

Stock Data

Share Price:	10.75p
Market Cap:	£5.29m
Shares in issue:	49.1m

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 results of an independent Preliminary Economic Study ('PEA', 'the Report') for its Toral lead, zinc and silver project ('Toral' or 'the Project'), located in North West Spain. It details an impressive US\$156M NPV, together with a 31.3% IRR and 49% Operating Margin, with a significant reduction in both start up and life-of-mine ('LOM') Capex (US\$79m and US\$131m resp.) This represents a significant expansion from the original [2018 Scoping Study](#), with enhanced economics derived from a change in mining method, increased ROM, addition of ore sorting and improved understanding of the Project's metallurgical characteristics. Having just secured a [new 3-year Investigation Permit](#) and with work towards a [Prefeasibility Study](#) ('PFS') for Toral now underway, interim news flow is likely to include updates on the Project's hydrogeology programme, resource & metallurgical drilling, plus geotechnical work. These workstreams should help determine the most value accretive ways to progress Toral toward production, while the Report also highlights several opportunities for follow up work that could further optimise its mine design and economics. It also confirms that expansion potential remains evident should future exploration continue to the East and at depth. In terms of prospective 'blue sky' for Toral, it is significant to note that Year 12 ends in a higher-grade, simply because that is where the resource terminates.

Impressive key economics and production factors

The detailed technical report was prepared by [Bara Consulting](#) ('Bara') and [Addison Mining Services](#) ('AMS'). It presents the results of the updated scoping study, including details on mine design, process design, and updated financial parameters of the project. Changes include a revised mining method to sub-level open stoping ('SLOS'), increased run-of-mine ('ROM') and the introduction of ore sorting to the flowsheet to improve metallurgical response and reduce costs. Its production profile demonstrates a very robust project capable of producing high-grade saleable concentrates within an EU jurisdiction. The conceptual production schedule terminates in elevated zinc grades within Inferred resources that remain open at depth as well as to the east which have not yet been subject to further exploration. Having utilised 3-year trailing average metal prices, Bara confirms that completion of a PFS should be actioned based on current data even though the mine plan outlined in scoping accommodated a further production expansion.

Updated base-case, risk-adjusted valuation

TPI last updated its valuation for Europa on [19 August 2020](#), based on the model originally detailed in its [Initiation Research](#) of 12 July 2019. Today's news paints an increasingly impressive picture for Toral. The advancement of further studies as the PFS takes shape is expected to heighten its credibility still further. It also represents positive testament to the operating environment within Castilla y Leon, which supports viable, sustainable metals projects towards development. Licence security combined with attractive economics, first-rate infrastructure and access to a good local workforce against current market dynamics, appear to demonstrate its prospective 'deliverability' as a 'real mining operation'. Aside from Europa's apparent market valuation disparity that is highlighted in the peer comparison table (overleaf), Toral can be considered a reasonably advanced, high-grade project with a low-cost entry point for near-term, sustainable production with payback in Year 4 of a proposed 12-year production schedule. In a mining market that has faced increasing capital restrictions, today's study cites Toral as being a realistic proposition for

production, with sub-surface expansion potential to take the Project well beyond Year 12. The PEA crystallises data following completion of numerous work and resource development stages at the Project over the past 24 months, that have built confidence in its potential to become a high-grade producer of concentrates located in a favourable jurisdiction. Balance sheet support provided through the £2.0m (gross) equity fundraising announced on [19 August 2020](#), in addition to the first draw down of a regional grant-loan, can be expected to ensure the Project will take necessary steps (including drilling) towards completion of its full PFS and application for a Mining Licence. TPI's present risk-adjusted, base-case valuation for Europa stands at £16.9m, or 34.5p/share, which is a multiple of Europa's current level despite the fact that today's news provides scope to further reduce the discount factors applied to the model.

