171,195
Post employment benefits	19,000	9,250
Equity settled	-	100,000
Other payments	40,000	-
	366,000	280,445

Loans to Key Management Personnel

There were no loans to Key Management Personnel during the financial year (2014: Nil).

Other transactions with Key Management Personnel

During 2015, the Group used the following services of the directors of the Company.

- Sub-underwriting fee of 2% was paid to the Keith Coughlan $7,144 and David Reeves $799 for capital raising sub-underwriting. The amounts billed were based on normal market rates and the amount outstanding at reporting date was $Nil.
- During the year the Company converted 5,000,000 Performance A Shares into CDIs in accordance with the Term Sheet approved by Shareholders on the 20 February 2014. The conversion was dependent on the NPV of the Cinovec project. Mr David Reeves and Mr Pavel Reichl were vendors to the original Term Sheet and participated in the CDI conversion. The A Class Performance Shares were converted as follows:
  Mr David Reeves, conversion of 542,651 Class A Performance Shares to CDIs at a Grant Date Value of nil.
  Mr Pavel Reichl, conversion of 793,906 Class A Performance Shares to CDIs at a Grant Date Value of nil.
- During the year ended 30 June 2014, the Company sold its investment in securities in a TSX listed entity to a related entity of Mr Colin Ikin at an agreed price of $473,495 AUD. Total proceeds received was £251,017 (approximately $459,824 at date of receipt).

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

NOTE 7: AUDITOR'S REMUNERATION	**2015**	**2014**
	$	**$**
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:		
Remuneration of the auditor of the Group for:		
Auditor's services		
Audit and review of financial report	26,025	23,127

NOTE 8: BASIC AND DILUTED LOSS PER CDI		
Basic and diluted loss per CDI (cents)	(1.25)	(4.53)
Loss attributable to members of European Metals Holdings Limited	(666,872)	(1,328,196)
Weighted average number of CDI outstanding during the year	53,143,446	29,328,577

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 a diluted earnings per CDI that shows an inferior view of the earnings per CDI. For this reason, the diluted loss per CDI for the year ended 30 June 2015 are the same as basic loss per CDI.

NOTE 9: CASH AND CASH EQUIVALENTS	**2015**	**2014**
	$	**$**
Cash at bank	889,208	378,615
Total cash and cash equivalents in the Statement of Cash Flows	889,208	378,615

NOTE 10: OTHER RECEIVABLES		
CURRENT		
GST and VAT Receivable	28,329	22,302
Other receivable	374	4,405
	28,703	26,707

NOTE 11: OTHER ASSETS		
Current		
Prepayment – other	32,918	11,516
	32,918	11,516

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

NOTE 12: EXPLORATION AND EVALUATION EXPENDITURE	2015	2014
	$	$
Exploration at cost		
Balance at the beginning of the year	2,814,798	566,449
Acquisition of tenements	-	2,627,717
Exploration of tenements	599,746	189,072
Foreign exchange movement	390	33,995
Write off of Oyabi Project	-	(602,435)
	3,414,934	2,814,798

NOTE 13: TRADE AND OTHER PAYABLES

CURRENT		
Trade payables	180,975	81,918
Accrued expenses	20,561	104,577
	201,536	186,495

Payables are normally due for payment within 30 days.

NOTE 14: OTHER LIABILITIES

CURRENT		
Loan from Cominco Resources	23,291	23,258
	23,291	23,258

European Metals Holdings has a loan agreement with Cominco Resources. The loan is for no fixed term, is interest free, unsecured and repayable by European Metals at call of Cominco. The funds were advanced in Euros and repayment is expected in Euros. At 30 June 2015 the amount in Euros was € 16,075.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

NOTE 15: ISSUED CAPITAL	Number	$
(a) Issued and paid up capital		
75,144,459 (30 June 2014: 38,400,006 CDIs)	75,144,459	6,788,183
Total issued capital		6,788,183

