



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

Half-Year Financial Report
for the period
1 July 2021 - 31 December 2021

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Europa Metals Ltd

A.C.N. 097 532 137

Directors' Report

Your Directors present the unaudited report and results of Europa Metals Ltd ("Europa Metals", the "Company" or, together with its controlled entities, the "Group") for the half-year from 1 July 2021 to 31 December 2021.

Directors

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

Myles Campion
Laurence Read (Resigned 2 February 2022)
Evan Kirby
Daniel Smith

Chairman and Interim-CEO's Review for the six months ending 31 December 2021

During the reporting period, we have continued to advance our understanding of the Company's wholly owned Toral lead, zinc and silver project in the Castilla y León region, Spain ("Toral" or the "Toral Project") as a potential future low capex, high margin, lead, zinc and silver mine within the EU.

During 2021, Europa Metals prosecuted a very successful drilling and metallurgical campaign involving a series of holes designed to achieve an increase in the project's indicated resource estimate and obtain a bulk sample in order to further our understanding of the process flowsheet.

The drill campaign initiated in the first half of 2021, targeted the upper more siliceous levels of the resource at Toral, which exhibits a lower grade and thinner horizon than the lower carbonate facies. Results from the drilling yielded some tremendous results with hole TOD-029 intersecting 20.45m @ 2.68% ZnEq(Pb+Ag) and hole TOD-034 intersecting 14.85m @ 8.36% ZnEq(Pb+Ag).

The results from the campaign were used to commission an independent updated resource estimate yielding a 55% increase in the indicated resource to approximately 5.9 Mt @ 7.1% ZnEq(including Pb credits) within a total resource of approximately 20 Mt @ 6.3% ZnEq(including Pb credits). Europa Metals is utilising this substantial updated indicated resource in future prospective mine scheduling and internal reserve calculations for future feasibility studies. At our envisaged future mining rate of 700ktpa steady state, the increase covers the first 10 years' of production, which is a substantial improvement from where the resource estimate stood only two years ago.

Our drill campaign also successfully obtained a bulk sample from some of the daughter holes from holes TOD-029 and TOD-034 which were submitted to Wardell Armstrong International Limited ("WAI") for further metallurgical evaluation. As part of this testwork, we also engaged TOMRA GmbH in Germany to complete a programme of X-Ray transmission ("XRT") or ore sorting work. Previous programmes had yielded positive results from this siliceous material illustrating the potential ability for the grade of this zone to be upgraded.

Accordingly, the Europa Metals team has progressed Toral from being a collection of historical data points to a project with the potential for a future development with good margins at long term average revenue pricing within a first world jurisdiction with world class infrastructure. Over the coming period, the Board will continue with its endeavours to establish a clear pathway forward for Toral to deliver future returns for shareholders.

In late October 2021, the Company secured a £1.5m (gross) equity financing, through its new broker, WH Ireland Limited ("WH Ireland"), with the net proceeds to be utilised to further progress and de-risk Toral and for general working capital purposes, but also to add additional focus on business development. To this end, the management team has reviewed over 10 projects, with two being discussed and evaluated at Board level, and we intend to continue such activity and to identify, investigate and assess additional opportunities of potential interest. Further updates will be provided as and when appropriate.

Myles Campion

Interim-CEO and Executive Chairman

29 March 2022

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Directors' Report

Review and results of operations

Europa Metals is a European focused lead, zinc and silver developer.

Operating Results

During the half-year from 1 July 2021 to 31 December 2021, the Group recorded a net loss after tax of AUD1,357,379 (1 July 2020 to 31 December 2020: net loss of AUD1,647,142).

Toral Lead-Zinc-Silver Project, Spain (“Torral” or the “Torral 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.

Updated Mineral Resource Estimate

On 1 October 2021, the Company announced an updated independent mineral resource estimate (“MRE”) for Torral. The updated MRE showed a 55% increase in the indicated resource to approximately 5.9 million tonnes (“Mt”) @ 7.1% zinc equivalent (“ZnEq”) (including Pb credits) and 27g/t Ag. In summary, the updated MRE represented an approximate:

- 55% increase in Indicated resource tonnes;
- 39% increase in Indicated contained tonnes of zinc to approximately 251,000 tonnes;
- 30% increase in Indicated contained tonnes of lead to approximately 196,000 tonnes; and
- 40% increase in Indicated contained ounces of silver to approximately 5.2 million ounces.

