**Europa Metals Ltd**
A.C.N. 097 532 137

# Half-Year Financial Report
for the period
**1 July 2019 – 31 December 2019**

# Contents

Your Directors present their report on Europa Metals Ltd ("Europa Metals", the "Company" or, together with its controlled entities, the "Group") for the half-year from 1 July 2019 to 31 December 2019.

**Directors**

The names of the Company's Directors in office during the half-year and until the date of this report are set out below. Directors were in office for the entire period unless otherwise stated.

Evan Kirby
Laurence Read
Myles Campion
Colin Bird
Daniel Smith

## Review and results of operations

### Operating Results

During the half-year from 1 July 2019 to 31 December 2019, the Group recorded a net loss after tax of AUD1,399,416 (1 July 2018 to 31 December 2018: net loss of AUD1,534,312).

**Toral Lead-Zinc-Silver Project, Spain ("Toral" or the "Toral Project")**

Following the completion of the Scoping Study announced by the Company in December 2018, workstreams have focused on additional resource drilling, geotechnical drilling, metallurgical testwork and environmental baseline studies.

On 25 September 2019, the Company announced assay results for drill holes TOD-021, TOD-022, TOD-023 and TOD-023D, in respect of its drill campaign initiated in May 2019. The drilling programme provided valuable information for initial metallurgical test work analysis, in order to determine potential processing routes and likely concentrate products for potential future sale, and for infilling gaps in historical drilling within the Inferred resource area at Toral. Results from the drilling programme were provided to Addison Mining Services Limited ("AMS") in order to obtain an independent update to the project's existing JORC (2012) resource estimate.

Image 1 below presents a grade contour section of one of the high-grade zones at the Toral Project. Hole TOD-023 sits within a zone of >8% ZnEq (PbAg) and supports the premise that the main corridor of mineralisation is continuous.

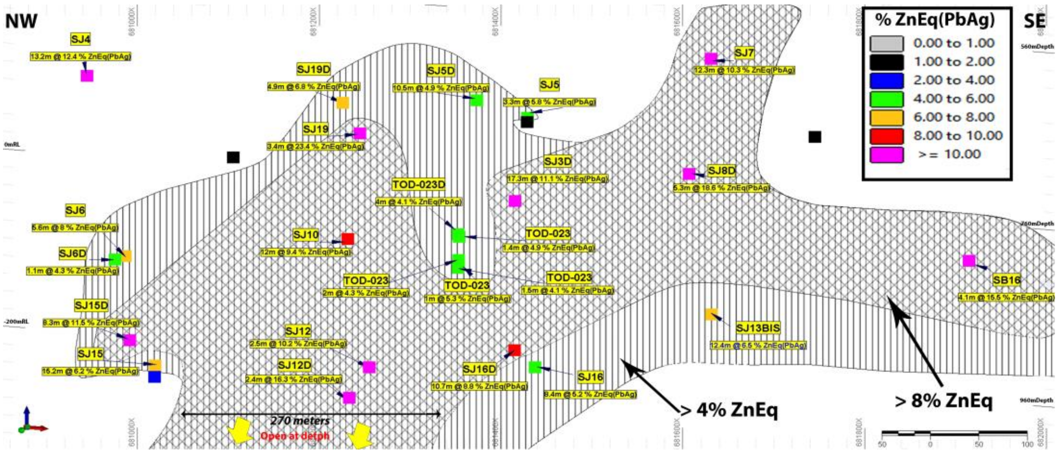



*Image 1: Grade contour map of one of the high-grade zones at the Toral Project*

Image 2 below illustrates the location of Image 1 within the existing Toral Inferred resource block model (as reported on 10 December 2018).

