

## EUROPEAN METALS HOLDINGS LIMITED

**Supplementary Notice of Annual General Meeting  
Proposed issue of Performance Rights to Directors**

European Metals Holdings Limited ("European Metals" or "the Company") (ASX and AIM: EMH), announced on 30 November 2020 that it had published the Notice of Annual General Meeting ("Notice") which will be held at Suite 2, 11 Ventnor Avenue, West Perth, Western Australia on Thursday, 17 December 2020 at 4:00pm (WST) (8.00am GMT) ("Meeting").

The Notice included a resolution (Resolution 3) to approve the adoption of an employee securities incentive plan to issue equity securities under the employee incentive scheme of the Company (the "European Metals Holdings Limited Employee Securities Incentive Plan" or "Plan"), on the terms and conditions set out Schedule 2 of the Notice. If Resolution 3 is passed, the Company will be able to issue equity securities under the Plan to certain eligible participants over a period of 3 years after the date of the Meeting. Any proposed issue of equity securities under the Plan to a Director or any of their associates, or a person whose relationship with the Company, a Director or an associate of a Director is such that, in ASX's opinion, prior Shareholder approval is required, requires prior Shareholder approval under ASX Listing Rule 10.14.

The Company has therefore published today a supplementary notice ("Supplementary Notice") which provides details of two additional resolutions to be considered at the Meeting, proposing an award of Performance Rights under the Plan to the executive directors, comprising 2,400,000 Performance Rights to be issued to Mr Keith Coughlan (Resolution 13) and 1,200,000 Performance Rights to be issued to Mr Richard Pavlik (Resolution 14). The Performance Rights will be issued in three classes subject to vesting conditions, on satisfaction of which, the Directors will receive one new ordinary share ("Ordinary Share" or "CDI") for every one Performance Right on the following basis:

New CDIs to be issued on satisfaction of the following vesting Conditions	Keith Coughlan	Richard Pavlik
Class A shall vest upon an announcement by the Company to the ASX stating that the Company has executed an offtake agreement for at least 25% of the product planned to be produced from the Cinovec Project.	800,000	400,000
Class B shall vest upon the attainment of Project Finance for the Cinovec Project.	800,000	400,000
Class C shall vest upon an announcement by the Company to the ASX stating that the Company has made a Decision to Mine in respect of the Cinovec Project.	800,000	400,000
<b>TOTAL</b>	<b>2,400,000</b>	<b>1,200,000</b>

The aggregate maximum number of new CDIs issuable pursuant to the Performance Rights conditionally awarded to Directors, subject to shareholder approval at the Annual General Meeting, ("Director Plan CDIs"), amounts to 3,600,000 representing approximately 2.2 per cent. of the current issued share capital of the Company.

The Director Performance Rights (and any Shares issued on the vesting and exercise of the Director Performance Rights) will be issued for no consideration. The Performance Rights will expire three

years from the date of issue, after which the Performance Rights lapse and may no longer be exercised or converted.

A further announcement will be made following the Meeting as and when the Director Plan Performance Rights are issued.

**Website**

A copy of the Supplementary Notice is available from the Company's website at [www.europeanmet.com](http://www.europeanmet.com) and is set out in Appendix A below in full.

**Enquiries:**

**European Metals Holdings Limited**

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Megan Ray

**Appendix**

**The following sets out, without material adjustment or amendment, the Supplementary Notice of Annual General Meeting**

## EUROPEAN METALS HOLDINGS LIMITED

ARBN 154 618 989

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### ADDENDUM TO NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given to Shareholders of European Metals Holdings Limited that, in relation to the notice of annual general meeting dated 18 November 2020 (**Notice of Meeting**) in respect of an annual general meeting of Shareholders to be held at Suite 2, 11 Ventnor Avenue, West Perth, Western Australia on Thursday, 17 December 2020 at 4:00pm (WST) (8.00am GMT), the Directors have determined to issue this addendum to the Notice of Meeting (**Addendum to Notice**) for the purposes set out below.

Capitalised terms and abbreviations used in the Addendum to Notice have the same meaning as set out in the Notice of Meeting, unless otherwise defined in Schedule 1.

This Addendum to Notice is supplemental to the Notice of Meeting and should be read in conjunction with the Notice of Meeting. Save for the changes set out below, all other Resolutions proposed and information in the Notice of Meeting, including the Explanatory Memorandum, remain unchanged.