A total resource was reported of approximately 20Mt @ 6.3% zinc equivalent (including Pb credits), 3.9% Zn, 2.7% Pb and 22g/t Ag, including:

- 790,000 tonnes of zinc, 550,000 tonnes of lead and 14 million ounces of silver.

The MRE was reported in accordance with JORC(2012) and incorporated data obtained from, *inter alia*:

- 172 diamond drill holes (including wedges) and 4 reverse circulation (RC) drill holes totalling 59,658.73 metres of drilling (including environmental drillholes); and
- 19 underground channels for 18.75 metres.

*Zn Eq % is the calculated Zn equivalent incorporating lead credits; $(Zn\ Eq\ (Pb)\%) = Zn + Pb \cdot 0.867$. Zn Eq (PbAg)% is the calculated Zn equivalent incorporating silver credits as well as lead; $(Zn\ Eq\ (PbAg)\%) = Zn + Pb \cdot 0.867 + Ag \cdot 0.027$. Zn equivalent calculations were based on 3-year trailing average price statistics obtained from the London Metal Exchange and London Bullion Market Association giving an average Zn price of US\$2,516/t, Pb price of US\$1,961/t and Ag price of US\$19.4/oz.

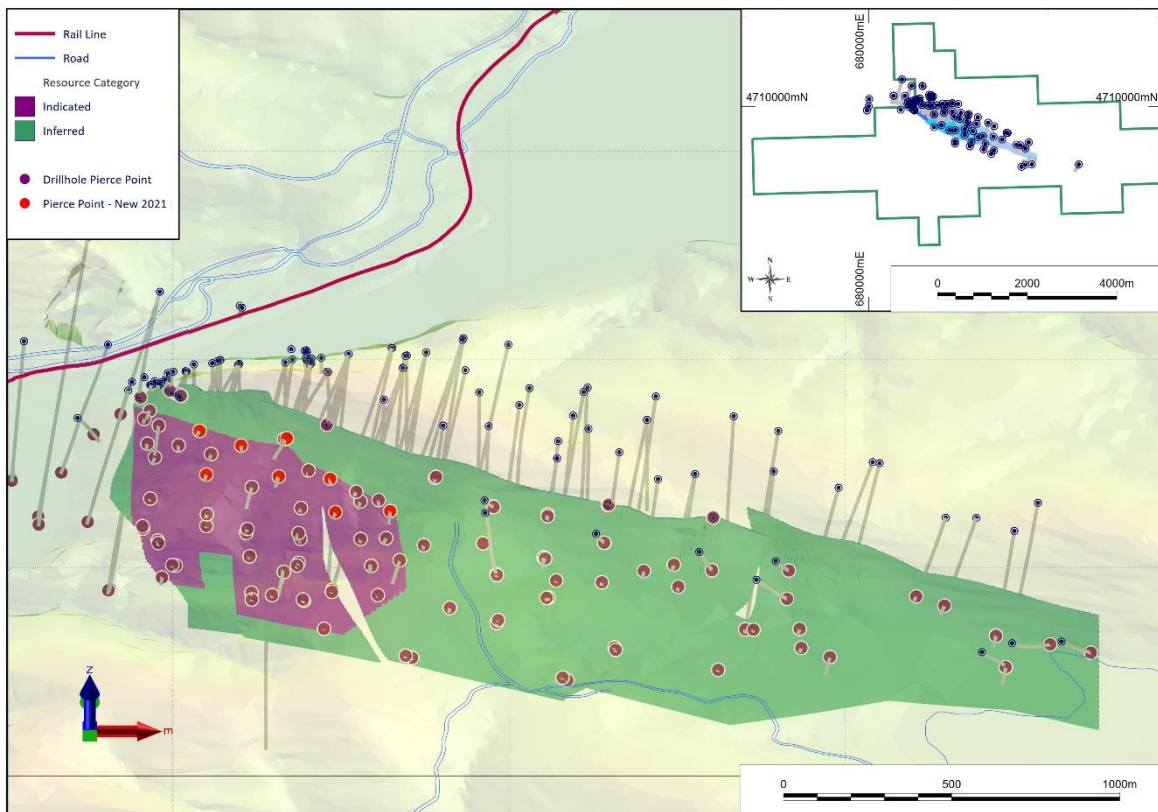


Image 1: showing Addison Mining Services Limited's ("AMS") resource block model for Toral as a 3D view looking north, by resource category