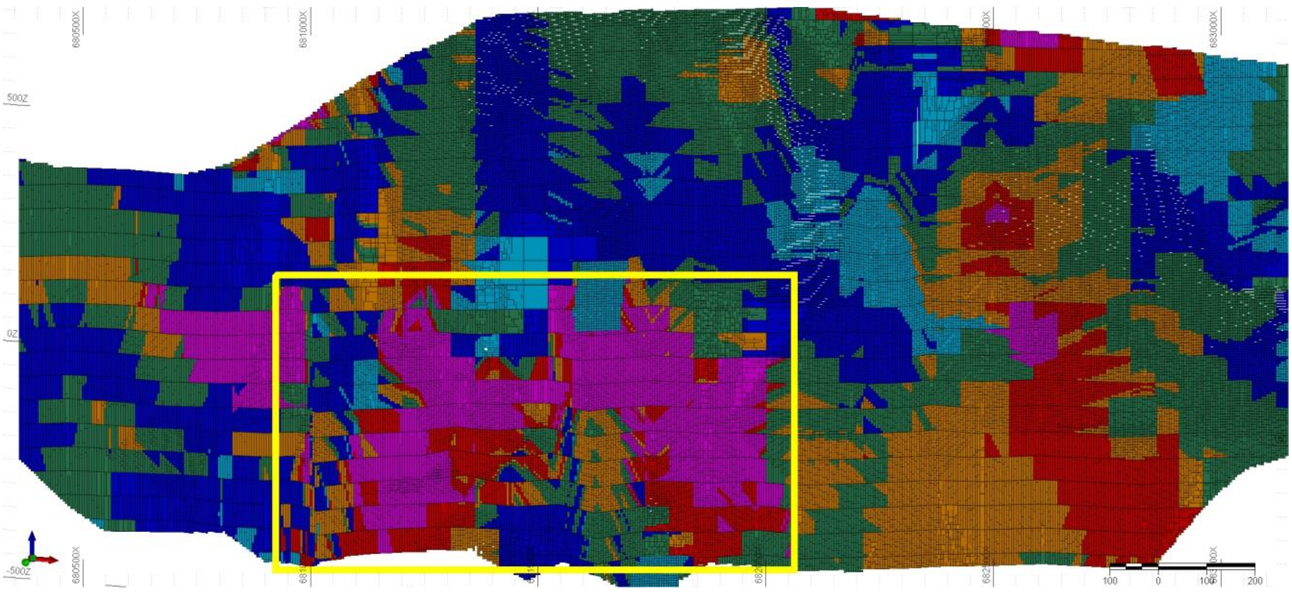


*Image 2: Location of high-grade zone within the Toral Project's Inferred resource block model*

**Updated Resource**

On 29 October 2019, the Company announced a first Indicated resource of 2.7 million tonnes ("Mt") @ 8.9% zinc equivalent ("ZnEq") and a 12% increase in the total JORC (2012) Mineral Resource estimate for Toral. The size and grade of the initial Indicated resource exceeded management's expectations following a comprehensive update of the resource model utilising a series of new data sets defined on the project area. Highlights from the updated resource model and estimate included:

- An updated independent JORC (2012) Indicated and Inferred mineral resource estimate from AMS incorporating data obtained from:
    - 101 diamond (including wedges) and 4 reverse circulation ("RC") drill holes totalling 56,949.50 metres; and
    - 19 underground channels for 18.75 metres,

which were utilised as the input database for geological modelling and resource estimation.

- Indicated resource of approximately 2.7Mt @ 8.9% ZnEq (including lead ("Pb") credits), 5% Zn, 4.2% Pb and 32g/t silver ("Ag"), at a 4% cut-off.
- Inferred resource of approximately 16Mt @ 7.2% ZnEq (including Pb credits), 4.5% Zn, 2.9% Pb and 22g/t Ag, at a 4% cut-off.
- 12% increase in the total resource tonnes to approximately 18Mt @ 7.4% ZnEq (including Pb credits), 3.1% Pb and 4.5% Zn and 24 g/t Ag, at a 4% cut-off.
    - 30% increase in contained tonnes of zinc to approximately 830,000 tonnes
    - 12% increase in contained tonnes of lead to approximately 570,000 tonnes
    - 8% increase in contained ounces of silver to approximately 14 million ounces

**Metallurgical programme**

Following completion of the abovementioned drill programme, metallurgical testwork commenced by Wardell Armstrong International ("Wardell Armstrong") in late September 2019 on the full core wedge (hole TOD-023D) and ¼ core from hole TOD-023 comprising a 61.6kg sample. The preliminary results were reported on 18 December 2019 with the key highlights comprising:

- Locked cycle testing confirmed saleable concentrate quality of the lead, zinc and silver, with good grades reported for each concentrate:
    - 57.5% lead;
    - 55.8% zinc; and

- 1,457 parts per million ("ppm") (approximately 1.5kg/t) silver grade reporting to the lead concentrate.

- Locked cycle testing further demonstrated good recoveries for each metal:
  - 84.3% lead recovery;
  - 70.7% zinc recovery; and
  - 90.3% silver recovery reporting to the lead concentrate.

- No testing for deleterious elements or by-products was undertaken.

Based on the preliminary results and Wardell Armstrong's recommendations, the Company carried out a further phase of testwork which is expected to be completed during Q1 2020 comprising:

- Second phase locked cycle testwork examining an increased depression of zinc during lead flotation, with the aim of increasing zinc recoveries; and

- Full testing for deleterious elements and by-products following such second phase locked cycle testwork.

**Stakeholder engagement**

On 9 August 2019, the Company announced that it had submitted an initial document (the "ID") for formal review by all key administration stakeholders, including the department of the environment, Castilla y León region, Northwest Spain, and private stakeholders consulted by such administration, in connection with the process for obtaining an exploitation license at the Toral Project.

The ID contained a conceptual plan for the Toral Project based on the findings of the Scoping Study, announced by the Company on 10 December 2018. The Company's local engagement activities with principal stakeholders will enable the evaluation, in particular, of the technical infrastructure aspects of the project's future development and seek to secure greater social support.

Feedback from such requisite review will be utilised to structure the environmental parameters for a full exploitation license for Toral and, consequently, enable a first impression by the Junta de Castilla y León on the appropriateness of the Toral Project being developed into a future mining operation.