(b) Movements in CDIs

		Date	Number	$
Balance at the beginning of the year		**1 July 2013**	**25,400,006**	**2,402,296**
Acquisition of EMH UK		12 March 2014	12,500,000	2,500,000
Share based payment		12 March 2014	500,000	100,000
Balance at the end of the year		**30 June 2014**	**38,400,006**	**5,002,296**
Balance at the beginning of the year		**1 July 2014**	**38,400,006**	**5,002,296**
Rights issue		6 November 2014	21,943,023	1,097,151
Share based payment		20 April 2015	462,000	30,030
Conversion of A Class Performance Shares	15(c)	27 May 2015	5,000,000	-
CDI Placement		30 June 2015	9,339,430	747,155
Capital raising costs				(88,449)
Balance at the end of the year		**30 June 2015**	**75,144,459**	**6,788,183**

(c) Movements A Class Performance Shares

		Date	Number	$
Balance at the beginning of the year		**1 July 2013**	**-**	**-**
Acquisition of EMH UK		12 March 2014	5,000,000	-
Balance at the end of the year		**30 June 2014**	**5,000,000**	**-**
Balance at the beginning of the year		**1 July 2014**	**5,000,000**	**-**
Conversion into CDIs	15(b)	27 May 2015	(5,000,000)	-
Balance at the end of the year		**30 June 2015**	**-**	**-**

(d) Movements B Class Performance Shares

	Date	Number	$
Balance at the beginning of the year	**1 July 2013**	**-**	**-**
Acquisition of EMH UK	12 March 2014	5,000,000	-
Balance at the end of the year	**30 June 2014**	**5,000,000**	**-**
Balance at the beginning of the year	**1 July 2014**	**5,000,000**	**-**
Balance at the end of the year	**30 June 2015**	**5,000,000**	**-**

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, 200,000,000 no par value shares of a single class. Pursuant to the prospectus dated 26 April 2012, the company

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

NOTE 15: ISSUED CAPITAL (CONTINUED)

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.

The terms of the B Class Performance Shares are disclosed in Note 21.

(c) 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 programmes 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:

	2015	2014
	$	$
Cash and cash equivalents	889,208	378,615
Other receivables	28,703	26,707
Other assets	32,918	11,516
Trade and other payables	(224,827)	(209,753)
	726,002	207,085

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

NOTE 16: RESERVES

Option Reserve	97,560	97,560
Foreign Currency Translation Reserve	125,201	127,459
Total Reserve	222,761	225,019

Option Reserve

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

Balance at the beginning of the financial year	97,560	97,560
Options issued / vested	-	-
Balance at the end of the financial year	97,560	97,560

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

NOTE 16: RESERVES (CONTINUED)

At 30 June 2015 the following options are outstanding:

- 21,943,023 listed options exercisable at $0.10 on or before 30 June 2016 were issued as free attaching options pursuant to a CDI placement in November 2014.
- 1,200,000 unlisted options exercisable at $0.30 on or before 19 July 2015 were issued to key management personnel.

Foreign Currency Translation Reserve

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

Balance at the beginning of the financial year	127,459	87,155
Movement during the year	(2,258)	40,304
Balance at the end of the financial year	125,201	127,459

NOTE 17: SHARE BASED PAYMENTS

The following share-based payment arrangements existed at 30 June 2015:

On 1 December 2011, 1,200,000 share options were granted to employees and key management personnel for no consideration to acquire 1 CDI in the Company exercisable at $0.30 on or before the 3 year anniversary of the date of quotation on ASX being 19 July 2015. The options hold no dividend or voting rights and are not transferrable.

Options granted to Key Management Personnel are as follow:

Grant Date	Number
1 December 2011	1,200,000

These options vest from the grant date to the date of quotation of the company on the ASX being 19 July 2012. Further details of these options are provided in the directors' report. The options hold no voting of dividend rights and are unlisted.

