

EUROPEAN METALS HOLDINGS LIMITED

Proposed subscription by CEZ for a 51% interest in Geomet s.r.o.

Posting of Circular and Notice of Annual General Meeting

Further to the announcement on 20 November 2019, European Metals Holdings Limited (“**European Metals**” or “**the Company**”) (**ASX & AIM: EMH**) announces that it has today posted a circular to shareholders (the “**Circular**”) containing the details of the proposed subscription (the “**Proposed Subscription**”) of €34,061,265 by CEZ a.s. (“**CEZ**”) through its wholly-owned subsidiary SDAS, for 51% of Geomet s.r.o. the Company’s wholly owned Czech subsidiary and the holder of the Cinovec licences.

Summary of the terms of the Agreement

- Pursuant to the Exclusivity and Framework Agreement, CEZ has the option, but not the obligation, to subscribe through SDAS for such number of Geomet Shares as will result in SDAS holding Geomet Shares comprising fifty-one per cent. (51%) of the ownership interests and voting rights in Geomet, attached with the right to receive fifty-one per cent. (51%) of dividends, liquidation balance and other proceeds payable by Geomet to Geomet Shareholders following completion of the subscription.
- The amount to be paid by CEZ to Geomet under the option is in total approximately €34.06m, equivalent to approximately £29.15m and AUD55.25m. This compares to EMH’s market valuation of approximately £32.88m (€38.42m; AUD62.32m) based on the closing price of an EMH share in London of 21.8 pence on 19 November 2019, the day immediately before announcement by EMH of the Proposed Subscription. The amounts in GBP and AUD included above have been calculated using an average exchange rate for EUR/GBP and EUR/AUD respectively as at 18 November 2019.
- Completion of the Proposed Subscription is conditional, inter alia, on the satisfaction of the following conditions:
 - (i) completion of due diligence in respect of the Company and the Cinovec Project to the satisfaction of CEZ at its sole discretion;
 - (ii) the passing of the Ordinary Resolution at the Annual General Meeting and delivery of a certified copy of the Ordinary Resolution to CEZ;
 - (iii) agreement of the initial work programme and budget for Geomet; and
 - (iv) CEZ and EMH agreeing the identity of the Chief Executive Officer, the Chief Operating Officer and the statutory auditor of Geomet to be appointed with effect from completion.
- EMH has agreed to provide CEZ with a period of exclusivity under the Exclusivity and Framework Agreement, with certain break fees payable by EMH if it does not proceed with the Proposed Subscription. In particular, EMH and Geomet have undertaken until 31 March 2020 not to conduct discussions or negotiations or enter into any agreement or arrangement with any person or entity other than CEZ or SDAS in respect of an acquisition of an interest over or in, and/or establishment of a joint venture, partnership or other cooperation in connection with, the Cinovec Project and/or Geomet, by any means.

- EMH and CEZ have also agreed the form of Geomet Shareholders' Agreement which sets out their rights and obligations as shareholders in Geomet should CEZ exercise the option. The Geomet Shareholders' Agreement includes certain minority shareholder protections with a number of reserved matters which require the approval of both CEZ and EMH, together with deadlock provisions in the event that on completion of the proposed work programme, the parties disagree on a construction decision.

Posting of Circular and notice of Annual General Meeting

The proposed subscription by SDAS would constitute a fundamental change of business of the Company under Rule 15 of the AIM Rules and is therefore conditional on, *inter alia*, the passing of the Ordinary Resolution at the Annual General Meeting. The Company will, however, remain an operating minerals company under the AIM Rules given its remaining material minerals interest and ongoing involvement in the Cinovec Project after the Proposed Subscription has completed.

ASX Listing Rule 11.2 also provides that an entity may not dispose of its main undertaking (that is, its main asset or business) without the approval of its shareholders. While the Proposed Subscription may be considered to constitute the Company disposing of its main undertaking, the Company will not be making any change to its main undertaking. That is, the Company will remain engaged in the same principal business activities following completion of the Proposed Subscription. Accordingly, the Company seeks Shareholder approval under Listing Rule 11.2 for completeness.

