

Stock Data

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| Share Price: | 13.5p |
| Market Cap: | £6.63m* |
| Shares in issue: | 49.1m* |

*post-Placing numbers

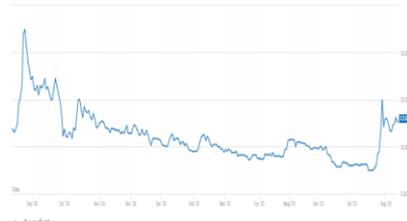
Company Profile

| | |
|-----------|--------|
| Sector: | Mining |
| Ticker: | EUZ |
| Exchange: | AIM |

Activities

Europa Metals Limited ('Europa', 'EUZ', 'the Company') is an AIM and JSE listed exploration company focused on Europe, most specifically in Spain. Currently, the Company is progressing its Toral Lead, Zinc and Silver project towards the mine development phase in an established mining region in the Province of León, Northern Spain.

1-year Share price performance



Source: LSE

Past performance is not an indication of future performance.

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Europa Metals Limited

Europa has announced a fundraising arranged by Turner Pope that raised, in aggregate, £2.0m (gross) through a placing of new ordinary shares at 12.75p each, representing a c.22.7% discount to the closing price on 18 August 2020 and c.31.9% of the Company's enlarged issued share capital. Confidence in the Company's future opportunity has been reflected through major shareholder, Deutsche Balaton Aktiengesellschaft's participation, along with subscriptions from both the CEO and Chairman, in this funding round which follows last Friday's publication of an [updated resource model](#) that delivered a c.40% increase in the Indicated Resources from Europa's 100%-owned [Toral Project](#) ('the Project'). Europa is now expected to combine this with engineering components and third phase metallurgical results to derive a key set of revised economic parameters. These will form one of a number of core components that Europa has been progressively assembling over the past three years in anticipation of a [Pre-feasibility Study](#) ('PFS'). TPI expects further updates throughout 2021.

Proposed use of funds

Along with funding its normal working capital requirements, the estimated £1.8m net raised today plus any balance remaining from a cash position of c.£0.94M held at 31 December 2019, will be used by Europa to continue existing work programmes related to the Toral deposit. These include: (i) Hydrogeological work to PFS level to ascertain sub surface water conditions for an eventual mining project; (ii) Resource drilling to increase confidence levels in the defined ore body/block model; and (iii) Environmental, waste management, metallurgy and geotechnical work. The Board considers that completion of these key components of a PFS will significantly increase understanding of the Project.

Updated JORC Compliant Resource

Concentrated around its initial minable area, the Project in Northern Spain last Friday announced the realisation of a c.40% increase in its Indicated Resource to approximately 3.8 Mt at 8.3% Zinc Equivalent (well above the 4% cut off grade) and 30 g/t Ag. This upgrade follows the processing of assays from the 2020 diamond drilling campaign (TOD-024 and TOD-025) and incorporation of updated fault models, which were prepared by [Addison Mining Services Limited](#) ('AMS') and [Bara Consulting](#) ('Bara') and reported in accordance with the JORC code (2012 edition).

Updated base-case, risk-adjusted valuation

TPI has updated its original valuation model as detailed in its [Initiation Research](#) of 12 July 2019. Recognising that the passing of numerous work and resource development stages over the past 12 months has built further confidence into the Project's potential to become a high-grade producer of concentrates located in an area with first-rate infrastructure along with the support from the administration of the Junta of Castilla y Leon, the discount factor originally applied to the Project's execution risk has now been reduced. The anticipated release of revised economic parameters, along with further operational updates covering third phase metallurgical testwork and ore sorting could reduce this still further, as will the much-anticipated renewal of the Toral investigation permit. Based on this and the balance sheet support now provided by today's fundraising, an updated risk-adjusted, base-case valuation equating to £16.9m, or 34.5p/share has been derived.

Please note that this valuation is the result of financial modelling and there is no guarantee that such a valuation will ever be realised, therefore please do not base investment decisions on this valuation alone.

Moving toward a Pre-feasibility Study

Europa management considers that Toral Project Zn+Pb concentrates will be readily marketable while also offering additional potential to receive silver credits should it be developed into a producing mine. The recent upgrade follows the processing of assays from the 2020 diamond drilling campaign (TOD-024 and TOD-025) and incorporation of updated fault models. The project's Total Resources now comprise approximately 17Mt @ 6.9% Zn Equivalent (including Pb credits), 4.1% Zn, 2.9% Pb and 24 g/t Ag, suggesting contained figures of 720,000 tonnes of Zinc, 510,000 tonnes of Lead and 14 million ounces of Silver and recoveries running at 83.7% lead recovery to 60% concentrate, 77% zinc recovery to 59.1% concentrate and 87.1% Silver recovery to 1,350ppm Ag silver grade recovered to lead concentrate. As a result of this, Europa's Board took the decision to raise funds sufficient to complete the key component parts of a Pre-feasibility Study.

The updated resource model, which exceeded EUZ's own management expectations in terms of the increased size and contained metal of the Indicated Resource, now forms a significant cornerstone from which Bara will establish a set of revised economic parameters for the Project. The mining consultant will also utilise other new data sets and work programs completed since publication of the 2018 Scoping Study, including the mine schedule, mine plan, engineering components and infrastructure layout, along with third phase metallurgical results from [Wardell Armstrong International](#) and ore sorting analysis by Bara in order to determine the viability of pre-concentration within the process route, both of which are currently being prepared. Comprising an update on the economics derived from the 2018 Scoping Study, this new operating and financial model will represent one of the key components now being assembled as part of Europa's low-cost, staggered approach to the Project's Pre-feasibility Study.