**(a) Additional Resolutions**

By this Addendum to Notice, additional Resolutions, Resolutions 13 and 14, as detailed below, are added to the Notice of Meeting.

**(b) Explanatory Memorandum – Supplementary Information**

By this Addendum to Notice, an additional section entitled 'Resolutions 13 and 14 – Approval for the Issue of Performance Rights to Directors' is added to the Explanatory Memorandum to the Notice of Meeting as set out in the Explanatory Memorandum to this Addendum to Notice.

**(c) Replacement Proxy Form and Voting Instruction Forms**

Annexed to this Addendum of Notice of Meeting is a replacement Proxy Form, CDI Voting Instruction Form or DI Voting Instructions Form.

If Shareholders wish to have their votes counted by proxy in respect of Resolutions 13 and 14, Shareholders **MUST** use the replacement Proxy Form or Voting Instruction Form (as appropriate) to vote on all the Resolutions. If a party provides a replacement Proxy Form or Voting Instruction Form, any instruction form dispatched with the original Notice of Meeting which has been completed by that party will be disregarded.

The Company reserves the right to accept a Proxy Form or Voting Instruction Form (as appropriate) dispatched with the original Notice of Meeting if a new replacement voting instruction form is not provided by the relevant Shareholder.

## ENQUIRIES

Shareholders are requested to contact the Company Secretary on (+61 8) 9389 2111 if they have any queries in respect of the matters set out in these documents.

## AGENDA

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1. **RESOLUTION 13 – APPROVAL FOR THE ISSUE OF PERFORMANCE RIGHTS – MR KEITH COUGHLAN**

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

*“That, for the purposes of section 195(4) of the Corporations Act, Listing Rule 10.14 and for all other purposes, Shareholders approve the grant of 2,400,000 Performance Rights to Mr Coughlan (or his nominee), a Director, under the Company’s Employee Incentive Plan on the terms and conditions contained in the Explanatory Memorandum to this Addendum to Notice.”*

**Voting Prohibition** In accordance with the Corporations Act, the Company will disregard any votes cast on Resolution 13 by a person who is a member of the Key Management Personnel, or their Closely Related Parties, as a proxy.

However, the Company will not disregard a vote if the vote is cast as a proxy for a person entitled to vote on Resolution 13:

- (a) in accordance with a direction as to how to vote on the Proxy Form or Voting Instruction Form; or
- (b) by the Chair pursuant to an express authorisation to exercise the proxy even if Resolution 13 is connected directly or indirectly with the remuneration of a member of Key Management Personnel.

**Voting Exclusion:**

The Company will disregard any votes cast in favour of this Resolution by or on behalf of Mr Coughlan, Mr Pavlik and Mr Morzaria, any further Director who becomes eligible to participate in the Plan prior to the AGM, any person notified by ASX pursuant to Listing Rule 10.14.3 and any of their associates.

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2. **RESOLUTION 14 – APPROVAL FOR THE ISSUE OF PERFORMANCE RIGHTS – MR RICHARD PAVLIK**

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

*“That, for the purposes of section 195(4) of the Corporations Act, Listing Rule 10.14 and for all other purposes, Shareholders approve the grant of 1,200,000 Performance Rights to Mr Pavlik (or his nominee), a Director, under the Company’s Employee Incentive Plan on the terms and conditions contained in the Explanatory Memorandum to this Addendum to Notice.”*

**Voting Prohibition** In accordance with the Corporations Act, the Company will disregard any votes cast on Resolution 14 by a person who is a member of the Key Management Personnel, or their Closely Related Parties, as a proxy.

However, the Company will not disregard a vote if the vote is cast as a proxy for a person entitled to vote on Resolution 14:

- (a) in accordance with a direction as to how to vote on the Proxy Form or Voting Instruction Form; or
- (b) by the Chair pursuant to an express authorisation to exercise the proxy even if Resolution 14 is connected directly or indirectly with the remuneration of a member of Key Management Personnel.

**Voting Exclusion:**

The Company will disregard any votes cast in favour of this Resolution by or on behalf of Mr Coughlan, Mr Pavlik and Mr Morzaria, any further Director who becomes eligible to participate in the Plan prior to the AGM, any person notified by ASX pursuant to Listing Rule 10.14.3 and any of their associates.