**Competent person's statement**

The information above that relates to Exploration Results is based on information compiled by Mr J.N. Hogg, MSc. MAIG Principal Geologist for AMS, an independent Competent Person within the meaning of the JORC (2012) code and qualified person under the AIM guidance note for mining and oil & gas companies. Mr Hogg has reviewed and verified the technical information that forms the basis of, and has been used in the preparation of, the significant intercepts referred to herein, including all analytical data, diamond drill hole logs, QA/QC data, density measurements, and sampling, diamond drilling and analytical techniques. Mr Hogg consents to the inclusion of the matters based on the information, in the form and context in which it appears. Mr Hogg has also reviewed and approved the technical information in his capacity as a qualified person under the AIM Rules for Companies.

## Corporate

*Capital raising*

On 30 September 2019, the Company announced that it had completed a fundraising of £1,000,000 (approximately A$1.86m) through an oversubscribed fundraising (the "Fundraising") comprising the issue of, in aggregate, 4,000,000,000 new ordinary shares of no par value each in the capital of the Company ("Ordinary Shares") at an issue price of 0.025 pence per share (the "Issue Price"). The Fundraising comprised a placing of 3,400,000,000 new Ordinary Shares arranged by Turner Pope Investments (TPI) Limited ("Turner Pope"), the Company's broker, as agent of the Company, with certain new and existing institutional and private investors (the "Placing") and a subscription by Brandon Hill Capital Limited ("Brandon Hill"), investing in a principal capacity, for 600,000,000 new Ordinary Shares, both at the Issue Price. In addition, one warrant exercisable for a period of 2 years from admission of the Fundraising shares to trading on AIM at a subscription price of 0.0375 pence per Ordinary Share were issued to all participants in the Fundraising for every two new Ordinary Shares subscribed. Accordingly, 2,000,000,000 warrants were issued pursuant to the Fundraising. A further 240,000,000 warrants were issued to the Company's brokers exercisable at the same price of 0.0375 pence per Ordinary Share for a period of three years from admission.

The net proceeds from the Fundraising are primarily being utilised towards progressing the workstreams required for a Pre-feasibility Study at the Toral Project and general working capital purposes.

On 20 December 2019, the Company announced that Turner Pope had assumed the role of sole broker to the Company with immediate effect.

*Conversion of warrants*

On 4 September 2019, the Company announced that it had received notices of exercise in respect of certain pre-existing warrants to subscribe for 212,000,000 new ordinary shares at a price of 0.015p per share and 133,333,334 new ordinary shares at a price of 0.025p per share. In aggregate, the exercise of such warrants amounted to a cash subscription of approximately £65,133.

On 13 September 2019, the Company announced that it had received notices of exercise in respect of certain pre-existing warrants to subscribe for 166,666,667 new ordinary shares at a price of 0.025p per share. In aggregate, the exercise of such warrants amounted to a cash subscription of approximately £41,667.

On 10 October 2019, the Company announced that it had received notices of exercise in respect of certain pre-existing warrants to subscribe for 66,666,667 new ordinary shares at a price of 0.025p per share. In aggregate, the exercise of such warrants amounted to a cash subscription of approximately £16,667.

On 24 October 2019, the Company announced that it had received notices of exercise in respect of certain pre-existing warrants to subscribe for 166,666,666 new ordinary shares at a price of 0.025p per share. In aggregate, the exercise of such warrants amounted to a cash subscription of approximately £41,667.

**Events subsequent to the reporting date**

On 22 January 2020, the Company announced an operational and strategic update in respect of its wholly owned Toral Project stating that following a strategic review of the project's operations and existing data, the Board intended to focus the Company's activities on engineering and processing optimisation during the course of H1 2020, with drilling activities halted following the completion of hole TOD-025.

On 31 January 2020, the Company announced that the drilling of hole TOD-025 had been duly completed with a wedge, hole TOD-025D, also being drilled off the parent hole to conclude the latest drilling campaign. Core samples obtained from both holes TOD-025 and TOD-025D, and the previously drilled hole TOD-024, were being sent for independent assay.

On 14 February 2020, the Company announced the completion of a geotechnical study on the Toral Poject based on the geotechnical logging of the core drilled previously. The geotechnical study recommended that the already selected cut and fill mining method would be the best option to pursue.

On 28 February 2020, the Company announced the results from a recently completed conceptual hydrogeological study and an update on the water monitoring programme in respect of the Toral Project. Eight piezometers for monitoring water conditions in and around the Toral Project area had been installed as part of a planned quarterly monitoring programme.

On 11 March 2020, the Company announced assay results for the abovementioned drill holes TOD-024 and TOD-025. Core obtained from holes TOD-024 and TOD-025 had been sampled and sent to ALS Laboratories in Spain, with initial results confirming the visual mineralisation as high-grade, with certain samples having to be re-assayed due to the Pb content being above the detection limit at the laboratory. The assay results contained the highest-grade intersection obtained by the Company to date from its drilling campaign on the Toral Project and extended the current known high-grade area of the deposit as well as establishing continuity with the results of historic third party drilling campaigns in the 1980s.

On 23 March 2020, the Company announced an update relating to the impact of the coronavirus (COVID-19) global health emergency on the group's operations.