For the purposes of the Project's new block model, a 4% Zn eq. cut-off was deemed appropriate utilising estimated mining parameters typical for similar types of projects/mineralogy, along with a historical three-year trailing average for metals prices, (Zn at US\$2,680/t, Pb at US\$2,100/t and Ag at US\$16.2/oz), which are likely to be considered acceptable for the next stage in development analysis. In addition to continued exploration and infill drilling, Europa is also undertaking engineering studies to advance database information to the standard demanded for a PFS.

In tandem, Europa intends to advance its hydrogeological and environmental programmes while detailing its community engagement plans. Results from the [initial conceptual hydrogeological study](#) on the Project were positive in that they outlined a water management scenario that fell well within acceptable boundaries for mine development in terms of economic viability and environmental management. Additional work needs to be undertaken in order to test the conceptual study's findings, although preliminary results suggested that Toral should have limited impact on the local water conditions and that it will not suffer from any significant related issues that could impact on the Project's future economic development or local sensibilities. Moreover, such sentiment is likely to be reflected in the regional authority's willingness to approve Europa's current EU-grant application for project funding and Toral's Investigation permit renewal for a new three-year exploration licence to be awarded by the Junta of Castilla y Leon. Results from both might be anticipated in the coming months.

While the Toral project remains open at depth and to the East, TPI supports Europa's current strategy to focus and move forward the resource area as currently defined which, by itself, looks to have the size and grade to support an economically robust mining project. With its balance sheet strengthened through today's fundraise and in anticipation of progressing the above steps, Investors might now anticipate Europa delivering of a series of significant announcements over the next six or so months, including in the nearer-term the Project's revised economic parameters. Beyond these, the nomination of a mining consultant to commence a PFS, for consideration of a range of scenarios covering technical and economic viability of this potentially low-cost, high-margin opportunity, might also be expected before the end of 2021. This should also enable the Board to narrow down on its list of preferred future options for the asset, which range from outright sale, joint-venture or independently through, say, a 60:40 debt:equity-funded development.

Updated valuation parameters

TPI has updated the valuation parameters detailed in its initiation research of 12 July 2019. It has incorporated the various successful de-risking steps taken over the past year, including the updated Resource Estimate released last Friday which further tied two areas of the mineable deposit into a continuous Indicated resource zone, in order to factoring-in a reduced overall project risk (70% lowered to 50%). The assessment has also been adjusted to include the equity consolidation Europa undertook on [15 July 2020](#) as well as today's fundraising.

Despite the Toral only entering PFS stage now, given the work completed to date along with operational delivery, TPI now values the company at 34.5p per share, which is a simple average between our risk adjusted DCF-derived (47.9p per share) and our peer-based (21.0p per share) valuations. The blended valuation offers significant upside to the current share price with the stock remaining relatively cheap when compared with other zinc explorers.

TPI's risk-adjusted DCF-derived valuation of 47.9p per share is based on a 15-year explicit cash flow forecast. It has assumed the updated total JORC-compliant inferred resource of 17Mt grading 6.9% Zn equivalent will be upgraded and converted into sufficient reserves to supply 6.5Mt of ore with an average grade of 7.8% (Pb + Zn).

Please be aware: Future forecasts are not a reliable indicator of future results

| Toral Project: Summary of Updated DCF valuation | | | Toral Project: Updated Relative valuation table | | |
|---|------------|--------------------|---|------------|--------------------|
| Parameter | Unit | Value | Parameter | Unit | Value |
| Sum of discounted FCF | US\$m | 66.8 | In-situ Zn resources ² | Mt | 1.17 |
| Enterprise value ¹ | £m | 51.0 | Applied multiple | US\$/t | 24.8 |
| Risk-adjusted (@50%) | £m | 25.5 | Less net debt (cash) | US\$m | (2.0) ³ |
| Less net debt (cash) | £m | (2.0) ³ | Implied equity value | US\$m | 27.0 |
| Implied equity value | £m | 23.5 | Risk-adjusted (@50%) | US\$m | 13.5 |
| Number of shares ¹ | m | 49.1 | Number of shares ¹ | M | 49.1 |
| Value per share¹ | GBp | 47.9 | Value per share | US¢ | 27.5 |
| | | | Value per share¹ | GBp | 21.0 |

¹£=1.31US\$ ²JORC Compliant ³TPI's estimated post-Placing figure

Source: TPI

TPI notes that the deposit has a high-grade core and remains open to the east as well as at depth and its DCF model is based on a flat Zn price of US\$2,750/t (US\$1.25/lb) and assumes an 80% Zn payable on a concentrate containing a minimum of 56% Zn. TPI has assumed a total capital cost estimate of US\$110m, processing costs of US\$25/t and mining costs of US\$36/t from the [Scoping Study](#) prepared by AMS in which it derived an Internal Rate of Return ("IRR") of 24.4%. As noted by AMS, the mining method, potential mine schedule remains conceptual in nature at this stage and additional technical studies are required to categorise the Inferred/Indicated resources as mineral reserves. Following last Friday's resource category news along with other de-risking exercises undertaken over the past 12-months, the applied discount has now been reduced to 50% (previously 70%) in order to more realistically account for remaining funding, dilution and execution risks.

In the absence of detailed feasibility studies for the Toral project, TPI has also applied a relative valuation approach for Europa. A peer group of Pb-Zn explorers was compiled as part of TPI's initiation Research derived an (EV/resource) multiple of US\$24.8/t and then applied to Europa's JORC-compliant resource estimate onto which the same 50% discount factored.

Please note that this valuation is the result of financial modelling and there is no guarantee that such a valuation will ever be realised, therefore please do not base investment decisions on this valuation alone.

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