

Stock Data

Share Price: 0.013p
Market Cap.: £1.44m
Shares in issue: 11,976m

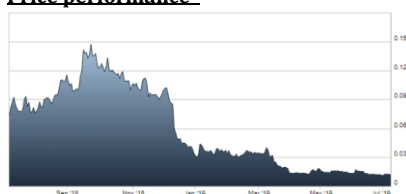
Company Profile

Sector: Mining
Ticker: EUZ.L
Exchange: AIM

Activities

AIM and JSE listed Europa Metals is an exploration company focused on the Toral Pb-Zn-Ag deposit in Spain.

Price performance



Source: LSE

Turner Pope contact details

Turner Pope Investments (TPI) Ltd
8 Fredrick's Place
London
EC2R 8AB

Tel: 0203 675 0050
Email: info@turnerpope.com
Web: www.turnerpope.com

Attention is drawn to the disclaimers and risk warnings at the end of this document.

This is a non-independent marketing communication. The analyst who has prepared this report is aware that TPI has a relationship with the company covered in this report. Accordingly, it has not been prepared in accordance with legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research.

TPI acts as joint broker to Europa Resources plc.

Retail clients (as defined by the rules of the FCA) must not rely on this document.

Sheldon Modeland, P.Geo.
Research analyst
Tel: 0203 657 0055
sheldon.modeland@turnerpope.com

Europa Metals Limited

Europa Metals is an exploration and development company focused on its wholly owned Toral Pb-Zn project in NW Spain. The company is currently drilling Toral's high-grade core with the aim of collecting a bulk sample for metallurgical testwork as well as increasing confidence in the current JORC (2012) compliant inferred mineral resource estimate of 16Mt grading 3.9% Zn, 3.1% Pb and 24g/t Ag. Currently trading on an in-situ resource multiple (US\$/t) of just 1.5x, the stock is significantly undervalued compared with our peer group multiple of 24.8x. As such, we value Europa at 0.095p per share which is a simple average between our discounted cash flow (DCF) derived (0.13p per share) and our peer based (0.06p per share) relative valuations. Our blended valuation offers significant upside to the current share price.

Compliant inferred resource to be upgraded

Toral currently has an inferred JORC (2012) compliant resource of 16Mt grading 3.9% Zn, 3.1% Pb and 24g/t Ag. At current metal prices this translated into a Zn equivalent grade of 7.5%. Drilling is currently underway to increase confidence in the mineral resource category as well as obtain sufficient material for metallurgical testwork. Toral remains open at depth and to the east.

Scoping study results...

On December 2018, Europa announced the results of an independent scoping study on the Toral deposit. Assuming a cut and fill mining method with initial development of the high-grade core, a 15-year life of mine returned an NPV (8%) of US\$110m with an IRR of 24.8%. Estimated total capex is US\$110m with processing and mining cost of US\$25/t and US\$36/t, respectively. Given the early stage development we expect these numbers to improve as the project moves through the feasibility stage. While the scoping study demonstrates robust economics, the resource remains open at depth and there is potential for repeating structures to the east offering additional upside.

...with metallurgical tests to follow

In our view, Toral has seen significant value added through Europa's re-interpretation of the mineralisation leading to the first drill campaign into the high-grade zone. With a history of lead-zinc mines in the immediate area and a Glencore smelter located 230km to the north, we believe there is a strong potential for saleable concentrates from Toral. Completion of the metallurgical testwork is an important catalyst to begin discussions with potential off-take groups. Management is also considering ways of monetising the potential silver credits from the Toral concentrate.

Valuation: Base-case risk-adjusted value of 0.095p

Despite the early stage development and lack of detailed technical feasibility studies for Toral, we value the company at 0.095p per share, which is a simple average between our DCF-derived (0.13p per share) and our peer-based (0.06p per share) valuations. Our blended valuation offers significant upside to the current share price. In all, the stock looks relatively cheap compared with its peers.

Investment summary

Zinc explorer within an established and mining friendly jurisdiction

Europa's wholly owned Toral project is located in NW Spain, one of the world's best regions for base metal exploration and mining. The region boasts excellent infrastructure within a mining friendly jurisdiction. Existing mining operations include a limestone quarry and a slate mine nearby. As such, infrastructure is well established with sealed roads, rail and grid power located near the Toral deposit.

Current mineral resource estimate: 640,000t of contained zinc

The Toral deposit has had over 44,000m previously drilled and has an updated JORC-compliant inferred resource of 16Mt grading 3.9% Zn, 3.1% Pb and 24g/t Ag. This equates to 640kt of contained zinc, 510kt of contained Pb and 13Moz of contained Ag. At current prices, this equates to a zinc equivalent grade of 7.5%. The Toral deposit remains open to the east and at depth. We also note that there is a potential for repetition of mineralised carbonate structures to the east.

Zinc outlook: expansions expected to reduce supply/demand gap

According to the International Lead and Zinc Study Group (ILZSG), global zinc supply is increasing (1.3% in 2018 and an estimated 6.2% in 2019) with mine expansions narrowing the current supply-demand deficit. Despite multi-decade low refined zinc inventory levels, zinc prices have remained soft since mid-2018. Whilst there is an oversupply of zinc concentrate, we note that there is a lack of clean, quality zinc concentrates which remains in high demand by Zn smelters.

Valuation: Base case risk-adjusted value of 0.095p per share

We value Europa at 0.095p per share, which is a simple average between our risk-adjusted DCF-derived (0.13p per share) and our risk-adjusted peer-based (0.06p per share) valuations. Our DCF-derived valuation is based on the parameters set out in the independent Scoping Study (announced December 2018). Whereas our relative in-situ valuation is based on our selected peer group of zinc explorers. Our blended valuation offers significant upside to the current share price. In all, the stock trades at a significant discount compared with other zinc explorers.

Sensitivities: metal prices are key to valuation

Our valuation is most sensitive to changes in zinc, lead and silver prices. Of these, zinc is the greatest contributor to the company's valuation. All else being equal, a 10% increase in zinc price results in a 38% increase in our NPV value.

With 11,927m shares outstanding and further funding required for the development of Toral we see further dilution as a significant risk.

The lack of detailed metallurgical and mineralogical studies is also a significant technical risk to the project. The Company is currently drilling the high-grade area of the deposit to acquire sufficient material for metallurgical testwork.