The approval is by way of an ordinary resolution at General Meeting. Accordingly, shareholder approval to the Proposed Subscription is being sought at a General Meeting of the Company to be held at the office of White & Case LLP, 5 Old Broad Street, London EC2N 1DW at 11.00am GMT on 20 December 2019.

EMH has posed the Circular containing details of the Proposed Subscription and notice of General Meeting. Further details of the Proposed Subscription are set out in the Circular posted to Shareholders.

A copy of the Chairman's letter in the Circular is set out in full in Appendix 2 to this announcement without material adjustment or amendment.

Copies of the Circular and Notice of General Meeting are available on the Company's website www.europeanmet.com and the text of the Letter from the Chairman is set out in the Appendix to this announcement.

Unless the context otherwise requires, capitalised terms of this announcement shall have the same meaning ascribed to them in the Circular.

The information contained within this announcement is considered to be inside information, for the purposes of Article 7 of EU Regulation 596/2014, prior to its release. The person who arranged for the release of this announcement on behalf of the Company was Keith Coughlan, Managing Director.

ENQUIRIES:

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APPENDIX 1

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication of this document	5 December 2019
Latest time and date for receipt of CDI Voting Instruction Form	4.00pm WST on 17 December 2019
Latest time and date for receipt of DI Voting Instruction Form	4.00pm GMT on 17 December 2019
Latest time and date for receipt of Forms of Proxy	4.00pm GMT on 18 December 2019
Annual General Meeting	11.00am GMT on 20 December 2019
Announcement of the result of the Annual General Meeting	20 December 2019
Latest date for exercise of the Option (Long Stop Date)	31 March 2020
Expected completion of the Proposed Subscription	By 31 March 2020

Note:

Each of the above times and/or dates is subject to change at the absolute discretion of the Company and Beaumont Cornish. If any of the above times and/or dates should change, the revised times and/or dates will be announced through a Regulatory Information Service.

APPENDIX 2

A copy of the Chairman's letter in the Circular is set out in full below without material adjustment or amendment

LETTER FROM THE CHAIRMAN OF EUROPEAN METALS HOLDINGS LIMITED

(Incorporated in the British Virgin Islands with registered number 1655704, and registered in Australian with registered number 154 618 989)

Directors:
David Reeves, Non-Executive Chairman
Keith Coughlan, Managing Director
Richard Pavlik, Executive Director
Kiran Morzaria, Non-Executive Director

Registered Office:
Suite 12, Level 1
11 Ventnor Avenue
West Perth, 6005
Australia

5 December 2019

Dear Shareholder

**PROPOSED SUBSCRIPTION BY CEZ FOR A 51% INTEREST IN GEOMET S.R.O. AND
NOTICE OF ANNUAL GENERAL MEETING**

1. Introduction

European Metals Holdings Limited (“**EMH**” or the “**Company**”) is undertaking the development of the Cinovec Lithium/Tin Project in the Czech Republic. Cinovec is a globally significant lithium project and the largest known lithium resource in Europe. The full development of Cinovec will be a significant undertaking requiring considerable expertise, capital and partnerships with major corporations.

EMH has been in discussion with CEZ a.s., one of Europe’s largest power utilities, regarding CEZ’s potential investment and ongoing involvement in the Cinovec Project.

As announced on 20 November 2019, EMH has now reached agreement with CEZ pursuant to which, *inter alia*, CEZ has the option, but not the obligation, to subscribe €34,061,265 through its wholly-owned subsidiary, SDAS, for 51% of Geomet s.r.o., the Company’s wholly owned Czech subsidiary and the holder of the Cinovec licenses.

The proposed subscription by SDAS would constitute a fundamental change of business of the Company under Rule 15 of the AIM Rules and may be considered a disposal of its main undertaking for the purposes of ASX Listing Rule 11.2 and is therefore conditional on, *inter alia*, the passing of the Ordinary Resolution at the Annual General Meeting. The Company will however, remain an operating minerals company under the AIM Rules given its remaining material minerals interest and ongoing involvement in the Cinovec Project after the Proposed Subscription has completed.

