# Europa Metals Ltd
# (Formally known as Ferrum Crescent Ltd)

A.C.N. 097 532 137

**Annual Report**

For the year ended

30 June 2018

## Contents

## Chairman's Letter

Dear Shareholders,

The 2018 financial year has been a rewarding one for the Company and its management, employees and shareholders. Management's decision to divest of the Company's operations in South Africa in order to focus attention and efforts on the wholly owned Toral lead-zinc-silver project in northern Spain, has been the catalyst for the Company moving in a more positive direction. I joined as Non-executive Chairman of Europa Metals Ltd ("Europa or the "Company") in January 2018 as part of a revitalisation of the Board, and under the executive drive of Laurence Read (Executive Director) and Myles Campion (Technical Director) I am most excited about the next 12 months and beyond.

Our Toral project, situated in Castila y León, northern Spain, has continued to demonstrate the hallmarks of a high grade deposit with further scale potential. On 6 February 2018, the Company announced Maiden independent Inferred Mineral Resource estimate completed in accordance with JORC (2012) in respect of the project. The JORC resource estimate, comprising 16Mt at 6.9% Zn Equivalent (including Pb credits) and 25 g/t Ag, more recently updated to 19Mt at 6.9% Zn Equivalent (including Pb credits) and 24 g/t Ag, forms the basis for the Company's ongoing scoping study, which is being overseen by the talented team at Addison Mining Services Limited. Importantly, our progress at Toral has enabled the Company to access funding from the capital markets for its current and planned exploration activities.

I look forward to providing both longstanding and new shareholders with further updates on the Company's progress at Toral as the 2019 financial year unfolds.

Yours faithfully,

Colin Bird
*Non-Executive Chairman*

## Corporate information

**Directors:**
Evan Kirby
Laurence Read

| | | |
|---|---|---|
| Myles Campion | Appointed | 17 October 2017 |
| Colin Bird | Appointed | 11 January 2018 |
| Daniel Smith | Appointed | 16 January 2018 |
| Justin Tooth | Resigned | 26 September 2017 |
| Grant Button | Resigned | 31 January 2018 |

**Company Secretary:**
Daniel Smith (Appointed 16 January 2018)
Grant Button (Resigned 16 January 2018)

**Auditor:**
BDO Audit (WA) Pty Ltd
38 Station Street
Subiaco, WA 6008
Australia
Telephone: (+61 8) 6382 4600
Facsimile: (+61 8) 6382 4601

**Banker:**
National Australia Bank
Perth Central Business Banking Centre
UB13.03, 100 St Georges Terrace
Perth WA 6000 AUSTRALIA
Telephone: 13 22 65

**Lawyer:**
HFW
Level 15
Brookfield Place - Tower 2
123 St Georges Terrace
Perth WA 6000 AUSTRALIA
Telephone: (+61 8) 9422 4700
Facsimile: (+61 8) 9422 4777

**Share Registry:**
Computershare Investor Services Pty Limited
Level 11, 172 St Georges Terrace
Perth WA 6000 AUSTRALIA
Telephone: (+61 8) 9323 2000
Facsimile: (+61 8) 9323 2033

**Registered and Principal Office:**
c/- Minerva Corporate Pty Limited
Level 8, 99 St Georges Terrace
Perth WA
6000 AUSTRALIA

Telephone: (+61 8) 9486 4036
Facsimile: (+61 8) 9486 4799
Website: www.europametals.com
Email: info@europametals.com

**Stock Exchange Listings:**
Europa Metals Ltd's ordinary shares are listed on the Australian Securities Exchange (ASX:EUZ), and the JSE Limited (JSE:EUZ), and quoted on the AIM market of the London Stock Exchange plc (AIM:EUZ).

## Directors' Report

The Directors of Europa Metals Ltd ("Europa" or "the Company") (the "Directors") present their report for the financial year ended 30 June 2018.

### Directors

The names and details of the Directors in office during the financial year and at the date of this report are set out below:

Each Director was in office for the entire reporting period unless otherwise stated.

| ***Dr Evan Kirby (Age 67), BSc (Hons) Metallurgy, PhD Metallurgy, Non-Executive Director*** | | |
|---|---|---|
| Experience and expertise | Dr Kirby is a metallurgist with over 31 years of international experience in the mining sector. He has held senior management positions with Impala Platinum, Rand Mines and Rustenburg Platinum Mines and worked as a director and technical consultant for a number of mining companies. | |
| Other current directorships | Director of Bezant Resources plc (AIM: BZT) | |
| Former directorships over the past 3 years | Director of Nyota Minerals Limited (ASX & AIM: NYO) | |
| Special responsibilities | Non-Executive Director<br>Chairman of the Remuneration Committee<br>Member of the Audit Committee<br>Chairman of the Nominations Committee<br>Member of the Risk Management Committee | |
| Interests in shares and options | Ordinary Shares in Europa Metals Ltd | 12,929,158 |
| | Options held in Europa Metals Ltd | 22,500,000 |

| ***Mr Laurence Read (Age 41), BA (Hons), Non-Executive Director, appointed 30 January 2017; Executive Director appointed 26 September 2017*** | | |
|---|---|---|
| Experience and expertise | Mr Read is a UK resident, and has sixteen years experience working with public and private companies in particular within the natural resources sector. | |
| Other current directorships | Chief Executive Officer of Bezant Resources plc (AIM: BZT) | |
| Former directorships over the past 3 years | None | |
| Special responsibilities | Executive Director<br>Member of the Audit Committee | |
| Interests in shares and options | Ordinary Shares in Europa Metals Ltd | 23,913,043 |
| | Options held in Europa Metals Ltd | 112,500,000 |

## Directors' Report

| ***Myles Campion (Age 49), BSc Geology (Hons), MSc Mineral Exploration, Non-Executive Director (Appointed 17 October 2017)*** | | |
|---|---|---|
| Experience and expertise | Mr Campion served as a Fund Manager of Oceanic Asset Management Pty Ltd, Australian Natural Resources OEIC and Global Connections Funds plc - Junior Resources Fund. Mr Campion has 24 years' experience in the natural resources sector, including as a Resource analyst, Fund Manager, equities research and project and debt financing. He has over 10 years experience as a field geologist that includes success at the Emily Ann Nickel Sulphide Mine. He was based in London for five years working at Barclays Capital in their natural resources team and as a Senior Resource Analyst at WH Ireland. He also served as Fund Manager of CF Global Resources Fund.<br><br>He held the role of Project Geologist at LionOre responsible for the exploration, discovery and BFS completion of the Emily Ann Nickel Sulphide Mine. Mr Campion's financial experience ranges from Australian and UK equities research through to project and debt financing in London, covering the entire spectrum of mining companies with an extensive knowledge of the global resources market covering the three main bourses, the Toronto Stock Exchange, AIM and the ASX. He holds a Graduate Diploma of Business (Finance) and is an Associate of the Royal School of Mines. Mr Campion earned an M.Sc. in Minerals Exploration from the Royal School of Mines in London and B.Sc. Honours in Geology from University of Wales College Cardiff. | |
| Other current directorships | Director of Katoro Gold Plc (AIM: KAT) | |
| Former directorships over the past 3 years | Director of Taruga Minerals Limited (ASX: TAR) | |
| Special responsibilities | Technical director | |
| Interests in shares and options | Ordinary Shares in Europa Metals Ltd | 18,514,492 |
| | Options held in Europa Metals Ltd | 112,500,000 |

| ***Colin Bird (Age 74), Higher National Diploma in Mining Engineering (Trent Polytechnical College, United Kingdom), Non-Executive Chairman (Appointed 11 January 2018)*** | | |
|---|---|---|
| Experience and expertise | Mr Bird is a Fellow of the Institute of Materials, Minerals and Mining and a UK Chartered Engineer. He also holds a UK and South African Mine Managers Certificate for coal mines. The formative part of his career was spent in the UK coal mining industry and thereafter he moved to the Zambian copper belt and then to South Africa to work in a management position with Anglo Coal and BP Coal. On his return to the UK he was Technical and Operations Director of Costain Mining Ltd, which involved responsibility for Costain's interests in the UK, Latin-America and Spain. Mr Bird has senior technical and operational experience in a number of commodities including coal, nickel, gold, copper and industrial minerals.<br>After his extensive operational and technical career, he became involved in corporate finance and has been the prime mover in a number of public listings, mainly on the UK's AIM market | |
| Other current directorships | Director of Bezant Resources plc (AIM: BZT)<br>Director of Jubilee Metals Group Plc (AIM: JLP)<br>Director of African Pioneer Plc (ISDX: APPP)<br>Chairman of Galileo Resources Plc (AIM: GLR)<br>Executive Chairman of Xtract Resources Plc (AIM: XST)<br>Director of BMR Group Plc (LSE: BMR) | |
| Former directorships over the past 3 years | Director of Orogen Gold Plc (AIM: ORE) | |
| Special responsibilities | Non-executive Chairman (appointed 11 January 2018) | |
| Interests in shares and options | Ordinary Shares in Europa Metals Ltd | 50,000,000* |
| | Options held in Europa Metals Ltd | 105,000,000 |

** - Mr Bird also has an indirect interest in a further 130,499,858 ordinary shares via his directorship of African Pioneer Plc and directorship/shareholding in Davey Crest Nominees Limited.*

| ***Daniel Smith (Age 34), BA (International Relations), GIA (Cert), Non-Executive Director, Company Secretary (Appointed 16 January 2018)*** | | |
|---|---|---|
| Experience and expertise | Mr Smith is a member of the Australian Institute of Company Directors and the Governance Institute of Australia and has over 10 years' primary and secondary capital markets expertise. As a director of Minerva Corporate, he has advised on, and been involved in, a significant number of IPOs, RTOs and capital raisings on both the ASX and NSX. His key focus is on corporate governance and compliance, commercial due diligence and transaction structuring, as well as ongoing investor and stakeholder engagement. Mr Smith is currently a director and company secretary of ASX-listed Lachlan Star Limited and Hipo Resources Limited, and is Company Secretary for Taruga Minerals Limited, Love Group Global Ltd, and Vonex Limited. He holds a BA in International Relations from Curtin University, Western Australia. | |
| Other current directorships | Director of Lachlan Star Limited (ASX: LSA)<br>Director of Hipo Resources Limited (ASX: HIP) | |
| Former directorships over the past 3 years | Director of Taruga Minerals Limited (ASX:TAR)<br>Director of CoAssets Limited (ASX:CA8) | |
| Special responsibilities | Non-Executive Director and Company Secretary<br>Member of Remuneration Committee<br>Chairman of Audit Committee | |
| Interests in shares and options | Ordinary Shares in Europa Metals Ltd | - |
| | Options held in Europa Metals Ltd | 10,000,000 |

| ***Mr Justin Tooth (Age 53), BSc, Executive Chairman and Managing Director, resigned 26 September 2017*** | | |
|---|---|---|
| Experience and expertise | Mr Tooth is a financial sector professional with over 21 years' experience in equity sales and corporate broking and has a comprehensive knowledge of the natural resources sector. Between 1994 and 2009, Mr Tooth held senior roles at SBC Warburg, Lehman Brothers, Paribas and Deutsche Bank, amongst others, primarily in equity sales and management roles. From 2009 to 2014, he was employed by the specialist mining brokerage Ocean Equities Limited (now Pareto Securities Limited) in the role of sales and business development manager. | |
| Other current directorships | None | |
| Former directorships over the past 3 years | None | |
| Special responsibilities | None | |
| Interests in shares and options | Ordinary Shares in Europa Metals Ltd | 326,650 |
| | Options held in Europa Metals Ltd | - |

| ***Mr Grant Button (Age 56), B Bus, CPA, Company Secretary; Non-Executive Chairman, resigned 31 January 2018*** | |
|---|---|
| Experience and expertise | Mr Button is a qualified accountant and has 25 years' financial and other commercial management and transactional experience, including 23 years' experience at a senior management level in the resources industry. He has acted as an executive director, managing director, finance director, CFO and company secretary of a range of publicly listed companies. |
| Other current directorships | Executive director of Magnum Mining & Exploration Limited (ASX: MGU). Appointed 6 February 2006. |
| Former directorships over the past 3 years | None |

## Directors' Report

| | | |
|---|---|---|
| Special responsibilities | None | |
| Interests in shares and options | Ordinary Shares in Europa Metals Ltd | 5,356,300 |
| | Options held in Europa Metals Ltd | 10,000,000 |

## Corporate

### *Board Changes*

On 26 September 2017, the Company announced that Mr Justin Tooth, Executive Chairman had resigned from the Board of Directors of the Company with immediate effect, in order to pursue his other business interests. Additionally, Mr Laurence Read, previously a Non-executive Director, became an Executive Director.

On 17 October 2017, the Company announced the appointment of Mr Myles Campion as an Executive Director. Mr Campion has a comprehensive background in all technical and financial facets of the resources sector, specialising internationally in resource evaluation and project assessment. This follows a 10-year career as an exploration and mine site geologist in Australia covering base metals and gold. He holds a BSc (Hons) in Geology from University of Wales College, Cardiff and an MSc (MinEx) from the Royal School of Mines in London, and also holds a Graduate Diploma of Business (Finance).

On 11 January 2018, the Company announced the appointment of Mr Colin Bird as a Non-Executive Director and Chairman of the Company. Mr Bird is a chartered mining engineer with extensive multi-commodity mine management experience in Africa, Europe, Latin America and the Middle East. Mr Bird's operational and corporate experience, includes the development of the Jubilee Metals Group production portfolio, concentrating on Platinum Group Metals in South Africa, in addition to the successful sale of Kiwara plc.

On 16 January 2018, the Company announced the resignation of Mr Grant Button as Company Secretary and the appointment of Mr Daniel Smith as a Non-Executive Director and Company Secretary. Mr Smith is a member of the Australian Institute of Company Directors and the Governance Institute of Australia and has over 10 years' primary and secondary capital markets expertise. On 31 January 2018, the Company announced the resignation of Mr Grant Button as a Non-Executive Director.

### *Name Change*

On 4 June 2018, the Company announced that the Australian Securities and Investments Commission had approved the change of the Company's name to Europa Metals Ltd. Coinciding with the change of company name, the ticker code for the Company was changed to EUZ on the ASX, AIM and JSE.

### *Capital Raisings*

On 8 September 2017, the Company announced that it had conditionally raised in aggregate, £193,304 (approximately A$321,590) before expenses through a placement via Peterhouse Corporate Finance Limited, as agent to the Company, of 214,782,526 new ordinary shares of no par value each in the capital of the Company at a price of 0.09 pence per new ordinary share. The placement was completed on 14 September 2017.

On 2 November 2017, the Company announced that it had conditionally raised £185,250 before expenses through a placement via Beaufort Securities Limited of 370,499,858 new ordinary shares of no par value each in the capital of the Company at a price of 0.05 pence per new ordinary share together with the issue of 185,249,929 options exercisable at a price of 0.075 pence per new ordinary share for a period of thirty months from their date of issue. The placing was completed on 8 November 2017.

On 9 February 2018 the Company announced the expiry of 2,000,000 unlisted options exercisable at GBP0.0075 and 3,000,000 unlisted options exercisable at GBP0.02 on or before 2 February 2018, which had lapsed unexercised.

On 22 May 2018, and further to its previous announcement of 21 March 2018, the Company announced that following shareholder approval it had issued 1,739,130,435 new ordinary shares of no par value each in the capital of the Company at a price of 0.0575 pence per share, raising approximately £1m (before expenses). The proceeds of the fundraising provided necessary financing and general working capital to enable the Company to progress the resource delineation and commissioning of an initial scoping study in respect its wholly owned Toral lead-zinc-silver project.

### *Shareholder Meetings*

At a General Meeting of the Company held on 18 October 2017, shareholders ratified the Company's previous capital raising of £225,521 completed on 23 June 2017.

At the Annual General Meeting of the Company held on 30 November 2017, shareholders approved, *inter alia,* the re-election of Messrs Button, Read and Campion.

At a General Meeting of the Company held on 21 May 2018, shareholders approved, amongst other things, the issue of shares relating to a capital raising as well as the ratification of a previous fundraising, the issue of placing options to brokers and advisers of the Company, incentive options to Directors of the Company, the conversion of outstanding Director's fees into shares, and the change of the Company's name from Ferrum Crescent Limited to Europa Metals Ltd.

### *Sponsor and Broker*

On 8 September 2017, the Company announced the appointment of Peterhouse Corporate Finance Limited as an AIM broker to the Company.

On 21 March 2018, the Company announced the appointment of Turner Pope Investments (TPI) Limited as the Company's joint broker on AIM.

On 2 May 2018, the Company announced that in accordance with paragraph 2.6 of the JSE Limited Listings Requirements, Sasfin Capital Proprietary Limited had been appointed as the Company's JSE sponsor with effect from 1 May 2018.

## Dividends

No dividend has been paid or declared since the start of the financial year and the Directors do not recommend the payment of a dividend in respect of the financial year (2017: Nil).

## Principal activities

The principal activity of the entities within the consolidated entity during the financial year was the exploration for minerals.

## Review of operations and activities

Information on the operations and activities of the Group is set out in the Company and Project overview section on pages 26 to 29 of this Annual Report.

On 3 July 2017, the Company announced that it had disposed of Batavia Ltd, its wholly-owned Mauritian subsidiary which held all of the Group's South African assets, including the Moonlight Iron Ore Project in Limpopo Province, northern South Africa. The disposal effectively ended the Group's exposure to all of the costs and commitments associated with maintaining the Moonlight Project in good standing and enabled the Company to focus its resources on its portfolio of European lead-zinc-silver exploration assets.

**Lead-Zinc-Silver Exploration Projects, Spain**

On 28 July 2017, the Company announced the initial results from its drilling programme at the Toral Project, Spain. The near surface drilling campaign at the project, designed to determine the presence of near surface mineralisation, returned core containing visible lead-zinc from every one of the 6 drill holes completed. The Company announced the results of the drill programme assays on 7 September 2017, which confirmed the presence of lead-zinc intersections in all six holes with significant high grade lead-zinc intersections in all of the six holes. Highlights included:

- All of the 1,046.9m drilled occurred within 200 metres of the surface.
- Intersection of lead-zinc anomalies in all six drill holes.
- Key intersections encountered (all widths given along the core):
  - Hole TOR17009 1 metre grading at 1.22%Pb, 9.77%Zn (10.99% combined Pb/Zn);
  - Hole TOR17012 3 metres grading at 0.64%Pb, 6.46%Zn (7.10% combined Pb/Zn);
  - Hole TOR17012 1 metre grading at 0.67%Pb, 16.10%Zn (16.77% combined Pb/Zn);
  - Hole TOR17013 1 metre grading at 6.51%Pb, 6.50%Zn (13.01% combined Pb/Zn); and
  - Hole TOR17013 3 metres grading at 6.03%Pb, 5.49%Zn (11.52% combined Pb/Zn).