Metallurgical work programme

Summary of ore sorting

Ore sorting has been identified as having the potential to unlock value in the shallower, lower grade zones previously not considered to be economically mineable in the 2018 Scoping Study. Testing was therefore undertaken to investigate the potential of pre-concentrate material from the Toral deposit by means of sensor-based sorting. If successful, pre-concentration of the ore could provide a number of potential benefits for the project including:

- Reducing the size of the requisite process plant (crushing, grinding and dewatering circuits) whilst maintaining the same overall throughput;
- Enabling ore that may otherwise be sub-economic based on grade to be processed; and
- Allowing higher mining rates without necessarily having to increase the size of the processing plant.

As reported last year, the sorting results for both the hole TOD-024 and hole TOD-025L samples were considered to be excellent, with between 45% - 50% of the mass rejected at, for the hole TOD-024 sample, 98% Pb recovery, 97% Zn recovery and 92% Ag recovery, and at, for the hole TOD-025L sample, 98% Pb recovery, 94% Zn recovery and 82% Ag recovery.

The increasing head assay was also pleasing with the hole TOD-024 sample increasing from 1.04% Pb and 1.01% Zn in the feed to 2.34% Pb and 2.15% Zn and an approximate doubling of the grade in the sorter product. In the hole TOD-025L sample the increase in grade was more pronounced with uplifts in the Pb grade from 1.13% Pb to 4.03% and Zn grade from 0.62% Zn in the feed to 2.06% Zn in the sorter product.

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Ore sorting process

Ore sorting by means of XRT is an established process for sorting Pb/Zn ores by way of rejecting waste dilution from ores at low cost prior to more conventional processing by flotation. Sensor-based sorting was selected for WAI's investigation as it offers a number of benefits over alternative pre-concentration methods, such as Dense Media Separation (DMS), including the ability to change the sorting criteria depending on the feed material and target specific metals/minerals of interest along with the added flexibility of not having to be continuously operated.

Toral ore sorting analysis

On 23 March 2022, the Company announced further positive results in respect of the XRT ore sorting testwork, carried out by TOMRA GmbH ("TOMRA") in Germany and overseen by WAI in Cornwall. The results followed on from the abovementioned previous, encouraging testwork.

A bulk sample of siliceous mineralisation and two further discrete carbonate samples (from holes TOD-025D and TOD-028) from the indicated mineral resource zone at Toral were evaluated by TOMRA. Such XRT testwork forms part of a wider metallurgical programme that includes locked cycle flotation testwork and tailings evaluation for backfill.

The key highlights are summarised as follows:

- Results from the siliceous bulk sample showed:
 - Excellent recovery of 95.7% Pb and 94.3% Zn metal
 - 43.7% mass rejection of waste
 - An overall enrichment ratio of 1.7 for both the lead and zinc
 - Zn Equivalent (Pb+Ag) grade increased from 3.56% to 6.00%
- Results from hole TOD-025D revealed:
 - Excellent recovery of 98.9% Pb and 94.7% Zn metal
 - 46.8% mass rejection of waste
 - An overall enrichment ratio of 1.9 for lead and 1.8 for zinc
 - Zn Equivalent (Pb+Ag) grade increased from 6.57% to 12.00%
- Results from hole TOD-028 demonstrated:
 - Excellent recovery of 96.6% Pb and 96.1% Zn metal
 - 47.7% mass rejection of waste
 - An overall enrichment ratio of 1.8 for both the lead and zinc
 - Zn Equivalent (Pb+Ag) grade increased from 4.24% to 7.67%

Hydrogeological programme

On 13 December 2021, the Company announced the successful completion and results of an independent hydrogeological study on Toral, commissioned from CRS Ingenieria, following a five month programme. The objective was to assess water conditions and drainage relating to the planned further development of the project. The bore hole and piezometer programme involved a series of pumping tests and live monitoring utilising indicator dyes to assess sub-surface water flows and rates. The results were in line with the hydrogeological conditions assumed within the Company's pre-existing planned development model. Piezometers continue to monitor water levels in line with the Company's ongoing compliance with hydrogeological regulations within the region and Spain.

