

23 November 2022

Europa Metals Ltd

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

Definitive Agreement signed with Denarius Metals Corp. in respect of US\$6m Farm-in Arrangement for Toral and Equity Fundraising of £580,000 at 4.5p

Europa Metals, the European focused lead, zinc and silver developer, is pleased to announce that, further to its announcement of 5 October 2022, it has entered into a definitive option agreement (the "**Option Agreement**") with Denarius Metals Corp. (TSXV: DSLV; OTCQB: DNRSF) ("**Denarius**").

Pursuant to the Option Agreement, conditional on, *inter alia*, the approval of Europa Metals' shareholders, Denarius will have the right to acquire in two stages up to an 80 per cent. ownership interest in the Company's wholly owned Spanish subsidiary, Europa Metals Iberia S.L. ("**EMI**"), which holds the Toral Pb, Zn & Ag project ("**Toral**" or the "**Toral Project**"), located in the Province of Castilla y León, north-west Spain.

In addition, the Company announces that it has conditionally raised £580,000 via a subscription for 12,888,888 new ordinary shares in the capital of the Company ("**Ordinary Shares**") (the "**Subscription Shares**") at an issue price of 4.5 pence (ZAR0.922) per share (the "**Issue Price**") to an existing supportive institutional shareholder and certain new investors (the "**Subscription**").

The Issue Price represents a premium of approximately 60.7 per cent. to the closing mid-market price of an Ordinary Share on AIM of 2.8 pence on 22 November 2022, being the last business day prior to the date of this announcement.

Highlights:

Option Agreement executed

- Option Agreement entered into with Denarius pursuant to which it has been granted an initial option (the "**First Option**") to subscribe for 51 per cent. of the share capital of EMI, the 100 per cent. owned Spanish subsidiary of Europa Metals which holds the Toral Project, and a further option (the "**Second Option**") to potentially acquire an additional 29 per cent. of EMI's share capital from Europa Metals.
- The First Option is for an initial exercise period of three years from the date of the Option Agreement (extendable by 90 days in certain circumstances) and may be exercised by Denarius conditional upon, *inter alia*:
 - o it assuming operatorship and making expenditures on the Toral Project of US\$4,000,000; and
 - o completion of a preliminary economic assessment ("**43-101 PEA**") compliant with National Instrument 43-101 - *Standards of Disclosure for Mineral Projects* ("**NI 43-101**") on the Toral Project.
 - o Expenditures to include the completion and submission of a mining licence application in respect of Toral to the local Junta by 31 July 2023.
- The proposed transaction is conditional, *inter alia*, on the approval of Europa Metals' shareholders and once obtained an initial US\$100,000 advance will flow to EMI on the business day following such approval followed by a second aggregate sum of US\$550,000 made in periodic payments at the discretion of Denarius.
- The Second Option may be exercised by Denarius within a period of one year from the date of closing of the First Option conditional upon:
 - o exercise of the First Option;

- o completion of a NI 43-101 compliant pre-feasibility study (the "**PFS**") on the Toral Project at its own cost; and
- o payment of US\$2,000,000 cash to Europa Metals.

Fundraising at 4.5p

- Subscription to raise £580,000 (before expenses) via the issue of, in aggregate, 12,888,888 new Ordinary Shares to an existing supportive institutional shareholder and certain new investors at 4.5p representing a substantial premium to the Company's prevailing market share price.
- The Subscription Shares will represent approximately 13.87 per cent. of the enlarged share capital and the proceeds will, *inter alia*, facilitate pursuit of the Company's growth strategy and augment its working capital.

Commenting today, Myles Campion, Executive Chairman and acting CEO of Europa Metals said:

"I am delighted to have agreed definitive documentation with our incoming joint venture partner, Denarius, which, subject to the approval of Europa Metals' shareholders, secures an initial US\$4,000,000 investment into the Toral Project and a potential future US\$2,000,000 cash payment to the Company. The first year will see an application being made for a mining licence at Toral, thereby moving the project along the path towards potential future development. In subsequent years we will seek to expand the current footprint of the project to encompass the nearby historic third-party Antonina mine and delineate further high grade mineral resources, following the recent success of drillholes TOD-041 and TOD-042, at Toral.

"I am also pleased to have completed a capital raising of £580,000 at a substantial premium to the prevailing market share price, which augments our working capital position and clearly demonstrates confidence in the Toral project and our strategic direction in the current uncertain market conditions."

Key Terms of the Definitive Agreements

The proposed transaction involves the formation of a joint venture via EMI between Denarius and Europa Metals for the development of Toral, which covers both the project's existing and any expanded investigation permit area and potentially the adjacent historic Antonina Mine area, the former licence for which is currently terminated by the Junta de Castilla y León (the "**Junta**"). In return for funding certain expenditure on the project and consideration of up to, in aggregate, US\$6,000,000, Denarius will be afforded the exclusive right to acquire up to an 80 per cent. interest in the Toral Project by way of a two-stage option arrangement.