On 31 January 2020, the World Health Organisation (WHO) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (COVID-19 outbreak) and the risks to the international community as the virus spreads globally beyond its point of origin. Because of the rapid increase in exposure globally, on 11 March 2020, the WHO classified the COVID-19 outbreak as a pandemic.

The full impact of the COVID-19 outbreak continues to evolve at the date of this report. The Company is therefore uncertain as to the full impact that the pandemic will have on its financial condition, liquidity, and future results of operations during 2020.

Management is actively monitoring the global situation and its impact on the Company's financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Company is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for the 2020 financial year.

Although the Company cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time, if the pandemic continues, it may have a material adverse effect on the Company's results of future operations, financial position, and liquidity in fiscal year 2020.

No other matters or circumstances have arisen since the reporting date that may significantly affect the operations of the Company, the results of these operations, or the state of affairs in future financial years.

**Coronavirus (COVID-19) impact on operations**

The Company's response to the global coronavirus (COVID-19) health event has been to safeguard all key personnel at all sites and limit all travel, including to work at its sites, following the advice and guidance issued by all relevant health authorities. For the time being, site visits from overseas have been suspended and operations have been amended to primarily reflect the uncertain health security issues, but also to take into account the current status of international equity and commodity markets. With a significant amount of core samples and data having already been retrieved, the Company has taken steps to conserve its existing capital and continue with a series of key, desktop or laboratory based workstreams.

**2020-2021 Work Programme**

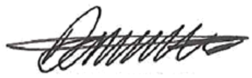
Europa Metals has been fortunate to have completed some essential field work during 2019-2020 prior to the escalation of the COVID-19 outbreak in Europe, with significant samples retrieved from the latest drilling campaign. The Company has reacted to the coronavirus health emergency by carefully following guidance issued by the Spanish and UK governments and has halted all non-essential travel and instructed the majority of its workforce to remain working remotely at home. Nevertheless, metallurgical and flow sheet optimisation work can continue from the samples already retrieved.

### Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 9.

Dated in Perth this 30th day of March 2020

Signed in accordance with a resolution of the Directors.



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Director

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DECLARATION OF INDEPENDENCE BY PHILLIP MURDOCH TO THE DIRECTORS OF EUROPA METALS LIMITED

As lead auditor for the review of Europa Metals Limited for the half-year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Europa Metals Limited and the entities it controlled during the period.

Phillip Murdoch

Director

BDO Audit (WA) Pty Ltd

Perth, 30 March 2020

**Europa Metals Ltd**
A.C.N. 097 532 137
**Consolidated Statement of Profit or Loss and Other Comprehensive Income**

| | Note | 6 months to 31 December 2019 AUD | 6 months to 31 December 2018 AUD |
|---|---|---|---|
| **Revenue from continuing operations** | | | |
| Revenue | 2(a) | 212 | 32 |
| Other Income | 2(b) | - | 7,187 |
| | | **212** | **7,219** |
| Exploration expenditure | | (954,762) | (958,396) |
| Foreign exchange gain | | 38,362 | 4,369 |
| Other expenses | 2(c) | (483,228) | (587,504) |
| **Loss before income tax** | | **(1,399,416)** | **(1,534,312)** |
| Income tax (expense)/benefit | | - | - |
| **Net loss after income tax** | | **(1,399,416)** | **(1,534,312)** |
| **Other comprehensive income** | | | |
| *Items that may be reclassified subsequently to profit or loss:* | | | |
| Net exchange gain on translation of foreign operation | | 76,804 | 58,707 |
| **Other comprehensive profit/(loss) for the period, net of tax** | | **76,804** | **58,707** |
| **Total comprehensive profit/(loss) for the period** | | **(1,322,612)** | **(1,475,605)** |
| Net (loss) for the period attributable to shareholders of the Company: | | (1,399,416) | (1,534,312) |
| | | **(1,399,416)** | **(1,534,312)** |
| Total comprehensive (loss) for the period attributable to shareholders of the Company: | | (1,322,612) | (1,475,605) |
| | | **(1,322,612)** | **(1,475,605)** |

**(Loss) per share attributable to the ordinary equity holders of the Company**

| **Loss per share** | **Cents per share** | **Cents per share** |
|---|---|---|
| - basic (loss) per share | (0.010) | (0.028) |
| - diluted (loss) per share | (0.010) | (0.028) |