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CDTI Loan Funding

On 19 October 2020, the Company announced that following an extensive submission process, an interest-free loan by way of a grant of €466,801.50 (the "Grant") had been awarded to the Company by the Centre for the Development of Industrial Technology (CDTI) for use towards research and development ("R&D") at Toral.

The CDTI is a Public Business Entity in Spain, under the auspices of the Ministry of Science and Innovation, which fosters the technological development and innovation of Spanish companies. The Grant is categorised as a partly refundable loan (with a nil per cent. interest rate) with the funds received to be allocated towards the development of R&D technologies relating to the recording and correction of drillhole deviation at the Toral Project. Application for the Grant was made further to ongoing work by Europa Metals and the AIR Institute, linked to the Salamanca University, and drilling contractors Sondeos y Perforaciones Industriales de Bierzo SA ("SPI").

The Grant monies can be drawn down by Europa Metals in up to three tranches subject to certain, pre-defined, operational milestones being met, with the first tranche of €163,380.53 received by the Company prior to the last financial year end.

On 19 July 2021, the Company announced that it had completed the requisite work and collated and submitted all the relevant documentation to the CDTI in relation to the Stage 1 milestone of the Grant.

The core objectives of the Innovation Programme are to retrieve and process data from drilling at Toral in order to develop algorithmic software for use in future exploration campaigns to correct drilling deviation. Biannual repayments of €21,822 begin in 2024, running for 7 years until 2031, with a fixed interest rate of nil per cent.

On 8 November 2021, the Company announced that the CDTI had approved the requisite documentation submitted in relation to the Stage 1 milestone and that the Company had therefore drawn down and received the second tranche of the Grant being €158,628.60.

Stage 2 work will see Toral continue to be used as a live testing environment by the partnership as the University of Salamanca continues its analysis and any future commercial benefit from an eventual product will be shared by the partners. On completion of the Stage 2 work, currently expected to occur during 2022, a third, and final, tranche of €144,792.37 will then be available for draw down subject to a review by the CDTI confirming that the requisite criteria of the innovation programme have been met.

Once the funds have demonstrably been spent on appropriate R&D exploration activity at the Toral Project by the Company, 70 per cent. of the total Grant will be repayable with the balancing 30 per cent. then not required to be repaid.

Coronavirus (COVID-19) impact on operations

The Board is actively monitoring the impact of COVID-19 on the group's operations on an ongoing basis.

The Company's response to the global coronavirus (COVID-19) health event involved safeguarding key personnel at all sites and limiting travel, including to work at its sites, further to the advice and guidance issued by all relevant health authorities and the Spanish and UK governments.

There does not currently appear to be any material impact on the Company or any significant uncertainties with respect to events or conditions which may impact the Company unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

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 Addison Mining Services Limited ("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 in this announcement, 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

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Directors' Report

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

Board changes

Post the reporting period end, on 3 February 2022, the Company announced that Mr Laurence Read had resigned as CEO and as a director of the Company and its subsidiaries with effect from 2 February 2022. Accordingly, Mr Myles Campion had assumed the role of interim-CEO with immediate effect.

Capital raising

On 26 October 2021, the Company announced that it had raised, in aggregate, gross proceeds of £1.5 million through the placing of 19,527,920 new ordinary shares to certain institutional and other investors and a subscription by certain other investors directly with the Company of a further 10,472,080 new ordinary shares in each case at a price of 5 pence per share (the "Fundraising").

The Fundraising was conducted in two tranches, with the initial tranche of new ordinary shares being issued under the Company's pre-existing share capital authorities, and the second tranche issued following the receipt of shareholder approval at the Company's 2021 Annual General Meeting held on 30 November 2021.

Issue of options

Following the approval of resolution 3 at the Company's Annual General Meeting, the Company proceeded to issue 1,500,000 adviser options to Bennelong Corporate Limited, exercisable at 5 pence each on or before 2 years from their date of issue, and also issued 1,500,000 broker warrants to WH Ireland Limited, exercisable at 5 pence each on or before 3 years from their date of issue.