Dated: 2 December 2020

By Order of the Board

Dennis Wilkins  
**COMPANY SECRETARY**

**Voting exclusions:**

Each Voting Exclusion Statement that applies to a Resolution as noted in the Agenda, does not apply to a vote cast in favour of a resolution by:

- (a) a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with directions given to the proxy or attorney to vote on the resolution in that way;
- (b) the Chair as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with the direction given to the Chair to vote on the resolution as the Chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
  - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
  - (ii) the holder votes on the resolution in accordance with direction given by the beneficiary to the holder to vote in that way.

# EUROPEAN METALS HOLDINGS LIMITED

ARBN 154 618 989

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## EXPLANATORY MEMORANDUM

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### 1. INTRODUCTION

The Explanatory Memorandum outlined in the Notice of Meeting is supplemented by including the section entitled '**Resolutions 13 and 14 – Approval for the Issue of Performance Rights to Directors**' of the Explanatory Memorandum of this Addendum to Notice as set out below.

The purpose of this Explanatory Memorandum is to provide Shareholders with all the information known to the Company which is material to a decision on how to vote on the Resolutions in the accompanying Addendum to Notice.

Capitalised terms and abbreviations used in this Explanatory Memorandum have the same meaning as set out in the Notice of Meeting, unless otherwise defined in Schedule 1.

The Directors recommend that Shareholders read this Explanatory Memorandum in full before making any decision in relation to the Resolutions.

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### 2. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders should read the Addendum to Notice, including the Explanatory Memorandum, carefully before deciding how to vote on the Resolutions.

#### 2.2 Shareholder attendance, Voting and Proxy Appointment

The Directors have determined pursuant to Article 7.5 of the Articles of Association that the persons eligible to vote at the Meeting are those who are registered as Shareholders on 15 December 2020 at 2:00am (WST) (6.00pm GMT on 14 December 2020).

If you are a Shareholder, to vote in person, attend the Annual General Meeting at the time, date and place set out above.

If you are a Shareholder, to vote by proxy, please complete and sign the enclosed Proxy Form and return by one of the methods and by 4.00pm WST (8.00am GMT) on 15 December 2020.

Proxy Forms received later than the specified time will be invalid.

### **2.3 CDI Holders Attendance, Voting and Proxy Appointment**

CDIs, representing beneficial interests in the Shares, have been issued to allow trading on the electronic transfer and settlement system operated by the ASX as the laws of the British Virgin Islands, the place of incorporation of the Company, do not recognise electronic transfer of legal title to Shares.

A CDI holder is not a Shareholder and, under the laws of the British Virgin Islands, is not entitled to attend the Annual General Meeting unless as a proxy.

Each CDI holder has the right to:

- (a) direct CHESS Depository Nominees Pty Ltd (**CDN**), the legal holder of the Shares to which the CDIs relate, how to vote the underlying Shares in respect of their CDIs in respect of the business of the Annual General Meeting; or
- (b) instruct CDN to appoint the CDI holder or a person nominated by the CDI holder the CDI holder's proxy for the purposes of attending and voting at the Annual General Meeting.

If you are a CDI holder and you wish to direct or instruct CDN in the manner contemplated above, please read, complete and sign the enclosed CDI Voting Instruction Form and return by one of the methods and by the deadline set out on the CDI Voting Instruction Form.

CDI Voting Instruction Forms received later than the specified time will be invalid.

### **2.4 DI Holders Attendance, Voting and Proxy Appointment**

DIs, representing beneficial interests in the Shares, have been issued as the laws of the British Virgin Islands, the place of incorporation of the Company, do not recognise electronic transfer of legal title to Shares and securities of foreign issuers cannot be directly registered, transferred or settled through CREST (which is the electronic settlement system in the UK). DI Holders are invited to attend the Annual General Meeting but are not entitled to vote at the Annual General Meeting.

In order to have votes cast at the Annual General Meeting on their behalf, DI holders must complete, sign and return the DI Voting Instruction Form forwarded to them along with the Notice to the Company's agent, Computershare UK, by 14 December 2020 at 4.00pm WST (8.00am GMT). DI Voting Instruction Forms received later than the specified time will be invalid.

DI Holders in CREST may transmit voting instructions by utilising the CREST voting service in accordance with the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider, should refer to their CREST sponsor or voting service provider, who will be able to take appropriate action on their behalf.

In order for instructions made using the CREST voting service to be valid, a CREST Voting Instruction must be properly authenticated in accordance with Euroclear's specifications

and must contain the information required for such instructions, as described in the CREST Manual (available via [www.euroclear.com/CREST](http://www.euroclear.com/CREST)).