Financials

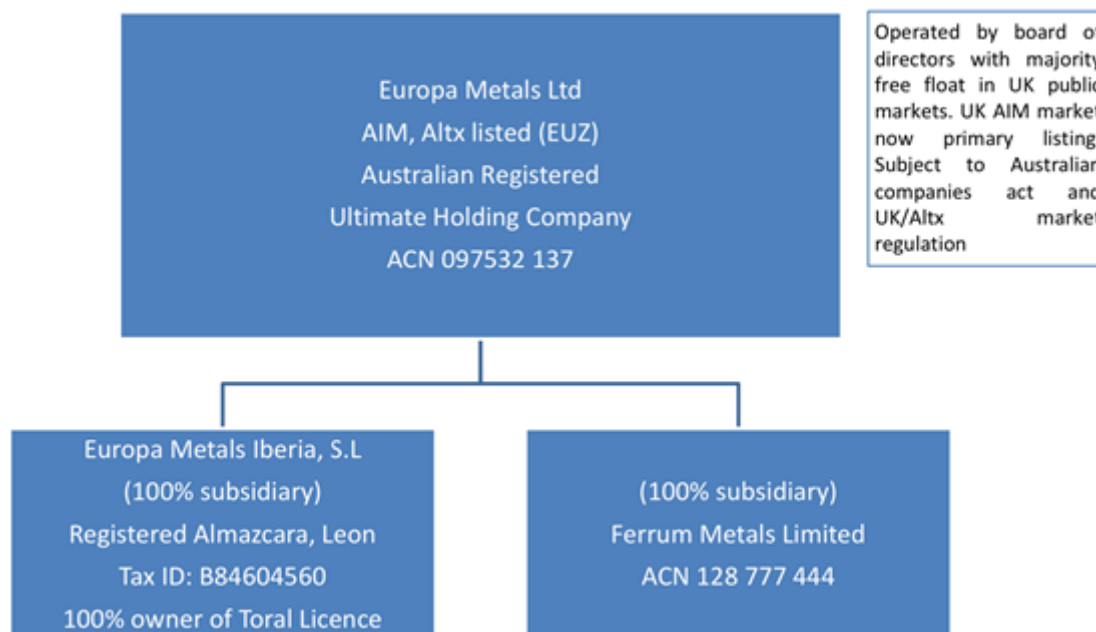
As at 31 December 2018, Europa had cash and cash equivalents of A\$361,615. Since then, the company has raised £960,000 in net proceeds through an equity placing on 29 March 2019.

Overview: Company description

Europa is an AIM-listed exploration and development company currently progressing its wholly owned Toral lead, zinc and silver deposit in NW Spain. A scoping study was completed in December 2018 and Europa is currently progressing the project through the mine feasibility stage. Whilst the project is currently at early development stage, management believes there is adequate understanding of the geology and mineralisation to justify progressing the project towards a feasibility study.

The existing Exploration licence was renewed in Q4 2017 and is valid for three years. Toral is conveniently located near power, rail and has direct access to an existing smelter. Over 44,000m has been drilled which forms the basis for the JORC-compliant (2012) inferred resource of 16Mt grading 3.9% Zn, 3.1% Pb and 24g/t Ag containing 640,000t of zinc, 510,000t of Pb and 13Moz of Ag (assuming a 4% Zn eq cut-off).

Europa group structure



Source: Company reports

Toral project

In September 2016, Europa completed the acquisition of GoldQuest, a private mining company with lead-zinc exploration projects located within the Iberian Peninsula in Spain. The Toral project is located 400km NW of Madrid and 140km west of the provincial city Leon covering 20.29km² in the province of Leon.

Location map of the Toral project



Source: Google Earth, Company reports

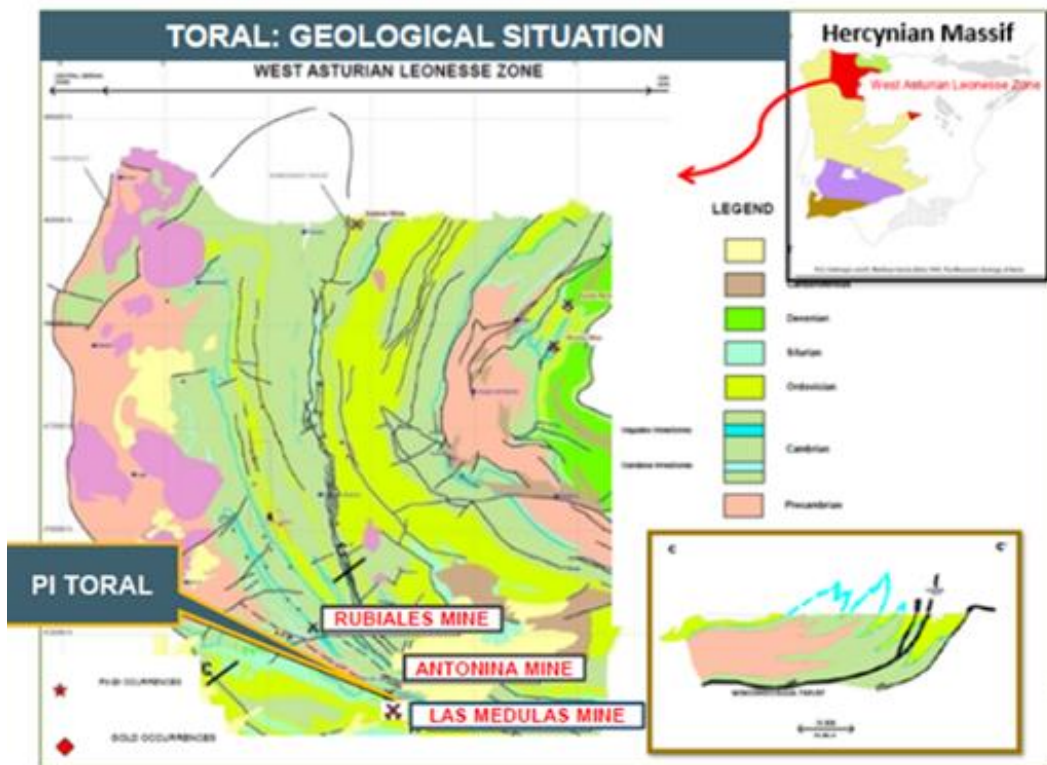
The Toral deposit has had over 44,000m previously drilled and has a current JORC-compliant (inferred resource only) of 16Mt grading 3.9% Zn, 3.1% Pb and 24g/t Ag. This equates to 640kt of contained zinc, 510kt of contained Pb and 13Moz of contained Ag. At current commodity prices, this equates to a zinc equivalent grade of 7.5%. The Toral deposit remains open to the east and at depth and has the potential for repetition of mineralised carbonate structures to the east.

Regional and local geology

The Toral deposit is located in the southwestern part of the West Asturian Leonese Zone (WALZ), one of the tectono-stratigraphic units in the Variscan (or Hercynian) Orogeny of the northwestern Iberian Peninsula. The WALZ unit has been divided, on a stratigraphic basis, into three domains: Navia-Alto Sil, Mondonedo Mantle, and Caurel-Truchas. The Toral deposit is located within the Mondonedo Mantle domain and is characterised by a Lower Ordovician (485-443 million years ago) succession conformably overlying rocks of the Cambrian (541-485 million years ago) Los Cabos Group, with a combined thickness of up to 11,000m. One hypothesis is that the geology of the region represents a continental margin affected by tectonic extension, leading to fault-controlled troughs in which thick sedimentary sequences accumulated. The area is bounded by the Fault of Vivero (el Falla de Vivero) to the west, the Syncline of Sil-Truchas (el Sinclinal del Sil-Truchas) to the southwest and the Anticline of Narcea (el Anticinal del Narcea) to the east. The structural history of the WALZ is complex with large recumbent folds and thrusts, which have subsequently been refolded and superimposed on previous structures.