A summary of the movements of all company options issued is as follows:

	Number	Weighted Average Exercise Price
Options outstanding as at 1 July 2013	1,200,000	$0.30
Granted	-	-
Forfeited	-	-
Exercised	-	-
Expired	-	-
Options outstanding as at 30 June 2014	1,200,000	$0.30
Options outstanding as at 1 July 2014	1,200,000	$0.30
Granted	-	-
Forfeited	-	-
Exercised	-	-
Expired	-	-
Options outstanding as at 30 June 2015	1,200,000	$0.30
Options exercisable as at 30 June 2014	1,200,000	-
Options exercisable as at 30 June 2015	1,200,000	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

NOTE 17: SHARE BASED PAYMENTS (CONTINUED)

Other share based payment details as follows

i. On 12 March 2014, 12,500,000 fully paid ordinary CDIs at a market value of $0.20 per CDI were issued to acquire EMH UK Ltd. The fair value of this consideration was deemed to be the market value at the date of the asset acquisition (see Note 21).

ii. On 12 March 2014, 500,000 fully paid ordinary CDIs at a market value of $0.20 per CDI were issued to key management personnel for services rendered. Further details are provided in the Directors' report.

iii. On 27 May 2015, 5,000,000 Class A Performance Shares were converted to CDIs, the conversion was per the terms of the Net Present Value of the Cinovec project not being less than US$ 140,000,000.

iv. CDIs granted to Key Management Personnel are as follow:

Grant Date	Number
12 March 2014	500,000

The weighted average fair value of those equity instruments, determined by reference to market price, was $0.20. The CDIs Included under Share Based Payments in the profit and loss is $100,000, which relates to equity settled transactions.

NOTE 18: CASH FLOW INFORMATION	**2015**	**2014**
(a) Reconciliation of cash flow from operating activities with the loss after tax	**$**	**$**
Loss after income tax	(666,872)	(1,328,196)
Adjustments for:		
Loss on disposal and asset write off	-	64,356
Impairment	-	673,968
Share based payment	-	100,000
Unrealised foreign exchange loss/ (gain)	(2,970)	(2,221)
Depreciation expense	2,346	17,436
Changes in assets and liabilities		
Decrease/ (Increase) in other receivables	1,303	(8,677)
(Increase)/ Decrease in other assets	8,629	7,071
(Decrease)/ Increase in trade and other payables	(26,185)	6,211
Cash flow (used in)/from operating activities	(683,749)	(470,052)

(b) Credit standby facilities

The Company had no credit standby facilities as at 30 June 2015 and 2014

(c) Non-cash financing and investing activities

On 12 March 2014, European Metals Holdings Limited acquired EMH UK Ltd (see Note 21). The consideration transferred included an equity payment of 12,500,000 at $0.20 per CDI totalling $2,500,000. The transaction is a non-cash transaction and excluded from the statement of cash flows.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

NOTE 19: 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 tin and base metals. The project is likely to have the same methods to distribute the resources in future and the nature of the regulatory environment which is the Czech Republic. This is expected to be the same for future projects. Accordingly, management has identified one operating segment based on the location of the projects, that being the Czech Republic.

	Australia	**Congo**	**Czech**	**Total**
	$	**$**	**$**	**$**
30 June 2015				
REVENUE				
Interest revenue	6,917	-	-	6,917
Total segment revenue	6,917	-	-	6,971
Reconciliation to net loss:	(534,121)	4,932	(41,536)	(570,725)
Eliminate intercompany				(96,147)
Loss before income tax				(666,872)
Segment assets	942,777	-	3,426,872	4,369,649
Segment liabilities	184,263	-	40,564	224,827
30 June 2014				
REVENUE				
Interest revenue	8,743	-	-	8,743
Total segment revenue	8,743	-	-	8,743
Reconciliation to net loss:	(980,865)	(731,442)	(43,421)	(1,755,728)
Eliminate intercompany				427,532
Loss before income tax				(1,328,196)
Segment assets	368,973	1,025	2,867,820	3,237,818
Segment liabilities	92,799	-	116,954	209,753

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

NOTE 20: 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:

	2015	2014
	$	$
Financial assets		
Cash and cash equivalents	889,208	378,615
Other receivables	28,703	26,707
Total financial assets	917,911	405,322
Trade and other payables	201,536	186,495
Other liabilities	23,291	23,258
Total financial liabilities	224,827	209,753

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 exposed to securities price risk on investments classified as available for sale. The investment in listed equities has been valued at the market price prevailing at reporting date. Management of this investment's price risk is by ongoing monitoring of the value with respect to any impairment.

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.