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

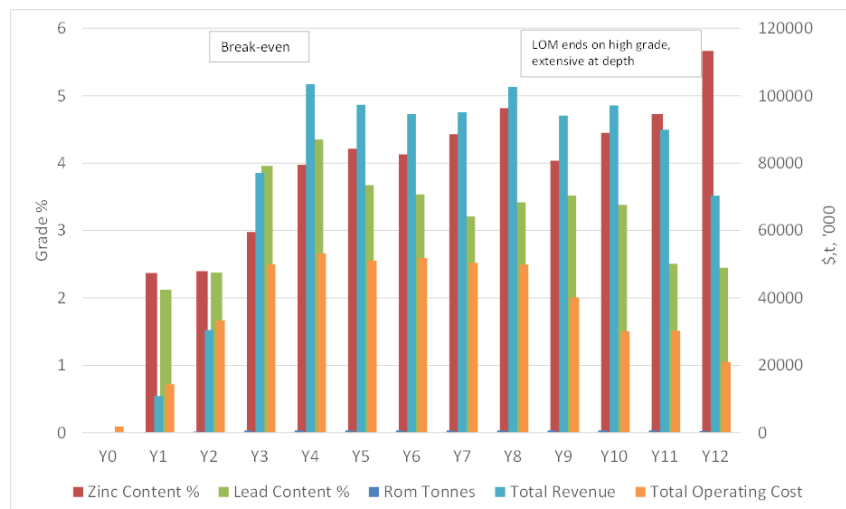
Peer Group comparison highlights Europa's apparent undervaluation

A selective, albeit reasonably obvious international peer group comparison further highlights Europa's apparent undervaluation as an advanced, market-quoted polymetallic prospect. With the Company now relatively cash rich in what is arguably the best location with the most open development opportunity amongst those listed, it stands out as having been somewhat overlooked by investors. This peer group comparison may be utilised as part of a pending reassessment of TPI's current valuation model for Europa.

Company	Type	Stage	Bourse	Mkt Cap US\$m	EV/resource US\$/t	Zn grade (%)	Pb grade (%)	Zn+Pb (%)	NPV US\$m	IRR (%)	Country	Capex	Cost/t US\$
Adriatic Metals	UG	BFS	ASX	312	514.8	3.5	2.2	5.7	916	107	Bos/Hert	178.4	56.67
Zinc of Ireland	UG	PEA	ASX	4	4.0	7.8	1.2	9.0	-	-	Ireland		
Rathdowney	UG	PEA	TSX-V	11	7.9	5.5	1.5	7.0	170	30	Poland	233.8	62.9
Fireweed Zinc	OP/UG	PEA	TSX-V	39	11.8	6.0	0.0	0.0	345	24	Canada	303.8	145.9
Alta Zinc	UG	PFS	ASX	10	38.0	4.9	0.0	0.0	-	-	Italy		
<i>Average</i>				<i>75</i>	<i>115.3</i>	<i>5.5</i>	<i>1.0</i>	<i>4.3</i>	<i>476.9</i>	<i>53.7</i>			
<i>Weighted Average</i>					<i>429.2</i>	<i>3.9</i>	<i>1.9</i>	<i>5.0</i>	<i>799.9</i>	<i>92.1</i>			
Europa Metals	UG	PFS	AIM	5	3.5	4.1	3.0	7.1	156	31	Spain		

Source: [Adriatic Metals](#), [Zinc of Ireland](#), [Rathdowney](#), [Fireweed Zinc](#), [Alta Zinc](#), [Europa Metals](#), [TPI](#), [LSE](#) (correct as of 17 November 2020)

Toral Project- Mined Production Forecast from Preliminary Economic Study



Source: *Bara Consulting*

The graph of mined production, revenues and costs above indicates major project milestones. Total revenue is US\$962m over the proposed 12-year life of mine ('LOM'), with zinc the major revenue contributor at US\$526m, followed by lead at US\$370m and silver at US\$66m. Prudently, three-year trailing average metal prices were used, including US\$2668/t for zinc, US\$2099/t for lead and US\$16.5/oz for silver.

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