To be effective, the CREST Voting Instruction must be transmitted so as to be received by the Company's agent (3RA50) no later than 14 December 2020 at 4.00pm WST (8.00am GMT). For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the CREST Voting Instruction by the CREST applications host) from which the Company's agent is able to retrieve the CREST Voting Instruction by enquiry to CREST in the manner prescribed by CREST. DI Holders in CREST and, where applicable, their CREST sponsors or voting service providers should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the transmission of CREST Voting Instructions. It is the responsibility of the DI Holder concerned to take (or, if the DI Holder is a CREST personal member or sponsored member or has appointed a voting service provider, to procure that the CREST sponsor or voting service provider takes) such action as shall be necessary to ensure that a CREST Voting Instruction is transmitted by means of the CREST voting service by any particular time.

In this connection, DI Holders and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

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### 3. **RESOLUTIONS 13 AND 14 – APPROVAL FOR THE ISSUE OF PERFORMANCE RIGHTS TO DIRECTORS**

#### 3.1 **General**

Resolutions 13 and 14 seek shareholder approval for the issue of Performance Rights to Executive Chair, Mr Keith Coughlan (2.4 million) and Executive Director, Mr Richard Pavlik (1.2 million), or their nominees (**Director Performance Rights**), pursuant to the Company's Employee Incentive Plan (subject to the passing of Resolutions 13 and 14 respectively).

The performance rights are to be issued to form a key component of total remuneration for Directors and for the purpose of aligning the interests of the Directors with the Company and to secure ongoing commitment from them to the growth of the Company. A summary of the key terms and conditions of the Performance Rights are set out in Schedule 2.

Resolutions 13 and 14 are each an ordinary resolution, requiring it to be passed by a simple majority of votes cast by the Shareholders entitled to vote on it.

The Directors, other than Mr Coughlan, have carefully considered the proposed issue of the Performance Rights to Mr Coughlan, and consider the issue to be an important component of his remuneration package. Having considered the alternatives to an issue of Performance Rights to Mr Coughlan (such as a higher cash-based component of remuneration), the Directors, other than Mr Coughlan who makes no recommendation, believe the issue of Performance Rights to Mr Coughlan is in the best interests of the Company and unanimously recommend that Shareholders vote in favour of Resolution 13.

Mr Coughlan makes no recommendation to Shareholders in relation to Resolution 13 because he has an interest in the outcome of the resolution.

The Directors, other than Mr Pavlik, have carefully considered the proposed issue of the Performance Rights to Mr Pavlik, and consider the issue to be an important component of his remuneration package. Having considered the alternatives to an issue of Performance Rights to Mr Pavlik (such as a higher cash-based component of remuneration), the Directors, other than Mr Pavlik who makes no recommendation, believe the issue of Performance Rights to Mr Pavlik is in the best interests of the Company and unanimously recommend that Shareholders vote in favour of Resolution 14.

Mr Pavlik makes no recommendation to Shareholders in relation to Resolution 14 because he has an interest in the outcome of the resolution.

### **3.2 Chapter 2E**

Chapter 2E of the Corporations Act prohibits a public company from giving a financial benefit to a related party of the company unless either:

- (a) the giving of the financial benefit falls within one of the exceptions to the provision; or
- (b) prior shareholder approval is obtained to the giving of the financial benefit.

Related party is widely defined under the Corporations Act and includes directors of a company. Financial benefit is defined broadly and includes benefits from the public company's subsidiaries. It is necessary to look at the economic and commercial substance and the effect of the transaction in determining the financial benefit. The Corporations Act requires that any consideration that is given is disregarded, even if the consideration is adequate.

The grant of the Director Performance Rights constitutes giving a financial benefit. Mr Keith Coughlan and Mr Richard Pavlik are Directors, and therefore related parties of the Company. The issue of the securities to them or their nominees constitutes the provision of a financial benefit for the purposes of Chapter 2E of the Corporations Act.

The Directors consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the issue of Director Performance Rights, because the issue of the Director Performance Rights constitutes reasonable remuneration payable to each of Mr Coughlan and Mr Pavlik.

### **3.3 Listing Rule 10.14**

Listing Rule 10.14 provides that a listed company must not permit any of the following persons to acquire equity securities under an employee incentive scheme without first obtaining the approval of its shareholders:

- 10.14.1 a director of the entity;
- 10.14.2 an associate of a director of the entity; or
- 10.14.3 a person whose relationship with the entity or a person referred to in Listing Rules 10.14.1 to 10.14.2 is such that, in ASX's opinion, the acquisition should be approved by security holders.