Shareholder approval to the Proposed Subscription is being sought at a General Meeting of the Company to be held at the office of White & Case LLP, 5 Old Broad Street, London EC2N 1DW at 11.00am GMT on 20 December 2019. The notice convening the Annual General Meeting and setting out the Ordinary Resolution to be considered at it is set out at the end of this document. A summary of the action you should take is set out in paragraph 11 of this letter and on the Form of Proxy or Voting Instruction Form which accompanies this document.

Further details of the Proposed Subscription, and the Exclusivity and Framework Agreement and Geomet Shareholders’ Agreement entered into by EMH and CEZ are set out below and in Part 2 of this document.

The purpose of this document is to give you the background to and further details of the Proposed Subscription, including why the Directors consider the Proposed Subscription to be in the best

interests of the Company and its Shareholders and recommend that you vote in favour of the Ordinary Resolution to be proposed at the Annual General Meeting.

2. Background to and reasons for the Proposed Subscription

EMH acquired Geomet in February 2014 and has been actively developing the Cinovec Project since that time. Under the management of EMH the development of Cinovec has been advanced and in particular:

- The previously unclassified resource has been developed into a JORC-compliant resource containing a combined 7.22 million tonnes Lithium Carbonate Equivalent and 278,000 tonnes of tin. This makes Cinovec the largest lithium deposit in Europe and a globally significant tin resource.
- Two Preliminary Feasibility Studies have been completed by specialist independent consultants, most recently in June 2019.
- Significant metallurgical, chemical and engineering test work has been conducted resulting in the successful production of both battery grade lithium carbonate and battery grade lithium hydroxide.

This work programme has also culminated in EMH demonstrating the strong potential for the Cinovec Project to be a low-cost producer of either lithium carbonate or lithium hydroxide.

In the updated Preliminary Feasibility Study which was announced on 17 June 2019, Hatch Associates Pty Ltd had estimated that the capital cost to construct a facility for the production of 25,267 tpa lithium hydroxide at Cinovec was US\$482.6 million. Against this background, the Company had been seeking a financially strong, globally respected and local strategic partner to become involved in the development of the Cinovec Project.

In July this year, EMH announced, *inter alia*, that CEZ was conducting due diligence on the Company and the Cinovec Project, and that the successful outcome of the due diligence process could result in CEZ potentially become the Company's largest shareholder and co-development partner for the Cinovec Project. Since then, EMH and CEZ have held detailed discussions on the framework for CEZ's participation in the Cinovec Project and on 20 November 2019, EMH was pleased to announce that EMH and CEZ had reached agreement and entered into the Exclusivity and Framework Agreement and Geomet Shareholders' Agreement (further details of which are set out below and in Part 2 of this document).

Under the Exclusivity and Framework Agreement, CEZ has the option, but not the obligation, to subscribe

€34,061,265 through its wholly-owned subsidiary, SDAS, for 51% of Geomet Shares, by exercising such option on or before 31 March 2020.

The Company considers that CEZ Group is an ideal strategic and financial partner for the Cinovec Project. In addition to CEZ's financial strength, the Board believes that CEZ provides strong strategic relationships within the Czech Republic, the European Union and abroad. CEZ is a leader in power generation and distribution in the region and has plans to become heavily involved in the development of new energy systems.

3. Further Information on GEOMET and the Cinovec Project

Geomet is a Czech Republic incorporated wholly-owned subsidiary of EMH. Geomet is the holder of all permits and the rights to develop the Cinovec Project. Cinovec hosts a globally significant hard rock lithium deposit with a total Indicated Mineral Resource of 372.4Mt at 0.45% Li₂O and 0.04% Sn and an Inferred Mineral Resource of 323.5Mt at 0.39% Li₂O and 0.04% Sn containing a combined 7.22 million tonnes Lithium Carbonate Equivalent and 263kt of tin reported 28 November 2017. An initial

Probable Ore Reserve of 34.5Mt at 0.65% Li₂O and 0.09% Sn was reported 4 July 2017. The deposit has previously had over 400,000 tonnes of ore mined as a trial sub-level open stope underground mining operation.