Option Agreement

Pursuant to the Option Agreement, Denarius has accordingly been granted an initial option for a period of three years from the date of the Option Agreement (the "**First Option Period**") to subscribe for 51 per cent. of EMI's share capital and a second option for a period of one year from the closing of the First Option (the "**Second Option Period**") to potentially acquire an additional 29 per cent. of EMI's share capital (the "**Second Option**") from Europa Metals.

First Option

The First Option may be exercised by Denarius conditional on, *inter alia*:

- it assuming operatorship and making expenditures on the Toral Project of US\$4,000,000; and
- the completion of the 43-101 PEA.

In each case, prior to the expiry of the First Option Period, failing which the First Option will lapse.

Denarius will advance the US\$4,000,000 by way of a loan (the "**Loan**") to EMI (the "**First Option Expenditure**") and on satisfaction of all of the conditions of the First Option, Denarius shall be entitled to capitalise the Loan up to the amount of the First Option Expenditure for the issue to it of 51 per cent. of the shares in EMI. In the event that the First Option is not exercised, Denarius shall be required to assign the loan to Europa Metals for US\$1.

Denarius will have the ability to extend the term of the First Option Period for a further 90 days if the 43-101 PEA is significantly advanced and Denarius continues to make commercially reasonable efforts to meet the conditions to exercise the First Option.

The First Option Expenditure shall be made in accordance with the agreed high level budget for the Toral Project which requires: (i) a minimum of US\$1,000,000 of the total of the First Option Expenditure to be spent prior to the first anniversary of the date of the Option Agreement, including in respect of a mining licence application in respect of the Toral Project to be submitted to the Junta by 31 July 2023; (ii) a minimum of US\$2,000,000 of the total of the First Option

Expenditure to be spent prior to the second anniversary of the date of the Option Agreement; and (iii) the full amount of the First Option Expenditure to be spent prior to the third anniversary of the date of the Option Agreement (extendable by 90 days in certain circumstances).

Denarius shall advance US\$100,000 on the business day following the required shareholder approval being obtained and a further sum of US\$550,000 in periodic payments at the discretion of Denarius.

Accordingly, the consideration received by the Company in respect of the First Option will all be utilised on expenditure to advance the Toral Project.

Second Option

The Second Option may be exercised by Denarius conditional on:

- the exercise of the First Option;
- completion of the PFS at the cost of Denarius; and
- payment of US\$2,000,000 to Europa Metals in satisfaction of the exercise price for the Second Option (the "**Second Option Exercise Price**").

In each case prior to the expiry of the Second Option Period. The US\$2,000,000 consideration receivable in respect of the Second Option, will be utilised to pursue the Company's stated growth strategy and provide additional working capital for the group.

In the event that only the First Option is exercised by Denarius, Denarius has undertaken to transfer to Europa Metals, upon request by Europa Metals, such number of shares in EMI representing two per cent. of the issued share capital such that the Company would own 51 per cent. of the issued share capital of EMI thereafter.

The proposed transaction (save for the Subscription), which is unanimously recommended by Europa Metals' board, is subject, *inter alia*, to the approval of the Company's shareholders pursuant to the requirements of Rule 15 of the AIM Rules for Companies (the "**AIM Rules**"). Accordingly, the Company will shortly make a further announcement with respect to the publication of a circular incorporating a formal notice of a general meeting with regards to seeking such shareholder approval which, once posted to shareholders, will also be made available on the Company's website at: www.europametals.com.

The Option Agreement contains representations, warranties and indemnities given by the Company and EMI to Denarius, in relation to title and capacity to the shares in EMI, legal title to the Toral Project and environmental, of the type commonly found in such agreements. Such representations, warranties and indemnities are repeated on exercise of the First Option and the Second Option. The Company's maximum aggregate liability under such warranties and indemnities is limited to an amount equal to the aggregate of the First Option Expenditure and the Second Option Exercise Price (to the extent such amounts are expended).

In addition, the Option Agreement can be terminated by a party if the other party is in material breach of the terms of the Option Agreement. Denarius may terminate the Option Agreement at any time by providing the Company and EMI with at least sixty days' prior notice in writing.

The Option Agreement is governed by the laws of the Province of Ontario and the federal Laws of Canada.

Joint Venture Agreement and Shareholders' Agreement

On exercise of the First Option, the parties shall also enter into a joint venture agreement (the "**JV Agreement**") and a shareholders' agreement (the "**Shareholders' Agreement**"). The JV Agreement sets out the terms of the appointment of the management committee to be established (the "**Management Committee**") to determine the overall policies, objectives, procedures and actions in respect of the joint venture as regards its business including the Toral Project (the "**Joint Venture**"). The Management Committee shall initially consist of three representatives appointed by Denarius and one representative appointed by the Company. The board of directors of EMI shall reflect the decisions of the Management Committee in all respects.