The issue of Director Performance Rights to the Directors falls within Listing Rule 10.14.1 and therefore requires the approval of Shareholders under Listing Rule 10.14.

Resolutions 13 and 14 seek Shareholder approval to issue the Director Performance Rights to Mr Keith Coughlan and Mr Richard Pavlik based on the satisfaction of key performance criteria as outlined below:

<b>Vesting Conditions</b>	<b>Keith Coughlan</b>	<b>Richard Pavlik</b>
Class A shall vest upon an announcement by the Company to the ASX stating that the Company has executed an offtake agreement for at least 25% of the product planned to be produced from the Cinovec Project.	800,000	400,000
Class B shall vest upon the attainment of Project Finance for the Cinovec Project.	800,000	400,000
Class C shall vest upon an announcement by the Company to the ASX stating that the Company has made a Decision to Mine in respect of the Cinovec Project.	800,000	400,000
<b>TOTAL</b>	<b>2,400,000</b>	<b>1,200,000</b>

The Performance Rights will expire three years from the date of issue, after which the Performance Rights lapse and may no longer be exercised or converted.

If Resolutions 13 and 14 are passed, the Company will be able to proceed with the issue of the Director Performance Rights to the Directors under the Employee Incentive Plan within three years after the date of the Meeting (or such later date as permitted by any ASX waiver or modification of the Listing Rules). As approval pursuant to Listing Rule 7.1 is not required for the issue of the Director Performance Rights (because approval is being obtained under Listing Rule 10.14), the issue of the Director Performance Rights will not use up any of the Company's 15% annual placement capacity.

If Resolutions 13 and 14 are not passed, the Company will not be able to proceed with the issue of the Director Performance Rights to the Directors under the Employee Incentive Plan and the Company will negotiate with the Directors an appropriate alternative payment, seeking further Shareholder approval if required.

### **3.4 Information required by Listing Rule 10.15**

In accordance with Listing Rule 10.15, the Company provides the following information.

- (a) The Performance Rights will be granted to:
- (i) in respect of Resolution 13, Mr Keith Coughlan, the Executive Chair of the Company; and
  - (ii) in respect of Resolution 14, Mr Richard Pavlik, an executive Director of the Company,
- (the **Related Parties**) or their respective nominees.

- (b) The issue of Director Performance Rights under Resolutions 13 and 14 falls under Listing Rule 10.14.1 as each of Mr Coughlan and Mr Pavlik is a Director.
- (c) The maximum number of Director Performance Rights to be issued to the Related Parties (being the nature of the financial benefit proposed to be given) is 3,600,000 comprising:
- (i) 2,400,000 Director Performance Rights to Keith Coughlan (or his nominee) pursuant to Resolution 13; and
  - (ii) 1,200,000 Director Performance Rights to Richard Pavlik (or his nominee) pursuant to Resolution 14.

The total remuneration package for each of Mr Coughlan and Mr Pavlik for the previous financial year and the proposed total remuneration package for the current financial year are set out below.

Directors	Financial Year 2021 <sup>1</sup>	Financial Year 2020
Keith Coughlan <sup>2</sup>	\$262,800	\$294,285
Richard Pavlik <sup>3</sup>	-	\$170,493

**Notes:**

1. Estimated.
  2. Comprising Executive Chair salary of \$240,000 (2020: \$240,000), a superannuation payment of \$22,800 (2020: \$22,800), long service leave of nil (2020: \$26,663) and other of nil (2020: \$4,822).
  3. Comprising Directors' fees of \$140,691, a superannuation payment of \$nil and share-based payments of \$29,802 being the value of the Director Options expensed over the vesting period. Effective 28 April 2020, Mr Pavlik's remuneration has been paid by Geomet s.r.o directly.
- (d) The Employee Incentive Plan is a new employee incentive scheme being proposed for approval by Shareholders pursuant to Resolution 3 of the Notice of Meeting and no Equity Securities have previously been issued to the Related Parties under the Plan.
- (e) A summary of the material terms and conditions of the Director Performance Rights is set out in Schedule 2.
- (f) The Company has chosen to issue performance rights to the Directors for the following reasons:
- (i) to provide a performance linked incentive component in the remuneration package for the Related Parties to align the interests of the Related Parties with those of Shareholders;
  - (ii) to motivate and reward the performance of the Related Parties in their roles as Directors; and
  - (iii) to provide a cost effective way for the Company to remunerate the Related Parties, which will allow the Company to spend a greater proportion of its cash reserves on its operations than it would if alternative cash forms of remuneration were given to the Related Parties.