NOTE 20: FINANCIAL RISK MANAGEMENT (CONTINUED)

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. The Group previously held small sums of money in the subsidiary bank account in Congolese Franc.

At 30 June, the group has financial assets denominated in the foreign currencies detailed below:

	2015		2014	
	Foreign Currency	**AUD Equivalent**	**Foreign Currency**	**AUD Equivalent**
CZK	18,477	984	796,314	41,801
GBP	-	-	250,618	452,090
CFA	-	-	465,735	1,025

A 5% movement in foreign exchange rates would not have a material increase or decrease on loss before tax (2014: $24,746).

At 30 June 2015, the group has liabilities denominated in the foreign currencies detailed below:

	2015		2014	
	Foreign Currency	**AUD Equivalent**	**Foreign Currency**	**AUD Equivalent**
Euro	16,075	23,291	16,075	23,257
CZK	645,905	34,319	1,096,021	57,667
GBP	3,024	6,207	32,940	59,421
		63,817		140,345

A 5% movement in foreign exchange rates would increase or decrease loss before tax by approximately $3,191 (2014: $7,017).

(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:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

NOTE 20: FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial assets	Credit Quality	2015 $	2014 $
Cash and cash equivalents held at BGFI Bank	High	-	1,025
Cash and cash equivalents held at Komercni Bank	High	984	41,801
Cash and cash equivalents held at Westpac Bank			
• Interest-bearing deposit	High	888,224	335,789
Other receivables and deposits	High	28,703	26,707
		917,911	405,322

Impairment losses

There are no past due receivables for the Group.

(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.

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

As at 30 June 2015	Carrying Amount $	Contractual Cash flows $	<3 months $	3-6 months $	6-24 months $
Trade and other payables	201,536	201,536	201,536	-	-
Loan payable to external party	23,291	23,291	-	-	23,291
	224,827	224,827	201,536	-	23,291

As at 30 June 2014	Carrying Amount $	Contractual Cash flows $	<3 months $	3-6 months $	6-24 months $
Trade and other payables	186,495	186,495	186,495	-	-
Loan payable to external party	23,258	23,258	-	-	23,258
	209,753	209,753	186,495	-	23,258

(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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

NOTE 20: FINANCIAL RISK MANAGEMENT (CONTINUED)

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	2015 Total	Floating Interest Rate	Non-interest bearing	2014 Total
	$	$	$	$	$	$
Financial assets						
- Within one year						
Cash and cash equivalents	889,208	-	889,208	378,615	-	378,615
Other receivables and deposits	28,703	-	28,703	26,707	-	26,707
Total financial assets	917,911	-	917,911	405,322	-	405,322
Weighted average interest rate	1.62%			2.71%	-	-
Financial Liabilities						
- Within one year						
Trade and other Payables	-	201,536	(201,536)	-	186,495	(186,495)
Borrowings	-	23,291	(23,291)	-	23,258	(23,258)
Total financial liabilities	-	224,827	(224,827)	-	209,753	(209,753)
Net financial assets/ (liabilities)	917,911	(224,827)	693,084	405,322	(209,753)	195,569

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 $4,259 (2014: $3,786).

(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 21: CONTROLLED ENTITIES

Subsidiaries of European Metals Holdings Limited

Controlled entity	Country of Incorporation	Class of Shares	Percentage Owned 2015	Percentage Owned 2014
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: CONTROLLED ENTITIES (CONTINUED)

Acquisition of EMH UK Ltd

On 20 February 2014, the Company acquired European Metals UK Limited ("EMH UK"). EMH UK holds equity in Czech Republic incorporated entity Geomet S.R.O. Geomet S.R.O holds various granted mining tenements located in the Czech Republic. The consideration consisted of 12,500,000 CDIs at $0.20 per CDI and 5,000,000 A Class Performance shares convertible into CDIs and 5,000,000 B Class Performance shares convertible into CDIs.