Shareholder Meeting

On 30 November 2021, the Company held its Annual General Meeting whereby all resolutions were duly approved by shareholders by way of a poll.

Events subsequent to the reporting date

On 26 January 2022, the Company provided a corporate and operational update, which included details of various cost saving measures and ongoing work streams at Toral.

On 3 February 2022, the Company announced that Mr Laurence Read had resigned as CEO and as a director of the Company and its subsidiaries, with effect from 2 February 2022. Accordingly, Mr Myles Campion had assumed the role of interim-CEO with immediate effect.

On 23 February 2022, the Company provided an update on, *inter alia*, the timing of geotechnical and resource drilling programmes at Toral, as well as progress on metallurgical testwork.

On 23 March 2022, the Company announced further positive ore sorting testwork results from TOMRA, which highlighted that the ore at Toral is amenable to simple beneficiation techniques. It was also announced that WH Ireland had assumed the role of sole-broker to the Company with immediate effect.

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

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.

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Directors' Report

Dated in Perth this 29th day of March 2022.

Signed in accordance with a resolution of the Directors.

A handwritten signature in black ink, appearing to read 'Daniel Smith', with a stylized flourish at the end.

Daniel Smith

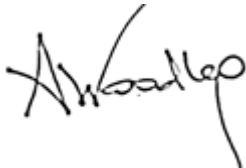
Director

DECLARATION OF INDEPENDENCE BY ASHLEIGH WOODLEY TO THE DIRECTORS OF EUROPA METALS LIMITED

As lead auditor for the review of Europa Metals Limited for the half-year review ended 31 December 2021, 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.



Ashleigh Woodley

Director

BDO Audit (WA) Pty Ltd

Perth, 29 March 2022

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Note	6 months to 31 December 2021 AUD	6 months to 31 December 2020 AUD
Revenue from continuing operations			
Revenue		-	-
Exploration expenditure		(711,643)	(950,854)
Foreign exchange (loss)/gain		22,477	(73,865)
Other expenses	2	(668,213)	(622,423)
Loss before income tax		(1,357,379)	(1,647,142)
Income tax (expense)/benefit		-	-
Net loss after income tax		(1,357,379)	(1,647,142)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Net exchange (loss)/gain on translation of foreign operation		8,844	(285,969)
Other comprehensive (loss)/profit for the period, net of tax		8,844	(285,969)
Total comprehensive loss for the period		(1,348,535)	(1,933,111)
Net (loss) for the period attributable to shareholders of the Company:		(1,357,379)	(1,647,142)
		(1,357,379)	(1,647,142)
Total comprehensive (loss) for the period attributable to shareholders of the Company:		(1,348,535)	(1,933,111)
		(1,348,535)	(1,933,111)
(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		(2.31)	(3.67)
- diluted (loss) per share		(2.31)	(3.67)

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

Consolidated Statement of Financial Position

As at 31 December 2021

		31 December 2021 AUD	30 June 2021 AUD
	Note		
Current Assets			
Cash and short-term deposits		2,525,030	1,180,768
Trade and other receivables		372,974	84,720
Total Current Assets		2,898,004	1,265,488
Non-current Assets			
Plant and equipment		54,789	66,718
Other receivables		-	190,523
Right of use assets		19,519	29,277
Capitalised exploration	3	1,258,838	1,276,964
Total Non-current Assets		1,333,146	1,563,482
Total Assets		4,231,150	2,828,970
Current Liabilities			
Trade and other payables		60,536	261,886
Lease liabilities		4,255	16,505
Unearned income		158,382	-
Total Current Liabilities		223,173	278,391
Non-current Liabilities			
Borrowings	4	212,152	121,727
Total Non-current Liabilities		212,152	121,727
Total Liabilities		435,325	400,118
NET ASSETS		3,795,825	2,428,852
Equity			
Contributed equity	5	48,227,649	45,695,303
Accumulated losses		(47,737,983)	(46,380,604)
Reserves		3,306,159	3,114,153
TOTAL EQUITY		3,795,825	2,428,852

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

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Consolidated Statement of Changes in Equity