- (g) The Company has not received an independent valuation in relation to the Director Performance Rights the subject of Resolutions 13 and 14. The fair value of the Director Performance Rights proposed to be issued will be determined in accordance with Australian Accounting Standards and is dependent on the date on which the Directors are deemed to have received their offers to participate in the Plan.

The number of Director Performance Rights is fixed and the value will change as the underlying Share price changes. The Directors, in conjunction with the Company's advisers, have provided an indicative value of the Director Performance Rights as at the date of this Addendum to Notice, based upon the closing Share price on 2 December 2020 (being A\$0.79), as set out in the table below.

Name	Relationship	Number of Performance Rights	Vesting	Value
Keith Coughlan	Director	2,400,000	On satisfaction of vesting conditions—refer Section 3.3	\$1,896,000
Richard Pavlik	Director	1,200,000	On satisfaction of vesting conditions—refer Section 3.3	\$948,000

- (h) If Resolutions 13 and 14 are approved, the Director Performance Rights will be issued to the Directors as soon as practicable and, in any event, no later than three years after the date of the Meeting (or such later date as permitted by any ASX waiver or modification of the Listing Rules).
- (i) The Director Performance Rights (and any Shares issued on the vesting and exercise of the Director Performance Rights) will be issued for no consideration.
- (j) A summary of the terms of the Plan is set out in Schedule 2 of the Notice of Meeting.
- (k) No loan will be provided by the Company in relation to the grant of the Director Performance Rights (including the Shares issued on the vesting and exercise of those Director Performance Rights) to the Related Parties.
- (l) Details of any securities (being, Director Performance Rights and Shares upon the vesting and exercise of the Director Performance Rights) issued under the Plan will be published in each annual report relating to a period in which the securities have been issued, along with a statement that approval for the issue of those securities was obtained under Listing Rule 10.14. Any additional persons who become entitled to participate in the Plan after Resolutions 13 and 14 are approved and who were not named in this Notice, will not participate until Shareholder approval is obtained under Listing Rule 10.14.
- (m) Voting exclusion statements for Resolutions 13 and 14 are included in this Addendum to Notice.

### 3.5 Section 195 approval

In accordance with section 195 of the Corporations Act, a director of a public company may not vote or be present during meetings of directors when matters in which that director holds a "material personal interest" are being considered.

Since two of the Company's three Directors are proposed recipients of Director Performance Rights, and each of those two Directors has a conflict of interest in relation to considering the resolution relating to the other Director, the Board is not able to form a quorum at Board meetings necessary to carry out the terms of Resolutions 13 and 14, including the vesting of the Director Performance Rights and the issue of the Shares on the conversion of the Director Performance Rights.

The Directors accordingly exercise their right under section 195(4) of the Corporations Act to put the issue to Shareholders to resolve.

## Schedule 1- Definitions

In the Addendum to Notice, words importing the singular include the plural and vice versa.

**Addendum to Notice** means this addendum to the Notice of Meeting dated 2 December 2020.

**AIM** means the market operated by The London Stock Exchange plc.

**CDI Voting Instruction Form** means the CDI voting instruction form for use in connection with the Annual General Meeting which accompanies this Addendum to Notice.

**Cinovec Project** means the lithium / tin project located in the Czech Republic owned by Geomet s.r.o, which entity is owned 49% by the Company and 51% by CEZ a.s..

**Commercial Production** means achievement of steady state production, with plant throughput, recoveries and production equivalent to or better than base case feasibility study forecasts.

**Company** means European Metals Holdings Limited (ARBN 154 618 989).

**Decision to Mine** means the decision approved by the majority of the Board to incur the required costs in connection with the construction of a mining and processing operation required to commence Commercial Production at the Cinovec Project in circumstances where:

- (a) as part of that decision the Board has approved a target date for the commencement of commercial production that must be no later than 18 months after the date the decision is made; and
- (b) either at the time of the decision or thereafter, the Company has:
  - (i) received all authorisations necessary or desirable in relation to the financing, construction and commencement of mining;
  - (ii) financing facilities in place and available for drawdown which, either in isolation or in conjunction with other resources actually or projected to be available to the Company, are sufficient to fund all the anticipated costs required to take the project through to full capacity production; and
  - (iii) negotiated, finalised and prepared for execution all material contracts necessary or desirable for the construction and commencement of mining and the production of lithium from the project,

provided that any such authorisation, funding agreement (including drawdown under any financing facility) or material contract (or execution of it) which is conditional on the completion of due diligence by the counterparty to that arrangement or the completion of equity funding will only satisfy the conditions in (b)(ii) and (iii) when the conditions to said authorisation, funding agreement or material contract are satisfied or waived.