On 22 November 2017, the Company announced that, following a formal application to the Director General of Mines of the Province of León, the exploration licence in respect of the Group's Toral lead-zinc project had been renewed for a further 3 year term to November 2020.

On 11 December 2017, the Company provided an update on its work programme to define a maiden JORC (2012) compliant resource estimate for Toral. As part of this programme, Addison Mining Services Limited ("AMS") had successfully undertaken a site visit, including data location checks, data collection and analytical review procedures, including check sampling for the purpose of verification and validation of the project's database for use in JORC 2012 compliant modelling and estimation. The maiden JORC (2012) compliant resource estimate was expected to be received in early 2018.

On 6 February 2018, the Company announced a Maiden independent Inferred Mineral Resource estimate completed in accordance with JORC (2012) in respect of the Toral Project, Spain. A new block model combined with an initial digital geological model had increased the level of understanding of the mineralogical and geological controls at Toral, and the Company expressed confidence in being able to enhance and potentially expand the resource going forwards, subject to undertaking additional drilling and exploration activities.

**Maiden JORC (2012) Independent Resource Estimate, Toral Project**

The Inferred resource for the Toral Pb-Zn-Ag mineralisation located on the Toral property had been estimated at various cut-offs (see Table below). The Company had reviewed the new model with AMS, and concluded that a 4% cut-off was appropriate utilising estimated mining parameters typical for similar types of projects and mineralogy, and a historical three-year trailing average for metal prices.

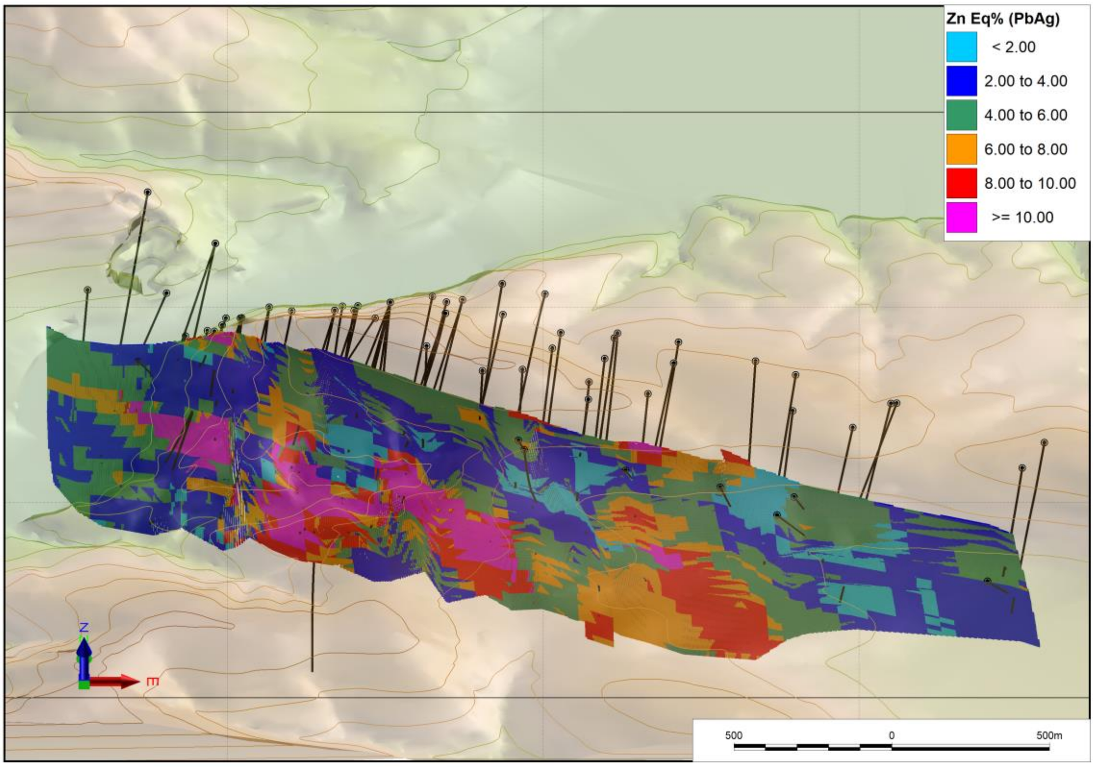
| | | |
|---|---|---|
| Zn Price Used: | US$2,400/t | US$c/lb1.09 |
| Pb Price Used: | US$2,000/t | US$c/lb0.91 |
| Ag Price Used: | | US$17/oz |

The maiden resource successfully identified potentially economic mineralisation ranging from surface to approximately 1,100m below surface. The block model currently extends for a strike length of 3,300m and is still open to the east long strike and also at depth where it has not yet been closed off.

| Cut-Off Zn Eq (PbAg)% | Tonnes (Millions) | Density | Zn_Eq (Pb)% | Zn Eq (PbAg)% | Zn % | Pb % | Ag g/t | Zn Tonnes (000's) | Pb Tonnes (000's) | Ag Troy Oz (Millions) |
|---|---|---|---|---|---|---|---|---|---|---|
| 6.0 | 9 | 2.65 | 8.8 | 9.5 | 5.0 | 4.3 | 31 | 470 | 400 | 9 |
| 5.0 | 12 | 2.57 | 7.8 | 8.4 | 4.6 | 3.7 | 28 | 580 | 470 | 11 |
| **4.0** | **16** | **2.52** | **6.9** | **7.5** | **4.0** | **3.3** | **25** | **670** | **540** | **13** |
| 3.0 | 20 | 2.50 | 6.2 | 6.7 | 3.7 | 2.9 | 23 | 750 | 600 | 15 |

**Table**: Summary of **Inferred mineral resources** for the Toral property reported at a 4.0% Zn equivalent cut-off grade and estimated grade and tonnages at the various cut off grades.

An image of the AMS' resource block model for the Toral Project as a 3D view looking north is set out below:.




On 19 June 2018, the Company announced that it had engaged the services of UK based AMS with immediate effect, to commence an initial Scoping Study (the "Study") on the Company's 100% owned Toral lead, zinc and silver project. The principal objective of the Study is to determine first economics on the Toral Project, reported on by a fully accredited and independent mining consultancy group. The findings of the Study will be disclosed to the market following completion, which is currently anticipated during Q4 2018.

AMS' Principal Geologist, James Hogg, and Associate Principal Mining Engineer, Julian Bennett, will lead the Study project team dedicated to the Toral Project. The dedicated Study team is working alongside the Company's existing in-country management, under the direction of Myles Campion, Technical Director, and Jesus Montero, principal Mining Engineer from Mining Sense.

**Moonlight Project, South Africa**

On 3 July 2017, the Company announced that it had entered into a legally binding agreement for the sale of Batavia Ltd, its wholly-owned Mauritian subsidiary which is the investment holding company for all the Group's South African assets, including the Moonlight iron ore project in Limpopo Province, northern South Africa (the "Moonlight Project"), to NPSPL Africa Holdings Limited and its BEE partner, Ngwenya Capital (Pty) Limited (together, the "Purchasers"). For nominal consideration of one thousand Australian dollars, the Purchasers have acquired Batavia and thereby assumed responsibility for all of the Company's iron ore assets, its South African subsidiaries and all of the associated corporate, audit, fiscal and environmental responsibilities and costs. The disposal was part of the Company's strategic decision to focus on its lead-zinc projects in Spain.

## Financial Position

In carrying out its operations during the reporting period, the Group has incurred a loss after income tax for the period from 1 July 2017 to 30 June 2018 of $1,883,446 (2017: loss of $11,286,803). The Group had net assets of $2,484,371 (2017: $1,570,393) as set out in the Statement of Financial Position.

### Significant changes in the Group's state of affairs

There have been no significant changes in the state of affairs of the consolidated entity to the date of this report that have not otherwise been disclosed elsewhere in the Annual Report.

### Significant events after the reporting date

There are subsequent events to report, as follows:

On 16 July 2018, the Company announced that it had contracted a combination drill rig for mobilisation to its Toral lead-zinc-silver project located in the Province of León, northern Spain, during August 2018. The Combination rig and associated operating crew was to be supplied by Sondeos y Perforaciones Industriales de Bierzo SA ("SPI") and overseen by the Company's on-site exploration team. The combination rig is one of only a few of its type in Spain and had been deployed on a series of recent, successful drilling programmes. Such rigs are used extensively on Australian drilling programmes.

On 30 July 2018, the Company announced the expiry of 205,949,134 unlisted options exercisable at £0.003 per share on or before 29 July 2018.

On 10 August 2018, and further to its previous announcement of 27 July 2018, the Company announced that it had raised approximately £563,516 (approximately A$0.98m) (before expenses), through the issue of 727,118,650 new ordinary shares of no par value each in the capital of the Company at an issue price of 0.0775 pence per share. The new ordinary shares were issued under the Company's existing placement capacity under ASX Listing Rule 7.1. The net proceeds from the fundraising are to be utilised towards funding a planned phase 2 work programme at the Company's Toral lead-zinc-silver project, as well as providing additional general working capital for the Group.

On 28 August 2018, the Company announced that the abovementioned combination drill rig had been successfully mobilised at the Toral lead-zinc-silver project. Further to the mobilisation and arrival on site of the combination rig, drilling will initially ascertain the potential continuation of the mineralised structure outside of the current defined JORC (2012) resource area. With a significant inferred resource estimate already established for the main Toral project area, the extension drilling to the East will seek to identify the presence of further mineralisation/hosting structures. Subsequent to completion of the extension drilling, the Company will concentrate on drilling within the upper zone of the identified JORC (2012) resource area, before moving on to a Phase II programme, targeting key areas within the high grade zone of the inferred resource in order to increase resource confidence levels. In addition, the Company announced that further to an intensive 6 week process, its new geological team had successfully relogged all priority intersections from the historical drill core from the Toral project stored at the National Litoteca, located in Andalucia, Spain.

On 13 September 2018, the Company announced that the Board had decided to initiate the Change of Land Use processes needed for the potential full future development of a mine at its Toral project and had engaged a specialist consultancy, MAGMA Soluciones Ambientales SL, to progress the requisite applications across the three distinct municipalities overlapping the projects licence area. The process is currently estimated to take approximately 18 months.

On 20 September 2018, the Company announced an updated JORC (2012) mineral resource estimate for its Toral project. The abovementioned re-logging of historic drill core held at the National Litoteca from the Toral project had resulted in significantly higher bulk density measurements than those used for the Maiden resource estimate completed by AMS between November 2017 and January 2018, as announced by the Company on 6 February 2018.

Accordingly, the updated mineral resource estimate for the Toral lead-zinc-silver deposit comprised:

- 19Mt @ 6.9% Zn Equivalent (including Pb credits) and 24g/t Ag
- 720,000 tonnes of Zinc, 570,000 tonnes of Lead and 14 million ounces of Silver

## Likely developments and expected results

The Group will continue to carry out its business plans, by:

- Conducting its ongoing phase 1 extension drilling programme and thereafter proceed on to its planned phase 2 activities at its wholly owned Toral lead-zinc-silver Project in Spain;
- Finalising an intial scoping study for the Toral Project, which will provide the Company with the level of confidence and understanding of the technical and commercial characteristics of the project to justify and drive further exploration and development;
- Seeking and evaluating further strategic acquisition opportunities within the exploration and mining industry to potentially enter into additional advanced projects that will add value to the Group; and
- Continuing to meet its statutory commitments relating to its exploration tenements and carrying out exploration activities in accordance with its stated strategy, whilst carefully conserving the Group's cash reserves in order to be able to take advantage of potential value adding opportunities.

There can be no guarantee either that further exploration of the Group's projects will result in exploration success or that any potential additional strategic acquisitions considered by the Directors to be likely to add value to the Group will become available to the Group.

## Environmental regulation and performance

The Group's activities are subject to Spanish legislation relating to the protection of the environment. The Group is subject to significant environmental legal regulations in respect to its exploration and evaluation activities. The Group is in compliance with the NGER Act 2007.

There have been no known breaches of these regulations and principles.

**Competent Person's Statement**
The Toral maiden and updated resource estimates were prepared by Mr J.N. Hogg, MSc. MAIG Principal Geologist for AMS, who is 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. The maiden and updated resource estimates were aided by Mr R. J. Siddle, MSc, MAIG Senior Resource Geologist for AMS under the guidance of the competent person. Mr Hogg has reviewed and verified the technical information that forms the basis of, and has been used in the preparation of, the mineral resource estimates, 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 in this report of the matters based on the information, in the form and context in which it appears. Mr Hogg has also received and approved the technical information in his capacity as a qualified person under the AIM Rules for Companies.

## Indemnification and Insurance of Directors and officers

The Group has entered into deeds of access and indemnity with the officers of the Group, indemnifying them against liability incurred, including costs and expenses in defending any legal proceedings. The indemnity applies to a liability for costs and expenses incurred by the Director or officer acting in their capacity as a director or officer.

Except in the case of a liability for legal costs and expenses, it does not extend to a liability that is:

(a) owed to the Group or a related body corporate of the Group;

(b) for a pecuniary penalty order under section 1317G or a compensation order under section 1317H or section 1317HA of the Corporations Act 2001; or

(c) owed to someone other than the Group or a related body corporate of the Company where the liability did not arise out of conduct in good faith.

Similarly, the indemnity does not extend to liability for legal costs and expenses:

(d) in defending proceedings in which the officer is found to have a liability described in paragraph (a), (b) or (c) above;

(e) in proceedings successfully brought by the Australian Securities and Investments Commission or a liquidator; or

(f) in connection with proceedings for relief under the Corporations Act 2001 in which the court denies the relief.

During or since the financial year end, the Company has paid premiums in respect of a contract insuring all the Directors and officers. The terms of the contract prohibit the disclosure of the details of the insurance contract and premiums paid.

### Indemnification of auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, BDO Audit (WA) Pty Ltd, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify BDO Audit (WA) Pty Ltd during or since the financial year end.

### Non-audit services

The Group may decide to employ the auditor on assignments additional to its statutory audit duties where the auditor's expertise and experience with the Group are important.

Details of the amounts paid or payable to the Group's auditors, BDO International for audit and non-audit services provided during the financial year are set out below.

| | 2018<br>$ | 2017<br>$ |
|---|---|---|
| Remuneration of the auditor, BDO International for Group and subsidiary statutory reporting: | | |
| - other assurance related services | **1,750** | 4,717 |
| | **1,750** | 4,717 |

### Directors' meetings

Meetings of directors held and their attendance during the financial year were as follows:

| | Board Meetings | | Remuneration Committee | |
|---|---|---|---|---|
| **Director** | **Eligible** | **Attended** | **Eligible** | **Attended** |
| Evan Kirby | 8 | 8 | 1 | 1 |
| Laurence Read | 8 | 8 | - | - |
| Myles Campion | 8 | 8 | - | - |
| Colin Bird[1] | 2 | 2 | 1 | 1 |
| Daniel Smith[2] | 2 | 2 | 1 | 1 |
| Justin Tooth[3] | - | - | - | - |
| Grant Button[4] | 6 | 6 | - | - |

[1] Appointed 11 January 2018
[2] Appointed 16 January 2018
[3] Resigned 26 September 2017
[4] Resigned 16 January 2018

# Remuneration Report (audited)

This Remuneration Report outlines the Director and executive remuneration arrangements of the Company and the consolidated entity in accordance with the requirements of the *Corporations Act 2001* and its Regulations. For the purpose of this report, Key Management Personnel (KMP) of the consolidated entity are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, and includes Directors of the Company.

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

The Remuneration Report is presented under the following sections:

1. Individual KMP disclosures
2. Remuneration at a glance
3. Board of Directors (the "Board") oversight of remuneration
4. Non-executive director remuneration arrangements
5. Executive remuneration arrangements
6. Directors and KMP contractual arrangements
7. Equity instruments disclosures
8. Loans to KMP and their related parties
9. Transactions with KMP and their related parties

**1. Individual key management personnel disclosures**

**(i) Directors:**

| Name | Role | Appointed | Resigned |
|---|---|---|---|
| Justin Tooth | Executive Chairman and Managing Director | 31 March 2016 | 26 September 2017 |
| Grant Button | Non-Executive Director<br>Company Secretary<br>Non-Executive Chairman | 15 October 2010<br>31 March 2016<br>26 September 2017 | 31 January 2018 |
| Evan Kirby | Non-Executive Director | 31 March 2016 | - |
| Laurence Read | Non-Executive Director<br>Executive Director | 30 January 2017<br>26 September 2017 | - |
| Myles Campion | Executive Technical Director | 17 October 2017 | - |
| Colin Bird | Non-Executive Chairman | 11 January 2018 | - |
| Daniel Smith | Non-Executive Director<br>Company Secretary | 16 January 2018<br>16 January 2018 | - |

**(ii) Executives:**

| Name | Role | Appointed | Resigned/ Terminated |
|---|---|---|---|
| Laurence Read | Executive Director | 26 September 2017 | - |
| Myles Campion | Technical Director | 17 October 2017 | - |
| Justin Booth | Managing Director | 31 March 2016 | 26 September 2017 |

## Remuneration Report (audited) continued

### 2. Remuneration at a glance

The performance of the Group depends upon the quality of its directors and executives. To prosper, the Group must attract, motivate and retain highly skilled directors and executives.

To this end, the Company embodies the following principles in its remuneration framework:

- Provide competitive rewards to attract high calibre executives;
- Link executive rewards to shareholder value; and
- Provide significant portions of executive remuneration "at risk" through participation in incentive plans

Shares and options issued under incentive plans provide an incentive to stay with the Group. At this stage, shares and options issued do not have performance criteria attached. This policy is considered to be appropriate for the Group, having regard to the current state of its development.