The terms of the performance shares are as follows:

1. The 5,000,000 A Class Performance Shares will convert to between 3,000,000 and 5,000,000 CDI's upon the net present value of the Permits (NPV) being independently determined to be not less than US$100,000,000, or, where the NPV is less than US$100,000,000 the directors of the Company who are not associates or related parties of European Metals nevertheless resolve to commission a definitive feasibility study in respect of the Permits (DFS) as contemplated in the milestone to the B Class Performance shares. This determination or resolution must occur on or before that date which is 1 year after the date of issue of the A Class Performance shares.
2. The 5,000,000 B Class Performance Shares will convert to up to 25,000,000 CDI's subject to completion of a DFS by an independent third party on or before that date which is 2 years after the date of issue of the B Class Performance CDI's. The number of CDI's issued on conversion will be calculated by reference to a total of $7,500,000 worth less the value of any A Class Performance shares converted using a deemed issue price of $0.30 per CDI. The conversion price will be calculated at the time the DFS is provided to the Company subject to being a minimum of $0.30. The B Class Performance shares will also be subject to early conversion in the event a change of control event occurs prior to satisfaction of the milestone.

No value has been attributed to the Performance Shares.

This acquisition has not been accounted for as a business combination under AASB 3: "Business Combination" as the assets of EMH UK were not considered a business. Accordingly, the EMH UK acquisition has been accounted for as an acquisition of assets, at cost based on the fair value of CDI's used for the acquisition. The purchase price has been allocated to the identifiable assets and liabilities of the Consolidated Group of EMH UK as of the date of acquisition as follows:

	Note	**2015**	**2014**
		$	**$**
Exploration and evaluation assets		-	2,627,717
Total value of assets acquired		-	2,627,717
Deduct net liabilities assumed:		-	(127,717)
Net assets acquired		-	2,500,000
Acquisition date fair value of consideration:			
CDIs issued		-	2,500,000

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

NOTE 22: 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

	2015	2014
	$	$
ASSETS		
Current assets	942,288	367,019
Non-current assets	3,468,474	2,788,551
TOTAL ASSETS	4,410,762	3,155,570
LIABILITIES		
Current liabilities	184,262	180,835
TOTAL LIABILITIES	184,262	180,835
NET ASSETS	4,226,500	2,974,735
EQUITY		
Issued capital	6,788,183	5,002,296
Reserves	97,560	97,560
Accumulated losses	(2,659,243)	(2,125,121)
TOTAL EQUITY	4,226,500	2,974,735

Profit or Loss and Other Comprehensive Income

Total Loss	(534,122)	(980,865)
Total comprehensive loss	(534,122)	(980,865)

Guarantees

There are no guarantees entered into by European Metals Holdings Limited for the debts of its subsidiary as at 30 June 2015.

Contingent liabilities

There are no contingent liabilities as at 30 June 2015. Other than as disclosed in Note 21 in respect of the B Class Performance Shares that may be issued in respect of the acquisition of European Metals (UK) Ltd.

Commitments

There were no commitments as at 30 June 2015.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

NOTE 23: CAPITAL COMMITMENTS	**2015**	**2014**
	$	**$**
Capital expenditure commitments:		
Capital expenditure commitments for:		
Mining concession commitments	-	115,731
Payable:		
Not longer than 1 year	-	115,731
Longer than 1 year and not longer than 5 years	-	-
Longer than 5 years	-	-
	-	115,731

Commitments at 30 June 2015 relate to mining contracts for works to be performed were nil (2014: 2,199,592 CZK and equating to $115,731 AUD.)

NOTE 24: CONTINGENT LIABILITIES

There are no contingent liabilities as at 30 June 2015. Other than as disclosed in Note 21 in respect of the B Class Performance Shares that may be issued in respect of the acquisition of European Metals (UK) Ltd.

NOTE 25: SIGNIFICANT EVENTS AFTER THE REPORTING DATE

On 31 July 2015 the Company held a General meeting, the following matters relating the issue of new equity instruments were approved for issue:

- Issue of 496,725 CDIs to Mr David Reeves (Non-Executive Chairman) in lieu of consulting fees for the year ended 30 June 2015[7].
- Issue of 2,000,000 options to Mr Keith Coughlan (Executive Director) exercisable at $0.16 cent on or before 17 August 2020.
- Issue of 1,000,000 options to Mr David Reeves (Non-Executive Chairman) exercisable at $0.16 cent on or before 17 August 2020.
- Issue of 750,000 options to Dr Pavel Reichl exercisable at $0.16 cent on or before 17 August 2020.
- On 31 July 2015 the Company held a General Meeting and received shareholder approval to place 9,410,578 CDIs at $0.08 to raise an additional $752,846 for working capital.
- On 31 August 2015 Dr Pavel Reichl was appointed a Non-executive Director of the Company (previously Executive Director).