**Director Performance Rights** has the meaning as defined in Section 3.1.

**DI Voting Instruction Form** means the depositary interest voting instruction form for use in connection with the Annual General Meeting which accompanies this Addendum to Notice.

**Employee Incentive Plan or Plan** means the employee incentive plan known as the 'European Metals Holdings Limited Employee Securities Incentive Plan', as proposed for approval by Shareholders pursuant to Resolution 3 of the Notice of Meeting.

**Explanatory Memorandum** means the explanatory memorandum which forms part of the Addendum to Notice.

**Notice of Meeting** means the Company's notice of annual general meeting dated 18 November 2020.

**Performance Rights** means rights to acquire Shares, subject to the terms and conditions set out in Schedule 2.

**Project Finance** means the raising of funds either debt, equity, non-conventional facilities or a combination thereof, to the value of the capital cost of construction, as estimated by the feasibility study, to finance the acquisition and construction of the plant, equipment and infrastructure required to establish the Company's production operation at the Cinovec Project. In relation to debt and non-conventional facilities, the raising of funds is when a legally binding commitment to provide funding has been agreed where future drawdown of funds is subject only to meeting conditions precedent.

**Proxy Form** means the proxy form for use in connection with the Annual General Meeting which accompanies this Addendum to Notice.

**Related Parties** means Mr Keith Coughlan and Mr Richard Pavlik, as defined in Section 3.4.

**Resolution** means a resolution referred to in the Addendum to Notice or the Notice of Meeting.

**Schedule** means a schedule to the Addendum to Notice.

**Section** means a section of the Explanatory Memorandum.

**Voting Instruction Form** means the CDI Voting Instruction Form and /or the DI Voting Instruction Form as applicable.

## Schedule 2 – Terms and Conditions of Director Performance Rights

The Performance Rights will be issued in accordance with the terms and conditions of the Employee Incentive Plan and the terms set out below:

i. **Milestones**

The Performance Rights will have the following milestones attached to them:

- (iv) Class A Performance Rights: shall vest upon an announcement by the Company to the ASX stating that the Company has executed an offtake agreement for at least 25% of the product planned to be produced from the Cinovec Project;
- (v) Class B Performance Rights: shall vest upon the attainment of Project Finance for the Cinovec Project; and
- (vi) Class C Performance Rights: shall vest upon an announcement by the Company to the ASX stating that the Company has made a Decision to Mine in respect of the Cinovec Project.

(Each a **Milestone**).

**Decision to Mine** means the decision approved by the majority of the Board to incur the required costs in connection with the construction of a mining and processing operation required to commence Commercial Production at the Cinovec Project in circumstances where:

- (i) as part of that decision the Board has approved a target date for the commencement of commercial production that must be no later than 18 months after the date the decision is made; and
- (ii) either at the time of the decision or thereafter, the Company has:
  - A. received all authorisations necessary or desirable in relation to the financing, construction and commencement of mining;
  - B. financing facilities in place and available for drawdown which, either in isolation or in conjunction with other resources actually or projected to be available to the Company, are sufficient to fund all the anticipated costs required to take the project through to full capacity production; and
  - C. negotiated, finalised and prepared for execution all material contracts necessary or desirable for the construction and commencement of mining and the production of lithium from the project,

provided that any such authorisation, funding agreement (including drawdown under any financing facility) or material contract (or execution of it) which is conditional on the completion of due diligence by the counterparty to that arrangement or the completion of equity funding will only satisfy the conditions in (ii)B and (ii)C when the conditions to said authorisation, funding agreement or material contract are satisfied or waived.

**Project Finance** means the raising of funds either debt, equity, non-conventional facilities or a combination thereof, to the value of the capital cost of construction, as estimated by the feasibility study, to finance the acquisition and construction of the plant, equipment and infrastructure required to establish the Company's production operation at the Cinovec Project. In relation to debt and non-conventional facilities, the raising of funds is when a legally binding commitment to provide funding has been agreed where future drawdown of funds is subject only to meeting conditions precedent.