The Company has established a directors' and executives' salary sacrifice plan, pursuant to which individuals may elect for a nominated fixed period to sacrifice all or an agreed percentage of their salary or fees to be applied in the subscription for on-market purchase of shares in the Company. As such shares may not be purchased or subscribed for during periods that are close periods or when individuals are in possession of inside information, the entitlement to subscribe for shares is determined by calculating the number of shares using the market price for the month concerned. The plan was established to allow for the subsequent settlement of salary or fees from 1 April 2012. Directors and executives have previously elected to participate in the plan with effect from that date. During the period to 30 June 2018 no Directors or executives participated (2017: Nil) in the salary sacrifice plan. Shares listed under the plan are not subject to performance conditions. Shareholder approval for the plan and for the issue of shares under the plan was obtained on 8 August 2012.

The Company also recognised that, at this stage in its development, it is most economical to have only a few employees and to draw, as appropriate, upon a pool of consultants selected by the Directors on the basis of their known management, geoscientific, engineering and other professional and technical expertise and experience. The Company will nevertheless seek to apply the principles described above to its Directors and executives, whether they are employees of or consultants to the Company.

### 3. Board oversight of remuneration

Remuneration Committee Responsibilities

A Remuneration Committee was established on 14 January 2010 and reconstituted on 15 October 2010 and again on 9 March 2015.

The Committee assesses the appropriateness of the nature and amount of remuneration of Directors and senior executives on a periodic basis by reference to relevant employment market conditions, with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team.

Remuneration Structure

In accordance with best practice corporate governance, the structure of non-executive and executive director remuneration is separate and distinct.

### 4. Non-Executive Director remuneration arrangements

*Objective*

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

*Structure*

The Company's constitution and the ASX Listing Rules specify that the aggregate remuneration of Non-Executive Directors must be determined from time to time by shareholders of the Company in a general meeting. An amount not exceeding the amount determined is then divided between the Non-Executive Directors as agreed. The current aggregate limit of remuneration for non-executive directors is $250,000 as approved at the 2010 Annual General Meeting of Shareholders.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst Non-Executive Directors is reviewed annually. The Board may consider advice from external consultants, as well as the fees paid to Non-Executive Directors of comparable companies, when undertaking the annual review process. No remuneration or external consultants were used during the financial year.

Each Non-Executive Director receives a fee for being a Director of the Company. No additional fee is paid for participating in Board Committees.

Non-Executive Directors may participate in the Company's share and option plans as described in this report.

Mr Evan Kirby is on a contract dated 31 March 2016, which provides for a fixed fee of $2,500 per month. Mr Colin Bird is on a contract dated 11 January 2018, which provides for a fixed fee of £3,000 per month. Mr Daniel Smith (through Minerva Corporate Pty Ltd) is on a contract dated 15 January 2018 which provides for a fixed fee of $2,000 per month.

### 5. Executive remuneration arrangements

*Objective*

The Group aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Group and so as to:

- reward executives for Group, business team and individual performance;
- align the interests of executives with those of shareholders; and
- ensure total remuneration is competitive by market standards.

*Structure*

- At this time, the cash component of remuneration paid to executive Directors, the Company Secretary and other senior managers is not dependent upon the satisfaction of performance conditions.
- It is current policy that some executives be engaged by way of consultancy agreements with the Company, under which they receive a contract rate based upon the number of hours of service supplied to the Company. There is provision for yearly review and adjustment based on consumer price indices. Such remuneration is hence not dependent upon the achievement of specific performance conditions. This policy is considered to be appropriate for the Company, having regard to the current state of its development.
- The Executive Directors may also participate in the Company's share and option plans as described in this report, including the salary sacrifice share plan. Refer to page 21 and 22 for details of options previously granted.

*Performance table*

The following table details the net profit / (loss) of the Company from continuing operations after income tax, together with the basic earnings / (loss) per share since the incorporation of the parent:

| | 2018 $ | 2017 $ | 2016 $ | 2015 $ |
|---|---|---|---|---|
| Net profit / (loss) from continuing operations after income tax | **(1,883,446)** | **(11,286,803)** | (1,573,533) | (2,345,860) |
| Basic earnings / (loss) per share in cents | **(0.06)** | **(0.91)** | (0.22) | (0.50) |
| Share Price in Cents | **0.20** | **0.10** | 0.40 | 0.10 |

### 5. Executive contractual arrangements

*Laurence Read – Executive Director*
Salary £75,000 per annum
Term Ongoing
Termination 6 months notice period by either party

*Myles Campion – Technical Director*
Salary £100,000 per annum
Term Ongoing
Termination 6 months notice period by either party

Mr Justin Tooth was appointed as Non-Executive Chairman pursuant to a contract dated 16 December 2015. Under this contract, he was entitled to fees of $50,000 per annum and the reimbursement of expenses. On 31 March 2016 upon his appointment as Executive Chairman and Managing Director his contract was amended to a salary of GBP 75,000 per annum. On 1 October 2016 his contract was further amended to a salary of GBP 100,000 (approx. $163,688 at an exchange rate of 1.636878). This contract was cancelled on 26 September 2017 upon his resignation.

# Directors' Report (continued)

## Remuneration report (audited) continued

### Remuneration of key management personnel of the Company and the Consolidated Entity

Table 1: Remuneration for the years ended 30 June 2017 and 30 June 2018

| | | Short-term benefits | | Post-employment | Long - term benefits | | Share-based payments | | Total | Performance related | Options |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Salary & fees | Cash bonus | Superannuation | Cash Incentives | Long Service Leave | Options | Shares | | | |
| | | $ | $ | $ | $ | $ | $ | $ | $ | % | % |
| **Non-executive directors** | | | | | | | | | | | |
| Evan Kirby | 2018 | 15,000 | - | - | - | - | 21,931 | 15,648 | 52,579 | - | 42% |
| | 2017 | 30,000 | - | - | - | - | - | - | 30,000 | - | - |
| Colin Bird | 2018 | 15,276 | - | - | - | - | 77,977 | - | 93,253 | - | 84% |
| | 2017 | - | - | - | - | - | - | - | - | - | - |
| Klaus Borowski | 2018 | - | - | - | - | - | - | - | - | - | - |
| | 2017 | 17,500 | - | - | - | - | - | - | 17,500 | - | - |
| Daniel Smith | 2018 | 11,000 | - | - | - | - | 9,747 | - | 20,747 | - | 47% |
| | 2017 | - | - | - | - | - | - | - | - | - | - |
| Grant Button | 2018 | 31,964 | - | 3,037 | - | - | 9,747 | - | 44,748 | - | 22% |
| | 2017 | 54,795 | - | 5,205 | - | - | - | - | 60,000 | - | - |
| **Executive directors** | | | | | | | | | | | |
| Tom Revy | 2018 | - | - | - | - | - | - | - | - | - | - |
| | 2017 | - | - | - | - | - | 10,118 | - | 10,118 | - | 100% |
| Justin Tooth | 2018 | 119,522 | - | - | - | - | - | - | 119,522 | - | - |
| | 2017 | 202,463 | - | - | - | - | - | - | 202,463 | - | - |
| Laurence Read | 2018 | 73,249 | - | - | - | - | 109,655 | 28,966 | 211,870 | - | 52% |
| | 2017 | - | - | - | - | - | - | - | - | - | - |
| Myles Campion | 2018 | 52,782 | - | - | - | - | 109,655 | 22,427 | 184,864 | - | 59% |
| | 2017 | - | - | - | - | - | - | - | - | - | - |
| **Subtotal** | **2018** | **318,793** | **-** | **3,037** | **-** | **-** | **338,712** | **67,041** | **727,583** | - | - |
| **Subtotal** | **2017** | **304,758** | **-** | **5,205** | **-** | **-** | **10,118** | **-** | **320,081** | - | - |

Refer to Page 15 for all appointment and resignation dates

# Directors' Report (continued)

## Remuneration report (audited) continued

### Remuneration of key management personnel of the Company and the Consolidated Entity (continued)

Table 1: Remuneration for the years ended 30 June 2017 and 30 June 2018 (continued)

| | | Short-term benefits | | Post-employment | Long - term benefits | Share-based payments | | Termination payments | Total | Performance related | Options |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Salary & fees | Cash bonus | Superannuation | Long Service Leave | Options | Shares | | | | |
| | | $ | $ | $ | $ | $ | $ | $ | $ | % | % |
| **Other key management personnel** | | | | | | | | | | | |
| Scott Huntly | 2018 | - | - | - | - | - | - | - | - | - | - |
| | 2017 | 112,204 | - | - | - | - | - | 51,511 | 163,715 | - | - |
| Dave Richards | 2018 | - | - | - | - | - | - | - | - | - | - |
| | 2017 | - | - | - | - | 469 | - | - | 469 | - | 100% |
| Beverley Gardner | 2018 | - | - | - | - | - | - | - | - | - | - |
| | 2017 | 102,078 | - | - | - | 470 | - | 46,752 | 149,300 | - | 0.31% |
| Ed Aylmer | 2018 | - | - | - | - | - | - | - | - | - | - |
| | 2017 | 18,479 | - | - | - | - | - | - | 18,479 | - | - |
| **Subtotal** | **2018** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | - | - |
| **Subtotal** | **2017** | **232,761** | **-** | **-** | **-** | **939** | **-** | **98,263** | **331,963** | - | - |
| **Total KMP** | **2018** | **318,793** | **-** | **3,037** | **-** | **338,712** | **67,041** | **-** | **727,583** | - | - |
| **Total KMP** | **2017** | **537,519** | **-** | **5,205** | **-** | **11,057** | **-** | **98,263** | **652,044** | - | - |

Refer to Page 15 for all appointment and resignation dates

## Directors' Report (continued)

## Remuneration report (audited) continued

### 6. Equity Instruments disclosures

Table 2: Share options impacting remuneration in current or future reporting years

| 30 June 2018 | Options awarded up to 30 June 2018 No. | Terms and Conditions for each Grant during the year: Award date | Fair value per option at award date ($) | Total value ($) | Exercise price (p) | Expiry date | First exercise date | Last exercise date | Options vested during the year: No. | % |
|---|---|---|---|---|---|---|---|---|---|---|
| **Executive directors** | | | | | | | | | | |
| Laurence Read | 112,500,000 | 22 May 2018 | 0.0975 cents | $109,655 | 0.0575 pence | 22/05/2023 | 22 May 2018 | 22/05/2023 | 112,500,000 | 100% |
| Myles Campion | 112,500,000 | 22 May 2018 | 0.0975 cents | $109,655 | 0.0575 pence | 22/05/2023 | 22 May 2018 | 22/05/2023 | 112,500,000 | 100% |
| **Non-Executive Directors** | | | | | | | | | | |
| Evan Kirby | 22,500,000 | 22 May 2018 | 0.0975 cents | $21,931 | 0.0575 pence | 22/05/2023 | 22 May 2018 | 22/05/2023 | 22,500,000 | 100% |
| Colin Bird | 80,000,000 | 22 May 2018 | 0.0975 cents | $77,977 | 0.0575 pence | 22/05/2023 | 22 May 2018 | 22/05/2023 | 80,000,000 | 100% |
| Daniel Smith | 10,000,000 | 22 May 2018 | 0.0975 cents | $9,747 | 0.0575 pence | 22/05/2023 | 22 May 2018 | 22/05/2023 | 10,000,000 | 100% |
| **Totals** | **337,500,000** | | | **$328,965** | | | | | | |

Incentive options granted to key management personnel will generally only be of benefit if the executives perform to the level whereby the value of the consolidated entity increases sufficiently to warrant the exercising of the incentive options granted. Other than service based vesting conditions, there are no additional performance criteria on the incentive options granted to executives.

# Directors' Report (continued)

## Remuneration report (audited) continued

### 7. Equity Instruments disclosures (continued)

Table 3: Share holdings

| 2018 | Shares | | | | |
|---|---|---|---|---|---|
| | **Balance 1-July-17** | **Rights Exercised** | **On Exercise of Options** | **Net Change Other (i)** | **Balance 30-Jun-18** |
| **Directors** | | | | | |
| Evan Kirby | 10,900 | - | - | 12,918,258 | 12,929,158 |
| Laurence Read | - | - | - | 23,913,043 | 23,913,043 |
| Myles Campion (1) | - | - | - | 18,514,492 | 18,514,492 |
| Colin Bird (2) | - | - | - | 180,499,858 | 180,499,858 |
| Daniel Smith (3) | - | - | - | - | - |
| Justin Tooth(4) | 326,650 | - | - | (326,650) | - |
| Grant Button (5) | 5,356,300 | - | - | (5,356,300) | - |
| | **5,693,850** | **-** | **-** | **230,162,701** | **235,856,551** |

(i) Net change other includes:
- acquisitions and disposals on market
- issued in settlement of fees
- subscribed in share issue
- subscription for options
- sales / transfers
- appointment / resignation as director
- exchange of options for shares
- salary sacrifice share scheme shares issued

(1) Appointed 17 October 2017
(2) Appointed 11 January 2018
(3) Appointed 16 January 2018
(4) Resigned 26 September 2017
(5) Resigned 31 January 2018

Table 4: Option holdings

| 2018 | Options | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Balance 1-July-2017** | **Granted** | **Received as Remuneration** | **Options Expired** | **Net Change Other (i)** | **Balance 30-Jun-18** | **Vested & Exercisable 30-Jun-18** | **Vested & Not Exercisable 30-Jun-18** |
| **Directors** | | | | | | | | |
| Evan Kirby | - | - | 22,500,000 | - | - | 22,500,000 | 22,500,000 | - |
| Laurence Read | - | - | 112,500,000 | - | - | 112,500,000 | 112,500,000 | - |
| Myles Campion | - | - | 112,500,000 | - | - | 112,500,000 | 112,500,000 | - |
| Colin Bird | - | - | 80,000,000 | - | 25,000,000 | 105,000,000 | 105,000,000 | - |
| Daniel Smith | - | - | 10,000,000 | - | - | 10,000,000 | 10,000,000 | - |
| Justin Tooth | - | - | - | - | - | - | - | - |
| Grant Button | - | - | - | - | - | - | - | - |
| | | - | $337,500,000 | | 25,000,000 | 362,500,000 | 362,500,000 | |

(i) 25,000,000 options issued relating to a November 2017 placement.

Refer to Page 15 for all appointment and resignation dates

## Remuneration report (audited) continued

### (ii) Equity Instruments disclosures (continued)

Table 5: Number of employee shares (under non-recourse loan schemes) held by directors and executives:

| Directors | Balance 1-July-17 | Received as Remuneration | Options Exercised | Net Change Other (i) | Balance 30-Jun-18 | Loan Value $ |
|---|---|---|---|---|---|---|
| Grant Button | 500,000 | - | - | (500,000) | - | 99,000 |
| | 500,000 | - | - | (500,000) | - | 99,000 |

(i) Resignation 31 January 2018

Refer to Page 15 for all appointment and resignation dates

*Executive Share Incentive Plan (ESIP)*

Under the plan, eligible employees are offered shares in the Company at prices determined by the Board. The Board has the ultimate discretion to impose special conditions on the shares issued under the ESIP and can grant a loan to a participant for the purposes of subscribing for plan shares. Shares issued under loan facilities are held on trust for the benefit of the participant and will only be transferred into the participant's name once the loan has been fully repaid. ESIP participants receive all the rights associated with the ordinary shares.

Loans granted to participants are limited recourse and interest free unless otherwise determined by the Board. The loans are to be repaid via the application of any dividends received from the shares and/or the sale of the plan shares. Where the loan is repaid by the sale of shares, any remaining surplus on sale is remitted to the participant while any shortfall is borne by the Group.

During the 2017 and 2018 reporting period no new shares were issued under the ESIP.

If, at any time during the exercise period an employee ceases to be an employee, all options held by that employee vest immediately and will lapse one month after their employment end date. As such, there is not considered to be any service conditions attaching to the grant of shares under the ESIP, and the full expense is recognised at the grant date.

*Fair value of award granted*

Shares granted under the ESIP are accounted for as "in-substance" options due to the limited recourse nature of the loan between the employees and the Company to finance the purchase of ordinary shares. The fair value at grant date for the various tranches of rights issued under the ESIP is determined using a binomial model.

### (iii) Loans to Key Management Personnel and their Related Parties

There were no loans to Directors or other key management personnel at any time during the year ended 30 June 2018 (2017: Nil).

## Remuneration report (audited) continued

### (iv) Transactions with Key Management Personnel and their Related Parties

The following transactions were undertaken between the Company, executive officers and director-related entities during 2018 and 2017

| | 2018 | 2017 |
|---|---|---|
| | $ | $ |
| Consulting fees were paid to Mowbrai Ltd, a company of which Laurence Read is a director(1) | - | 76,621 |
| Consulting fees were paid or accrued to Tavistock Communications Ltd, a company of which Merlin Marr-Johnson is an employee(1) | - | 31,250 |
| Consulting fees were paid or accrued to Marrad Ltd, a company of which Merlin Marr-Johnson is a director(1) | - | 44,112 |
| | - | 151,983 |

None of the above fees were outstanding at 30 June 2018 thus no doubtful allowance has been made.

(1) KMP at the time of receiving the above consulting fees

### (v) Voting of Shareholders at last year's annual general meeting (AGM)

Europa Metals Ltd received 99.95% votes in favour of its remuneration report for its 2017 financial year. The Company did not receive any specific feedback at the AGM through the year on its remuneration practices.

**End of audited Remuneration Report**

## Directors’ Report (continued)

### 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 73 and forms part of this report.

This report is made in accordance with a resolution of the Directors.

Daniel Smith
Non-Executive Director
Perth
28 September 2018

## Company and Project Overview

*Introduction to the Group*

Europa Metals Ltd ("Europa", "EUZ" or the "Company") is an Australian company listed on the Australian Securities Exchange (ASX: EUZ) and on the JSE Limited (JSE: EUZ) and quoted on the AIM market of the London Stock Exchange plc (AIM: EUZ). During the year, the Company undertook operational restructuring which led to the divestment of its South African iron ore operations, such that the Company is now solely focused on its Spanish lead-zinc-silver operations.

**The Moonlight Project**

On 3 July 2017, the Company announced that it had entered into a legally binding agreement for the sale of Batavia Ltd, its wholly-owned Mauritian subsidiary which was the investment holding company for all of the Group's South African assets, including the Moonlight iron ore project in Limpopo Province, northern South Africa, to NPSPL Africa Holdings Limited and its BEE partner, Ngwenya Capital (Pty) Limited. Accordingly, the Company no longer holds any interest in this project.