In June 2019 EMH completed an updated Preliminary Feasibility Study, conducted by specialist independent consultants, which indicated a return post tax NPV of USD1.108B and an IRR of 28.8% and confirmed that the Cinovec Project is a potential low operating cost, producer of battery grade lithium hydroxide or battery grade lithium carbonate as markets demand. The Preliminary Feasibility Study confirmed the deposit is amenable to bulk underground mining. Metallurgical test-work has produced both battery grade lithium hydroxide and battery grade lithium carbonate in addition to high-grade tin concentrate at excellent recoveries. Cinovec is centrally located for European end-users and is well serviced by infrastructure, with a sealed road adjacent to the deposit, rail lines located 5 km north and 8 km south of the deposit and an active 22 kV transmission line running to the historic mine. As the deposit lies in an active mining region, it has strong community support.

As at 30 June 2019, Geomet's total assets amounted to AUD\$12.17 million. In the year ended 30 June 2019 Geomet's loss before taxation amounted to AUD\$0.287 million.

4. Information on CEZ Group

Headquartered in the Czech Republic, CEZ is an established, integrated energy group with operations in a number of Central and Southeastern European countries and Turkey. CEZ's core business is the generation, distribution, trade in, and sales of electricity and heat, trade in and sales of natural gas, and coal extraction. CEZ Group has 33,000 employees and annual revenue of approximately EUR 7.24 billion.

The largest shareholder of its parent company, CEZ a. s., is the Czech Republic with a stake of approximately 70%. The shares of CEZ a.s. are traded on the Prague and Warsaw stock exchanges and included in the PX and WIG-CEE exchange indices. The market capitalization is approximately EUR 10.08 billion.

As one of the leading Central European power companies, CEZ intends to develop energy storage projects in the Czech Republic and in Central Europe which include energy storage and charging infrastructure and electricity supply, for users of electric vehicles. CEZ has announced its intention to build a state-of-the-art lithium ion battery factory in Czech Republic in collaboration with an established battery manufacturer.

CEZ is also a market leader for E-mobility in the region and has installed a number of operational EV charging stations throughout Czech Republic. The automotive industry in Czech is a significant contributor to GDP and the number of EV's in the country is expected to grow significantly in coming years. In addition, CEZ is developing solutions for stationary energy storage. Through these battery industry activities, CEZ is expected to assist greatly in the securing of off take agreements.

5. Principal terms of the Proposed Subscription

Pursuant to the Exclusivity and Framework Agreement, CEZ has the option, but not the obligation, to subscribe through SDAS for such number of Geomet Shares as will result in SDAS holding Geomet Shares comprising fifty-one per cent. (51%) of the ownership interests and voting rights in Geomet, attached with the right to receive fifty-one per cent. (51%) of dividends, liquidation balance and other proceeds payable by Geomet to Geomet Shareholders following completion of the subscription.

The amount to be paid by CEZ to Geomet under the option is in total approximately €34.06m, equivalent to approximately £29.15m and AUD55.25m. This compares to EMH's market valuation of approximately £32.88m (€38.42m; AUD62.32m) based on the closing price of an EMH share in London of 21.8 pence on 19 November 2019, the day immediately before announcement by EMH of the Proposed Subscription. The amounts in GBP and AUD included above have been calculated using an average exchange rate for EUR/GBP and EUR/AUD respectively as at 18 November 2019.

Completion of the Proposed Subscription is conditional, *inter alia*, on the satisfaction of the following conditions:

- (v) completion of due diligence in respect of the Company and the Cinovec Project to the satisfaction of CEZ at its sole discretion;
- (vi) the passing of the Ordinary Resolution at the Annual General Meeting and delivery of a certified copy of the Ordinary Resolution to CEZ;
- (vii) agreement of the initial work programme and budget for Geomet; and
- (viii) CEZ and EMH agreeing the identity of the Chief Executive Officer, the Chief Operating Officer and the statutory auditor of Geomet to be appointed with effect from completion.

EMH has agreed to provide CEZ with a period of exclusivity under the Exclusivity and Framework Agreement, with certain break fees payable by EMH if it does not proceed with the Proposed Subscription. In particular, EMH and Geomet have undertaken until 31 March 2020 not to conduct discussions or negotiations or enter into any agreement or arrangement with any person or entity other than CEZ or SDAS in respect of an acquisition of an interest over or in, and/or establishment of a joint venture, partnership or other cooperation in connection with, the Cinovec Project and/or Geomet, by any means.

