

For immediate release

2 November 2016

EUROPEAN METALS HOLDINGS LIMITED

Notice of Annual General Meeting

Proposed issue of replacement performance shares

European Metals Holdings Limited ("European Metals" or "the Company") (**ASX** and **AIM: EMH**), advises that it has today published the Notice of Annual General Meeting ("Notice") which will be held at 11:00am WST on 18 November 2016 at 1st Floor, 11 Ventnor Avenue, West Perth WA 6005. A copy of the Notice is available from the company's website.

The Notice includes a resolution to approve the issue by the Company of 5,000,000 new B Class Performance Shares ("New B Class Shares") to the original vendors of the Cinovec project, in replacement of the B Class Performance Shares ("B Class Shares") issued to them in 2014 on completion of the acquisition of Cinovec by the Company. The conversion of the B Class Shares into ordinary shares had been conditional, inter alia, on the Company completing a definitive feasibility study on Cinovec ("DFS") on or before 12 March 2016.

The Board has agreed to issue replacement New B Class Shares to the vendors on the same terms and conditions as the B Class Shares, other than in respect of new project milestones which now have different price and conversion hurdles. The terms and conditions of the New B Class Shares are set out in Schedule 3 of the Notice and have been reproduced in full in the Appendix of this announcement. The New B Class Shares will be issued for nil cash consideration as it is considered that this issue is tied to consideration in respect of the previous acquisition of Cinovec. Under the amended terms the New B Class Shares will, if the milestones are met, convert into one new ordinary share for every one New B Class Share, and therefore on full conversion a maximum of 5,000,000 new ordinary shares will be issued.

Pavel Reichl, a Non-executive Director of the Company, and Eleanor Jean Reeves, the wife of David Reeves who is Non-executive Chairman of the Company, were among the vendors of Cinovec. Subject to Shareholder approval, the Company will issue 793,906 of the New B Class Shares to Pavel Reichl and 542,651 of the New B Class Shares to Eleanor Jean Reeves. The issue of New Class B Shares to Pavel Reichl and Eleanor Jean Reeves is a related party transaction for the purposes of the AIM Rules and the ASX Rules.

Accordingly, the proposed issue of the New Class B Shares has been considered by the independent directors of the Company, being Keith Coughlan and Kiran Morzaria (the "Independent Directors"). The Independent Directors have taken account of the reasons for the additional time period required to prepare the DFS together with the amended terms of the New Class B Shares including the new higher hurdles to be satisfied for conversion, as set out in the Appendix. The Independent Directors believe that the non-completion of the DFS to date was through no fault of the vendors of the Cinovec project, but reflected that the scope of the Cinovec Project had improved significantly, thereby increasing the complexity of the Cinovec Project and the process and timing necessary to complete a DFS.

Accordingly, the Independent Directors consider, having consulted with the Company's Nominated Adviser, that the proposed issue of New B Class Shares (which is subject to independent shareholder approval) is fair and reasonable insofar as shareholders are concerned.

Enquiries:

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Appendix

The following Schedule, which has been extracted without material adjustment or amendment from the Notice of Annual General Meeting, sets out the detailed terms of the New B Class Shares

SCHEDULE 3 – B CLASS PERFORMANCE SHARE TERMS

“Definitions

Definitions

Cinovec Main means the area defined in Schedule 4.

Cinovec South means the area defined in Schedule 4.

Mineral Resource means the declared JORC 2012 resource at the time of submission to the Czech authorities converted into a compliant Czech resource.

Permits means the granted Cinovec I or Cinovec II permits that the Company currently holds.

State Balance means the registration of a “Reserved Deposit” under MZP Act 44/1998.

Rights attaching to the B Class Performance Shares

- (a) **(B Class Performance Shares)** Each B Class Performance Share is a share in the capital of European Metals Holdings Limited (ARBN 154 618 989) (**Company**).
- (b) **(General meetings)** The B Class Performance Shares shall confer on the holder (**Holder**) the right to receive notices of general meetings and financial reports and accounts of the Company that are circulated to holders of fully paid ordinary shares in the capital of the Company (**Shareholders**) and holders of Clearing House Electronic Sub register System (**CHES**) depositary interests issued in respect of fully paid ordinary shares in the capital of the Company (**CDI Holders**).
- (c) **(No voting rights)** The B Class Performance Shares do not entitle the Holder to vote on any resolutions proposed at a general meeting of Shareholders.
- (d) **(No dividend rights)** The B Class Performance Shares do not entitle the Holder to any dividends.
- (e) **(No rights to return of capital)** A B Class Performance Share does not entitle the Holder to a return of capital, whether in a winding up, upon a reduction of capital or otherwise.
- (f) **(Rights on winding up)** A B Class Performance Share does not entitle the Holder to participate in the surplus profits or assets of the Company upon winding up.