**The Toral Project**

On 28 July 2017, the Company announced the initial results from its drilling programme at the Toral Project, Spain. The near surface drilling campaign at the project, designed to determine the presence of near surface mineralisation, returned core containing visible lead-zinc from every one of the 6 drill holes completed. The Company announced the results of the drill programme assays on 7 September 2017, which confirmed the presence of lead-zinc intersections in all six holes with significant high grade lead-zinc intersections in all of the six holes. Highlights included:

- All of the 1,046.9m drilled occurred within 200 metres of the surface.
- Intersection of lead-zinc anomalies in all six drill holes.
- Key intersections encountered (all widths given along the core):
  - Hole TOR17009 1 metre grading at 1.22%Pb, 9.77%Zn (10.99% combined Pb/Zn);
  - Hole TOR17012 3 metres grading at 0.64%Pb, 6.46%Zn (7.10% combined Pb/Zn);
  - Hole TOR17012 1 metre grading at 0.67%Pb, 16.10%Zn (16.77% combined Pb/Zn);
  - Hole TOR17013 1 metre grading at 6.51%Pb, 6.50%Zn (13.01% combined Pb/Zn); and
  - Hole TOR17013 3 metres grading at 6.03%Pb, 5.49%Zn (11.52% combined Pb/Zn).

On 22 November 2017, the Company announced that, following a formal application to the Director General of Mines of the Province of León, the exploration licence in respect of the Group's Toral lead-zinc project had been renewed for a further 3 year term to November 2020.

On 11 December 2017, the Company provided an update on its work programme to define a maiden JORC (2012) compliant resource estimate for Toral. As part of this programme, Addison Mining Services Limited ("AMS") had successfully undertaken a site visit, including data location checks, data collection and analytical review procedures, including check sampling for the purpose of verification and validation of the project's database for use in JORC 2012 compliant modelling and estimation. The maiden JORC (2012) compliant resource estimate was expected to be received in early 2018.

**Maiden JORC (2012) Inferred Resource Estimate**

On 6 February 2018, the Company announced a Maiden independent Inferred Mineral Resource estimate completed in accordance with JORC (2012) in respect of the Toral Project, Spain. A new block model combined with an initial digital geological model had increased the level of understanding of the mineralogical and geological controls at Toral, and the Company expressed confidence of being able to enhance and potentially expand the resource going forwards, subject to undertaking additional drilling and exploration activities.

## Company and Project Overview

The Inferred resource for the Toral Pb-Zn-Ag mineralisation located on the Toral property had been estimated at various cut-offs (see Table below). The Company reviewed the new model with AMS, and concluded that a 4% cut-off was appropriate utilising estimated mining parameters typical for similar types of projects and mineralogy, and an historical three-year trailing average for metal prices.

Zn Price Used: US$2,400/t US$c/lb1.09
Pb Price Used: US$2,000/t US$c/lb0.91
Ag Price Used: US$17/oz

The maiden resource successfully identified potentially economic mineralisation ranging from surface to approximately 1,100m below surface. The block model currently extends for a strike length of 3,300m and is still open to the east long strike and also at depth where it has not yet been closed off.

| Cut Off Zn Eq (PbAg)% | Tonnes (Millions) | Density | Zn_Eq (Pb)% | Zn Eq (PbAg)% | Zn % | Pb % | Ag g/t | Zn Tonnes (000's) | Pb Tonnes (000's) | Ag Troy Oz (Millions) |
|---|---|---|---|---|---|---|---|---|---|---|
| 6.0 | 9 | 2.65 | 8.8 | 9.5 | 5.0 | 4.3 | 31 | 470 | 400 | 9 |
| 5.0 | 12 | 2.57 | 7.8 | 8.4 | 4.6 | 3.7 | 28 | 580 | 470 | 11 |
| **4.0** | **16** | **2.52** | **6.9** | **7.5** | **4.0** | **3.3** | **25** | **670** | **540** | **13** |
| 3.0 | 20 | 2.50 | 6.2 | 6.7 | 3.7 | 2.9 | 23 | 750 | 600 | 15 |

**Table**: Summary of **Inferred mineral resources** for the Toral property reported at a 4.0% Zn equivalent cut-off grade and estimated grade and tonnages at the various cut-off grades.

On 2 March 2018, the Company announced that Peterhouse Corporate Finance Limited was now sole broker to the Company, pursuant to the AIM Rules for Companies, following an announcement made on 2 March 2018 regarding Beaufort Securities Limited ("BSL") and Beaufort Asset Clearing Services Limited ("BACSL") being placed into administration such that the Financial Conduct Authority (the "FCA") had imposed requirements on BSL and BACSL to cease all regulatory activity.

On 23 April 2018, the Company announced that it had engaged the services of Mining Sense Consulting ("Mining Sense"), a Spanish consultancy company to the mining industry, to complement the existing operational team focused on the Toral project.

On 19 June 2018, the Company announced that it had engaged the services of UK based AMS with immediate effect, to commence an initial Scoping Study (the "Study") on the Company's 100% owned Toral lead, zinc and silver project. The principal objective of the Study is to determine first economics on the Toral Project, reported on by a fully accredited and independent mining consultancy group. The findings of the Study will be disclosed to the market following completion, which is currently anticipated during Q4 2018.

AMS' Principal Geologist, James Hogg, and Associate Principal Mining Engineer, Julian Bennett, will lead the Study project team dedicated to the Toral Project. The dedicated Study team is working alongside the Company's existing in-country management, under the direction of Myles Campion, Technical Director, and Jesus Montero, principal Mining Engineer from Mining Sense.

The specific workstream headings for the work being undertaken for the Study are as follows:

- Resource optimisation of maiden JORC (2012) Inferred resource;
- Preliminary mine layout;
- Mineral inventory estimation;
- Preliminary Economic Assessment, DCF and sensitivity analysis;
- CAPEX and OPEX parameters; and
- Review of environmental, hydrogeological and geotechnical parameters

**Corporate**

On 8 September 2017, the Company announced that it had conditionally raised in aggregate, £193,304 (approximately A$321,590) before expenses through a placement via Peterhouse Corporate Finance Limited

(‘Peterhouse’), as agent to the Company, of 214,782,526 new ordinary shares of no par value each in the capital of the Company at a price of 0.09 pence per new ordinary share. On the same date, Peterhouse were also appointed as an AIM Broker to the Company. The placement was completed on 14 September 2017.

On 15 September 2017, the Company announced that a formal notice of a general meeting to be held on 18 October 2017 had been issued seeking (i) shareholder approval for the issue of new ordinary shares to raise up to A$2.7 million by way of private placement to undertake extensive exploration and evaluation activities at the Company’s Toral and Lago projects in Spain and provide general working capital; and (ii) to ratify the shares issued on 23 June 2017 in connection with the Company’s fundraising of 9 June 2017.

On 26 September 2017, the Company announced that Mr Justin Tooth, Executive Chairman had resigned from the Board of Directors of the Company with immediate effect, in order to pursue his other business interests. Additionally, Mr Laurence Read, previously a Non-executive Director, became an Executive Director.

Further to a comprehensive operational review undertaken subsequent to the abovementioned September 2017 Board changes, the Company announced in October 2017 that the Board believed that it was possible to pursue a strategy to build value from its Toral lead-zinc-silver asset for a cost lower than originally planned, and therefore, the full A$2.7 million which the Board originally envisaged would be required to be raised in a placing, may not be required. As a result, the Board decided to withdraw Resolution 1, seeking shareholder approval to raise up to A$2.7 million by way of private placement, from the general meeting convened to be held on 18 October 2017.

On 17 October 2017, the Company announced the appointment of Mr Myles Campion as an Executive Director. Mr Campion has a comprehensive background in all technical and financial facets of the resources sector, specialising internationally in resource evaluation and project assessment. This follows a 10-year career as an exploration and mine site geologist in Australia covering base metals and gold. He holds a BSc (Hons) in Geology from University of Wales College, Cardiff and an MSc (MinEx) from the Royal School of Mines in London, and also holds a Graduate Diploma of Business (Finance). Mr Campion’s financial experience ranges from Australian and UK equities research through to project and debt financing in London, covering the entire spectrum of mining companies with an extensive knowledge of the global resources market covering the three main bourses, the Toronto Stock Exchange, AIM and the ASX. This knowledge was applied effectively as a Fund Manager at Oceanic Asset Management, where he successfully managed the Australian Natural Resources Fund, an Open Ended Investment Company (OEIC) traded in London.

At a General Meeting held on 18 October 2017, shareholders approved the remaining Resolution 2 relating to the ratification of a previous capital raising.

On 2 November 2017, the Company announced that it had conditionally raised £185,250 before expenses through a placement via Beaufort Securities Limited of 370,499,858 new ordinary shares of no par value each in the capital of the Company at a price of 0.05 pence per new ordinary share together with the issue of 185,249,929 options (the “Placing Options”) exercisable at a price of 0.075 pence per new ordinary share for a period of thirty months from their date of issue. In addition to the aforementioned issue of 185,249,929 Placing Options, the Company agreed to issue a further 50,000,000 options to Beaufort Securities Limited, exercisable at a price of 0.075 pence per new ordinary share, for a period of thirty months from their date of issue (the “Broker Options”). The issue of both the Placing Options and the Broker Options was subject to obtaining shareholder approval at a General Meeting of the Company. The placement was completed on 8 November 2017.

On 12 January 2018, the Company announced the appointment of Mr Colin Bird as a Non-Executive Director and Chairman of the Company. Mr Bird is a chartered mining engineer with extensive multi-commodity mine management experience in Africa, Europe, Latin America and the Middle East. Mr Bird’s operational and corporate experience, includes the development of the Jubilee Metals Group production portfolio, concentrating on Platinum Group Metals in South Africa, in addition to the successful sale of Kiwara plc. Kiwara plc was sold to First Quantum Minerals (TSX: FM) for US$260 million in November 2009, whilst its project was undertaking infill drilling at the Kalumbila copper-nickel deposit in north-western Zambia.

## Company and Project Overview

On 16 January 2018, the Company announced the resignation of Mr Grant Button as Company Secretary and the appointment of Mr Daniel Smith as a Non-Executive Director and Company Secretary. Mr Smith is a member of the Australian Institute of Company Directors and the Governance Institute of Australia and has over 10 years' primary and secondary capital markets expertise. As a director of Minerva Corporate, he has advised on, and been involved in, over a dozen IPOs, RTOs and capital raisings on both the ASX and NSX. His key focus is on corporate governance and compliance, commercial due diligence and transaction structuring, as well as ongoing investor and stakeholder engagement. Mr Smith is also currently Company Secretary for Taruga Minerals Limited and Love Group Global Limited, both listed on the ASX. He holds a BA in International Relations from Curtin University, Western Australia.

The Company advised the change of its Australian principal and registered office address, as well as its mailing and contact details on 23 January 2018.

On 1 February 2018, the Company announced the resignation of Mr Grant Button as a Non-Executive Director.On 9 February 2018, the Company announced the expiry of 2,000,000 unlisted options exercisable at GBP0.0075 and 3,000,000 unlisted options exercisable at GBP0.02 on or before 2 February 2018, which had lapsed unexercised.

On 6 March 2018, the Company announced that Peterhouse Corporate Finance Limited was now sole broker to the Company, pursuant to the AIM Rules for Companies, following an announcement made on 2 March 2018 regarding Beaufort Securities Limited ("BSL") and Beaufort Asset Clearing Services Limited ("BACSL") being placed into administration and that the Financial Conduct Authority (the "FCA") had imposed requirements on BSL and BACSL to cease all regulatory activity.

On 20 March 2018, the Company announced that it had conditionally raised, in aggregate, approximately £1 million (before expenses), through a proposed subscription and placing of, in aggregate, 1,739,130,435 new ordinary shares of no par value each in the capital of the Company ("Ordinary Shares") at a price of 0.0575 pence per share (the "Issue Price") (the "Fundraising"). The Fundraising comprised a placing of 1,608,695,652 new Ordinary Shares via Turner Pope Investments (TPI) Ltd ('Turner Pope'), as agent of the Company, and a subscription for a further 130,434,783 new Ordinary Shares, both at the Issue Price, with certain new and existing investors. On the same date, Turner Pope was appointed as the Company's joint AIM broker. The Fundraising was subject to the requisite shareholder approval which was duly obtained at a general meeting held on 21 May 2018. The Fundraising was completed on 27 May 2018.

On 2 May 2018, the Company announced that in accordance with paragraph 2.6 of the JSE Limited Listings Requirements, Sasfin Capital Proprietary Limited had been appointed as the Company's JSE sponsor with effect from 1 May 2018.

On 14 May 2018, the Company announced the expiry of 197,411,127 unlisted options exercisable at £0.00165 per share.

On 21 May 2018, the Company announced, *inter alia*, that a special resolution had been passed at the Company's general meeting to change the name of the Company from Ferrum Cescent Limited to Europa Metals Ltd. The Australian Securities and Investments Commission ("ASIC") subsequently recorded the change of name effective from 31 May 2018. The new share code for the Company on ASX, AIM and JSE is EUZ.

### Outlook

The Company is currently reviewing all data and pursuing its phase I and planned phase 2 exploration work programmes on Toral in order to unlock value from the significant existing information held on the project.

## Europa Metals Ltd

A.C.N. 097 532 137

## Corporate Governance Statement

### Introduction

This corporate governance statement is dated 28 September 2018 and has been approved by the Board.

The Board recognises the importance of maintaining appropriately high standards of corporate governance and has made it a priority to adopt systems of control and accountability as the basis for the administration of corporate governance and put in place governance structures that would be expected in light of the Group's size, stage of development and resources. Some of these policies and procedures are summarised in this statement. In accordance with recent changes to the AIM Rules for Companies (the "AIM Rules"), the Board has reviewed which recognised corporate governance code to apply to the Company on a comply or explain basis, as required by AIM Rule 26. Accordingly, the Board has decided to adhere to the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, third edition (the "**Principles & Recommendations**" or the "Code"), and has followed each recommendation to the extent considered appropriate for the Company's corporate governance practices. Where the Company's corporate governance practices follow a recommendation, the Board has made appropriate statements reporting on the adoption of the recommendation. Where, after due consideration, the Company's corporate governance practices depart from a recommendation, the Board has made full disclosure and reasoning for the adoption of its own practice, in compliance with the ASX "if not, why not" regime and the comply or explain basis required by AIM Rule 26.

### DISCLOSURE OF CORPORATE GOVERNANCE PRACTICES

### Summary statement

| | ASX P & R[1] | If not, why not[2] | | ASX P & R[1] | If not, why not[2] |
|---|---|---|---|---|---|
| Recommendation 1.1 | ✓ | | Recommendation 4.2 | ✓ | |
| Recommendation 1.2 | ✓ | | Recommendation 4.3 | ✓ | |
| Recommendation 1.3 | ✓ | | Recommendation 5.1 | ✓ | |
| Recommendation 1.4 | ✓ | | Recommendation 6.1 | ✓ | |
| Recommendation 1.5 | | ✓ | Recommendation 6.2 | ✓ | |
| Recommendation 1.6 | ✓ | | Recommendation 6.3 | ✓ | |
| Recommendation 1.7 | | ✓ | Recommendation 6.4 | ✓ | |
| Recommendation 2.1 | ✓ | | Recommendation 7.1 | | ✓ |
| Recommendation 2.2 | ✓ | | Recommendation 7.2 | ✓ | |
| Recommendation 2.3 | ✓ | | Recommendation 7.3 | ✓ | |
| Recommendation 2.4 | ✓ | | Recommendation 7.4 | ✓ | |
| Recommendation 2.5 | ✓ | | Recommendation 8.1 | ✓ | |
| Recommendation 2.6 | ✓ | | Recommendation 8.2 | ✓ | |
| Recommendation 3.1 | ✓ | | Recommendation 8.3 | ✓ | |
| Recommendation 4.1 | ✓ | | | | |

1 Indicates where the Company has followed the Principles & Recommendations.
2 Indicates where the Company has provided "if not, why not"/comply or explain disclosure.

### Website disclosures

In accordance with AIM Rule 26, the Company is required to maintain on its website details of the Code, how the Company complies with the Code and an explanation of any deviations from such Code. This information is required to be reviewed annually and going forward it is intended that it will be reviewed at the same time as the Company's Annual Report is prepared.

Further information about the Company's charters, policies and procedures may be found at the Company's website at www.europametals.com, under the section titled Corporate Governance.

**Disclosure – Principles & Recommendations**

The Company reports below on how it has followed (or otherwise departed from) each of the Principles & Recommendations during the year ending 30 June 2018 (the "**reporting period**").

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**Principle 1 – Lay solid foundations for management and oversight**

**Recommendation 1.1:**

Companies should disclose the respective roles and responsibilities of the board and management and those matters expressly reserved to the board and those delegated to management.

**Disclosure:**

The Company has established the functions reserved to the Board and has set out these functions in its Board Charter. The Board is collectively responsible for promoting the success of the Company through its key functions of overseeing the management of the Company, providing overall corporate governance of the Company, monitoring the financial performance of the Company, engaging appropriate management commensurate with the Company's structure and objectives, involvement in the development of corporate strategy and performance objectives and reviewing, ratifying and monitoring systems of risk management and internal control, codes of conduct and legal compliance.

The Company has established the functions delegated to management and has set out these functions in its Board Charter. Senior executives are responsible for supporting the executive officers and assisting the executive officers in implementing the running of the general operations and financial business of the Company, in accordance with the delegated authority of the Board.

Senior executives are responsible for reporting all matters which fall within the Company's materiality thresholds at first instance to the executive officers or, if the matter concerns the executive officers, then directly to the Chairman or the lead independent director, as appropriate.

**Recommendation 1.2:**

Companies should undertake appropriate checks before appointing a person, or putting a person forward for election to shareholders, as a director.

**Disclosure:**

The Company does undertake appropriate checks in accordance with this recommendation.

**Recommendation 1.3:**

Companies should have written agreements with each director and senior executive setting out the terms of their appointment.

**Disclosure:**

The Company does have written agreements with each director and senior executive in accordance with this recommendation.

**Recommendation 1.4:**

The company secretary should be accountable directly to the board, through the chairman, on all matters to do with the proper functioning of the board.

**Disclosure:**

The company secretary is accountable directly to the board, through the chairman, on all matters to do with the with the proper functioning of the board.

**Recommendation 1.5:**

The Company should:

(a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the Company's progress in achieving them;

(b) disclose that policy or a summary of it; and

(c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the Company's diversity policy and its progress towards achieving them, and the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the Company has defined "senior executive" for these purposes).