*The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes*

**Europa Metals Ltd**
A.C.N. 097 532 137
**Consolidated Statement of Financial Position**

**As at 31 December 2019**

| | Note | 31 December 2019 AUD | 30 June 2019 AUD |
|---|---|---|---|
| **Current Assets** | | | |
| Cash and short term deposits | | 1,596,500 | 1,052,411 |
| Trade and other receivables | | 369,861 | 291,201 |
| **Total Current Assets** | | **1,966,361** | **1,343,612** |
| | | | |
| **Non-current Assets** | | | |
| Plant and equipment | | 21,927 | 31,657 |
| Capitalised exploration | 3 | 1,511,595 | 1,423,943 |
| Right of use assets | | 68,826 | - |
| **Total Non-current Assets** | | **1,602,348** | **1,455,600** |
| | | | |
| **Total Assets** | | **3,568,709** | **2,799,212** |
| | | | |
| **Current Liabilities** | | | |
| Trade and other payables | | 142,878 | 91,709 |
| Lease liabilities | | 29,469 | - |
| **Total Current Liabilities** | | **172,347** | **91,709** |
| | | | |
| **Non-current Liabilities** | | | |
| Lease liabilities | | 28,016 | - |
| **Total Non-current Liabilities** | | **28,016** | **-** |
| | | | |
| **Total Liabilities** | | **200,363** | **91,709** |
| | | | |
| **NET ASSETS** | | **3,368,346** | **2,707,503** |
| | | | |
| **Equity** | | | |
| Contributed equity | 4 | 42,489,962 | 40,572,924 |
| Accumulated losses | | (42,158,696) | (40,759,280) |
| Reserves | | 3,037,080 | 2,893,859 |
| **TOTAL EQUITY** | | **3,368,346** | **2,707,503** |

*The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes*

**Europa Metals Ltd**
A.C.N. 097 532 137
**Consolidated Statement of Changes in Equity**

For the half-year from 1 July 2019 to 31 December 2019

| | Issued Capital AUD | Accumulated Losses AUD | Employee Share Incentive Reserve AUD | Option Reserve AUD | Foreign Exchange Reserve AUD | Total Equity AUD |
|---|---|---|---|---|---|---|
| **At 1 July 2018** | 38,079,499 | (38,367,110) | 491,577 | 2,028,253 | 252,152 | 2,484,371 |
| (Loss) for the period | - | (1,534,312) | - | - | - | (1,534,312) |
| Other comprehensive income (net of tax) | - | - | - | - | 58,707 | 58,707 |
| **Total comprehensive loss (net of tax)** | **-** | **(1,534,312)** | **-** | **-** | **58,707** | **(1,475,605)** |
| **Transaction with owners in their capacity as owners** | | | | | | |
| Shares issued net of transaction costs | 928,186 | - | - | - | - | 928,186 |
| **At 31 December 2018** | **39,007,685** | **(39,901,422)** | **491,577** | **2,028,253** | **310,859** | **1,936,952** |
| | | | | | | |
| **At 1 July 2019** | 40,572,924 | (40,759,280) | 491,577 | 2,087,837 | 314,445 | 2,707,503 |
| (Loss) for the period | - | (1,399,416) | - | - | - | (1,399,416) |
| Other comprehensive income (net of tax) | - | - | - | - | 76,804 | 76,804 |
| **Total comprehensive loss (net of tax)** | **-** | **(1,399,416)** | **-** | **-** | **76,804** | **(1,322,612)** |
| **Transaction with owners in their capacity as owners** | | | | | | |
| Shares issued net of transaction costs | 1,917,038 | - | - | 66,417 | - | 1,983,455 |
| **At 31 December 2019** | **42,489,962** | **(42,158,696)** | **491,577** | **2,154,254** | **391,249** | **3,368,346** |

*The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes*

**Europa Metals Ltd**
A.C.N. 097 532 137
**Consolidated Statement of Cash Flows**

For the period 1 July 2019 to 31 December 2019

| | **6 months to 31 December 2019** | **6 months to 31 December 2018** |
|---|---|---|
| | **AUD** | **AUD** |
| **Cash flows from operating activities** | | |
| Interest received | 212 | 286 |
| Payments to suppliers and employees | (410,400) | (814,514) |
| Payment for exploration and evaluation costs | (1,067,242) | (1,034,671) |
| **Net cash flows used in operating activities** | **(1,477,430)** | **(1,848,899)** |
| **Cash flows from investing activities** | | |
| Payments for plant and equipment | - | - |
| **Net cash flows from / (used in) investing activities** | **-** | **-** |
| **Cash flows from financing activities** | | |
| Lease principal repayments | (28,429) | - |
| Proceeds from issue of shares | 2,214,032 | 987,491 |
| Costs of capital raising | (183,506) | (59,305) |
| **Net cash flows from financing activities** | **2,002,097** | **928,186** |
| **Net increase / (decrease) in cash and cash equivalents** | **524,667** | **(920,713)** |
| Cash and cash equivalents at beginning of period | 1,052,411 | 1,272,327 |
| Effect of foreign exchange on cash and cash equivalents | 19,422 | 10,001 |
| **Cash and cash equivalents at end of period** | **1,596,500** | **361,615** |

*The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes*

## Notes to the Consolidated Financial Statements

### NOTE 1: GENERAL INFORMATION AND BASIS OF PREPARATION AND ACCOUNTING POLICIES

### Corporate information

The financial report of Europa Metals Ltd for the half-year ended 31 December 2019 was authorised for issue in accordance with a resolution of the directors on 30 March 2020. Europa Metals Ltd is a company incorporated in Australia and limited by shares, which are publicly traded on the AIM market of the London Stock Exchange and the AltX of the Johannesburg Stock Exchange.

The nature of operations and principal activities of the Group are as described in the Directors' Report.

### Basis of preparation

The half-year financial report is a general purpose condensed financial report prepared in accordance with the requirements of the Corporations Act 2001 and AASB 134: Interim Financial Reporting. Compliance with AASB 134 ensures compliance with IAS 34 'Interim Financial Reporting'.

