

EUROPEAN METALS HOLDINGS LIMITED

CORPORATE GOVERNANCE REPORT

INTRODUCTION

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

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

The ASX Corporate Code of Conduct also applies to the Company's directors, senior executives and employees. The Company's Corporate Code of Conduct is in Schedule 2 of the Corporate Governance Plan which is on the Company's website, www.europeanmet.com/corporate-governance.

PRINCIPLE ONE

Business Model and Strategy

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

European Metals owns 100% of the Cinovec lithium-tin project in the Czech Republic, through its wholly owned subsidiary Geomet s.r.o.. Cinovec is an historic mine incorporating a significant undeveloped lithium-tin resource with by-product potential including tungsten, rubidium, scandium, niobium and tantalum and potash. Cinovec hosts a globally significant hard rock lithium deposit with a total Indicated Mineral Resource of 348Mt @ 0.45% Li₂O and 0.04% Sn and an Inferred Mineral Resource of 309Mt @ 0.39 Li₂O and 0.04% Sn containing a combined 7.0 million tonnes Lithium Carbonate Equivalent and 263kt of tin.

An initial Probable Ore Reserve of 34.5Mt @ 0.65% Li₂O and 0.09% Sn has been declared to cover the first 20 years mining at an output of 20,800tpa of lithium carbonate. This makes Cinovec the largest lithium deposit in Europe, the fourth largest non-brine deposit in the world and a globally significant tin resource.

PRINCIPLE TWO

Understanding Shareholder Needs and Expectations

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

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

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

PRINCIPLE THREE

Considering wider stakeholder and social responsibilities

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

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

PRINCIPLE FOUR

Risk Management

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

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

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

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

PRINCIPLE FIVE

A Well Functioning Board of Directors

The Board currently comprises of 4 members: 2 Executive members (the Managing Director, Keith Coughlan and Executive Director, Richard Pavlik) and 2 Non-Executive members (the Chairman, Dave Reeves and Non-executive Director, Kiran Morzaria). Biographical details of the current Directors are set out within Principle Six below. Pursuant to Article 8.5 of the Company's Articles of Association, at each annual general meeting one third of the directors (or, if their number is not a multiple of three, the number nearest to but not more than one-third shall retire from office by rotation. A retiring director shall be eligible for re-election. All the Executive Directors are full time and the Non-Executive Directors are considered to be part time but are expected to provide as much time to the Company as is required.

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

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

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

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

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

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

The details of the directors are disclosed in the Annual Report and Company website, www.europeanmet.com/directors-and-senior-management.

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

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

PRINCIPLE SIX

Appropriate Skills and Experience of the Directors

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

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

Profiles of the Directors are set out below:

Mr David Reeves – Non-executive Chairman

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

Mr Keith Coughlan – Managing Director

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

Mr Richard Pavlik – Executive Director

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

Mr Kiran Morzaria – Non-executive Director

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

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

PRINCIPLE SEVEN

Evaluation of Board Performance

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

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

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

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

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

PRINCIPLE EIGHT

Corporate Culture

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

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

PRINCIPLE NINE

Maintenance of Governance Structures and Processes

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

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

The Board has established the following committees.

Audit and Risk Committee

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

This committee has primary responsibility for monitoring the Financial Reporting function and internal controls in order to ensure that the financial performance of the Company is properly measured and reported. The committee receives the financial reports from the executive management and auditors relating to the interim and annual accounts and the accounting and internal control systems in use throughout the Company. The Audit Committee shall meet not less than twice in each financial year and it has unrestricted access to the Company's auditors.

Remuneration Committee

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

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

Nominations Committee

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

PRINCIPLE TEN

Shareholder Communication

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

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

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