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

[7] Fees were accrued for the year end 30 June 2015

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

NOTE 26: NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE PERIODS

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Group.

At the date of the authorisation of the financial statements, the standards and Interpretations listed below were in issue but not yet effective.

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 comment on hedge accounting 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.

Key changes made to this standard that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income.

Although the directors anticipate that the adoption of AASB 9 may have an impact on the Group's financial instruments it is impractical at this stage to provide a reasonable estimate of such impact.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 15 to 43, 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 2015 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 s 286 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 Group 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 30 September 2015.

Stantons International Audit and Consulting Pty Ltd
trading as
Stantons International
Chartered Accountants and Consultants

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

Report on the Financial Report

We have audited the accompanying financial report of European Metals Holdings Limited, which comprises the consolidated statement of financial position as at 30 June 2015, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility 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 (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal controls as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In note 1(a), the directors also state, in accordance with Australian Accounting Standard AASB 101: *Presentation of Financial Statements,* that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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 entity's preparation and fair presentation of the financial report 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 entity's 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 believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

(a) the financial report of European Metals Holdings Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001;* and

(b) the financial report of the Company also complies with International Financial Reporting Standards as disclosed in note 1(a).

Report on the Remuneration Report

We have audited the remuneration report included in pages 8 to 12 of the directors' report for the year ended 30 June 2015. 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.

Auditor's opinion

In our opinion the remuneration report of European Metals Holdings Limited for the year ended 30 June 2015 complies with section 300 A of the *Corporations Act 2001.*

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD

(Trading as Stantons International)

(An Authorised Audit Company)

Stantons International Audit and Consulting Pty Ltd

John Van Dieren - FCA
Director

West Perth, Western Australia
30 September 2015

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 (3rd 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.

PRINCIPLES AND RECOMMENDATIONS	COMPLY (YES/NO)	EXPLANATION
Principle 1: Lay solid foundations for management and oversight		
Recommendation 1.1 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.	YES	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.
Recommendation 1.2 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 (b) provide security holders with all material information relevant to a decision on whether or not to elect or re-elect a director.	YES	(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 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.
Recommendation 1.3 A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	YES	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.
Recommendation 1.4 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.	YES	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.

CORPORATE GOVERNANCE STATEMENT

Recommendation 1.5 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.	YES	(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 9 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.
Recommendation 1.6 A listed entity should: (a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and (b) disclose in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	YES	(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. (b) The Company's Corporate Governance Plan requires the Board to disclosure 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 encourages to avail themselves of resources required to fulfil the performance of their duties.
Recommendation 1.7 A listed entity should: (a) have and disclose a process for periodically evaluating the performance of its senior executives; and (b) disclose in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	YES	(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. (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. 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.
Principle 2: Structure the board to add value		
Recommendation 2.1 The board of a listed entity should: (a) have a nomination committee 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 nomination committee,	YES	(a) The Nomination Committee was formed on 26 August 2015, with all directors appointed as members of the Committee, being Mr Reeves (Chairman), Mr Coughlan and Dr Reichl. The role and responsibilities of the Nomination Committee are outlined in Nomination Committee Charter available online on the Company's website. 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. The Board regularly updates the Company's board skills matrix (in accordance with recommendation 2.2) to assess the appropriate