EMH and CEZ have also agreed the form of Geomet Shareholders' Agreement which sets out their rights and obligations as shareholders in Geomet should CEZ exercise the option. The Geomet Shareholders' Agreement includes certain minority shareholder protections with a number of reserved matters which require the approval of both CEZ and EMH, together with deadlock provisions in the event that on completion of the proposed work programme, the parties disagree on a construction decision. Further details are set out in Part 2 of this Document.

6. Financial effects of the Proposed Subscription, use of the proceeds and intentions of EMH post-completion

Following is the effect of the Proposed Subscription on the Company's financial metrics:

	30 June 2019 audited accounts AUD millions	Adjustment as a result of completion of the Proposed Subscription AUD millions	30 June 2019 unaudited pro-forma following completion of the Proposed Subscription ¹ AUD millions
Total assets	12.4	21.8	34.2
Total equity interests	15.6	-	15.6
Revenues	0.4	21.8	22.2
Expenses	3.6	-	3.6
Net profit / (loss) before tax	(3.2)	-	18.6

¹ Pro forma balance sheet excludes intercompany loan between EMH and Geomet.

The primary financial objective of the Proposed Subscription is to secure the funding for the next stage of the development of the Cinovec Project and to significantly reduce the risk of the Cinovec Project not going into production thereafter. Whilst the Board believes that Cinovec is a robust project with strong economics, the funding of large mining and processing projects requiring significant capital

expenditure, is very challenging for smaller capitalised minerals public companies in current economic and market conditions.

The addition of a partner with the financial strength of CEZ, and the strong significant business relationships that it brings, significantly reduces the risk associated with the Cinovec Project at this important stage of its development.

The subscription proceeds from the Proposed Subscription, which will amount to approximately €34.06m on exercise of the option by SDAS, will be used by Geomet to develop the Cinovec Project through Definitive Feasibility Study (“DFS”), provide a bankable project and advance the Cinovec Project to a decision to construct. The DFS will bring together the detailed operational and financial implementation plan, including geological, technical, engineering, metallurgical, environmental and financial technical expert reports. The Company has prepared the detailed budget and business plan for the delivery of the DFS, together with the front-end engineering design programme, which is expected to take up to 18 months to complete. In order to facilitate the timely progressing of the DFS, Geomet will enter into a service contract with one or more third party contractors, provided that the Company will be appointed to provide services of managing the Cinovec Project development.

On completion of the proposed subscription by SDAS, EMH’s ongoing interest in Geomet will reduce to 49%. Under the Geomet Shareholders’ Agreement, Geomet will have a board of five directors. EMH will have the right to nominate two of the five Geomet directors.

Accordingly, on completion EMH will cease to consolidate Geomet’s results within the EMH’s consolidated accounts, and the Proposed Subscription would therefore constitute a fundamental change of business of the Company under Rule 15 of the AIM Rules and may be considered a disposal of its main undertaking for the purposes of ASX Listing Rule 11.2. The Proposed Subscription is therefore conditional on, *inter alia*, the passing of the Ordinary Resolution at the Annual General Meeting. The Company will, however, remain an operating minerals company under the AIM Rules given its remaining material interest and ongoing involvement in the Cinovec Project after the Proposed Subscription has completed, as described above.

The completion of the Proposed Subscription will not result in any changes to the Company’s Board or management.

7. Potential Advantages of the Proposed Subscription

The potential advantages to the Shareholders of approving the Ordinary Resolution are as follows:

- (i) The subscription proceeds from the Proposed Subscription will allow Geomet to develop the Cinovec Project through DFS, provide a bankable project and advance the Cinovec Project to a decision to construct.
- (ii) The Board considers that CEZ Group is an ideal strategic and financial partner for the Cinovec Project.
- (iii) The Board believes that in addition to CEZ’s financial strength, CEZ provides strong strategic relationships within the Czech Republic, the European Union and abroad which will enable the development of the Cinovec Project.
- (iv) CEZ is actively exploring energy storage initiatives and battery factory construction and will be well placed to assist in off-take discussions.
- (v) The Board believes that it would not be possible for EMH to raise a similar amount to the Proposed Subscription by way of a market placing of new ordinary shares of EMH on acceptable terms, if at all, in current market conditions.

