

22 January 2020

Europa Metals Ltd

("Europa Metals", the "Company" or the "Group") (AIM, AltX: EUZ)

Operational and Strategic Update, Toral Pb, Zn, Ag Project, Spain

Europa Metals, the European focused lead-zinc and silver developer, announces an operational and strategic update in respect of its wholly owned Toral lead, zinc and silver project ("Toral" or the "Toral Project") situated in the region of Castilla y León, north west Spain.

The Company has commenced the year with a review of both its operations at, and data collated in relation to, its promising Toral Project, including the resource drilling programme and scoping study work conducted over the last two years. As a result, the Board intends to focus the Company's activities on engineering and processing optimisation during the course of H1 2020. The current diamond drilling campaign will therefore conclude following the completion of hole TOD-025, where drilling operations recommenced earlier this month. Samples from holes TOD-024 and TOD-025 will be sent for assay, with results expected later in Q1 2020.

Highlights:

- Strategic review of Toral Project's operations/data:
 - o Company to focus on engineering and processing workstreams in H1 2020 in order to optimise development options for Toral, utilising the significant amount of data generated over the last two years, including the scoping study, resource delineation drilling and ongoing geotechnical, metallurgical and hydrological studies;
 - o The Board sees limited additional incremental value from conducting further indicated resource delineation drilling at the current time, with the project's pre-existing mineral resource estimate sufficient for economic modelling and mine development decision-making;
 - o Newsflow expected to be focused on operational deliverables and the project's economics; and
 - o Cost saving initiatives being implemented.
- Operations:
 - o Drilling of hole TOD-025 recommenced in early January 2020. Following completion, samples from both TOD-024 and TOD-025 will be sent for independent assay;
 - o Metallurgy: second phase testing ongoing in order to complete process flowsheet optimisation;
 - o Hydrology: water level monitoring stations being drilled and engineering study on the likely water conditions in the potential future mine is underway;
 - o Geotechnical: rock type and surface report, to aid mining model revisions, nearing completion; and
 - o Environmental studies and stakeholder engagement ongoing.

Drilling

The drilling of diamond drill hole TOD-025 recommenced in early January 2020 after the Christmas break. Following completion of this hole, samples from holes TOD-024 and TOD-025 will be sent for assay, with the results expected to be received later in Q1 2020. The Board sees limited additional incremental value from conducting further indicated resource delineation drilling at this time, with the project's pre-existing resource estimate sufficient for economic modelling and mine development decision-making.

Metallurgical Testwork

The preliminary metallurgical testwork results announced by the Company on 18 December 2019 were highly encouraging. Locked cycle testwork demonstrated the potential for future production of high-grade lead and zinc concentrates from the Toral orebody. As announced previously, Wardell Armstrong International ("WAI") made a series of recommendations for a second phase of metallurgical testwork, including amendments to the milling and froth flotation procedure, which could achieve minor but potentially financially significant improvements to concentrate grades. In particular, a small reduction in the amount of zinc reporting to lead concentrate could result in stronger lead concentrate grades and zinc concentrate recoveries. The second phase of metallurgical testwork is currently in progress at WAI's laboratory, which involves, *inter alia*:

1. Mineralogical examination of the lead rougher concentrate to indicate whether a slightly finer grind or slightly more selective flotation reagents would be the most suitable approach;
2. Batch rougher/cleaner tests to evaluate the effects of grinding and/or reagent changes; and

3. Additional locked cycle tests to quantify flotation performance improvements and generate samples of concentrate for multi-element analysis (for marketing evaluation).

Following the completion of this work, Europa Metals will use the additional data obtained for process flowsheet optimisation.

Hydrogeological

A hydrogeological study has commenced to monitor water levels at the Toral Project, with a first piezometer hole being drilled in the central part of the deposit and further piezometer holes expected to follow. Following receipt of sufficient data from the various planned piezometers, the Company expects to announce its initial findings alongside a conceptual study on the likely water levels and pumping rates within the potential future mine area.

Geotechnical

A geotechnical study is currently being completed, to a pre-feasibility study level, with more than 60 samples being tested across four laboratories. This study aims to characterise the rock types of the Toral Project, thereby enabling further review of the proposed underground mining method and design. The report will aid further economic revisions to the mining model, which the Company intends to announce once the initial findings are available.

Summary

Europa Metals has generated and collated a significant amount of independently verified data over the last two years and the Company's efforts will now focus on the completion of the current second phase metallurgical testwork and optimisation of the Toral Project's process flow sheet. The Board believes that focusing on the abovementioned specific tasks will best enable the progression of Toral in a cost effective and optimal manner and looks forward to announcing the results of the various workstreams and impact on the project's economics in due course

Laurence Read, Executive Director of Europa Metals, commented:

"Europa Metals has generated significant amounts of data on its Toral Project over the last two years and, in light of the prevailing challenging market conditions, we believe that further resource delineation drilling will not generate significant incremental value for shareholders at the current time.

"Accordingly, whilst we are pleased with progress on the current drill campaign, once hole TOD-025 has been completed and assay results released, we shall not commission a JORC resource update or conduct further drilling for the time being. Through completion of the second phase of metallurgical testwork and focusing on flow sheet optimisation and offtake potential, we believe that we can progress the project and advance such important workstreams whilst efficiently deploying capital and marketing the project's potential and viability to both the industry and potential partners."

Myles Campion, Technical Director of Europa Metals, further commented:

"Our efforts over the past 2-3 years have produced substantial data on Toral, significantly advancing our understanding and knowledge of the deposit. Our next steps are key in furthering and securing the potential development scenarios for Toral. The results from our ongoing work will enable us to further assess both process and development options, whilst at the same time conserving capital."

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The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulation (EU) No. 596/2014.

Notes to Editors:

Economic highlights from the Company's selected development scenario

Estimated economic forecasts for the Toral Project based on the current level of work (+/-30%) from the Scoping Study (December 2018) comprise:

- US\$110 million net present value (NPV) using a discount rate of 8%;
- 24.4% internal rate of return (IRR);
- Estimated US\$33 million CAPEX for a proposed 450ktpa design capacity plant, including associated auxiliary costs, with infrastructure being situated near portal entrance on the north side of the deposit;
- Estimated total CAPEX of US\$110 million;
- US\$25 per tonne indicative OPEX processing cost at steady state conditions;
- US\$36 per tonne indicative OPEX mining cost utilising mechanised cut and fill; and
- 15-year production plan, with significant potential for extension.

Basis for announcing economics

The factors that lead the Company to believe that it has a reasonable basis for announcing a production target and forecast financial information are detailed in the Scoping Study and can be summarised as follows:

Three conceptual underground mining development and production scenarios were considered and developed throughout the Scoping Study, resulting in the identification of a preferred scenario, highlights from which are set out below:

- decline ramp access to the north of the deposit, targeting mine production within the higher-grade core towards the centre of the planned mining blocks;
- entry to mine via a principal decline reaching various levels;
- series of internal mining inclined ramps constructed to access levels;
- mechanised cut and fill (MCAF) mining method proposed;
- 4x4 metre mine standard development size;
- a ventilation raise would be drilled (raise-bored) to provide both adequate ambient conditions underground and a second, emergency means of access/egress into the mine;
- ore transported to a flotation process plant by conveyor or haul truck from the mine and crushed to a suitable product for milling;
- milled ore floated by standard flotation technology to provide lead and zinc concentrate, with silver probably reporting to the lead concentrate for sale as a combined product; and
- 4% Zn Eq cut-off used with potential for mine life extension.

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