<table>
<tr><td>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.</td><td></td><td>balance of skills, experience, independence and knowledge of the entity.</td></tr>
<tr><td>Recommendation 2.2
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.</td><td>YES</td><td>
<table>
<tr><th>Board Skills Matrix</th><th>Number of Directors that Meet the Skill</th></tr>
<tr><td>Executive & Non- Executive experience</td><td>3</td></tr>
<tr><td>Industry experience & knowledge</td><td>3</td></tr>
<tr><td>Leadership</td><td>3</td></tr>
<tr><td>Corporate governance & risk management</td><td>3</td></tr>
<tr><td>Strategic thinking</td><td>3</td></tr>
<tr><td>Desired behavioural competencies</td><td>3</td></tr>
<tr><td>Geographic experience</td><td>3</td></tr>
<tr><td>Capital Markets experience</td><td>3</td></tr>
<tr><td>Subject matter expertise:</td><td></td></tr>
<tr><td>- accounting</td><td>2</td></tr>
<tr><td>- capital management</td><td>3</td></tr>
<tr><td>- corporate financing</td><td>2</td></tr>
<tr><td>- industry taxation [1]</td><td>0</td></tr>
<tr><td>- risk management</td><td>3</td></tr>
<tr><td>- legal</td><td>3</td></tr>
<tr><td>- IT expertise [2]</td><td>0</td></tr>
</table>
(1) Skill gap noticed however an external taxation firm is employed to maintain taxation requirements.
(2) Skill gap noticed however an external IT firm is employed on an adhoc basis to maintain IT requirements.</td></tr>
<tr><td>Recommendation 2.3
A listed entity should disclose:
(a) the names of the directors considered by the board to be independent directors;
(b) if a director has an interest, position, association or relationship of the type described in Box 2.3 of the ASX Corporate</td><td>YES</td><td>(a) The Board Charter provides for the disclosure of the names of Directors considered by the Board to be independent. These details are provided in the Annual Reports and Company website.
(b) The Board Charter requires Directors to disclose their interest, positions, associations and relationships and requires that the independence of Directors is regularly assessed</td></tr>
</table>

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 (c) the length of service of each director		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. (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.
Recommendation 2.4 A majority of the board of a listed entity should be independent directors.	YES	The Board Charter requires that where practical the majority of the Board will be independent. Details of each Director's independence are provided in the Annual Reports and Company website.
Recommendation 2.5 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.	YES	The Board Charter provides that where practical, the Chairman of the Board will be a non-executive director. If the Chairman ceases to be independent then the Board will consider appointing a lead independent Director.
Recommendation 2.6 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.	YES	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.
Principle 3: Act ethically and responsibly		
Recommendation 3.1 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.	YES	(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.
Principle 4*: Safeguard integrity in financial reporting*		
Recommendation 4.1 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:	YES	(b) The Audit and Risk Committee was formed on 26 August 2015, with all directors appointed as members of the Committee, being Dr Reichl (Chairman), Mr Reeves and Mr Coughlan. 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

(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.		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.
Recommendation 4.2 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.	YES	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.
Recommendation 4.3 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.	YES	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.
Principle 5: Make timely and balanced disclosure		
Recommendation 5.1 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.	YES	(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. (b) The Board Charter and Schedule 7 of the Corporate Governance Plan are available on the Company website.
Principle 6: ***Respect the rights of security holders***		
Recommendation 6.1 A listed entity should provide information about		Information about the Company and its governance is available in the Corporate Governance Plan which can

CORPORATE GOVERNANCE STATEMENT

itself and its governance to investors via its website.	YES	be found on the Company's website. Information about the Company and its governance is available in the Corporate Governance Plan which can be found on the Company website.
Recommendation 6.2 A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	YES	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 10 of the Board Charter which is available on the Company website.
Recommendation 6.3 A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	YES	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.
Recommendation 6.4 A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	YES	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.
Principle 7: Recognise and manage risk		
Recommendation 7.1 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	YES	(b) Due to the size and nature of the existing Board and the magnitude of the Company's operations the Company currently has no Audit and Risk Committee. Pursuant to Clause 4(h) of the Company's Board Charter, the full Board currently carries out the duties that would ordinarily be assigned to the Audit and Risk Committee under the written terms of reference for that committee. 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

(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.		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.
Recommendation 7.2 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.	YES	(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.
Recommendation 7.3 A listed entity should disclose: (a) if it has an internal audit function, how the function is structured and what role it performs; or (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.	YES	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.
Recommendation 7.4 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.	YES	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.