For the half-year from 1 July 2021 to 31 December 2021

	Issued Capital AUD	Accumulated Losses AUD	Employee Share Incentive Reserve AUD	Option Reserve AUD	Foreign Exchange Reserve AUD	Total Equity AUD
At 1 July 2020	42,489,962	(43,121,940)	491,577	2,154,254	485,517	2,499,370
(Loss) for the period	-	(1,647,142)	-	-	-	(1,647,142)
Other comprehensive income (net of tax)	-	-	-	-	(285,969)	(285,969)
Total comprehensive loss (net of tax)	-	(1,647,142)	-	-	(285,969)	(1,933,111)
Transaction with owners in their capacity as owners						
Shares issued net of transaction costs	3,380,570	-	-	162,787	-	3,543,357
Options issued to brokers	(174,639)	-	-	174,639	-	-
At 31 December 2020	45,695,893	(44,769,082)	491,577	2,491,680	199,548	4,109,616
At 1 July 2021	45,695,303	(46,380,604)	491,577	2,520,528	102,048	2,428,852
(Loss) for the period	-	(1,357,379)	-	-	-	(1,357,379)
Other comprehensive income (net of tax)	-	-	-	-	8,844	8,844
Total comprehensive loss (net of tax)	-	(1,357,379)	-	-	8,844	(1,348,535)
Transaction with owners in their capacity as owners						
Shares issued net of transaction costs	2,532,346	-	-	-	-	2,532,346
Options issued to directors and management	-	-	-	28,848	-	28,848
Options issued to brokers and corporate advisers	-	-	-	154,314	-	154,314
At 31 December 2021	48,227,649	(47,737,983)	491,577	2,703,690	110,892	3,795,825

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

Consolidated Statement of Cash Flows

For the period 1 July 2021 to 31 December 2021

	6 months to 31 December 2021	6 months to 31 December 2020
	AUD	AUD
Cash flows from operating activities		
Payments to suppliers and employees	(567,590)	(416,600)
Payment for exploration and evaluation costs	(890,067)	(886,241)
Net cash flows used in operating activities	(1,457,657)	(1,302,841)
Cash flows from investing activities		
Payments for plant and equipment	(616)	(7,698)
Net cash flows used in investing activities	(616)	(7,698)
Cash flows from financing activities		
Lease principal repayments	(12,853)	(13,229)
Proceeds from issue of shares	2,760,272	3,597,214
Costs of capital raising	(138,369)	(253,101)
Proceeds from borrowings	251,705	260,617
Net cash flows from financing activities	2,860,755	3,591,501
Net increase / (decrease) in cash and cash equivalents	1,402,482	2,280,962
Cash and cash equivalents at beginning of period	1,180,768	700,642
Effect of foreign exchange on cash and cash equivalents	(58,220)	(83,220)
Cash and cash equivalents at end of the period	2,525,030	2,898,384

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 2021 was authorised for issue in accordance with a resolution of the directors on 29 March 2022. 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 unaudited half-year financial report is a general purpose 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 2021 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 an historical cost basis. The Company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise stated.

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest rate method.

Adoption of new and revised Accounting Standards

For the half-year ended 31 December 2021, 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 2021. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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 2021.

Notes to the Consolidated Financial Statements

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

Going Concern

As at 31 December 2021, the Group had working capital of A\$2,674,831 (current assets less current liabilities) with cash on hand of A\$2,525,030 and a net loss of A\$1,357,379. 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. 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 raising and/or achieve any of the above funding alternatives.

Should the Group not be able to continue as a going concern it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the consolidated financial statements. The consolidated financial report does not include any adjustments relating to the recoverability or classification of recorded asset amounts, nor the amounts or classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

NOTE 2: EXPENSES

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

	31 Dec 2021	31 Dec 2020
	AUD	AUD
Other expenses		
Other expenses include the following:		
- Depreciation	21,542	22,254
- Consulting services	68,318	80,309
- Employment related services	253,069	179,668
- Share based payments	93,605	162,787
- Corporate	166,012	69,553
- Other	65,667	107,852
	668,213	622,423

NOTE 3: CAPITALISED EXPLORATION AND EVALUATION EXPENDITURE

	31 Dec 2021	30 Jun 2021
	AUD	AUD
Opening Balance	1,276,964	1,577,953
Foreign exchange movement	(18,126)	(300,989)
Closing balance	1,258,838	1,276,964