A shareholder holding less than 50 per cent. of the issued share capital of EMI (a "**Minority Shareholder**") shall have the right to appoint a representative to the Management Committee for such time as its shareholding in EMI does not fall below 10 per cent. Any shareholder holding more than 50 per cent. of the issued share capital of EMI (a "**Majority Shareholder**") shall be entitled to appoint three representatives to the Management Committee and shall have the right to be appointed as operator.

The quorum for any meeting of the Management Committee shall consist of at least three representatives, one of whom must be a representative appointed by the Company (subject to it holding at least 10 per cent. of the issued share capital in EMI). Certain decisions of the Management Committee require the prior written consent of the Company and Denarius including, but not limited to:

- (a) creating, or permitting, any encumbrances over any assets comprising the Toral Project;
- (b) abandoning, selling or otherwise disposing of substantially all of the assets comprising the Toral Project or any material portion of it; or
- (c) relinquishing or altering the terms of the Toral permit(s) (other than in connection with a renewal of the Toral permit(s)).

The JV Agreement is governed by the laws of the Province of Ontario and the federal Laws of Canada.

The Shareholders' Agreement to be entered into between the Company, EMI and Denarius sets out certain obligations and requirements as to the management of EMI. The board of directors of EMI (the "**EMI Board**") shall consist of four directors. A Majority Shareholder shall have the right to appoint three directors and a Minority Shareholder shall have the right to appoint one director. The quorum for meetings of the EMI Board must include one director appointed by the Minority Shareholder. EMI shall not issue any shares without the prior written consent of the Company and Denarius.

The Shareholders' Agreement is governed by Spanish law.

For its financial year ended 30 June 2022, EMI reported an unaudited profit before tax of approximately €100,000.

Details of the Subscription and Related Party Transaction

The Company has raised £580,000 (before expenses) via a subscription for, in aggregate, 12,888,888 new Ordinary Shares at an Issue Price of 4.5 pence per share to an existing supportive institutional shareholder and certain new investors. The Subscription is conditional on admission of the Subscription Shares to trading on AIM and, following admission, the Subscription Shares will represent, in aggregate, approximately 13.87 per cent. of the Company's enlarged issued share capital.

The Subscription Shares will be issued under the Company's pre-existing share capital authorities, will be issued fully paid and will rank *pari passu* in all respects with the Company's existing Ordinary Shares. The Issue Price represents a premium of approximately 60.7 per cent. to the closing mid-market price of an Ordinary Share on AIM of 2.8 pence on 22 November 2022, being the last business day prior to the date of this announcement.

The net proceeds from the Subscription will be utilised towards progressing the Company's existing strategy to further de-risk and progress the project, the continued identification and evaluation of additional projects and potential transaction opportunities to potentially expand the Company's portfolio and for the Company's general working capital requirements.

Deutsche Balaton Aktiengesellschaft ("**DBA**") is investing £330,000, via the Subscription, for 7,333,333 new Ordinary Shares and, as an existing substantial shareholder in the Company, is considered to be a related party under the AIM Rules. The participation of DBA in the Subscription is therefore deemed to constitute a related party transaction pursuant to Rule 13 of the AIM Rules. Accordingly, the independent directors of Europa Metals, being Myles Campion, Evan Kirby and Daniel Smith consider, having consulted with Strand Hanson Limited, the Company's Nominated Adviser, that the terms of DBA's participation in the Subscription are fair and reasonable insofar as the Company's shareholders are concerned.

Admission to trading

Application will be made to the London Stock Exchange for admission of the 12,888,888 Subscription Shares to trading on AIM ("**Admission**") and to the Johannesburg Stock Exchange for quotation on AltX. It is expected that Admission will become effective and dealings in the Subscription Shares will commence at 8.00 a.m. on or around 28 November 2022.

Following Admission, the Company's total issued ordinary share capital will comprise 92,925,802 Ordinary Shares with voting rights. This figure may be used by shareholders in the Company as the denominator for the calculations by which they will determine if they are required to notify their interest in, or a change to their interest in, the Company's share capital pursuant to the Company's constitution.

For further information on the Company, please visit www.europametals.com or contact:

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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 as it forms part of United Kingdom domestic law by virtue of the European Union (Withdrawal) Act 2018, as amended.

Notes to Editors:

Denarius is a Canadian junior company engaged in the acquisition, exploration, development and eventual operation of mining projects in high-grade districts, with its principal focus on the Lomero-Poyatos Project in Spain. The Company also owns the Zancudo and Guia Antigua Projects in Colombia. Additional information on Denarius can be found on its website at www.denariusmetals.com and by reviewing its profile on SEDAR at www.sedar.com.

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