The Toral deposit is located in the SE area of WALZ and has been associated with the second phase deformation referred to as the Hercynian Deformation event. This event was responsible for the development of thrusts and shear zones in the region.

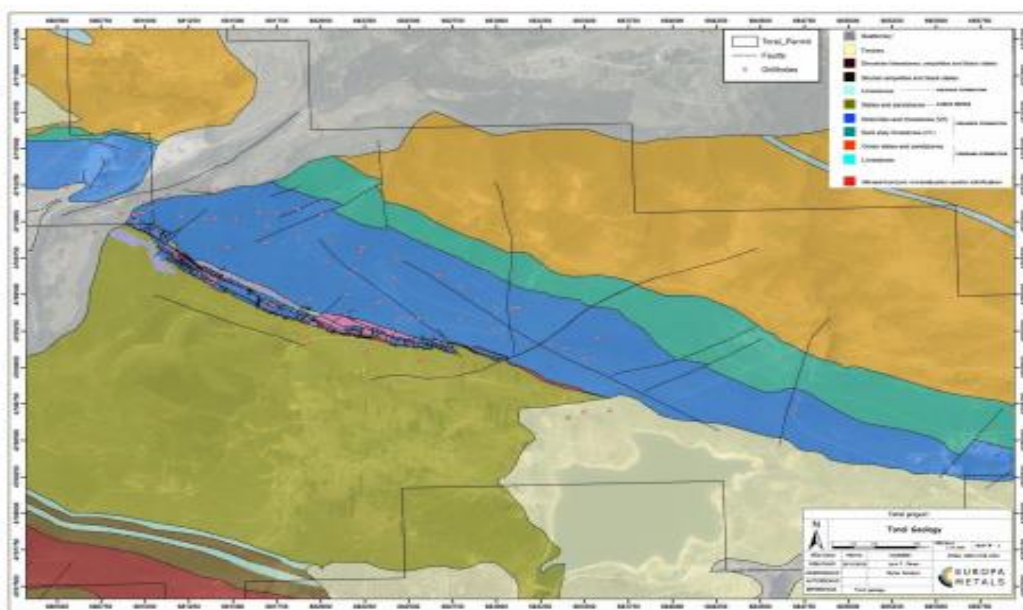
Toral regional geology



Source: Addison Mining Services

At the local scale, Toral consists of Lower to Middle Cambrian limestone (Veadeo Fm) overlain by the Middle Cambrian to Early Ordovician Los Cabos series comprising alternating sequences of shales, sandstones, limestones and dolomites. The Vegadeo Fm is characterised mainly by limestones and dolomites with thicknesses between 50m and more than 300m.

Toral local geology

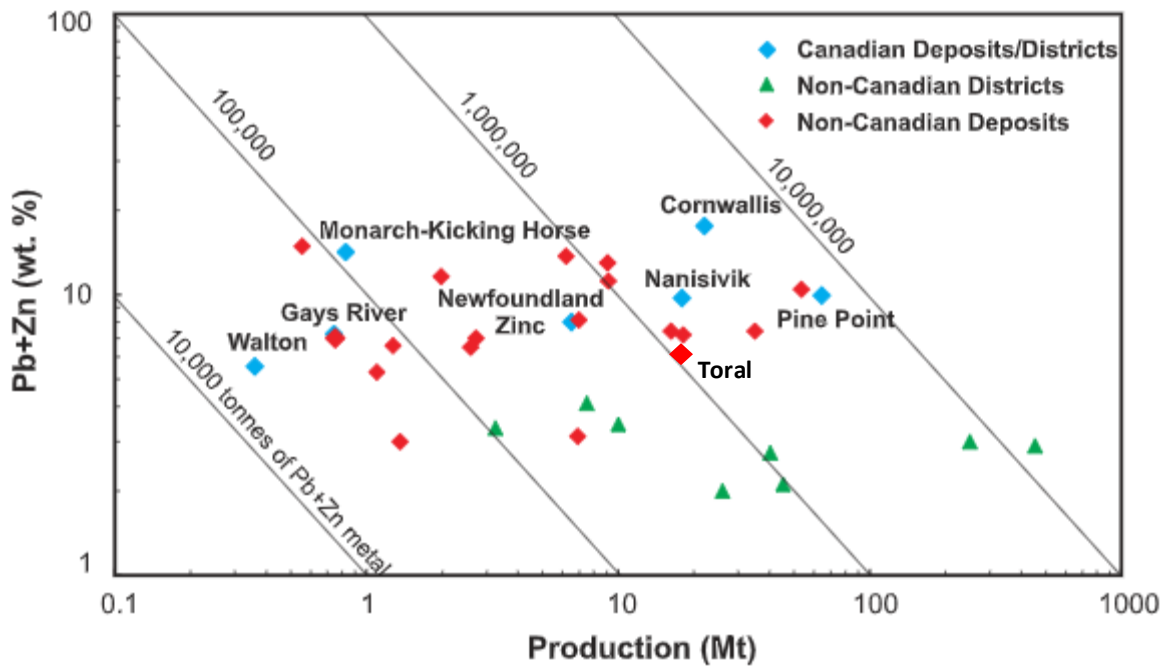


Source: Addison Mining Services

Mineralisation and resources

Toral is a typical stratabound, carbonate-hosted sulphide body composed predominately of sphalerite and galena. These types of deposits account for approximately 25% of world's zinc (and lead) resources and are referred to as Mississippi Valley-type (MVT) deposits. MVTs tend to occur in clusters and form districts. The Pine Point district in Canada, for example, contains two deposits and over 90 ore bodies distributed over an area of some 1,600km².

Grade versus tonnage for Zn – Pb deposits with production (Toral shown for reference)



Source: Modified after Paradis et al (1990). Note diagonal lines represent total tonnes of contained metal.

Mineralisation at Toral occurs within the Vegadeo Formation and along the contact with the shales and sandstones of the overlying Los Cabos Series. This type of mineralisation is characterised by sphalerite, galena and chalcopyrite. Disseminated sphalerite and minor galena are also hosted by the Vegadeo limestone.