Notes to the Consolidated Financial Statements

NOTE 4: BORROWINGS

	31 Dec 2021	30 Jun 2021
	AUD	AUD
Opening Balance	121,727	-
CDTI Loan Received	90,425	121,727
Closing balance	212,152	121,727

On 19 October 2020, the Company announced that following an extensive submission process, an interest-free loan by way of a grant of €466,801.50 (the “Grant”) had been awarded to the Company by the Centre for the Development of Industrial Technology (CDTI) for use towards research and development (“R&D”) at the Company’s 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 CDTI is a Public Business Entity in Spain, under the auspices of the Ministry of Science and Innovation, which fosters the technological development and innovation of Spanish companies. The Grant is categorised as a partly refundable loan (with a nil per cent. interest rate) with the funds received to be allocated towards the development of R&D technologies relating to the recording and correction of drillhole deviation at the Toral Project. Application for the Grant was made further to ongoing work by Europa Metals and the AIR Institute, linked to the Salamanca University, and drilling contractors Sondeos y Perforaciones Industriales de Bierzo SA (“SPI”).

Europa Metals will draw the Grant monies down in up to three tranches, with the prior agreement of the CDTI, with the initial tranche, comprising an amount of €163,380.53, received by the Company during the previous period. The second tranche comprising an amount of €158,628.60 was drawn down on 8 November 2021. The third tranche is scheduled to be drawn down over a period of approximately 12 months subject to certain, defined, operational milestones. The core objectives of the Innovation Programme are to retrieve and process data from the latest Toral drilling campaign in order to develop algorithmic software for use in exploration campaigns to correct drilling deviation. Biannual repayments of €21,822 begin in 2024, running for 7 years until 2031, with a fixed interest rate of nil per cent.

Once the funds have demonstrably been spent on appropriate R&D exploration activity at the Toral Project by the Company, 70 per cent. of the total Grant will be repayable with the balancing 30 per cent. then not required to be repaid.

In accordance with AASB 120 *Accounting for Government Grants* the above loan has been fair valued using a discount rate of 12%. The discounted loan balance is recognised as a loan with the remaining amount of A\$158,382 recognised as unearned income.

The loan will accrue interest at a deemed interest rate over the life of the loan and be unwound as the loan repayments are made.

The unearned income will unwind to the Statement of Profit or Loss and other Comprehensive Income over the period that the benefit is incurred.

NOTE 5: CONTRIBUTED EQUITY

	31 Dec 2021	30 June 2021	31 Dec 2021	30 June 2021
	No. of Shares	No. of Shares	AUD	AUD
Share Capital summary				
Ordinary Shares				
Ordinary Shares fully paid	79,130,649	49,130,649	48,492,951	45,960,605
Less: Employee share plan shares	(4,600)	(4,600)	(265,302)	(265,302)
	79,126,049	49,126,049	48,227,649	45,695,303

Notes to the Consolidated Financial Statements

NOTE 5: CONTRIBUTED EQUITY (continued)

Movements in ordinary share capital		Half-Year 31 December 2021	
		Number	AUD
30 June 2020	Closing Balance	16,722,209,651	42,755,264
15 July 2020	Share consolidation 500:1	(16,688,765,276)	-
19 August 2020	Placing shares	15,686,274	3,633,082
	Cost associated with share issues		(427,741)
30 June 2021	Closing Balance	49,130,649	45,960,605
26 October 2021	Placement - Tranche 1	24,565,324	2,253,241
30 November 2021	Placement - Tranche 2	5,434,676	507,031
	Cost associated with share issues		(227,926)
		79,130,649	48,492,951
Less:	Employee share plan shares on issue	(4,600)	(265,302)
		79,126,049	48,227,649

Options

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

	31 December 2021	30 June 2021
	Number	Number
Outstanding at 1 July 2021	15,116,087	5,627,416,568
Consolidation 500:1	-	(5,616,161,747)
	15,116,087	11,254,821
Issued during the period	3,000,000	4,331,765
Expired/exercised during the period	-	(470,499)
Outstanding at 31 December 2021	18,116,087	15,116,087
Exercisable at 31 December 2021	16,716,087	13,716,087