CORPORATE GOVERNANCE STATEMENT

<table>
<tr><th colspan="3">Principle 8: Remunerate fairly and responsibly</th></tr>
<tr><td>Recommendation 8.1
The board of a listed entity should:
(a) have a remuneration committee 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 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.</td><td>YES</td><td>The Remuneration Committee was formed on 26 August 2015, with all directors appointed as members of the Committee, being Mr Reeves (Chairman), Mr Coughlan and Dr Reichl.
The role and responsibilities of the Remuneration Committee are outlined in Remuneration 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 setting the level and composition of remuneration for Directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</td></tr>
<tr><td>Recommendation 8.2
A listed entity should separately disclose its policies and practices regarding the 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.</td><td>YES</td><td>The Company's Corporate Governance Plan requires the Board to disclose its policies and practices regarding the remuneration of non-executive, executive and other senior directors.</td></tr>
<tr><td>Recommendation 8.3
A listed entity which has an equity-based remuneration scheme should:
(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
(b) disclose that policy or a summary of it.</td><td>YES</td><td>(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.
(b) A copy of the Company's Corporate Governance Plan is available on the Company's website.</td></tr>
</table>

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

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

1 Shareholding as at 23 September 2015

(a) Distribution of Shareholders

Category (size of holding)	Number of Shareholders
1 – 1,000	19
1,001 – 5,000	51
5,001 – 10,000	144
10,001 – 100,000	212
100,001 – and over	78
	504

(b) The number of shareholdings held in less than marketable parcels is 55.

(c) Voting Rights

The voting rights attached to each class of equity security are as follows:

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 23 September 2015

	Name	Number of CDIs Held	% Held of Issued Ordinary Capital
1.	HSBC Custody Nominees (Australia) Limited	8,419,709	9.90
2.	R & H Trust Co (Guernsey) Limited <Resource Investment A/C>	7,191,414	8.46
3.	NS Hong Investment (BVI) Ltd	4,700,000	5.53
4.	Inswinger Holdings Pty Ltd	4,500,000	5.29
5.	Nefco Nominees Pty Ltd	4,027,000	4.73
6.	Armco Barriers Pty Ltd	3,700,000	4.35
7.	Mrs Eleanor Jean Reeves <Elanwi A/C>	3,061,872	3.60
8.	WB Nominees Limited	2,834,411	3.33
9.	Vynben Pty Ltd <Mark Hohnen Super Fund A/C>	2,805,750	3.30
10.	Merrill Lynch (Australia) Nominees Pty Limited	2,778,672	3.27
11.	Hana Vanova	2,778,672	3.27
12.	Citicorp Nominees Pty Limited	2,598,264	3.05
13.	Ms Olga Bubnikova	2,158,055	2.54
14.	Mr Oto Janout	2,158,055	2.54
15.	Rodinia Geological Services Pty Ltd	1,599,776	1.88
16.	Hereford Group Limited	1,571,429	1.85
17.	Mr Jamie John Carter + Mrs Kristin Carter <The Brojesca A/C>	1,479,776	1.74
18.	Mr Brian Michael Moritz	1,113,554	1.31
19.	Beaufort Securities Ltd	911,012	1.07
20.	Andolin Holdings Pty Ltd <F & D Corrigan S/F A/C>	750,000	0.88
		61,137,421	**78.88**

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

2 The name of the Company Secretary is Ms Julia Beckett.

3 The address of the principal registered office in Australia is Suite 12, Level 1, 11 Ventnor Avenue, West Perth WA 6005. Telephone +61 8 6141-3500.

4 **Registers of securities are held at the following addresses**

Computershare Investor Services Limited
Level 11
172 St Georges Terrace
Perth, Western Australia 6000

5 **Securities Exchange Listing**

Quotation has been granted for all the CDIs of the Company on all Member Exchanges of the Australian Securities Exchange Limited.

6 **Unquoted Securities**

Options over Unissued Shares

A total of 1,200,000 options over unissued CDIs are on issue.

7 **Use of Funds**

The Company has used its funds in accordance with its initial business objectives.

TENEMENT SCHEDULE

Project Location	Project
Cinovec	Czech Republic
Cinovec 2	Czech Republic