This half-year financial report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Company as in a full annual financial report.

It is recommended that this half-year financial report be read in conjunction with the annual financial report for the year ended 30 June 2019 and any public announcements made by Europa Metals Ltd during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the AIM Rules for Companies.

The half-year report has been prepared on a historical cost basis. The Company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise stated.

### Adoption of new and revised Accounting Standards

For the half-year ended 31 December 2019, the Group has reviewed all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2019. The Group has applied for the first time AASB 16 "Leases", the impact of which is described below. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

***AASB 16 Leases***
The Group leases office space for its corporate offices.

*Impact of application of AASB 16 Leases ("AASB 16")*

AASB 16 provides a model for the identification and treatment of lease arrangements in the financial statements. AASB 16 superseded the lease guidance including *AASB 117 Leases* and the related Interpretations, when it became effective for the Group for the accounting period beginning 1 July 2019.

The Group has chosen the modified retrospective application of AASB 16. Consequently, the Group has not restated the comparative information.

*Impact of the new definition of a lease*

The Group has made use of the practical expedient available on transition to AASB 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with AASB 117 and Interpretation 4 will continue to apply to those leases entered into or modified before 1 July 2019.

## NOTE 1: GENERAL INFORMATION AND BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

The change in the definition of a lease mainly relates to the concept of control. AASB 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:

- The right to obtain substantially all of the economic benefits from the use of an identified asset; and
- The right to direct the use of that asset.

The Group has applied the definition of a lease and related guidance set out in AASB 16 to all lease contracts entered into or modified on or after 1 July 2019. The Directors have determined that the new definition in AASB 16 will not change significantly the scope of contracts that meet the definition of a lease for the Group.

*Operating leases*

AASB 16 has changed how the Group accounts for leases previously classified as operating leases under AASB 117, which were off-statement of financial position.

On initial application of AASB 16, for all leases (except as noted below), the Group has:

(a) Recognised Right-of-Use assets ("ROU Assets") and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments;
(b) Recognised depreciation of ROU Assets and interest on lease liabilities in the consolidated statement of profit or loss; and
(c) Separated the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated cash flow statement.

Under AASB 16 lease incentives (e.g. rent-free period) are recognised as part of the measurement of the ROU Assets and lease liabilities. Previously lease incentives resulted in the recognition of a lease liability incentive amortised as a reduction of rental expenses on a straight-line basis.

Under AASB 16, ROU Assets will be tested for impairment in accordance with AASB 136 Impairment of Assets. This replaces the previous requirement to recognise a provision for onerous lease contracts.

For short-term leases (lease term of 12 months or less) and leases of low-value assets the Group opted to recognise a lease expense on a straight-line basis as permitted by AASB 16.

The Group recognised ROU Assets with a net book value of $82,590 and corresponding lease liabilities of $82,590 at 1 July 2019. After accounting for depreciation and lease principal payments during the half-year the balances as at 31 December 2019 were ROU Assets with a net book value of $68,826 and lease liabilities of $57,485.

The impact on the consolidated statement of profit or loss (increase / (decrease)) for the period is:

| *Expense* | $ | *Notes* |
|---|---|---|
| Tenancy and operating | 29,615 | Rent expense on previously recognised operating lease |
| Depreciation expense | (13,764) | Depreciation of lease asset recognised under AASB 16 |
| Finance costs | (4,511) | Interest on lease recognised under AASB 16 |
| Net impact on loss for the period | (11,340) | |

Under AASB 117, lease payments from operating leases were included in cash flows from operating activities. Under AASB 16 lease repayments are included in cash flows from financing activities. The impact on cash flows for the period from adopting AASB 16 is to increase cash flows from operating activities by $28,429 and to reduce cash flows from financing activities by $28,429.

**NOTE 1: GENERAL INFORMATION AND BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)**

There is no impact on other comprehensive income and the basic and diluted EPS.

*Determination of whether variable payments are in-substance fixed*
For lease agreements subject to lease payments with fixed increases, the Group factored in the fixed increases into the calculation of the lease liability. The Group has no lease agreements subject to lease payments based on a variable index.

*Determination of the appropriate rate to discount the lease payments*
The Group estimated the incremental borrowing rate applicable to its lease as the rate of interest that a lessee would have to pay to borrow over a similar term and with similar security the funds necessary to obtain an asset of a similar value to the ROU Asset. The estimate was based on a risk adjusted rate and considered the materiality of the impacts of applying a range of interest rates. The incremental borrowing rate applied is 12.5%.

The following is a reconciliation of total operating lease commitments at 30 June 2019 to the lease liabilities recognised at 1 July 2019:

| | $ |
|---|---|
| Operating lease commitments disclosed at 30 June 2019 | 94,460 |
| Less: discount applied using incremental borrowing rate | (11,870) |
| Lease liability recognised at 1 July 2019 | 82,590 |
| Right-of-Use asset (value determined solely with reference to the lease liability value) | 82,590 |

The recognised ROU Asset relates to office premises.