Mineralisation at Toral shares similar characteristics as the Rubiales Pb-Zn deposit located 30km to the northwest including geological and structural setting, controls, style of mineralisation, alteration assemblages and mineralogical composition. Albeit at a slightly different stratigraphic horizon, Rubiales is a lenticular carbonate-hosted ore body within a sheared and altered sequence of slates and dolomised limestones. The deposit measures 1,200m x 400m and was mined in 1980's with a historical reserve of 18.6Mt grading 7.3% Zn, 1.3% Pb and 13g/t Ag.

Bulk density measurements

During September 2018, Europa relogged the historical core and in doing so collected bulk density samples in both mineralised and non-mineralized core. A total of 1,192 measurements were taken including 105 within the mineralised wireframe. This resulted in a significant increase in the mean bulk density measurements than those used in the maiden resource estimate (February 2018). The increase in the mean bulk density from 2.46g/cm³ to 2.82g/cm³ resulted in a 19% increase in tonnes as reported in the updated mineral resources estimate which currently stands at 16Mt grading 7.5% Zn equivalent (including Pb and silver credits).

Metallurgical tests

There are currently no mineralogical or metallurgical test results for the Toral deposit. That said, Europa is currently drilling large diameter holes through the high-grade portion of the deposit in order to collect sufficient material for metallurgical testwork.

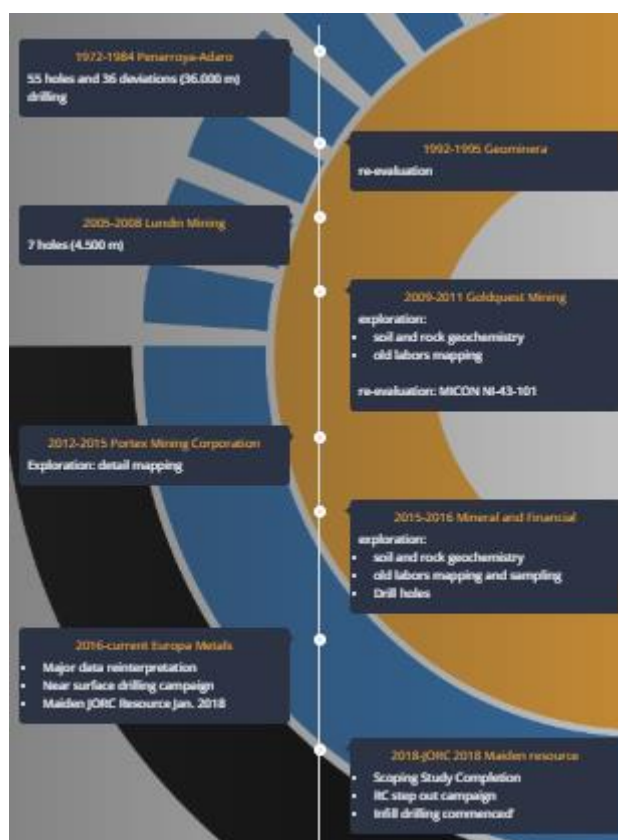
Exploration history

Modern day exploration work began on the Toral property in 1972 and over a nine-year period including approximately 36,000m diamond drilling that formed the basis of a historical mineral resource of 2.9Mt grading 10.4% Zn, 7.08% Pb and 50g/t Ag. The extensive drill programme delineated a tabular zone of continuous, sub-vertical, coarse grained lead-zinc silver sulphide mineralisation that averages 3.7m wide and reported 1,100m strike length with a vertical height of exceeding 400m.

A Feasibility Study was conducted in 1985 however, poor market conditions at the time left the deposit undeveloped. Toral was re-evaluated in 1991 with an up-graded, non-compliant mineral resource estimate of 5.9Mt grading 8.6% Zn, 6.6% Pb and 45g/t Au. Unfortunately, metal prices remained low and the project was idled till 2005. At this time, Lundin Mining was awarded the exploration licence for Toral. The project was then acquired by GoldQuest in 2009 and the exploration licence was renewed for an additional three years in June 2010.

In June 2011, GoldQuest reported a NI43-101 compliant resource of 8.67Mt (Indicated and Inferred) grading 5.9% Zn, 4.8% Pb, 0.13% Cu and 36.2g/t Ag. Portex Minerals acquired the property in 2012 and re-issued the NI43-101 compliant mineral resource estimate. The exploration licence was renewed again in 2014 for another three years. In 2015 Minerals and Financial Investments acquired the property and then sold it to Ferrum Crescent in August 2016. Ferrum changed its name to Europa Metals in 2018. The exploration licence was renewed in November 2017 for an additional three years.

Toral exploration and ownership history



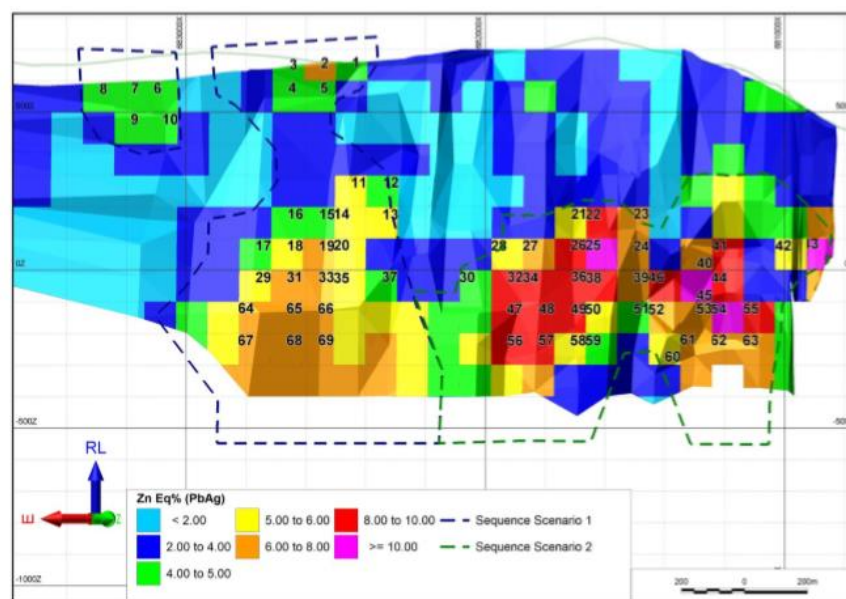
Source: Company reports

Preliminary economic assessment

Mining

On 10 December 2018, Addison Mining Services (AMS) completed an independent scoping study on the Toral deposit that considered three conceptual underground mining development and production scenarios. The preferred potential scenario (i.e. the highest NPV) is a decline ramp targeting mine production within the higher-grade core towards the centre of the deposit with a proposed mechanised cut and fill mining method. The conceptual life of mine plan is based on resources within the block model that have a minimum width of 2.5m and are above cut-off grade of 4% Zn eq. (including Ag credits), which also includes allowances for dilution and mining losses.