**Disclosure:**

The Company has established a Diversity Policy a copy of which is published on the Company's website. The Company has not yet established measurable objectives for achieving gender diversity. The Company operates with a very small team of professionals, whose services are provided on the basis of their experience and professional qualifications. Establishing such measurable objectives will be addressed by the Board when the Company's operations require the expansion of its personnel numbers

The respective proportions of men and women on the board and in senior executive positions (that term meaning a position having senior management responsibilities as set out in the Company's delegated authorities manual) are set out in the following table:

| Gender | Total | Senior Management | Board |
|---|---|---|---|
| Female | 0 | 0 | 0 |
| Male | 5 | 2 | 5 |
| % Female | 0% | 0% | 0% |

**Recommendation 1.6:**

The Company should:

(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and

(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

**Disclosure:**

The Company periodically evaluates the performance of the board, its committees and individual directors. A performance evaluation was undertaken during the reporting period.

**Recommendation 1.7:**

The Company should:

(a) have and disclose a process for periodically evaluating the performance of senior executives; and

(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

**Disclosure:**

The Company periodically evaluates the performance of senior executives. A performance evaluation was not undertaken during the reporting period.

**Principle 2 – Structure the Board to add value**

**Recommendation 2.1:**

The Board should establish a Nomination Committee.

**Disclosure:**

The Company has established a separate Nomination Committee. The Committee comprises Dr Evan Kirby (chairman of the committee), Mr Myles Campion and Mr Colin Bird.

**Recommendation 2.2:**

The Company should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.

**Disclosure:**

The Company has a skills matrix setting out the skills and diversity of the board. Its members have a mixture of experience and corporate, technical, financial and management skills that are considered appropriate for the Company's present situation.

**Recommendation 2.3:**

The Company should disclose:

(a) the names of the directors considered by the board to be independent directors;

(b) if directors have a prescribed interest, position, association or relationship with the Company, why they are regarded as independent directors; and

(c) the length of service of each director.

**Disclosure:**

The independent directors of the Company are Mr Daniel Smith, Dr Evan Kirby and Mr Colin Bird. The length of service of each director is as follows: Mr Smith – 8 Months; Dr Kirby – 2 years; Mr Bird – 8 months.

**Recommendation 2.4:**

A majority of the board of the Company should be independent directors.

**Disclosure:**

There are five directors, three of whom are independent.

**Recommendation 2.5:**

The chairman of the board of the Company should be an independent director and, in particular, should not be the same person as the CEO of the Company.

**Disclosure:**

Mr Colin Bird was appointed as the independent Chairman on 11 January 2018.

**Recommendation 2.6:**

The Company should have a programme for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.

**Disclosure:**

The Company will induct new directors at an appropriate time when suitable individuals are identified and available and as the Company's business requires adjusted skills sets on the board. Directors will be provided appropriate professional development opportunities to develop and maintain the skills and knowledge needed to perform their role as directors effectively as and when required.

**Principle 3 – Act ethically and responsibly**

**Recommendation 3.1:**

The Company should:

(a) have a code of conduct for its directors, senior executives and employees; and

(b) disclose that code or a summary of it.

**Disclosure:**

The Company has established a Code of Conduct applying to directors, senior executives and employees as to the practices necessary to maintain confidence in the Company's integrity, practices necessary to take into account their legal obligations and the expectations of their stakeholders and responsibility and accountability of individuals for reporting and investigating reports of unethical practices. The Code of Conduct is available for scrutiny on the Company's website.

**Principle 4 – Safeguard integrity in financial reporting**

**Recommendation 4.1:**

The board should:

(a) have an audit committee that has at least three members, all of whom are non-executive directors and a majority of whom are independent, and be chaired by an independent director who is not chairman of the board; and

(b) disclose the committee's charter, its members and the relevant qualifications and experience of the committee members and the number of times it met during the reporting period.

**Disclosure:**

The Company has established an Audit Committee with a formal charter. The committee comprises three directors, being Mr Daniel Smith (chairman of the committee), Mr Colin Bird and Mr Laurence Read. It meets the stipulations set out in recommendation 4.1, and the relevant qualifications and experience of its members are set out in the Directors' Report. All of the Audit Committee members consider themselves to be financially literate and have industry knowledge.

**Recommendation 4.2:**

The board should, before it approves the Company's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the Company have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Company and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

**Disclosure:**

The board meets the stipulations set out in recommendation 4.2.

**Recommendation 4.3:**

The Company should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.

**Disclosure:**

The Company meets the stipulations set out in recommendation 4.3.

**Principle 5 – Make timely and balanced disclosure**

**Recommendation 5.1:**

The Company should have a written policy designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.

**Disclosure:**

The Company has established a written policy designed to ensure compliance with ASX Listing Rule disclosure requirements and accountability at a senior executive level for that compliance. The policy is available for scrutiny on the Company's website.

**Principle 6 – Respect the rights of security holders**

**Recommendation 6.1:**

The Company should provide information about itself and its governance to investors via its website.

**Disclosure:**

The Company complies with recommendation 6.1.

**Recommendation 6.2:**

The Company should design and implement an investor relations programme to facilitate effective two-way communication with investors.

**Disclosure:**

The Company has designed a communications policy for promoting effective communication with shareholders.

**Recommendation 6.3:**

The Company should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.

**Disclosure:**

The Company gives adequate notice to security holders of meetings of security holders and encourages attendance at such meetings.

**Recommendation 6.4:**

The Company should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.

**Disclosure:**

The Company meets the requirements of recommendation 6.4.

**Principle 7 – Recognise and manage risk**

**Recommendation 7.1:**

The board should:

(a) have a risk management committee that has at least three members, a majority of whom should be independent, and be chaired by an independent director; and

(b) disclose the committee's charter, its members and the relevant qualifications and experience of the committee members and the number of times it met during the reporting period.

**Disclosure:**

The Company does not currently have a risk management committee. The Board has required management to design, implement and maintain risk management and internal control systems to manage the Company's material business risks. The Board also requires management to report to it confirming that those risks are being managed effectively. Further, the Board has received a report from management as to the effectiveness of the Company's management of its material business risks.

**Recommendation 7.2:**

The board or a committee of the board should:

(a) review the Company's risk management framework at least annually to satisfy itself that it continues to be sound; and

(b) disclose, in relation to each reporting period, whether such a review has taken place.

**Disclosure:**

The Board has required management to design, implement and maintain risk management and internal control systems to manage the Company's material business risks. The Board also requires management to report to it confirming that those risks are being managed effectively. Further, the Board has received a report from management as to the effectiveness of the Company's management of its material business risks.

During the reporting period the Company had an informal risk management system in place, including the policies and systems referred to in the disclosure in relation to recommendation 7.2. Although the system was not fully documented, management acting through the Executive Directors was able to form the view that management of its material business risks during the reporting period was effective.

**Recommendation 7.3:**

The Company should disclose:

(a) if it has an internal audit function, how the function is structured and what role it performs; or

(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.

**Disclosure:**

The Company does not have an internal audit function. The Board has required management to design, implement and maintain risk management and internal control systems to manage the Company's material business risks. The Board also requires management to report to it confirming that those risks are being managed effectively. Further, the Board has received a report from management as to the effectiveness of the Company's management of its material business risks.

**Recommendation 7.4:**

The Company should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.

**Disclosure:**

The Company does not have any material exposure to economic, environmental or social sustainability risks, other than the risks that are common to all minerals explorers in relation to commodity prices and the availability of venture capital.

**Principle 8 – Remunerate fairly and responsibly**

**Recommendation 8.1:**

The board should:

(a) have a remuneration committee that has at least three members, a majority of whom should be independent, and be chaired by an independent director; and

(b) disclose the committee's charter, its members and the relevant qualifications and experience of the committee members and the number of times it met during the reporting period.

**Disclosure:**

The Company throughout the financial year had a separate remuneration committee that meets the requirements of recommendation 8.1. The committee comprised Dr Evan Kirby (chairman of the committee), Mr Colin Bird and Mr Daniel Smith. The relevant qualifications and experience of its members are set out in the Directors' Report. The committee met once during the reporting period.

**Recommendation 8.2:**

The Company should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.

**Disclosure:**

Non-executive directors are remunerated at market rates for time, commitment and responsibilities. Remuneration for non-executive directors is not linked to individual performance. Given the Company's stage of development and the financial restrictions placed on it, the Company may consider it appropriate to issue unquoted options to non-executive directors, subject to obtaining the relevant approvals. This policy is subject to annual review. All of the directors' option holdings are fully disclosed.

Pay and rewards for executive directors and senior executives consist of a base pay and benefits (such as superannuation) as well as long term incentives through participation in employee share and option plans. Executives are offered a competitive level of base pay at market rates and which is reviewed annually to ensure market competitiveness.

**Recommendation 8.3:**

If the Company has an equity-based remuneration scheme, it should:

(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and

(b) disclose that policy or a summary of it.

**Disclosure:**

Though the Company has a Share Plan and an Option Plan in place in order to provide incentives and directors and employees have from time to time participated in such plans, any participation in such plans is not regarded as equity-based remuneration, and in any event the Plan rules themselves would prevent the entry into transactions that limit the economic risk of such participation.

## Consolidated Statement of Profit or Loss and Other Comprehensive Income
## For the year ended 30 June 2018

| | Note | 2018<br>$ | 2017<br>$ |
|---|---|---|---|
| **Revenue from continuing operations** | | | |
| Revenue | 3(a) | **9** | 17,956 |
| Other income | 3(b) | **71,310** | 175,851 |
| Administration expenses | 3(c) | **(1,296,518)** | (1,595,427) |
| Occupancy expenses | | **(27,655)** | (60,139) |
| Exploration expenditure | | **(413,393)** | (514,439) |
| Foreign exchange gain/(loss) | | **121,513** | (37,064) |
| Share based payments | 17 | **(338,713)** | (11,057) |
| Loss from sale of subsidiaries | 6 | **-** | (9,262,484) |
| **Loss before taxation** | | **(1,883,446)** | (11,286,803) |
| Income tax benefit / (expense) | 5 | **-** | - |
| **Loss after income tax for the year from continuing operations** | | **(1,883,446)** | (11,286,803) |
| **Net loss for the year** | | **(1,883,446)** | (11,286,803) |
| **Other comprehensive income**<br>*Items that may be reclassified subsequently to profit or loss* | | | |
| Net exchange gain/ (loss) on translation of foreign operation | | **230,474** | (930,007) |
| **Other comprehensive income/ (loss) for the year, net of tax** | | **230,474** | (930,007) |
| **Total comprehensive loss for the year** | | **(1,652,972)** | (12,216,810) |
| Net loss for the year attributable to: | | | |
| Equity holders of the Parent | | **(1,652,972)** | (11,286,803) |
| | | **(1,652,972)** | (11,286,803) |
| Total comprehensive loss for the period attributable to: | | | |
| Equity holders of the Parent | | **(1,652,972)** | (12,216,810) |
| | | **(1,652,972)** | (12,216,810) |
| **Loss per share** | | **Cents per share** | Cents per share |
| Basic loss for the year attributable to ordinary equity holders of the Parent | 8 | **(0.06)** | (0.91) |
| Diluted loss for the year attributable to ordinary equity holders of the Parent | 8 | **(0.06)** | (0.91) |

*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 30 June 2018

| | Note | 2018<br>$ | 2017<br>$ |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash and short term deposits | 9 | **1,272,327** | 503,891 |
| Trade and other receivables | 10 | **77,510** | 96,147 |
| Other current financial assets | | **-** | 14,344 |
| **Total current assets** | | **1,349,837** | 614,382 |
| | | | |
| **Non-current assets** | | | |
| Plant and equipment | | **20,192** | 21,865 |
| Capitalised exploration expenditure | 11 | **1,344,013** | 1,180,488 |
| **Total non-current assets** | | **1,364,205** | 1,202,353 |
| | | | |
| **Total assets** | | **2,714,042** | 1,816,735 |
| | | | |
| **Liabilities and equity** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 12 | **229,671** | 242,804 |
| Provisions | | **-** | 3,538 |
| **Total current liabilities** | | **229,671** | 246,342 |
| | | | |
| **Total liabilities** | | **229,671** | 246,342 |
| | | | |
| **Net assets** | | **2,484,371** | 1,570,393 |
| | | | |
| **Equity** | | | |
| Contributed equity | 13 | **38,079,499** | 35,931,732 |
| Accumulated losses | 16 | **(38,367,110)** | (36,483,664) |
| Reserves | 15 | **2,771,982** | 2,122,325 |
| **Total equity** | | **2,484,371** | 1,570,393 |

*This Consolidated Statement of Financial Position is to be read in conjunction with the accompanying notes.*

# Consolidated Statement of Cash Flows
## For the year ended 30 June 2018

| | Note | 2018<br>$ | 2017<br>$ |
|---|---|---|---|
| **Cash flows used in operating activities** | | | |
| Interest received | | **9** | 8,653 |
| Exploration and evaluation expenditure | | **(404,017)** | (463,585) |
| Receipts from customers | | **-** | 9,303 |
| Payments to suppliers and employees | | **(1,031,775)** | (1,695,759) |
| **Net cash flows used in operating activities** | 20 | **(1,435,783)** | (2,141,388) |
| | | | |
| **Cash flows used in investing activities** | | | |
| Payments for plant and equipment | | **(22,008)** | (17,679) |
| Sale of plant and equipment | | **-** | 2,588 |
| Payment for acquisition of GoldQuest asset | | **-** | (519,821) |
| Cash acquired on acquisition of GoldQuest asset | | **-** | 8,923 |
| Proceeds from sale of subsidiaries | 6 | **-** | 1,000 |
| **Net cash flows used in investing activities** | | **(22,008)** | (524,989) |
| | | | |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of shares | | **2,294,676** | 2,821,053 |
| Transaction costs on issue of shares | | **(135,819)** | (330,305) |
| **Net cash flows from financing activities** | | **2,158,857** | 2,490,748 |
| | | | |
| Net increase / (decrease) in cash and cash equivalents held | | **701,066** | (175,629) |
| Net foreign exchange difference | | **67,370** | (63,744) |
| Cash and cash equivalents at 1 July | | **503,891** | 743,264 |
| **Cash and cash equivalents at 30 June** | 9 | **1,272,327** | 503,891 |

*The above Consolidated Statement of Cash Flows 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 year ended 30 June 2018**

| | Attributable to the equity holders of the Parent | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Issued capital $** | **Accumulated losses $** | **Employee share incentive reserve $** | **Option reserve $** | **Foreign exchange reserve $** | **Equity reserve $** | **Total equity $** |
| **At 1 July 2016** | 33,049,490 | (25,196,861) | 491,577 | 1,548,840 | 951,685 | (10,126,072) | 718,659 |
| Loss for the period | - | (11,286,803) | - | - | - | - | (11,286,803) |
| Other Comprehensive Income (net of tax) | - | - | - | - | (930,007) | - | (930,007) |
| **Total comprehensive loss (net of tax)** | | (11,286,803) | - | - | (930,007) | - | (12,216,810) |
| **Transactions with owners in their capacity as owners:** | 2,882,242 | - | - | - | - | - | 2,882,242 |
| Shares issued during the year net of transaction costs | - | - | - | - | - | 10,126,072 | 10,126,072 |
| Net growth on investment portfolio | - | - | - | 49,173 | - | - | 49,173 |
| Options issued under Employee Option Plan | - | - | - | 11,057 | - | - | 11,057 |
| | **35,931,732** | **(36,483,664)** | **491,577** | **1,609,070** | **21,678** | **-** | **1,570,393** |
| **At 1 July 2017** | **35,931,732** | **(36,483,664)** | **491,577** | **1,609,070** | **21,678** | **-** | **1,570,393** |
| Loss for the period | - | (1,883,446) | - | - | - | - | (1,883,446) |
| Other Comprehensive Income (net of tax) | - | - | - | - | 230,474 | - | 230,474 |
| **Total comprehensive loss (net of tax)** | - | (1,883,446) | - | - | 230,474 | - | (1,652,972) |
| **Transactions with owners in their capacity as owners:** | | | | | | | |
| Shares issued during the year net of transaction costs | 2,147,767 | - | - | - | - | - | 2,147,767 |
| Options issued to Brokers | - | - | - | 80,470 | - | - | 80,470 |
| Options issued under Employee Option Plan | - | - | | 338,713 | - | - | 338,713 |
| **At 30 June 2018** | **38,079,499** | **(38,367,110)** | **491,577** | **2,028,253** | **252,152** | **-** | **2,484,371** |

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

## Notes to the consolidated financial statements
## For the year ended 30 June 2018

**Note 1: Corporate information**

The consolidated financial statements of Europa Metals Ltd and its subsidiaries (collectively, the "Group") for the year ended 30 June 2018 were authorised for issue in accordance with a resolution of the directors on 28 September 2018.

Europa Metals Ltd, the parent, is a for profit company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange (ASX), the London Stock Exchange (AIM) and the JSE Limited (JSE).

**Domicile:**
Australia

**Registered Office:**
C/o Minerva Corporate Pty. Ltd, Level 8, 99 St Georges Terrace, Perth, WA, 6000.

**Note 2: Summary of significant accounting policies**

**(a) Basis of preparation**

The Financial Report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and Interpretations and complies with other requirements of Australian law.

The accounting policies detailed below have been consistently applied to all of the years presented unless otherwise stated. The financial statements are for the consolidated entity consisting of Europa Metals Ltd and its subsidiaries.

The Financial Report has also been prepared on a historical cost basis, except for the forward subscription agreement and the available-for-sale (AFS) investments which have been measured at fair value.

All amounts are presented in Australian dollars, unless otherwise stated.

**(b) Statement of compliance**

The Financial Report complies with Australian Accounting Standards, as issued by the Australian Accounting Standards Board, and complies with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board.

**(c) Going concern**

The Annual Report has been prepared on a going concern basis and this basis is predicated on a number of initiatives being undertaken by the Group with respect to ongoing cost reductions and funding as set out below.

The Group incurred an operating loss after income tax of $1,883,446 for the year ended 30 June 2018 (2017: $11,286,803). In addition, the Group had net current assets of $1,120,166 (2017: $368,040), and shareholders' equity of $2,484,371 (2017: $1,570,393) as at 30 June 2018.