**Summary of new accounting policies**

*Right-of-use assets*

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

*Lease liabilities*

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period on which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

**NOTE 1: GENERAL INFORMATION AND BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)**

*Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e. below $5,000). Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

**Early adoption of accounting standards**

The Group has not elected to apply any pronouncements before their operative date in the annual reporting year beginning 1 July 2019.

**Going Concern**

As at 31 December 2019, the Group had working capital of $1,794,014 (current assets less current liabilities) with cash on hand of $1,596,500 and a net loss of $1,399,416. The Group also has exploration expenditure commitments. The operating commitments of the Group will require further funding in the next twelve months.

The ability of the Group to continue as a going concern is principally dependent upon its ability to raise further funds as required from the issue of equity, or through the deferral of exploration expenditure.

Subsequent to the reporting date, on 31 January 2020, the World Health Organisation (WHO) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (COVID-19 outbreak) and the risks to the international community as the virus spreads globally beyond its point of origin. Because of the rapid increase in exposure globally, on 11 March 2020, the WHO classified the COVID-19 outbreak as a pandemic. These events are having a significant negative impact on world stock markets, currencies and general business activities. As a result, the Group has been negatively impacted as future potential capital raisings have been deferred.

These conditions indicate a material uncertainty that may cast significant doubt about the ability of the Group to continue as a going concern and, therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The consolidated financial statements have been prepared on the basis that the Group will continue to meet its commitments and can therefore continue normal business activities and realise its assets and settle liabilities in the normal course of business.

In arriving at this position, the Directors are confident of the ability of the Group to raise capital and are reviewing other funding alternatives including:

- managing the Company’s working capital requirements; and
- raising additional funds via debt if required.

The Directors have reasonable grounds to believe that they will be able to complete any required future capital raisings and/or achieve any of the above funding alternatives.

These consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts or classifications of liabilities that might be necessary should the Group not be able to continue as a going concern.

**Notes to the Consolidated Financial Statements**

## NOTE 2: REVENUE AND EXPENSES

The loss for the half-year includes the following items:

| | 31 Dec 2019 AUD | 31 Dec 2018 AUD |
|---|---|---|
| **(a) Revenue** | | |
| Interest received | 212 | 32 |
| **Total Revenue** | **212** | **32** |
| **(b) Other Income** | | |
| Other Income | - | 7,187 |
| | **-** | **7,187** |
| **(c) Other expenses** | | |
| Other expenses include the following: | | |
| - Depreciation | 34,938 | - |
| - Consulting services | 139,344 | 17,775 |
| - Employment related services | 133,965 | 10,235 |
| - Corporate | 66,187 | - |
| - Travel | 7,715 | - |
| - Other | 101,079 | 559,494 |
| | **483,228** | **587,504** |

## NOTE 3: CAPITALISED EXPLORATION AND EVALUATION EXPENDITURE

| | 31 Dec 2019 AUD | 30 Jun 2019 AUD |
|---|---|---|
| Opening Balance | 1,423,943 | 1,344,013 |
| Foreign exchange movement | 87,652 | 79,930 |
| Closing balance | 1,511,595 | 1,423,943 |

## NOTE 4: CONTRIBUTED EQUITY

| | 31 Dec 2019 No. of Shares | 30 June 2019 No. of Shares | 31 Dec 2019 AUD | 30 June 2019 AUD |
|---|---|---|---|---|
| **Share Capital summary** | | | | |
| **Ordinary Shares** | | | | |
| **Ordinary Shares fully paid** | **16,722,209,678** | 11,976,876,317 | **42,755,264** | 40,838,226 |
| **Less: Employee share plan shares** | **(2,300,000)** | (2,300,000) | **(265,302)** | (265,302) |
| | **16,719,909,678** | 11,974,576,317 | **42,489,962** | 40,572,924 |

## NOTE 4: CONTRIBUTED EQUITY (continued)

| Movements in ordinary share capital | | Half-Year 31 December 2019 Number | AUD |
|---|---|---|---|
| **01 July 2018** | | **4,849,757,667** | **38,344,801** |
| 10 August 2018 | Placing shares | 727,118,650 | 987,490 |
| 29 March 2019 | Placing shares | 6,400,000,000 | 1,750,351 |
| | Cost associated with share issues | | (244,416) |
| 30 June 2019 | **Closing Balance** | **11,976,876,317** | **40,838,226** |
| | | | |
| **01 Jul 2019** | | **11,976,876,317** | **40,838,226** |
| 27 August 2019 | Exercise of warrants | 212,000,000 | 57,737 |
| 28 August 2019 | Exercise of warrants | 133,333,334 | 60,779 |
| 04 September 2019 | Exercise of warrants | 83,333,334 | 37,382 |
| 06 September 2019 | Exercise of warrants | 83,333,333 | 37,453 |
| 09 October 2019 | Exercise of warrants | 66,666,667 | 30,242 |
| 11 October 2019 | Placing shares | 3,400,000,000 | 1,582,223 |
| 17 October 2019 | Exercise of warrants | 166,666,666 | 78,530 |
| 5 November 2019 | Placing shares | 600,000,000 | 282,615 |
| | Cost associated with share issues | | (249,923) |
| 31 December 2019 | **Closing Balance** | **16,722,209,651** | **42,755,264** |
| | | | |
| Less: | Employee share plan shares on issue | (2,300,000) | (265,302) |
| **31 December 2019** | | **16,719,909,651** | **42,489,962** |