Toral Pb-Zn block model with potential production sequence scenarios



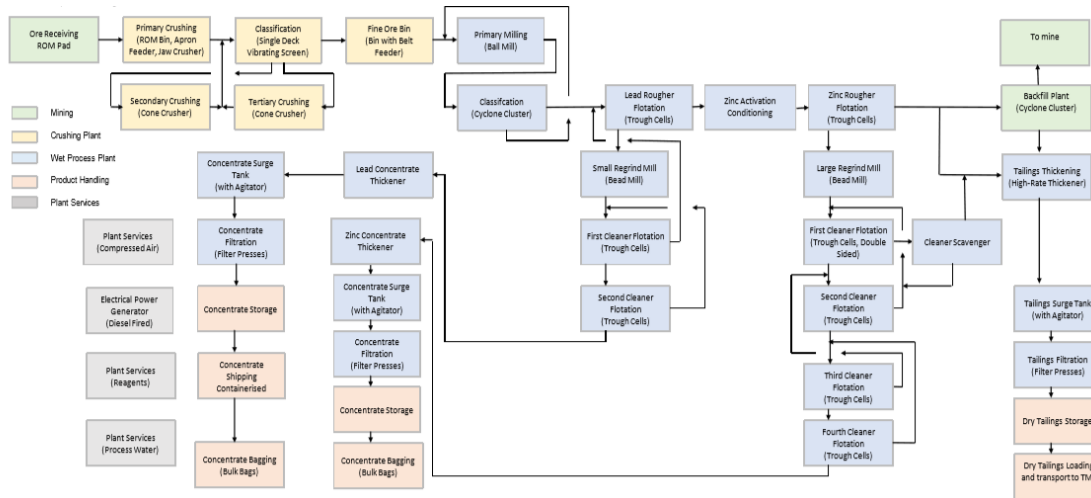
Source: Addison Mining Services

Processing

Whilst no metallurgical testwork has been done at Toral, similarities have been drawn from the nearby Rubiales mine and AMS has derived a conceptual flow sheet. A more detailed flowsheet will be constructed once further mineralogical and metallurgical testwork are completed. In the meantime, the salient features of the conceptual flowsheet are listed below:

- Ore conveyor
- Three stage crushing circuit
- Single stage grinding with a ball mill
- Zn and Pb flotation cells, each containing three cleaning stages
- Concentrates and tailings dewatering circuits using thickeners and pressure filters.

Conceptual flow sheet



Source: Addison Mining Services

Infrastructure

Roads, Rails & Ports

The Toral project is very well serviced by sealed roads and rail which provide easy access to the Asturia lead-zinc smelter located 230km (via rail) to the north.

Power

There is an electrical station in Villamartin de la Abadia, northeast of Toral and another in Cornatel to the southwest. A 4.5 km to 5.0 km long power line for a mining operation at Toral could be initiated from one of these stations. Within the licence area, in the town of Valine and on the border in Campañana, there are 60 MV transformer stations which may supply electrical power for the early stages of development.

Water

Water for exploration purposes is available from local rivers and streams.

Valuation: 0.095p per share based on average of relative and absolute valuations

Despite the early stage and lack of detailed technical feasibility studies for Toral, we value the company at 0.095p per share, which is a simple average between our risk adjusted DCF-derived (0.13p per share) and our peer-based (0.06p per share) valuations. Our blended valuation offers significant upside to the current share price. In all, the stock looks relatively cheap when compared with other zinc explorers.

Discounted cash flow valuation: risk adjusted

Our risk adjusted DCF-derived valuation of 0.13p per share is based on a 15-year explicit cash flow forecast. We have assumed that the current JORC compliant inferred resource of 16Mt grading 7.5% 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). We note that the deposit has a high-grade core and remains open to the east as well as at depth. Our 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.

We have taken the 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. 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 resources as mineral reserves. In light of this, we have applied a 70% discount to account for funding, dilution and execution risks.

Summary of Toral DCF valuation

	unit	year	0	1	2	3	4	5	6	7	8	9	10
Zn price	US\$/t			2,750	2,750	2,750	2,750	2,750	2,750	2,750	2,750	2,750	2,750
ROM production	000t			240	450	450	450	450	450	450	450	450	450
Feed grade	%			8.16%	7.84%	8.58%	9.87%	8.60%	9.99%	8.45%	8.72%	8.43%	7.10%
Recovery	%			96%	96%	96%	96%	96%	96%	96%	96%	96%	96%
Saleable concentrate	000t			10	18	20	23	20	23	20	20	20	17
Revenue	US\$'000			23,731	42,751	46,786	53,820	46,895	54,475	46,077	47,549	45,968	38,716
Total cash cost	US\$'000			9,377	16,624	16,661	16,749	16,641	16,744	16,529	16,551	16,527	16,415
EBITDA	US\$'000			14,354	26,126	30,125	37,072	30,254	37,730	29,548	30,998	29,441	22,300
Operating profit	US\$'000			10,317	18,558	22,556	29,503	22,685	30,161	21,980	23,429	21,872	14,732
PBT	US\$'000			10,317	18,558	22,556	29,503	22,685	30,161	21,980	23,429	21,872	14,732
Tax payable	US\$'000			(3,095)	(5,567)	(6,767)	(8,851)	(6,805)	(9,048)	(5,715)	(6,092)	(5,687)	(3,830)
Profit after tax	US\$'000			7,222	12,990	15,789	20,652	15,879	21,113	16,265	17,338	16,185	10,901
FCF	US\$'000		(110,000)	11,259	20,559	23,358	28,221	23,448	28,682	23,834	24,906	23,754	18,470
Discount rate	%		8%	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%
Discount factor	#		1.00	0.93	0.86	0.79	0.74	0.68	0.63	0.58	0.54	0.50	0.46
Discounted FCF	US\$'000		(110,000)	10,425	17,626	18,542	20,743	15,958	18,074	13,907	13,456	11,883	8,555
Sum of discounted FCF	US\$'000		66,793										
Enterprise value	US\$'000		66,793										
Enterprise value	£'000		51,379										
Risk-adjusted (@70%)	£'000		15,414										
Less net debt	£'000		(650)										
Equity value	£'000		16,064										
Number of shares	m		11,976										
Value per share	p		0.13										

Source: TPI estimates for first 10 years of mining. Future performance risk warning – forecasts are not a reliable indicator of future performance.

Relative valuation: At a discount to peers

Given the absence of detailed feasibility studies on the Toral project we also apply a relative valuation approach for Europa. We have compiled a peer group of Pb-Zn explorers and derived an EV/resource multiple which we then apply of Europa's JORC-compliant resource estimate for Toral. Secondly, we have applied a 70% haircut to our implied equity value to account for risk associated with execution, funding and dilution.