The Group's forecast cash flow requirements for the 15 months ending 30 September 2019 reflect cash outflows from operating and investing activities, which take into account a combination of committed and uncommitted but currently planned expenditure. The ability of the Group to continue as a going concern is dependent on raising additional funds to meet the Group's ongoing working capital requirements when required.

These conditions indicate a material uncertainty which may cast significant doubt as to whether the Group will be able to meet its debts as and when they fall due and thus continue as a going concern.

This Annual report has been compiled on a going concern basis. In arriving at this position the Directors are satisfied that the Group will have access to sufficient cash as and when required to enable it to fund administrative and other committed expenditure. The Directors are satisfied that they will be able to raise additional funds either through implementation of strategic joint ventures or via a form of debt and/or equity raising. In addition, the Directors have embarked on a strategy to reduce costs.

### Note 2: Summary of significant accounting policies (continued)

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 financial statements.

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

### (d) Adoption of new and revised standards

Europa Metals Limited and its subsidiaries ('the Group') has adopted all new and amended Australian Standards and Interpretations mandatory for reporting periods beginning on or after 1 July 2017, including:

- AASB 9 - Financial Instruments
- AASB 15 - Revenue from Contracts with Customers
- AASB 16 - Leases

The adoption of these standards and interpretations did not have any material effect on the financial position or performance of the Group.

### (e) Accounting standards issued but not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the year ended 30 June 2018. Relevant Standards and Interpretations are outlined in the table below. Management have assessed the impact of each standard and considered there to be no material impact to the group.

| Reference | Title | Summary | Application date of standard* | Application date for Group |
|---|---|---|---|---|
| AASB 9 | Financial Instruments | AASB 9 (December 2014) is a new standard which replaces AASB 139. This new version supersedes AASB 9 issued in December 2009 (as amended) and AASB 9 (issued in December 2010) and includes a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting.<br><br>AASB 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early adoption. The own credit changes can be early adopted in isolation without otherwise changing the accounting for financial instruments.<br><br>Classification and measurement<br>AASB 9 includes requirements for a simpler approach for classification and measurement of financial assets compared with the requirements of AASB 139. There are also some changes made in relation to financial liabilities. | 1 January 2018 | 1 July 2018 |
| AASB 15 | Revenue from Contracts with Customers | In May 2014, the IASB issued IFRS 15 *Revenue from Contracts with Customers*, which replaces IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related Interpretations (IFRIC *13 Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate,* IFRIC 18 *Transfers of Assets from Customers* and SIC-31 *Revenue—Barter Transactions Involving Advertising Services*).<br><br>The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:<br><br>(a) Step 1: Identify the contract(s) with a customer<br>(b) Step 2: Identify the performance obligations in the contract<br>(c) Step 3: Determine the transaction price<br>(d) Step 4: Allocate the transaction price to the performance obligations in the contract<br>(e) Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation | 1 January 2018 | 1 July 2018 |

| Reference | Title | Summary | Application date of standard* | Application date for Group |
|---|---|---|---|---|
| | | The Group has commenced a detailed review of its contracts to determine the impact, if any, of AASB 15 to revenue recognition of the Group. At the date of this report, that assessment is ongoing and it has not been possible to quantify the effect of AASB 15.<br><br>The International Accounting Standards Board (IASB) in its July 2015 meeting decided to confirm its proposal to defer the effective date of IFRS 15 (the international equivalent of AASB 15) from 1 January 2017 to 1 January 2018. | | |
| AASB16 | Leases | This Standard sets out the principles for the recognition, measurement,, presentation and disclosure of leases, The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transaction, This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the entity. | 1 January 2019 | 1 July 2019 |

### (f) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 30 June 2018. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group’s voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of profit or loss and other comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

**Note 2: Summary of significant accounting policies (continued)**

**(f) Basis of consolidation (continued)**

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- De-recognises the assets (including goodwill) and liabilities of the subsidiary;
- De-recognises the carrying amount of any non-controlling interests;
- De-recognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.
- Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve in the statement of financial position. These differences are recognised in the profit or loss in the period in which the operation is disposed.

**(g) Critical accounting estimates and judgements**

The application of accounting policies requires the use of judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognised in the period in which the estimate is revised if it affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

*Share-based payment transactions*
The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, using the assumptions detailed in Note 17.

*Business combination vs assets acquisition*
The Company has determined that the acquisition of GoldQuest Iberica, S.L. in 2016 has taken the form of an asset acquisition and not a business combination. In making this decision, the Company determined that the nature of the exploration and evaluation activities by GoldQuest did not constitute an integrated set of activities and assets that are capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors or other owners, members or participants.

When an asset acquisition does not constitute a business combination, the assets and liabilities are assigned a carrying amount based on their relative fair values in an asset purchase transaction and no deferred tax will arise in relation to the acquired assets and assumed liabilities as the initial recognition exemption for deferred tax under AASB 112 applies. No goodwill will arise on the acquisition and transaction costs of the acquisition will be included in the capitalised cost of the asset.

**Note 2: Summary of significant accounting policies (continued)**

**(h) Foreign currency translation**

Both the functional and presentation currency of the Company and its Australian controlled entity is Australian dollars (A$). Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

The functional currency of the foreign operations is Euro (EUR), and United States dollars (USD).

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date.

All exchange differences in the parent Company's financial statements are taken to profit or loss unless they relate to the translation of subsidiary related loans and borrowings which are considered part of the net investment value taken directly to equity until the disposal of the net investment, at which time they are recognised in profit or loss.

As at the reporting date the assets and liabilities of foreign subsidiaries are translated into the presentation currency of the Company at the rate of exchange ruling at the reporting date and their statements of profit or loss and other comprehensive income are translated at the weighted average exchange rate for the year.

The exchange differences arising on the translation are taken directly to a separate component of equity.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in profit or loss.

**(i) Exploration and evaluation expenditure**

*Exploration and evaluation costs*
Exploration and evaluation costs are written off in the year they are incurred apart from acquisition costs which are carried forward where right of tenure of the area of interest is current. The future recoverability of exploration and evaluation expenditure is dependent on a number of factors, including whether the Group decides to exploit the related lease itself, or, if not, whether it successfully recovers the related exploration and evaluation assets through sale.

Factors that could impact the future recoverability include the level of reserves and resources, future technological changes, which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, profits and net assets will be reduced in the period in which this determination is made.

**(j) Income tax**

Current tax assets and liabilities for the current period and prior periods are measured at amounts expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used for computations are enacted or substantively enacted by the reporting date.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Current tax assets and liabilities for the current period and prior periods are measured at amounts expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used for computations are enacted or substantively enacted by the reporting date.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

**Note 2: Summary of significant accounting policies (continued)**

**(j) Income tax (continued)**

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- where the deferred income tax liability arises from the initial recognition of goodwill of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- where the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- where the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date

Income taxes relating to items recognised directly in equity are recognised in equity and not in the statement of profit or loss and other comprehensive income.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

**(k) Goods & Services Tax/Value Added Tax**

Revenues, expenses and assets are recognised net of the applicable amount of GST/VAT except:

- where the GST/VAT incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST/VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST/VAT included.

The net amount of GST/VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

**Note 2: Summary of significant accounting policies (continued)**

**(k) Goods & Services Tax/Value Added Tax (continued)**

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST/VAT component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST/VAT recoverable from, or payable to, the taxation authority.

**(l) Cash and cash equivalents**

Cash and cash equivalents in the statement of financial position comprise cash at bank and on hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

**(m) Trade and other receivables**

Receivables, which generally have 30-90 day credit terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less an allowance for any uncollectable amounts.

Collectability of receivables is reviewed on an ongoing basis. Debts that are known to be uncollectable are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that the Company will not be able to collect the debt.

**(n) Revenue recognition**

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

*Interest Income*
Interest income is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

**(o) Contributed equity**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

The Company's own shares, which are re-acquired for later use in the employee share based payment arrangements, are deducted from equity.

**(p) Trade and other payables**

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

**(q) Loss per share**

Basic loss per share is calculated as net profit attributable to members of the Company adjusted to exclude any costs of servicing equity (other than dividends) divided by the weighted average number of ordinary shares, adjusted for any bonus element.

**Note 2: Summary of significant accounting policies (continued)**

**(q) Loss per share (continued)**

Diluted earnings per share is calculated as net profit attributable to members of the Company adjusted for:

- costs of servicing equity (other than dividends);
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

**(r) Financial instruments – Initial recognition and subsequent measurement**

Financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Company determines the classification of its financial assets on initial recognition.

**(t) Share-based payment transactions**

The Company provides benefits to its employees and consultants (including key management personnel ("KMP") in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

*Equity settled transactions*
The cost of equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using a binomial model, further details of which are given in Note 17.

In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the Company if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity on the date the equity right is granted. The statement of profit or loss and other comprehensive income charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

If the terms of an equity-settled transactions are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share based arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (see note 8).

**(u) Comparatives figures**

When required by Accounting Standards, comparative figures have been restated to conform to changes in presentation for the current financial year.

## Notes to the consolidated financial statements
## For the year ended 30 June 2018

### Note 3: Revenue and expenses

**Revenue and expenses from continuing operations**

| | 2018<br>$ | 2017<br>$ |
|---|---|---|
| **(a) Revenue** | | |
| Turnover | **-** | 9,303 |
| Interest received | **9** | 8,653 |
| | **9** | 17,956 |
| **(b) Other Income** | | |
| Income from third party advance payment | **-** | 175,851 |
| Refunds received | **71,310** | - |
| | **71,310** | 175,851 |

| | 2018<br>$ | 2017<br>$ |
|---|---|---|
| **(c) Profit or loss** | | |
| Other expenses include the following: | | |
| Depreciation | **7,952** | 5,588 |
| Gain on disposal of plant and equipment | **-** | (2,647) |
| | | |
| Consulting services | **426,227** | 553,604 |
| Employment related | | |
| - Directors fees | **341,322** | 304,758 |
| - Wages | **55,498** | 253,794 |
| - Superannuation | **8,309** | 11,170 |
| Corporate | **240,476** | 263,535 |
| Travel | **34,314** | 16,459 |
| Other | **182,421** | 189,166 |
| | **1,296,519** | 1,595,427 |

On 30 June 2017, the Company completed the sale of Batavia Ltd, its wholly-owned Mauritian subsidiary which is the investment holding company for all the Group's South African assets including the Moonlight iron ore project in Limpopo Province, northern South Africa (the "Moonlight Project").

The disposal effectively ends the Group's exposure to all of the costs and commitments associated with maintaining the Moonlight Project.

# Notes to the consolidated financial statements For the year ended 30 June 2018

### Note 4: Segment information

#### Identification of Reportable Segments

For management purposes, the Group has one main operating segment, mining exploration for lead-zinc-silver in Spain. All of the Group's activities are interrelated, and discrete financial information was reported to the Board (Chief Operating Decision Makers) as one segment. Accordingly, all significant operating decisions are based upon analysis of the Group as a whole. The financial results from this segment is equivalent to the financial statements of the Group as a whole.

| Geographic Information | Note | Australia | | Spain | | Consolidation | |
|---|---|---|---|---|---|---|---|
| | | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| | | $ | $ | $ | $ | $ | $ |
| Revenue from external customers | 3 | | 9,303 | | - | | 9,303 |
| Total profit or loss after tax | | (1,538,556) | (10,990,999) | (344,889) | (295,804) | (1,883,446) | (11,286,803) |
| Current assets | | 1,302,834 | 535,823 | 47,003 | 78,559 | 1,349,837 | 614,382 |
| Non - current assets | | 1,182,759 | 3,327 | 181,446 | 1,199,026 | 1,364,205 | 1,202,353 |
| Total assets | | 2,485,593 | 539,150 | 228,449 | 1,277,585 | 2,714,042 | 1,816,735 |
| Current liabilities | | (221,868) | (149,247) | (7,803) | (97,095) | (229,671) | (246,342) |
| Total liabilities | | (221,868) | (149,247) | (7,803) | (97,095) | (229,671) | (246,342) |
| Net assets | | 2,263,725 | 389,903 | 220,646 | 1,180,490 | 2,484,371 | 1,570,393 |

### Note 5: Income tax expense

| | 2018 | 2017 |
|---|---|---|
| | $ | $ |
| Reconciliation of income tax expense to the pre-tax net loss | | |
| Loss before income tax | **(1,883,446)** | (11,286,803) |
| Income tax calculated at 27.5% (2017:30%) on loss before income tax | **(517,948)** | (3,103,871) |
| Add tax effect of: non-deductible expenses | **332,014** | 3,120,782 |
| Difference in tax rate of subsidiaries operating in other jurisdictions | **(8,622)** | (376,033) |
| Unused tax losses and temporary differences not brought to account | **194,556** | 359,122 |
| Income tax (profit) / expense | **-** | - |

# Notes to the consolidated financial statements
# For the year ended 30 June 2018

### Note 5: Income tax expense (continued)

| ***Analysis of deferred tax balances*** | **2018** | **2017** |
|---|---|---|
| *Deferred tax liabilities* | **$** | **$** |
| Assessable temporary differences | | |
| Prepayments | **(4,578)** | (13,578) |
| Deferred tax liabilities offset by deferred tax assets | **4,578** | 13,578 |
| Net deferred tax liabilities | **-** | - |
| *Deferred tax assets* | | |
| Share issue expenses | **109,140** | 136,425 |
| Payables and provisions | **12,531** | 30,126 |
| Other | **-** | 21,584 |
| Unused tax losses | **4,439,954** | 4,205,179 |
| | **4,561,625** | 4,393,314 |
| Total unrecognised deferred tax assets | **(4,557,047)** | (4,379,736) |
| Deferred tax assets | **4,578** | 13,578 |
| Deferred tax assets offset by deferred tax liabilities | **(4,578)** | (13,578) |
| Net deferred tax assets | **-** | - |

Unused tax losses set out above have not been recognised due to the uncertainty of future taxable profit streams.

### Note 6: Loss on sale of subsidiaries

On 30 June 2017, the Company completed the sale of Batavia Ltd, its wholly-owned Mauritian subsidiary which is the investment holding company for all the Group's South African assets including the Moonlight iron ore project in Limpopo Province, northern South Africa (the "Moonlight Project") for a nominal consideration of one thousand Australian dollars.

The disposal effectively ends the Group's exposure to all of the costs and commitments associated with maintaining the Moonlight Project.
The loss from sale of subsidiaries in the 2017 financial year has been determined as follows:

| | **$** |
|---|---|
| Net proceeds from sale | **1,000** |
| Less: Carrying amount of net assets sold: | |
| Cash and cash equivalents | **(150)** |
| Other receivables and prepayments | **(44,078)** |
| Investments | **(42,486)** |
| Plant & Equipment | **(11,359)** |
| Trade and other payable | **30,092** |
| Equity reserve (BEE transaction) | **(10,126,072)** |
| Foreign exchange reserve | **930,569** |
| | **(9,262,484)** |
| Statement of Cash Flows reconciliation: | |
| Net proceeds as per above | **1,000** |
| Cash received | **1,000** |

# Notes to the consolidated financial statements
# For the year ended 30 June 2018

**Note 7: Auditors' remuneration**

| | 2018<br>$ | 2017<br>$ |
|---|---|---|
| Remuneration of the auditor of the Company for: | | |
| -auditing or reviewing the financial statements | | |
| BDO Audit (WA) Pty Ltd | **40,313** | 29,745 |
| BDO South Africa Incorporated | **-** | 22,118 |
| Lancaster Mauritius | **-** | 4,041 |
| | **40,313** | 55,904 |
| -other assurance related services | | |
| BDO Corporate Finance (WA) Pty Ltd | **1,750** | 3,310 |
| Others | **-** | 1,407 |
| | **42,063** | 60,621 |

**Note 8: Earnings per share**

| | 2018<br>$ | 2017<br>$ |
|---|---|---|
| Basic loss per share (cents per share) | **(0.06)** | (0.91) |
| Diluted loss per share (cents per share) | **(0.06)** | (0.91) |
| Loss used in calculating basic loss per share | **(1,883,446)** | (11,286,803) |
| Adjustments to basic loss used to calculate dilutive loss per share | **-** | - |
| Loss used in calculating dilutive loss per share | **(1,883,446)** | (11,286,803) |
| | | Number |
| Weighted average number of ordinary shares used in the calculation of basic loss per share | **3,075,844,119** | 1,238,720,046 |
| Weighted average number of ordinary shares used in the calculation of diluted loss per share | **3,075,844,119** | 1,238,720,046 |

855,365,729 share options outstanding at 30 June 2018 (30 June 2017: 28,722,649) have not been included in the calculation of dilutive loss per share as these are anti-dilutive.

**Note 9: Cash and cash equivalents**

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

| | 2018<br>$ | 2017<br>$ |
|---|---|---|
| Cash at bank | **1,272,327** | 503,891 |

See note 21 for the risk exposure analysis for cash and cash equivalents.

### Note 10: Trade and other receivables

| | 2018 | 2017 |
|---|---|---|
| | $ | $ |
| **Current** | | |
| Sundry debtors | **23,825** | 30,018 |
| GST / VAT | **37,037** | 16,606 |
| Prepayments | **16,648** | 49,523 |
| | **77,510** | 96,147 |

Non-trade debtors are non-interest bearing and are generally on 30-90 days credit terms. The carrying amounts of these receivables represent fair value and are not considered to be impaired.

### Note 11: Capitalised exploration expenditure

| | 2018 | 2017 |
|---|---|---|
| | $ | $ |
| At 1 July | **1,180,488** | **-** |
| Capitalised exploration expenditure | **-** | **1,180,488** |
| Foreign exchange movement | **163,525** | **-** |
| At 30 June | **1,344,013** | **1,180,488** |

On 15 February 2016, the Company entered into an exclusive option and sale agreement for a staged option fee of up to GBP22,500, with TH Crestgate GmbH ("Crestgate"), a private Swiss-based company potentially to acquire 100 per cent of its indirectly wholly-owned subsidiary, GoldQuest Iberica, S.L. ("GoldQuest"), a private company incorporated in Spain, which owns 100 per cent of two lead-zinc exploration projects in the provinces of León and Galicia, in historic Spanish mining areas ("the Iberian Projects"), to enable the Company to conduct due diligence on GoldQuest and the Iberian Projects.

Subsequent to the Company entering into an exclusive option to acquire 100 percent of GoldQuest, two nil-cost extensions were granted to the Company on 22 July 2016 and 31 August 2016.