- (g) **(Not transferable)** The B Class Performance Shares are not transferable.
- (h) **(Reorganisation of capital)** If at any time the issued capital of the Company is reconstructed, all rights of a Holder will be changed to the extent necessary to comply with the applicable ASX Listing Rules at the time of reorganisation.
- (i) **(Application to ASX)** The B Class Performance Shares will not be quoted on ASX or AIM. However, upon conversion of the B Class Performance Shares into fully paid ordinary shares in the capital of the Company (**Shares**) pursuant to which the Company will procure the issue of CHESS depository interests issued in respect of the Shares (**CDIs**) on the basis of one CDI for every one Share issued, the Company must within 10 ASX trading days after the conversion, apply for the official quotation of the CDIs arising from the conversion on ASX.
- (j) **(Participation in entitlements and bonus issues)** Holders of B Class Performance Shares will not be entitled to participate in new issues of capital offered to Shareholders or CDI Holders such as bonus issues and entitlement issues.
- (k) **(No other rights)** The B Class Performance Shares give the Holders no rights other than those expressly provided by these terms and those provided at law where such rights at law cannot be excluded by these terms.

Conversion of the B Class Performance Shares

- (l) **(Conversion on achievement of milestone)** Subject to paragraph (n), the B Class Performance Share will convert in accordance with the below:
 - (i) 1,000,000 B Class Performance Shares will convert into Shares and an equivalent number of CDIs upon the Company's Mineral Resource at Cinovec South and Cinovec Main being entered in the State Balance. The B Class Performance Shares shall convert into the number of Shares and equivalent number of CDIs equal to 1,000,000 multiplied by 0.5 and divided by the greater of: (A) \$0.50 per CDI; and (B) the volume weighted average price of CDIs (expressed as a decimal of \$1.00) as calculated over the 5 ASX trading days prior to the date the Mineral Resource is entered. **(Explanatory Note: Under Czech law a mineral resource must be registered and henceforth treated as a resource by the Czech Government before mining licenses can be granted. A mineral resource has to be calculated according to the Czech regulations, and defended in front of a committee of state certified experts);**
 - (ii) 1,000,000 B Class Performance Shares will convert into Shares and an equivalent number of CDIs upon the issuance of the preliminary mining licenses relating to the Cinovec Project. The B Class Performance Shares shall convert into the number of Shares and equivalent number of CDIs equal to 1,000,000 multiplied by 0.5 and divided by the greater of: (A) \$0.50 per CDI; and (B) the volume weighted average price of CDIs (expressed as a decimal of \$1.00) as calculated over the 5 ASX trading days prior to the date the final preliminary mining license is issued; and
 - (iii) 3,000,000 B Class Performance Shares will convert into Shares and an equivalent number of CDIs upon the completing of a definitive feasibility study (**DFS**). For clarity, the DFS must be: (i) of a standard suitable to be submitted to a financial institution as the basis for lending of funds for the development and operation of mining activities contemplated in the study; (ii) capable of supporting a decision to mine on the Permits; and (iii) completed to an accuracy of +/- 15% with respect to operating and capital costs and display a pre-tax net present value of not less than US\$250,000,000. The B Class Performance Shares shall convert into the number of Shares and equivalent number of CDIs equal to 3,000,000 multiplied by 0.5 and divided by the greater of: (A) \$0.50 per CDI; and (B) the volume weighted average price of CDIs (expressed as a decimal of \$1.00) as calculated over the 5 ASX trading days prior to date of receipt of the completed DFS,

(together the **Milestones** and each a **Milestone**). For the avoidance of doubt, the number of Shares and equivalent number of CDIs which will be issued on conversion of the B Class Performance Shares will not exceed a ratio of 1 for 1.

- (m) **(Conversion on change of control event)** Subject to no prior conversion pursuant to (l), the B Class Performance Shares will, in aggregate and subject to rounding required by paragraph (o), upon any person's voting power in the Company, as determined in accordance with the Corporations Act 2001 (Cth), becoming more than 50%, or, a scheme of arrangement under Part 5.1 of the Corporations Act becoming binding on Shareholders on or before that date which is 2 years after the date of issue of the B Class Performance Shares (**Change of Control Event**), that number of B Class Performance Shares that is equal to 10% of the CDIs on issue immediately following conversion under this paragraph will convert into an equivalent number of Shares and an equivalent number of CDIs. The conversion will be completed on a pro rata basis across each class of Performance Shares then on issue as well as on a pro rata basis for each Holder. B Class Performance Shares that are not converted into Shares and CDIs under this paragraph will continue to be held by the Holders on the same terms and conditions.
- (n) **(Redemption if milestone not achieved)** If the Milestone is not achieved or the Change of Control Event does not occur by the required date, then each B Class Performance Share held by a Holder will be automatically redeemed by the Company for the sum of \$0.000001 within 10 ASX trading days of non-satisfaction of the Milestone.
- (o) **(Conversion procedure)** The CDIs issued upon conversion of the B Class Performance Shares will be issued to the Holders in proportion to their respective holdings of the aggregate number of B Class Performance Shares on issue with fractional entitlements of each Holder being rounded down to the nearest whole CDI. The Company will procure the issue to the Holder of a new holding statement for the CDIs within 10 ASX trading days following conversion of the B Class Performance Shares. An equivalent number of Shares will be issued to the depositary engaged by the Company to hold legal title to the Shares to which the CDIs relate.
- (p) **(Lapse of B Class Performance Share):** each B Class Performance Share shall expire on the date that is three (3) years from the date of issue (**Expiry Date**) if the relevant Milestone attached to that B Class Performance Share has not been achieved, at which time the Company will redeem the relevant B Class Performance Shares in accordance with paragraph (n) above.
- (q) **(Ranking upon conversion)** Respectively, the Shares and CDIs issued on conversion of the B Class Performance Shares will rank pari passu in all respects with existing Shares and CDIs."

ENDS