Peer comparison table

Company	Project	Mine Type	Country	Holding (%)	Stage	Mkt Cap US\$m	EV US\$m	In-situ resource Zn (Mt)	EV/res US\$/t	Zn grade (%)	Rec (%)	Capex US\$m	Opex US\$/t	AISC US\$/t	Zn prod ktpa	LoM yrs	Value US\$/t	NPV US\$m	IRR (%)	Pay-back yrs	Strip t/t	
Consatine	Palmer	UG	Alaska	51	PEA	21.6	19.6	0.188	104.3	5.0	93	278.0	54.2	65.4	45.4	11.0	128.3	266.0	21.0	3.3	N/A	
Karmin	Aripuana	UG	Brazil	30	FS	41.5	45.2	0.600	75.3	4.3	82	355.0	38.4	-	19.5	24.0	96.4	321.0	17.0	-	-	
Orion	Prieska	UG	South Africa	73.3	BFS	40.3	47.5	1.395	34.0	3.7	89	246.2	63.8	76.9	75.0	10.0	90.7	323.1	38.0	3.0	-	
Foran	Mcilvenna Bay	UG	Canada	100	FS	26.4	24.2	0.904	26.7	2.7	90	191.5	39.3	-	26.7	14.0	65.2	202.3	19.0	4.1	-	
Osisko Metals	Pine Point	OP	Canada	100	PEA	60.8	50.7	2.077	24.4	4.7	83	-	52.7	-	-	-	106.6	-	-	-	-	
Superior Lake	Superior	UG	Canada	100	DFS	10.8	7.8	0.416	18.7	17.7	90	75.0	0.5	-	46.0	-	435.4	-	-	-	-	
Tinka	Ayawilca	OP/UG	Peru	100	PEA	55.8	56.6	3.327	17.0	5.9	90	-	-	-	-	-	144.3	-	-	-	6.7:1	
Alta Zinc	Gorno	UG	Italy	100	FS	3.8	2.2	0.162	13.6	4.9	-	-	-	-	-	-	-	-	-	-	-	
Rathdowney	Olza	UG	Canada	100	PEA	13.7	14.5	1.349	10.7	5.5	89	233.8	47.4	62.9	89.5	30.0	134.5	170.0	30.0	2.4	5:1	
Zinc of Ireland	Kildare	?	Ireland	100	PEA	6.8	3.1	0.374	8.3	7.2	90	-	-	-	-	-	177.1	-	-	-	-	
Group Eleven	Stonepark	?	Ireland	76.6	FS	2.4	4.2	0.852	4.9	8.1	89	-	-	-	-	-	197.9	-	-	-	-	
Fireweed Zinc	Macmillian Pass	OP/UG	Canada	100	PEA	16.6	12.7	3.045	4.2	6.0	89	310.8	63.1	-	85.6	16.0	145.9	344.6	24.0	4.0	-	
Callinex Mines	Nash Creek	OP	Canada	100	PEA	3.6	1.7	0.620	2.7	2.7	90	129.2	23.8	-	34.9	10.0	67.1	98.5	25.2	2.8	-	
Ironbark	Citronen	OP/UG	Greenland	100	FS	8.9	6.5	3.653	1.8	5.2	90	514.0	0.5	-	177.0	14.0	127.9	909.0	36.0	?	1:1.99	
average									24.8								147.5					
Europa	Toral	UG	Spain	100	PEA	2.26	1.09	0.62	1.7	3.9	90	110	25	-	-	15	95.9	110	24	6.0	N/A	

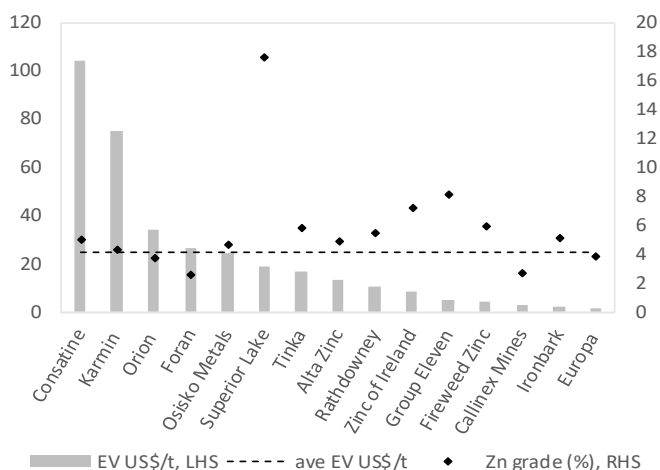
Source: Company reports, TPI. As at 08/07/2019

Our base case relative valuation implies an equity value of US\$30.4m (£23.7m) for Europa. Based on a Zn eq. (including Pb and Ag credits) of 1.2Mt and an EV/resource multiple of US\$24.8/t. On top of this we apply a 70% discount to account for potential execution, financing and dilution risks. Our relative risk-adjusted base case valuation equates to US\$9.1m (£7.3m) or 0.06p per share.

Relative valuation table

Parameter	unit	value
<i>in-situ Zn resources (JORC compliant)</i>	Mt	1.2
Applied multiple	US\$/t	24.8
Net debt (cash)	US\$m	(0.7)
Implied equity	US\$m	30.4
risk-adjusted value (@70%)	US\$m	9.1
Number of shares	M	11,977
Value per share	USc	0.08
Value per share	GBP	0.06
Current share price	GBP	0.013

Source: Company reports, TPI

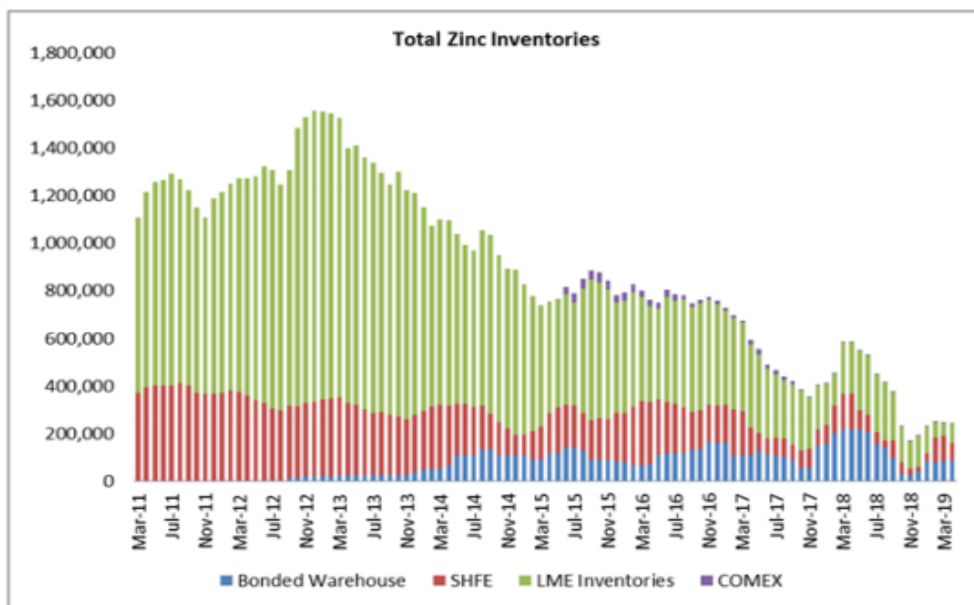
Enterprise value (US\$/t) and Zn grade (%) for selected peers


Source: Company reports, TPI

Zinc fundamentals

Zinc is the fourth most common element in use after iron, aluminium and copper with global annual production of c 14Mt. Of this, mining accounts for the majority of the production. Sphalerite (zinc sulphide) is the primary ore for zinc, other important minerals are: smithsonite (zinc carbonate), hemmimorphite (zinc silicate), willemite (zinc silicate), zincite (zinc oxide) and hydrozincite (zinc oxide). Approximately 50% of production is used for galvanising steel to prevent corrosion. Zinc bonds well with other metals and is used in alloys for automobiles, electrical components and household fixtures. Key drivers for the global zinc market are: consumer spending, manufacturing demand, warehouse inventories and smelter utilisation.