On 22 September 2016 the option was exercised. Accordingly, the Company had acquired 100 per cent of the share capital of GoldQuest. The consideration comprised GBP326,500 in cash and the issue of 100 million new ordinary shares in the capital of the Company.

The purchase of GoldQuest was split into two transactions the details of which are set out below:

**I. <u>Original option payments</u>**

On 16 February 2016, the first cash portion of GBP1,000 was paid to Crestgate.
On 17 February 2016, 4,515,041 ordinary shares were issued to Crestgate at a price of GBP 0.00144 per share.
On 1 April and 20 April 2016, the second and third cash payments of GBP7,500 each respectively were paid to Crestgate.
On 25 May 2016 an amount of GBP92,500 was placed into a trust account with Crestgate's lawyers until the option to purchase was concluded, which would form part of the final purchase price.
On 31 May 2016, 5,000,000 ordinary shares were issued to Crestgate at a price of GBP0.0013 per share.

**II. <u>Final purchase consideration</u>**

On 15 September GBP234,000 was paid to Crestgate as the final cash portion of the purchase of GoldQuest.
On 30 September 2016, the Company issued 100,000,000 new ordinary shares of no par value each in the capital of the Company to GoldQuest Mining (Spain) Corp. These shares were issued in settlement of the share element of the consideration for the acquisition of 100 per cent of the issued share capital of GoldQuest Iberica, S.L. The shares are fully paid and rank pari passu in all respects with the Company's existing ordinary shares.

The above transaction also incurred legal and administrative fees of AUD131,788. The total purchase consideration was AUD1,180,488 made up as follows:

### Note 11: Capitalised exploration expenditure (continued)

| | 30 September 2016 |
|---|---|
| **Purchase consideration** | |
| 100,000,000 ordinary shares issued to GoldQuest Mining (Spain) Corp. | 391,495 |
| 9,515,041 ordinary shares issued to TH Crestgate GmbH | 25,841 |
| Cash consideration | 631,364 |
| Acquisition costs | 131,788 |
| | **1,180,488** |
| **Net assets acquired** | |
| Cash and Equivalents | 8,923 |
| Property, Plant and Equipment | 7,437 |
| Deferred exploration and evaluation expenditure | 1,744,515 |
| Trade and other receivables | 64,064 |
| Trade and other payables | (6,386) |
| Exploration and evaluation expenditure * | (638,065) |
| | **1,180,488** |

* Fair Value attribution being the difference between consideration paid less fair value of identifiable net assets acquired

The Company has determined that the acquisition has taken the form of an asset acquisition and not a business combination. In making this decision, the Company determined that the nature of the exploration and evaluation activities by GoldQuest did not constitute an integrated set of activities and assets that are capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors or other owners, members or participants.

When an asset acquisition does not constitute a business combination, the assets and liabilities are assigned a carrying amount based on their relative fair values in an asset purchase transaction and no deferred tax will arise in relation to the acquired assets and assumed liabilities as the initial recognition exemption for deferred tax under AASB 112 applies. No goodwill will arise on the acquisition and transaction costs of the acquisition will be included in the capitalised cost of the asset.

### Note 12: Trade and other payables

| | 2018 $ | 2017 $ |
|---|---|---|
| **Current** | | |
| Trade payables and other payables | **229,671** | 242,804 |
| | **229,671** | 242,804 |

Trade and other payables are non-interest bearing and are normally settled on 30-day terms.

### Note 13: Contributed Equity

| | | 2018 No. of shares | 2017 No. of shares | 2018 $ | 2017 $ |
|---|---|---|---|---|---|
| **(a)** | **Share Capital Ordinary Shares** | | | | |
| | Ordinary shares fully paid | **4,849,757,667** | 2,469,999,055 | **38,344,801** | 36,197,034 |
| | Employee share incentive plan shares | **(2,300,000)** | (2,300,000) | **(265,302)** | (265,302) |
| | | **4,847,457,667** | 2,467,699,055 | **38,079,499** | 35,931,732 |

# Notes to the consolidated financial statements
# For the year ended 30 June 2018

**Note 13: Contributed Equity (continued)**

*Capital management*
When managing capital (which is defined as the Company's total equity), management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity. As the equity market is constantly changing management may issue new shares to provide for future exploration and development activity. The Company is not subject to any externally imposed capital requirements.

During the year ended 30 June 2018, nil (2017: nil) shares were issued back to the market from the Employee Incentive Share Plan.

**(b) Movements in ordinary share capital**

| Date | Details | Number of shares | $ |
|---|---|---|---|
| **30 June 2016** | **Closing Balance** | **1,282,791,883** | **33,314,792** |
| 29 July 2016 | Options Exercised | 66,874,816 | 193,025 |
| 29 July 2016 | Additional Shares Issued | 187,226,485 | 655,034 |
| 26 August 2016 | Options Exercised | 44,797,543 | 128,184 |
| 29 September 2016 | Options Exercised | 5,381,907 | 15,057 |
| 30 September 2016 | Shares issued to GoldQuest | 100,000,000 | 400,000 |
| 7 October 2016 | Options Exercised | 181,560,288 | 491,242 |
| 25 November 2016 | Options Exercised | 769,231 | 2,126 |
| 12 December 2016 | Placing shares – Beaufort Securities | 275,218,025 | 939,770 |
| 19 December 2016 | Options Exercised | 3,205,088 | 9,029 |
| 23 June 2017 | Placing shares – Beaufort Securities | 322,173,789 | 379,080 |
| | Costs associated with share issues | | (330,305) |
| **30 June 2017** | **Closing Balance** | **2,469,999,055** | **36,197,034** |
| 14 September 2017 | Placing shares – Peterhouse Corporate | 214,782,526 | 321,590 |
| 8 November 2017 | Placing shares – Beaufort Securities | 370,499,858 | 317,187 |
| 22 May 2018 | Shares issued in lieu of directors fees | 55,345,793 | 69,381 |
| 22 May 2018 | Placing shares | 1,739,130,435 | 1,655,898 |
| | Costs associated with share issues | | (216,289) |
| | | 4,849,757,667 | 38,344,801 |
| Employee share plan shares on issue | | (2,300,000) | (265,302) |
| **30 June 2018** | | **4,847,457,667** | **38,079,499** |

If, at any time during the exercise period, an employee ceases to be an employee, all share options held by that employee will lapse one month after their employment end date. Therefore, employee shares above are only recognised in issued capital when issued to the employees concerned.

**Note 13: Contributed Equity (continued)**

**(c) Movements in employee share plan shares issued with limited recourse employee loans**

| Date | Details | Number of shares | $ |
|---|---|---|---|
| | Opening balance | 2,300,000 | (265,302) |
| | Cancelled during 2017 | - | - |
| | Issued during 2017 | - | - |
| **30 June 2017** | **Closing balance** | **2,300,000** | **(265,302)** |
| | Opening balance | 2,300,000 | (265,302) |
| | Cancelled during 2018 | - | - |
| | Issued during 2018 | - | - |
| **30 June 2018** | **Closing balance** | **2,300,000** | **(265,302)** |

No employee share plan shares were issued in 2018 (2017: Nil).

This account is used to record the value of shares issued under the Executive Share Incentive Plan (ESIP). The ESIP is accounted for as an “in-substance” option plan due to the limited recourse nature of the loan between employees and the Company to finance the purchase of ordinary shares. The total fair value of the “in substance” options issued under the plan is recognised as a share-based payment expense over the vesting period, with a corresponding increase in equity.

**Note 14: Options**

| | **2018** **No. of Options** | **2017** **No. of Options** |
|---|---|---|
| Options | | |
| At year end the following options were on issue: | | |
| - 2 February 2018 options exercisable at GBP0.0075 per share | **-** | 2,000,000 |
| - 2 February 2018 options exercisable at GBP0.02 per share | **-** | 3,000,000 |
| - 1 March 2018 options exercisable at GBP0.0075 per share | **-** | 2,000,000 |
| - 1 March 2018 options exercisable at GBP0.02 per share | **-** | 3,000,000 |
| - 12 May 2018 options exercisable at GBP0.00165 per share | **-** | 197,411,127 |
| - 29 July 2018 options exercisable at GBP0.003 per share | **205,949,134** | 205,949,134 |
| - 22 May 2020 options exercisable at GBP0.00075 per share | **66,666,666** | - |
| - 22 November 2020 options exercisable at GBP0.00075 per share | **185,249,929** | - |
| - 22 November 2020 options exercisable at GBP0.00075 per share | **50,000,000** | - |
| - 22 May 2021 options exercisable at GBP0.00075 per share | **10,000,000** | - |
| - 22 May 2023 options exercisable at GBP0.000575 per share | **337,500,000** | - |
| | **855,365,729** | 413,360,261 |

## Notes to the consolidated financial statements
## For the year ended 30 June 2018

**Note 14: Options (continued)**

| | 2018<br>No. of Options | 2017<br>No. of Options |
|---|---|---|
| **Movements in 2 February 2018 options** | | |
| Beginning of the financial year | **5,000,000** | 5,000,000 |
| Options issued during the year | **-** | - |
| Options cancelled during the year | **(5,000,000)** | - |
| End of the financial year | **-** | 5,000,000 |
| | | |
| **Movements in 1 March 2018 options** | | |
| Beginning of the financial year | **5,000,000** | 5,000,000 |
| Options issued during the year | **-** | - |
| Options cancelled during the year | **(5,000,000)** | - |
| End of the financial year | **-** | 5,000,000 |
| | | |
| **Movement in 12 May 2018 options** | | |
| Beginning of the financial year | **197,411,127** | 500,000,000 |
| Options issued during the year | **-** | - |
| Options exercised during the year | **-** | (302,588,873) |
| Options cancelled during the year | **(197,411,127)** | - |
| End of the financial year | **-** | 197,411,127 |
| | | |
| **Movement in 29 July 2018 options** | | |
| Beginning of the financial year | **205,949,134** | - |
| Options issued during the year | **-** | 205,949,134 |
| Options cancelled during the year | **-** | - |
| End of the financial year | **205,949,134** | 205,949,134 |
| | | |
| **Movement in 22 May 2020 options** | | |
| Beginning of the financial year | **-** | - |
| Options issued during the year | **66,666,666** | - |
| Options cancelled during the year | **-** | - |
| End of the financial year | **66,666,666** | - |
| | | |
| **Movement in 22 November 2020 options** | | |
| Beginning of the financial year | **-** | - |
| Options issued during the year | **235,249,929** | - |
| Options cancelled during the year | **-** | - |
| End of the financial year | **235,249,929** | - |

### Note 14: Options (continued)

| | 2018 No. of Options | 2017 No. of Options |
|---|---|---|
| **Movement in 22 May 2021 options** | | |
| Beginning of the financial year | **10,000,000** | - |
| Options issued during the year | **-** | - |
| Options cancelled during the year | **-** | - |
| End of the financial year | **10,000,000** | - |
| | | |
| **Movement in 22 May 2023 options** | | |
| Beginning of the financial year | **337,500,000** | - |
| Options issued during the year | **-** | - |
| Options cancelled during the year | **-** | - |
| End of the financial year | **337,500,000** | - |

The table in note 17 summarises the model inputs (post consolidation) for options granted during the year ended 30 June 2018.

### Note 15: Reserves

| | Employee share incentive reserve | Options reserve | Foreign exchange reserve | Equity reserve | Total |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| **At 30 June 2016** | **491,577** | **1,548,840** | **951,685** | **(10,126,072)** | **(7,133,970)** |
| Options issued to Brokers(1) | - | 49,173 | - | - | 49,173 |
| Options issued under Employee Option plan | - | 11,057 | - | - | 11,057 |
| Sale of subsidiaries | - | - | - | 10,126,072 | 10,126,072 |
| Currency translation differences | - | - | (930,007) | - | (930,007) |
| **At 30 June 2017** | **491,577** | **1,609,070** | **21,678** | **-** | **2,122,325** |
| **Options issued to Brokers(1)** | **-** | **80,470** | **-** | **-** | **80,470** |
| Options issued under Employee Option plan | | **338,713** | **-** | **-** | **338,713** |
| Currency translation differences | **-** | **-** | **230,474** | **-** | **230,474** |
| **At 30 June 2018** | **491,577** | **2,028,253** | **252,152** | **-** | **2,771,982** |

(1) The value of the service could not be reliably determined and therefore, the options is valued using the Black Scholes Model.

### Nature and purpose of reserves

*Employee share incentive reserve*
This reserve is used to record the value of equity benefits provided to employees, consultants and directors as part of their remuneration under the Executive Share Incentive Plan.

*Options reserve*
This reserve is used to record the value of options issued, other than share-based payments to directors, employees and consultants as part of their remuneration.

# Notes to the consolidated financial statements
# For the year ended 30 June 2018

**Note 15: Reserves (continued)**

*Foreign currency translation reserve*
The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

*Equity reserve*
The Equity reserve is used to record the acquisition of the non-controlling interest by the Group and to record differences between the carrying value of non-controlling interests and the consideration paid / received, where there has been a transaction involving non-controlling interests that do not result in a loss of control.
The reserve is attributable to the equity of the parent.

**Note 16: Accumulated losses**

| | 2018<br>$ | 2017<br>$ |
|---|---|---|
| Accumulated losses at the beginning of the financial year | **(36,483,664)** | (25,196,861) |
| Net loss for the year | **(1,883,446)** | (11,286,803) |
| Accumulated losses at the end of the financial year | **(38,367,110)** | (36,483,664) |

**Note 17: Share based payments**

**Expenses arising from share-based payment transactions**

Total expenses arising from share-based payment transactions recognised during the year were as follows:

| | 2018<br>$ | 2017<br>$ |
|---|---|---|
| Options issued under Employee Option Plan (Included in Expenses) | **338,713** | 11,057 |
| Options issued to Brokers (included in Equity) | **80,470** | - |
| | **419,183** | 11,057 |

**Fair value of options granted**

The fair value at the grant date of options issued is determined using a binomial option pricing 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 tables below summarise the model inputs (post consolidation) for options granted prior to the year ended 30 June 2018:

| | | | |
|---|---|---|---|
| Options granted for no consideration | 337,500,000 | 66,666,666 | 50,000,000 |
| Exercise price (GBP) | 0.0575 | 0.0750 | 0.0750 |
| Issue date | 22 May 2018 | 22 May 2018 | 22 May 2018 |
| Expiry date | 22 May 2023 | 22 May 2020 | 22 November 2020 |
| Underlying security spot price at grant date (GBP) | 0.0675 | 0.0675 | 0.0675 |
| Expected price volatility of the Company's shares | 110% | 110% | 110% |
| Expected dividend yield | 0% | 0% | 0% |
| Expected life | 2 | 2 | 2 |
| Risk-free interest rate | 1.26% | 1.26% | 1.26% |
| Binomial model valuation per option (AUD cents per share) | 0.000975 | 0.000661 | 0.000728 |
| Total fair value | $338,713<br>Expenses | $44,064<br>Equity | $36,406<br>Equity |

## Notes to the consolidated financial statements
## For the year ended 30 June 2018

### Note 17: Share based payments (continued)

*Movements*

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year:

| | 2018 | 2017 |
|---|---|---|
| | **Number** | **Number** |
| Outstanding at 1 July | 413,360,261 | 513,000,000 |
| Issued during the year | 582,749,929 | 205,949,134 |
| Cancelled during the year | (207,411,127) | (305,588,873) |
| Outstanding at 30 June | 788,699,063 | 413,360,261 |
| Exercisable at 30 June | 788,699,063 | 413,360,261 |

### Note 18: Commitments and contingencies

(i) At this stage the Company has no minimum obligations with respect to tenement expenditure requirements.
(ii) Operating lease commitment to rental payments on office premise in Spain is as follows:

| | 2018 | 2017 |
|---|---|---|
| | **$** | **$** |
| Within 1 year | **25,545** | 16,105 |
| 2 to 3 years | **-** | 5,368 |
| Total | **25,545** | 21,473 |

### Note 19: Related party transactions

Compensation of Key Management Personnel

| | 2018 | 2017 |
|---|---|---|
| | **$** | $ |
| Short-term employee benefits | **318,793** | 537,519 |
| Post-employment benefits | **3,037** | 5,205 |
| Share based payments | **405,753** | 11,057 |
| Termination benefits | **-** | 98,263 |
| | **727,583** | 652,044 |

Transactions between related parties are on normal commercial terms and conditions and no more favourable than those available to other parties unless otherwise stated.

Subsidiaries

The consolidated financial statements include the financial statements of Europa Metals Limited and the subsidiaries listed in the following table.

| | | % Beneficial Equity Interest | |
|---|---|---|---|
| **Name** | **Country of Incorporation** | **2018** | **2017** |
| Ferrum Metals Pty Ltd | Australia | **100** | 100 |
| GoldQuest Iberica S.L. | Spain | **100** | 100 |

## Notes to the consolidated financial statements
## For the year ended 30 June 2018

### Note 19: Related party transactions (continued)

Europa Metals Limited is the ultimate Australian parent entity and the ultimate parent of the Group. Transactions between Europa Metals Limited and its controlled entities during the year consisted of loan advances by Europa Metals Limited. All intergroup transactions and balances are eliminated on consolidation.

Trade payable

| | | Income from Related Parties | Expenditure to Related Parties | Amounts Owed by Related Parties at year end | Amounts Owed to Related Parties at year end |
|---|---|---|---|---|---|
| | | $ | $ | $ | $ |
| Magnum Mining and Exploration Ltd (i) | **2018** | | **58,590** | | **8,312** |
| | 2017 | - | 118,458 | - | 22,817 |
| Minerva Corporate Pty Ltd (ii) | **2018** | **-** | **38,500** | **-** | **9,000** |
| | 2017 | - | - | | |

(i) Mr G Button, a former non-executive director and company secretary for the Company, was also a director of Magnum Mining and Exploration Ltd. During the year, Magnum Mining and Exploration Ltd received the above fees for office rental, office running costs and staffing expenses. These fees are based on normal commercial terms and conditions. Mr G Button resigned on 1 February 2018.

(ii) Mr D Smith, a non-executive director and company secretary for the Company, is also a director of Minerva Corporate Pty Ltd. During the year, Minerva Corporate Pty Ltd received the above fees for company secretarial and accounting services. These fees are based on normal commercial terms and conditions. Mr D Smith was appointed on 16 January 2018.