### Options

The following table illustrates the movements in share options during the period:

| | 31 December 2019 Number | 30 June 2019 Number |
|---|---|---|
| Outstanding at 1 July 2019 | 4,199,416,595 | 855,365,729 |
| Issued during the period | 2,240,000,000 | 3,550,000,000 |
| Cancelled/exercised during the period | (745,333,361) | (205,949,134) |
| Outstanding at 31 December 2019 | 5,694,083,234 | 4,199,416,595 |
| Exercisable at 31 December 2019 | 5,694,083,234 | 4,199,416,595 |

## NOTE 5: CONTINGENCIES AND COMMITMENTS

The Group has had no material change in relation to any contingencies and commitments since 30 June 2019.

## NOTE 6: RELATED PARTY TRANSACTIONS

Other than those transactions disclosed elsewhere in the financial report there have been no new related party transactions with Directors, key management personnel or related parties in the current reporting period.

## NOTE 7: EVENTS OCCURRING SUBSEQUENT TO THE REPORTING DATE

On 22 January 2020, the Company announced an operational and strategic update in respect of its wholly owned Toral Project stating that following a strategic review of the project's operations and existing data, the Board intended to focus the Company's activities on engineering and processing optimisation during the course of H1 2020, with drilling activities halted following the completion of hole TOD-025.

On 31 January 2020, the Company announced that the drilling of hole TOD-025 had been duly completed with a wedge, hole TOD-025D, also being drilled off the parent hole to conclude the latest drilling campaign. Core samples obtained from both holes TOD-025 and TOD-025D, and the previously drilled hole TOD-024, were being sent for independent assay.

On 14 February 2020, the Company announced the completion of a geotechnical study on the Toral Poject based on the geotechnical logging of the core drilled previously. The geotechnical study recommended that the already selected cut and fill mining method would be the best option to pursue.

On 28 February 2020, the Company announced the results from a recently completed conceptual hydrogeological study and an update on the water monitoring programme in respect of the Toral Project. Eight piezometers for monitoring water conditions in and around the Toral Project area had been installed as part of a planned quarterly monitoring programme.

On 11 March 2020, the Company announced assay results for the abovementioned drill holes TOD-024 and TOD-025. Core obtained from holes TOD-024 and TOD-025 had been sampled and sent to ALS Laboratories in Spain, with initial results confirming the visual mineralisation as high-grade, with certain samples having to be re-assayed due to the Pb content being above the detection limit at the laboratory. The assay results contained the highest-grade intersection obtained by the Company to date from its drilling campaign on the Toral Project and extended the current known high-grade area of the deposit as well as establishing continuity with the results of historic third party drilling campaigns in the 1980s.

On 23 March 2020, the Company announced an update relating to the impact of the coronavirus (COVID-19) global health emergency on the group's operations.

On 31 January 2020, the World Health Organisation (WHO) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (COVID-19 outbreak) and the risks to the international community as the virus spreads globally beyond its point of origin. Because of the rapid increase in exposure globally, on 11 March 2020, the WHO classified the COVID-19 outbreak as a pandemic.

The full impact of the COVID-19 outbreak continues to evolve at the date of this report. The Company is therefore uncertain as to the full impact that the pandemic will have on its financial condition, liquidity, and future results of operations during 2020.

Management is actively monitoring the global situation and its impact on the Company's financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Company is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for the 2020 financial year.

Although the Company cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time, if the pandemic continues, it may have a material adverse effect on the Company's results of future operations, financial position, and liquidity in fiscal year 2020.No other matters or circumstances have arisen since the reporting date that may significantly affect the operations of the Company, the results of these operations, or the state of affairs in future financial years.

**Directors' Declaration**

In accordance with a resolution of the directors of Europa Metals Ltd, I state that:

In the opinion of the directors:

(a) the financial statements and notes of the Company are in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the financial position as at 31 December 2019 and the performance for the period 1 July 2019 to 31 December 2019; and

  (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; other mandatory professional reporting requirements; and

(b) subject to the disclosure in Note 1 "Going Concern", there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the board

Daniel Smith
Director
Perth
30 March 2020

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**INDEPENDENT AUDITOR'S REVIEW REPORT**

To the members of Europa Metals Limited

## Report on the Half-Year Financial Report

### Conclusion

We have reviewed the half-year financial report of Europa Metals Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year then ended, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001* including:

(i) Giving a true and fair view of the Group's financial position as at 31 December 2019 and of its financial performance for the half-year ended on that date; and

(ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

### Emphasis of matter – Material uncertainty relating to going concern

We draw attention to Note 1 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

### Directors' responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2019 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Independence**

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

**BDO Audit (WA) Pty Ltd**

BDO

**Phillip Murdoch**

**Director**

Perth, 30 March 2020