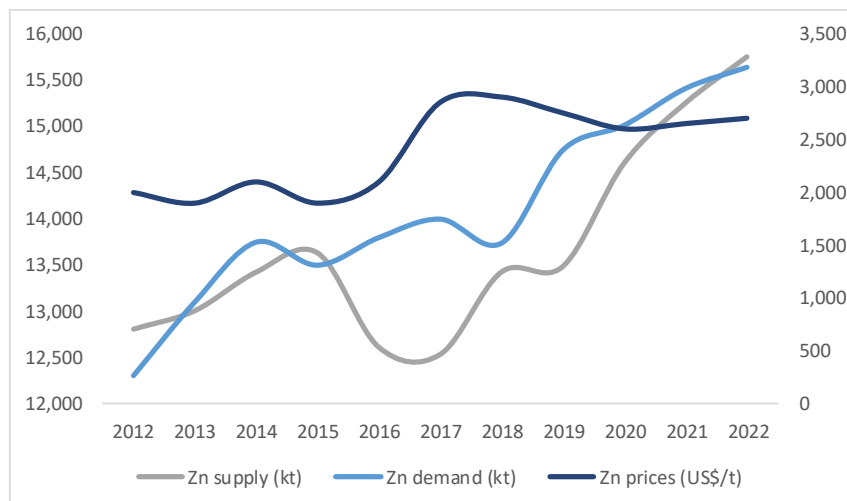
During 2018, overall demand was robust highlighted by inventory drawdowns. Outlook for 2019 remains positive with prices supported at current levels despite an expected increase in mine supply.



Source: Scotia Bank

The global zinc concentrate market is now in surplus due to decreased refined production leading to increased treatment charges (TC) since H2 2018. Large drawdowns of inventories are bringing levels to multi-decade lows.

Historical and forecasted global zinc supply, demand and refined prices



Source: TPI estimates. Future performance risk warning – forecasts are not a reliable indicator of future performance

Demand side

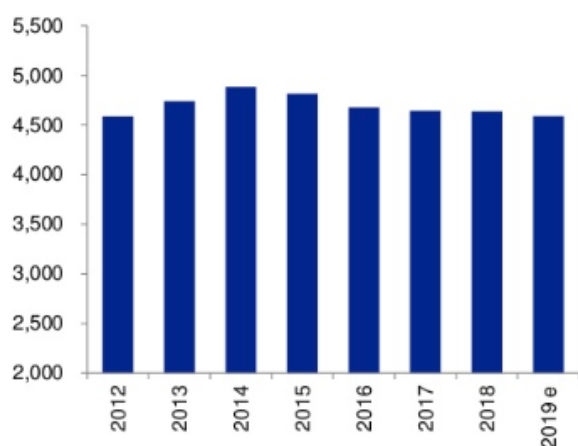
On the demand side, according to the International Lead & Zinc Study Group (ILZSG) May 2019 forecasts, a 121kt deficit is expected for 2019 as zinc demand is expected to grow 0.6% to 13.77Mt. The growing demand for galvanised steel in construction, automobile and other industrial applications are expected to have a positive impact on market growth.

Supply side

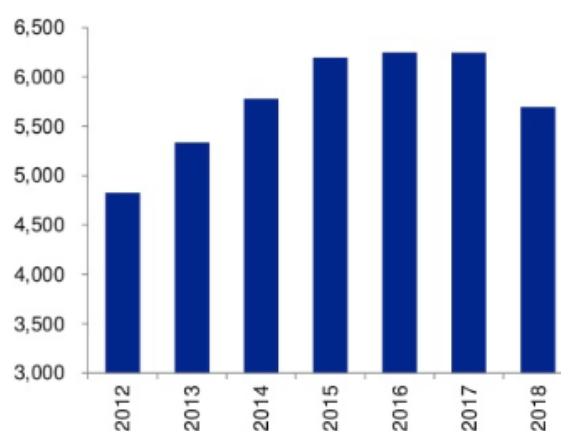
On the supply side, global zinc production increased by 1.3% in 2018 and is forecast to rise 6.2% (13.3Mt) in 2019 as forecast by the ILZSG in its May 2019 press release. Majority of this is expected to come from Australia and China as well as South Africa, Canada, Cuba, India and Namibia. In Australia, the increased tonnage will be driven by higher production at the Dugald River, McArthur River and Lady Loretta mines together with increases at the recently commissioned Century and Woodlawn tailings projects. As a result, the ILZSG believe the gap between demand and supply is will shrink with excess now expected in 2022.

As with most metal commodities, China remains the dominate player both in terms of production and consumption of zinc accounting for about half the global demand. Recent environmental policy has had an affect on Chinese production with mine production down slightly since 2016 and refined production down significantly in 2018 (BGRIMM Group).

2018 Chinese mine production



Chinese refined production



Source: BGRIMM Group

Appendix - Management

Colin Bird – Non-Executive Chairman

Mr Bird is a Fellow of the Institute of Materials, Minerals and Mining and a UK Chartered Engineer. He also holds a UK and South African Mine Managers Certificate for coal mines. The formative part of his career was spent in the UK coal mining industry and thereafter he moved to the Zambian copper belt and then to South Africa to work in a management position with Anglo Coal and BP Coal. On his return to the UK he was Technical and Operations Director of Costain Mining Ltd, which involved responsibility for Costain's interest in the UK, Latin-America and Spain. Mr Bird has had senior technical and operational experience in a number of commodities to include coal, nickel, gold, copper and industrial minerals. After an extensive operational and technical career, Mr Bird has become involved in corporate finance and has been the prime mover in a number of public listings, mainly on the UK AIM market.

Laurence Read – Executive Director

Mr Read brings over 18 years of experience working with quoted and private companies within the natural resources sectors. During his career he has worked with companies in most key natural resources regions operating across a wide range of commodities, often working on behalf of professional investment groups. Within the publicly quoted company arena Mr Read has significant experience working within the regulatory frameworks of the UK exchanges, TSX, JSE, ASX, Oslo and Hong Kong.