8. Potential disadvantages of the Proposed Subscription

The potential disadvantages to the Shareholders of approving the Ordinary Resolution are as follows:

- (i) The Company will be diluted to a minority (49%) interest in its sole operating subsidiary, thereby giving up majority control over the operations of its major asset.
- (ii) If the Company is unable to fund its share of future ongoing requirements of Geomet following completion of the DFS, then its interest in Geomet may be diluted at such time.
- (iii) While the Geomet Shareholders' Agreement includes certain minority shareholder protections with a number of reserved matters which require the approval of both CEZ and EMH, in the event of a deadlock on completion of the proposed work programme if the parties disagree on a construction decision, CEZ has the right, but not the obligation, to buy EMH's interest in Geomet at market value, albeit subject to any applicable regulatory approvals required at such time, including shareholder approval.

9. ASX Listing Rule 11.2

ASX Listing Rule 11.2 provides that an entity may not dispose of its main undertaking (that is, its main asset or business) without the approval of its shareholders. While the Proposed Subscription may be considered to constitute the Company disposing of its main undertaking, the Company will not be making any change to its main undertaking. That is, the Company will remain engaged in the same principal business activities following completion of the Proposed Subscription. Accordingly, the Company seeks Shareholder approval under Listing Rule 11.2 for completeness.

The approval is by way of an ordinary resolution.

CEZ is not a related party of the Company, and Shareholder approval for the Proposed Subscription is not required for the purposes of ASX Listing Rule 10.1.

10. The Annual General Meeting

You will find set out at the end of this document a notice convening the Annual General Meeting to be held on 20 December 2019 at the office of White & Case LLP, 5 Old Broad Street, London EC2N 1DW at 11.00am GMT, at which the Ordinary Resolution and the other resolutions as set out in the notice of meeting will be proposed. In order for the Ordinary Resolution to be passed, a simple majority is required.

Shareholders should read the Notice of Annual General Meeting at the end of this document for the full text of the Ordinary Resolution and the other resolutions to be proposed, and for further details about the Annual General Meeting.

Shareholders have the right to attend, speak and vote at the Annual General Meeting (or, if they are not attending the meeting, to appoint someone else as their proxy to vote on their behalf) if they are on the Register at the Voting Record Time (4.00pm GMT on 18 December 2019). Changes to entries in the Register after the Voting Record Time will be disregarded in determining the rights of any person to attend and/or vote at the Annual General Meeting. If the Annual General Meeting is adjourned, only those Shareholders on the Register 48 hours before the time of the adjourned Annual General Meeting (excluding any part of a day that is not a Business Day) will be entitled to attend, speak and vote or to appoint a proxy.

The number of Ordinary Shares a Shareholder holds as at the Voting Record Time will determine how many votes a Shareholder or his proxy will have in the event of a poll.

11. Action to be taken

Please see the section "Important Information" section on page 4 for instructions as to how to vote at the Annual General Meeting.

Your attention is drawn to the fact that the Proposed Subscription is conditional and dependent on the Ordinary Resolution being passed by Shareholders at the Annual General Meeting. Shareholders are asked to vote in favour of the Ordinary Resolution in order for the Proposed Subscription to proceed. If Shareholders do not approve the Proposed Subscription at the Annual General Meeting, the Board considers that the Company's ability to progress the Cinovec project may be adversely affected and that it may not be possible to secure alternative funding to progress the project on acceptable terms within an acceptable timeframe, in which case the value of the Company's holding in Geomet may be substantially impaired.

If you are in any doubt as to what action you should take, you are recommended to seek your own personal financial advice from your broker, bank manager, solicitor, accountant or other independent financial adviser authorised under FSMA if you are resident in the United Kingdom or, if not, from another appropriately authorised independent financial adviser, immediately.

12. Recommendation

The Directors consider the Proposed Subscription to be in the best interests of the Company and its Shareholders and accordingly unanimously recommend Shareholders to vote, or procure the vote, in favour of the Ordinary Resolution to be proposed at the Annual General Meeting.

Yours faithfully,

David Reeves
Chairman