NOTE 6: LOSS PER SHARE

	2021 \$	2020 \$
Basic loss per share (cents per share)	(2.31)	(3.67)
Diluted loss per share (cents per share)	(2.31)	(3.67)
Loss used in calculating basic loss per share	(1,357,379)	(1,647,142)
Adjustments to basic loss used to calculate dilutive loss per share	-	-
Loss used in calculating dilutive loss per share	(1,357,379)	(1,647,142)

Notes to the Consolidated Financial Statements

NOTE 6: LOSS PER SHARE (continued)

	Number	Number
Weighted average number of ordinary shares used in the calculation of basic loss per share	58,853,149	44,863,575
Weighted average number of ordinary shares used in the calculation of diluted loss per share	58,853,149	44,863,575

18,116,087 share options outstanding as at 31 December 2021 have not been included in the calculation of dilutive loss per share as they are anti-dilutive.

NOTE 7: SHARE BASED PAYMENTS

Expenses arising from share-based payment transactions

Total costs arising from share-based payment transactions recognised during the period were as follows:

	31 December 2021	30 December 2020
	\$	\$
Options issued to Brokers as part of capital raising (included in Equity)	154,313	174,640
Options issued to directors/management - July 2020	-	157,979
Options issued to directors/management - December 2020	28,848	4,808
	183,161	337,427

Fair value of options granted

The value of the above services was unable to be reliably measured so the fair value of the options issued was used.

The fair value at the grant date of options issued is determined using the Black Scholes model that takes into account the exercise price, the term of the option, the impact of dilution, the non-tradable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

1. The table below summarises the model inputs for options granted during the period ended 31 December 2021:

	Options issued to Advisers	Options issued to Brokers Tranche 1	Options issued to Brokers Tranche 2
Options granted for no consideration	1,500,000	1,228,266	271,734
Exercise price (GBP)	0.050	0.050	0.050
Issue date	30/11/21	26/10/21	30/11/21
Expiry date	30/11/23	30/11/23	30/11/23
Underlying security spot price at grant date (GBP)	0.046	0.060	0.046
Expected price volatility of the Company's shares	100%	100%	100%

Notes to the Consolidated Financial Statements

NOTE 7: SHARE BASED PAYMENTS (continued)

Expected dividend yield	0%	0%	0%
Expected life (years)	2	2	2
Risk-free interest rate	0.53%	0.14%	0.53%
Black Scholes model valuation per option (AUD cents per share)	0.043	0.063	0.043
Total fair value	A\$64,756	A\$77,870	A\$11,687
Expensed during the period	A\$64,756	A\$77,870	A\$11,687

NOTE 8: CONTINGENCIES AND COMMITMENTS

The Group has had no material changes in relation to any contingencies and commitments since 30 June 2021.

NOTE 9: RELATED PARTY TRANSACTIONS

There have been no related party transactions with Directors, key management personnel or related parties in the current reporting period.

NOTE 10: EVENTS OCCURRING SUBSEQUENT TO THE REPORTING DATE

On 26 January 2022, the Company provided a corporate and operational update, which included details of various cost saving measures and ongoing work streams at Toral.

On 3 February 2022, the Company announced that Mr Laurence Read had resigned as CEO and as a director of the Company and its subsidiaries with effect from 2 February 2022. Accordingly, Mr Myles Campion had assumed the role of interim-CEO with immediate effect.

On 23 February 2022, the Company provided an update on, *inter alia*, the timing of geotechnical and resource drilling programmes at Toral, as well as progress on metallurgical testwork.

On 23 March 2022, the Company announced further positive ore sorting testwork results from TOMRA, which highlighted that the ore at Toral is amenable to simple beneficiation techniques. It was also announced that WH Ireland had assumed the role of sole-broker to the Company with immediate effect.

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 Company's state of affairs in future financial years.

Europa Metals Ltd

A.C.N. 097 532 137


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 2021 and the performance for the period 1 July 2021 to 31 December 2021; 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

29 March 2022

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 2021, 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 ended on that date, a summary of significant 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 accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2021 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 the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be the same terms if given to the directors as at the time of this auditor's review report.

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.

Responsibility of the directors for the 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether 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 2021 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*.

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.

BDO Audit (WA) Pty Ltd



Ashleigh Woodley

Director

Perth, 29 March 2022