Myles Champion – Technical Director

Mr Champion has been Technical Director and an Executive Director of Europa Metals Ltd since 21 November 2017 and 17 October 2017 respectively. Mr Champion served as a Fund Manager of Oceanic Asset Management Pty Ltd, Australian Natural Resources OEIC and Global Connections Funds plc - Junior Resources Fund. Mr Champion has 24 years' experience in the natural resources sector, including Resource Analyst, Fund Manager, equities research and project and debt financing. He has spent over 10 years as a field geologist that includes success at the Emily Ann Nickel Sulphide Mine. He was based in London for five years working at Barclays Capital in their natural resources team and as a Senior Resource Analyst at WH Ireland. He served as Fund Manager of CF Global Resources Fund. He served as the Project Geologist at LionOre responsible for the exploration, discovery and BFS completion of the Emily Ann Nickel Sulphide Mine.

Mr Champion's financial experience ranges from Australian and UK equities research through to project and debt financing in London, covering the entire spectrum of mining companies with an extensive knowledge of the global resources market covering the three main bourses, the Toronto Stock Exchange, AIM and the ASX. He started his career as an exploration and mine site geologist in Australia covering base metals and gold and has a comprehensive background in all technical and financial facets of the resource sector, specialising internationally in resource evaluation, debt capacity modelling, mergers and acquisitions, project assessment and equity/convertible capital raisings. He has been Non-Executive Director at Katoro Gold PLC (formerly Opera Investments Plc) since 11 November 2014.

Mr Champion holds a Graduate Diploma of Business (Finance) and is an Associate of the Royal School of Mines. He earned an M.Sc. in Minerals Exploration from the Royal School of Mines in London and B.Sc. Honours in Geology from University of Wales College Cardiff.

Evan Kirby – Non-executive Director

Dr Kirby is a metallurgist with over 30 years of international experience in the mining sector. He has held senior management positions with Impala Platinum, Rand Mines and Rustenburg Platinum Mines and worked as a director and technical consultant for a number of mining companies. He is currently a director of Bezant Resources plc (AIM) and Nyota Minerals Limited.

Dan Smith – Non-executive Director and Company Secretary

Mr Smith is a member of the Australian Institute of Company Directors and the Governance Institute of Australia and has over 10 years' primary and secondary capital markets expertise. As a director of Minerva Corporate, he has advised on, and been involved in, over a dozen IPOs, RTOs and capital raisings on both the ASX and NSX. His key focus is on corporate governance and compliance, commercial due diligence and transaction structuring, as well as ongoing investor and stakeholder engagement. He is currently a director and company secretary of ASX-listed Hipo Resources Ltd and Lachlan Star Limited, and is company secretary of Taruga Minerals Limited, Love Group Global Ltd and Vonex Limited. He holds a BA in International Relations from Curtin University, Western Australia.

THIS DOCUMENT IS NOT FOR PUBLICATION, DISTRIBUTION OR TRANSMISSION INTO THE UNITED STATES OF AMERICA, JAPAN, CANADA OR AUSTRALIA.

Conflicts

This is a non-independent marketing communication under the rules of the Financial Conduct Authority (“FCA”). The analyst who has prepared this report is aware that Turner Pope Investments (TPI) Limited (“TPI”) has a relationship with the company covered in this report. Accordingly, the report has not been prepared in accordance with legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing by TPI or its clients ahead of the dissemination of investment research.

TPI manages its conflicts in accordance with its conflict management policy. For example, TPI may provide services (including corporate finance advice) where the flow of information is restricted by a Chinese wall. Accordingly, information may be available to TPI that is not reflected in this document. TPI may have acted upon or used research recommendations before they have been published.

Risk Warnings

Retail clients (as defined by the rules of the FCA) must not rely on this document.

Any opinions expressed in this document are those of TPI’s research analyst. Any forecast or valuation given in this document is the theoretical result of a study of a range of possible outcomes and is not a forecast of a likely outcome or share price.

The value of securities, particularly those of smaller companies, can fall as well as rise and may be subject to large and sudden swings. In addition, the level of marketability of smaller company securities may result in significant trading spreads and sometimes may lead to difficulties in opening and/or closing positions. Past performance is not necessarily a guide to future performance and forecasts are not a reliable indicator of future results.

AIM is a market designed primarily for emerging or smaller companies and the rules of this market are less demanding than those of the Official List of the UK Listing Authority; consequently AIM investments may not be suitable for some investors. Liquidity may be lower and hence some investments may be harder to realise.

Specific disclaimers

TPI acts as joint broker to Europa Resources plc (“Europa”) which is listed on the AIM Market of the London Stock Exchange (“AIM”). TPI’s private and institutional clients may hold, subscribe for or buy or sell Europa’s securities.

This document has been produced by TPI independently of Europa. Opinions and estimates in this document are entirely those of TPI as part of its internal research activity. TPI has no authority whatsoever to make any representation or warranty on behalf of Europa.

General disclaimers

This document, which presents the views of TPI's research analyst, cannot be regarded as "investment research" in accordance with the FCA definition. The contents are based upon sources of information believed to be reliable but no warranty or representation, express or implied, is given as to their accuracy or completeness. Any opinion reflects TPI's judgement at the date of publication and neither TPI nor any of its directors or employees accepts any responsibility in respect of the information or recommendations contained herein which, moreover, are subject to change without notice. Any forecast or valuation given in this document is the theoretical result of a study of a range of possible outcomes and is not a forecast of a likely outcome or share price. TPI does not undertake to provide updates to any opinions or views expressed in this document. TPI accepts no liability whatsoever (in negligence or otherwise) for any loss howsoever arising from any use of this document or its contents or otherwise arising in connection with this document (except in respect of wilful default and to the extent that any such liability cannot be excluded by applicable law).

The information in this document is published solely for information purposes and is not to be construed as a solicitation or an offer to buy or sell any securities or related financial instruments. The material contained in the document is general information intended for recipients who understand the risks associated with equity investment in smaller companies. It does not constitute a personal recommendation as defined by the FCA or take into account the particular investment objectives, financial situation or needs of individual investors nor provide any indication as to whether an investment, a course of action or the associated risks are suitable for the recipient.

This document is approved and issued by TPI for publication only to UK persons who are authorised persons under the Financial Services and Markets Act 2000 and to professional clients, as defined by Directive 2004/39/EC as set out in the rules of the Financial Conduct Authority. This document may not be published, distributed or transmitted to persons in the United States of America, Japan, Canada or Australia. This document may not be copied or reproduced or re-distributed to any other person or organisation, in whole or in part, without TPI's prior written consent.

Copyright © 2019 Turner Pope Investments (TPI) Limited, all rights reserved.