**Commercial Production** means achievement of steady state production, with plant throughput, recoveries and production equivalent to or better than base case feasibility study forecasts.

**ii. Vesting**

The Performance Rights are deemed to have vested if and when the Milestone applicable to a holder's Performance Rights have been satisfied, waived by the Board, or are deemed to have been satisfied under the Plan, and where the Company has issued a vesting notification to the holder informing them that some or all of its Performance Rights have vested and will convert into Shares upon being exercised by the holder.

**iii. Method of Exercise of Performance Rights**

Following the issuing of a vesting notification to a holder, a vested Performance Right may be exercised by the participant at any time prior to the expiry date and by delivery of a signed exercise notice to the registered office of the Company or such other address as determined by the Board. In the event that the holder does not exercise a vested Performance Right prior to the expiry date, the relevant Performance Right will automatically lapse.

**iv. Actions on exercise of Performance Rights**

On completion of the exercise of Performance Rights:

1. the Performance Rights will automatically lapse;
2. the Company will, within 10 business days of the vesting date, issue the number of Shares for which the holder is entitled to subscribe for or acquire through the conversion of the Performance Rights;
3. the Company will deliver to the holder a holding statement for the Shares; and
4. the Company will issue a substitute certificate for any remaining Performance Rights.

**v. Expiry date**

The Performance Rights will expire 3 years from the date of issue, after which the Performance Rights lapse and may no longer be exercised or converted.

**vi. Share ranking**

All Shares issued upon the vesting of Performance Rights will upon issue rank pari passu in all respects with other Shares.

**vii. Application to list**

The Performance Rights will not be quoted on ASX or AIM. The Company must apply for the official quotation of a Share issued on conversion of a Performance Right on ASX and/or AIM within the time period required by the Listing Rules and AIM Rules for Companies.

**viii. Transfer of Performance Rights**

The Performance Rights are not transferable except in accordance with the terms of the Plan.

**ix. Lapse of a Performance Right**

The Performance Rights will lapse:

1. if the relevant Milestone is not achieved prior to the expiry date;
2. on their expiry date;
3. upon exercise of a Performance Right; or
4. otherwise in accordance with the terms of the Plan.

**x. Participation in new issues**

A Performance Right does not entitle a holder (in their capacity as a holder of a Performance Right) to participate in new issues of capital offered to holders of Shares such as bonus issues and entitlement issues.

**xi. Reorganisation of capital**

If at any time the issued capital of the Company is reconstructed, all rights of a holder will be changed in a manner consistent with the Articles of Association and the applicable law, including the Listing Rules, at the time of reorganisation.

**xii. Dividend and Voting Rights**

The Performance Rights do not confer on the holder an entitlement to vote (except as otherwise required by law) or receive dividends.

**xiii. Deferral of conversion if resulting in a prohibited acquisition of Shares**

If the conversion of a Performance Right would result in any person being in contravention of the applicable law at the time of the conversion, including section 606(1) of the Corporations Act 2001 (Cth), the Market Abuse Regulations (EU) and the AIM Rules for Companies (**General Prohibition**), then the conversion of that Performance Right shall be deferred until such later time or times that the conversion would not result in a contravention of the General Prohibition. In assessing whether a conversion of a Performance Right would result in a contravention of the General Prohibition:

1. holders may give written notification to the Company if they consider that the conversion of a Performance Right may result in the contravention of the General Prohibition. The absence of such written notification from the holder will entitle the Company to assume the conversion of a Performance Right will not result in any person being in contravention of the General Prohibition; and
2. the Company may (but is not obliged to) by written notice to a holder request a holder to provide the written notice referred to in paragraph (m)(i) within seven days if the Company considers that the conversion of a Performance Right may result in a contravention of the General Prohibition. The absence of such written notification from the holder will entitle the Company to assume the conversion of a Performance Right will not result in any person being in contravention of the General Prohibition.

**xiv. No rights to return of capital**

A Performance Right does not entitle the holder to a return of capital, whether in a winding up, upon a reduction of capital or otherwise.

**xv. Rights on winding up**

A Performance Right does not entitle the holder to participate in the surplus profits or assets of the Company upon winding up.

**xvi. No other rights**

A Performance Right gives the holder 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.

**xvii. Subdivision 83AC-C**

Subdivision 83A-C of the Income Tax Assessment Act 1997 (Cth) applies to the Performance Rights.

ENDS