The following transactions were undertaken between the Company, executive officers and director-related entities during 2018 and 2017.

| | 2018 | 2017 |
|---|---|---|
| | $ | $ |
| Consulting fees were paid to Mowbrai Ltd, a company of which Laurence Read is a director | - | 76,621 |
| Consulting fees were paid or accrued to Tavistock Communications Ltd, a company of which Merlin Marr-Johnson is an employee | - | 31,250 |
| Consulting fees were paid or accrued to Marrad Ltd, a company of which Merlin Marr-Johnson is a director | - | 44,112 |
| | - | 151,983 |

## Notes to the consolidated financial statements
## For the year ended 30 June 2018

### Note 20: Cash flow information

| | 2018 | 2017 |
|---|---|---|
| | $ | $ |
| Reconciliation of cash flow from operations with loss from ordinary activities after income tax | | |
| Loss from ordinary activities after income tax | **(1,883,446)** | (11,286,803) |
| Depreciation | **7,952** | 5,588 |
| Exploration expenditure | **-** | 63,314 |
| Profit on sale of plant and equipment | **-** | (2,647) |
| Loss on sale of subsidiaries | **-** | 9,262,484 |
| Impairment of loans | **-** | (772,564) |
| Share based payment compensation | **338,713** | 11,057 |
| Net foreign exchange differences | **(67,370)** | 827,281 |
| Movement of Bad debts | **-** | 10,606 |
| Proceeds from third party funding | **-** | (175,851) |
| *Changes in assets and liabilities* | | |
| (Increase) / decrease in receivables | **43,719** | 7,889 |
| (Increase) / decrease in other operating assets | **-** | (34,360) |
| Increase / (decrease) in payables and provisions | **124,649** | (57,382) |
| Cash flows used in operations | **(1,435,783)** | (2,141,388) |

### Note 21: Financial risk management objectives and policies

The Group's principal financial instruments comprise cash, short term deposits, held-for-trading and derivative instruments.

The main purpose of the financial instruments is to finance the Group's operations. The Company also has other financial instruments such as receivables and payables which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. The board reviews and agrees policies for managing each of these risks and they are summarised below:

(a) Interest Rate Risk

The Group's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates, and the effective weighted average interest rate for each class of financial assets and financial liabilities, is set out in the following table. Also included is the effect on profit and equity after tax if interest rates at that date had been 10% higher or lower with all other variables held constant as a sensitivity analysis.

The Group has not entered into any hedging activities to manage interest rate risk. In regard to its interest rate risk, the Group continuously analyses its exposure. Within this analysis, consideration is given to potential renewals of existing positions, alternative investments and the mix of fixed and variable interest rates.

# Notes to the consolidated financial statements
# For the year ended 30 June 2018

### Note 21: Financial risk management objectives and policies (continued)

(a) Interest Rate Risk (continued)

| | Weighted Average Effective Interest Rate | Floating Interest Rate | Fixed Interest Rate | Non Interest Bearing | Total |
|---|---|---|---|---|---|
| | % | $ | $ | $ | $ |
| **2018** | | | | | |
| **Financial Assets** | | | | | |
| Cash | 0.05% | **728** | **-** | **1,271,599** | **1,272,327** |
| Receivables | 0.00% | **-** | **-** | **77,510** | **77,510** |
| **Total Financial Assets** | | **728** | **-** | **1,349,109** | **1,349,109** |
| **Financial Liabilities** | | | | | |
| Trade and other payables | | **-** | **-** | **229,669** | **229,669** |
| **Total Financial Liabilities** | | **-** | **-** | **229,669** | **229,669** |
| **2017** | | | | | |
| **Financial Assets** | | | | | |
| Cash | 0.05% | 503,891 | - | - | 503,891 |
| Other deposits | 0.00% | - | - | 14,344 | 14,344 |
| Receivables | 0.00% | - | - | 46,624 | 46,624 |
| Investments | 0.00% | - | - | - | - |
| **Total Financial Assets** | | 503,891 | - | 60,968 | 564,859 |
| **Financial Liabilities** | | | | | |
| Trade and other payables | | - | - | 246,342 | 246,342 |
| **Total Financial Liabilities** | | - | - | 246,342 | 246,342 |

(b) Liquidity Risk

The Group manages liquidity risk by maintaining sufficient cash reserves and marketable securities required to meet the current exploration and administration commitments, through the continuous monitoring of actual cash flows.

Ultimate responsibility for liquidity risk management rests with the board of directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long term funding and liquidity management requirements.

# Notes to the consolidated financial statements
# For the year ended 30 June 2018

### Note 21: Financial risk management objectives and policies (continued)

| | Less than 1 month | 1 – 3 months | 3 months – 1 year | 1 – 5 years | 5+ years | Total contractual cash flow | Total |
|---|---|---|---|---|---|---|---|
| | % | $ | $ | $ | $ | $ | $ |
| **2018** | | | | | | | |
| **Financial assets:** | | | | | | | |
| Cash | **1,272,327** | **-** | **-** | **-** | **-** | **1,272,327** | **1,272,327** |
| Trust deposits | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| Receivables | **-** | **60,863** | **-** | **-** | **-** | **60,863** | **60,863** |
| | **1,272,327** | **60,863** | **-** | **-** | **-** | **1,333,190** | **1,333,190** |
| **Financial liabilities:** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| Non-interest bearing | **-** | **(229,669)** | **-** | **-** | **-** | **(229,669)** | **(229,669)** |
| | **-** | **(229,669)** | **-** | **-** | **-** | **(229,669)** | **(229,669)** |
| **Net cash inflow / (outflow)** | **1,272,327** | **(152,159)** | **-** | **-** | **-** | **1,103,521** | **1,103,521** |
| 2017 | | | | | | | |
| **Financial assets:** | | | | | | | |
| Cash | 503,891 | - | - | - | - | 503,891 | 503,891 |
| Trust deposits | - | - | - | 14,344 | - | 14,344 | 14,344 |
| Receivables | - | 46,624 | - | - | - | 46,624 | 46,624 |
| | 503,891 | 46,624 | - | 14,344 | - | 564,859 | 564,859 |
| **Financial liabilities:** | | | | | | | |
| Non-interest bearing | - | (246,342) | - | - | - | (246,342) | (246,342) |
| | - | (246,342) | - | - | - | (246,342) | (246,342) |
| Net cash inflow / (outflow) | 503,891 | (199,718) | - | 14,344 | - | 318,517 | 318,517 |

(c) Credit Risk

Credit risk arises in the event that counterparty will not meet its obligations under a financial instrument leading to financial losses. The Company is exposed to credit risk from its operating activities and, financing activities including deposits with banks and investments with insurance companies. The credit risk control procedures adopted by the Company is to assess the credit quality of the institution with whom funds are deposited or invested, taking into account its financial position and past experiences.

The maximum exposure to credit risk on financial assets of the Company which have been recognised on the statement of financial position is generally limited to the carrying amount.

Cash is maintained with National Australia Bank, Banco Popular of Spain and the Standard Bank of South Africa.

(d) Foreign Exchange Risk

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date is as follows,

| | **Liabilities** | | **Assets** | |
|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 2017 |
| | **$** | $ | **$** | $ |
| Great British Pounds (GBP) | **(110,886)** | (11,667) | **1,240,078** | 447,253 |
| South African Rand (ZAR) | **(2,539)** | (3,302) | **3,036** | 20,203 |
| Euro (EUR) | **(15,774)** | (32,126) | **9,297** | 76,910 |

# Notes to the consolidated financial statements
# For the year ended 30 June 2018

### Note 21: Financial risk management objectives and policies (continued)

Foreign currency sensitivity analysis

The Group is exposed to Great British Pound (GBP), and Euro (EUR) currency fluctuations.

The following table details the Group's sensitivity to a 10% increase and decrease in the Australian Dollar (AUD) against the relevant currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates.

The sensitivity analysis includes cash balances held in GBP and EUR which give rise to a foreign currency gain or loss on revaluation. A positive number indicates an increase in profit and other equity where the AUD strengthens against the EUR. In relation to cash balances held in GBP a positive number indicates an increase in profit and other equity where the Australian Dollar strengthens against the respective currency. For a weakening Australian Dollar against the respective currency there would be an equal and opposite impact on the profit and other equity and the balances below would be negative.

(d) Foreign Exchange Risk

| | | **2018** | | 2017 | |
|---|---|---|---|---|---|
| | | **Profit / (loss) $** | **Equity increase / (decrease) $** | Profit / (loss) $ | Equity increase / (decrease) $ |
| AUD strengthens 10% | - ZAR | **558** | **(558)** | 1,690 | (1,690) |
| | - GBP | **135,096** | **(135,096)** | 43,559 | (43,559) |
| | - EUR | **2,507** | **(2,507)** | 4,478 | (4,478) |
| AUD weakens 10% | - ZAR | **(558)** | **558** | (1,690) | 1,690 |
| | - GBP | **(135,096)** | **135,096** | (43,559) | 43,559 |
| | - EUR | **(2,507)** | **2,507** | (4,478) | 4,478 |

(e) Fair value

The fair values of cash, trade and other receivables and trade and other payables approximate their carrying values, as a result of their short maturity or because they carry floating rates.

### Note 22: Parent Entity Information

| | **2018 $** | 2017 $ |
|---|---|---|
| Current assets | **1,302,088** | 808,949 |
| Total assets | **2,706,239** | 1,719,638 |
| Current liabilities | **221,868** | 149,245 |
| Total liabilities | **221,868** | 149,245 |
| Issued capital | **42,789,056** | 40,244,654 |
| Accumulated Losses | **(42,867,023)** | (34,420,811) |
| Reserves | **2,562,338** | (4,253,450) |
| Total shareholders' equity | **2,484,371** | 1,570,393 |
| Loss of the parent entity | **(1,538,302)** | (2,142,178) |

There have been no guarantees entered into by the parent entity in relation to any debts of its subsidiaries.

The parent entity has no contingent liabilities as at 30 June 2018 (2017: Nil).

### Note 23: Significant events after the reporting date

On 16 July 2018 the Company announced that it had contracted a combination drill rig for mobilisation to its Toral lead-zinc-silver project located in the Province of León, northern Spain, during August 2018. The Combination rig and associated operating crew is being supplied by Sondeos y Perforaciones Industriales de Bierzo SA ("SPI") and will be overseen by the Company's on-site exploration team. The combination rig is one of only a few of its type in Spain and has been deployed on a series of recent, successful drilling programmes. Such rigs are used extensively on Australian drilling programmes.

On 30 July 2018, the Company announced the expiry of 205,949,134 unlisted options exercisable at £0.003 per share on or before 29 July 2018.

On 10 August 2018, and further to its previous announcement of 27 July 2018, the Company announced that it had raised approximately £563,516 (approximately A$0.98m) before expenses, through the issue of 727,118,650 new ordinary shares of no par value each in the capital of the Company at an issue price of 0.0775 pence per share. The new ordinary shares were issued under the Company's existing placement capacity under ASX Listing Rule 7.1. The net proceeds from the fundraising are to be utilised towards funding a planned phase 2 work programme at the Company's Toral lead-zinc-silver project, as well as providing additional general working capital for the Group.

On 28 August 2018, the Company announced that the abovementioned combination drill rig had been successfully mobilised at the Toral lead-zinc-silver project. Further to the mobilisation and arrival on site of the combination rig, drilling will initially ascertain the potential continuation of the mineralised structure outside of the current defined JORC (2012) resource area. With a significant inferred resource estimate already established for the main Toral project area, the extension drilling to the East will seek to identify the presence of further mineralisation/hosting structures. Subsequent to completion of the extension drilling, the Company will concentrate on drilling within the upper zone of the identified JORC (2012) resource area, before moving on to a Phase 2 programme, targeting key areas within the high grade zone of the inferred resource in order to increase resource confidence levels. In addition, the Company announced that further to an intensive 6 week process, its new geological team had successfully re-logged all priority intersections from the historical drill core from the Toral project stored at the National Litoteca, located in Andalucia, Spain.

On 13 September 2018, the Company announced that the Board had decided to initiate the Change of Land Use processes needed for the potential full future development of a mine at its Toral project and had engaged a specialist consultancy, MAGMA Soluciones Ambientales SL, to progress the requisite applications across the three distinct municipalities overlapping the project's licence area. The process is currently estimated to take approximately 18 months.

On 20 September 2018, the Company announced an updated JORC (2012) mineral resource estimate for its Toral project. The abovementioned re-logging of historic drill core held at the National Litoteca from the Toral project had resulted in significantly higher bulk density measurements than those used for the Maiden resource estimate completed by AMS between November 2017 and January 2018, as announced by the Company on 6 February 2018.

Accordingly, the updated mineral resource estimate for the Toral lead-zinc-silver deposit comprised:

- 19Mt @ 6.9% Zn Equivalent (including Pb credits) and 24g/t Ag
- 720,000 tonnes of Zinc, 570,000 tonnes of Lead and 14 million ounces of Silver

# Directors' Declaration

In the opinion of the directors of Europa Metals Limited :

(a) the financial statements and notes set out on pages 38 to 67 are in accordance with the Corporations Act 2001, including:

   (i) giving a true and fair view of the financial position of the Group as at 30 June 2018 and of its performance, as represented by the results of its operations and its cash flows, for the year ended on that date; and

   (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001, professional requirements and other mandatory requirements;

(b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2 (b); and

(c) subject to the matters discussed in Note 2(g), there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the year ending 30 June 2018.

This declaration is made in accordance with a resolution of the directors.

D Smith
Non-Executive Director
Perth
28 September 2018

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# INDEPENDENT AUDITOR'S AUDIT REPORT

To the members of Europa Metals Limited

## Report on the Audit of the Financial Report

### Opinion

We have audited the financial report of Europa Metals Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, 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 year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the Corporations Act 2001, including:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the Corporations Regulations 2001.

### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Financial Report section of our report. We are independent of the Group in accordance with 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 (the Code) that are relevant to our audit of the 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 in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Material uncertainty related to going concern

We draw attention to Note 2(c) 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 opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

## Recoverability of Capitalised Exploration Expenditure

| Key audit matter | How the matter was addressed in our audit |
|---|---|
| As disclosed in Note 11 to the financial report, the carrying value of capitalised exploration and evaluation expenditure represents a significant asset of the Group.<br><br>In accordance with relevant accounting standards, the recoverability of exploration and evaluation expenditure required significant judgement by management in determining whether there are any facts or circumstances that exist to suggest the carrying amount of this asset may exceed its recoverable amount. As a result, this is considered a key audit matter. | Our procedures included, but were not limited to:<br><br>• Obtaining a schedule of the areas of interest held by the Group and assessing whether the rights to tenure of those areas of interest remained current at balance date;<br><br>• Considering the status of the ongoing exploration programmes in the respective areas of interest by holding discussions with management, and reviewing the Group's exploration budgets, ASX announcements and directors' minutes;<br><br>• Considering whether any such areas of interest had reached a stage where a reasonable assessment of economically recoverable reserves existed;<br><br>• Assessing the adequacy of the related disclosure in Note 11 to the financial report. |

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our auditor's report.

## Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 15 to 24 of the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Europa Metals Limited, for the year ended 30 June 2018, complies with section 300A of the Corporations Act 2001.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit (WA) Pty Ltd

BDO

Phillip Murdoch

Director

Perth, 28 September 2018

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

As lead auditor of Europa Metals Limited for the year ended 30 June 2018, 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 audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

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, 28 September 2018

**ASX Requirements**

Distribution schedules of shareholders and statements of voting rights are set out in Table 1, whilst the Company's top twenty shareholders are shown in Table 2. Substantial shareholder notices that have been received by the Company are set out in Table 3 and the tenement schedule as at 30 June 2018 is set out in Table 4.

**Table 1**
**Shareholder spread**

| *Ordinary shares, with right to attend meetings and vote personally or by proxy, through show of hands and, if required, by ballot (one vote for each share held)* | |
|---|---|
| 1-1,000 | 38 |
| 1,001-5,000 | 48 |
| 5,001-10,000 | 70 |
| 10,001-100,000 | 178 |
| 100,001 - and over | 416 |
| | |
| Total holders of ordinary shares | **750** |
| Total number of ordinary shares | **5,576,576,317** |

| *Options, with no right to attend meetings or vote personally or by proxy* | |
|---|---|
| 1-1,000 | - |
| 1,001-5,000 | - |
| 5,001-10,000 | - |
| 10,001-100,000 | - |
| 100,001 - and over | 13 |
| | |
| Total holders of options | 13 |
| Total number of options | 649,416,595 |

**Table 2**
**Top twenty shareholders**

| *Shareholder* | *Number of shares* | *Percentage* |
|---|---|---|
| HARGREAVES LANSDOWN (NOMINEES) LIMITED <15942> | 592,749,482 | 10.63% |
| INTERACTIVE INVESTOR SERVICES NOMINEES LIMITED <SMKTISAS> | 377,947,081 | 6.78% |
| HARGREAVES LANSDOWN (NOMINEES) LIMITED <VRA> | 365,653,897 | 6.56% |
| INTERACTIVE INVESTOR SERVICES NOMINEES LIMITED <SMKTNOMS> | 292,219,514 | 5.24% |
| BARCLAYS DIRECT INVESTING NOMINEES LIMITED <CLIENT1> | 287,255,139 | 5.15% |
| HSDL NOMINEES LIMITED <MAXI> | 278,161,793 | 4.99% |
| SOUTH AFRICA CONTROL A/C\C | 265,378,425 | 4.76% |
| HSBC GLOBAL CUSTODY NOMINEE (UK) LIMITED <941346> | 222,950,771 | 4.00% |
| VIDACOS NOMINEES LIMITED <IGUKCLT> | 214,058,447 | 3.84% |
| HARGREAVES LANSDOWN (NOMINEES) LIMITED <HLNOM> | 203,943,019 | 3.66% |
| INTERACTIVE INVESTOR SERVICES NOMINEES LIMITED <TDWHSIPP> | 193,714,089 | 3.47% |
| JIM NOMINEES LIMITED <JARVIS> | 168,105,243 | 3.01% |
| HSDL NOMINEES LIMITED | 167,451,851 | 3.00% |
| MR AWAIS MUHAMMAD | 130,434,783 | 2.34% |
| LAWSHARE NOMINEES LIMITED <SIPP> | 93,884,448 | 1.68% |
| SHARE NOMINEES LTD | 91,618,266 | 1.64% |
| ROCK (NOMINEES) LIMITED <CSHNET> | 76,890,061 | 1.38% |
| BEAUFORT NOMINEES LIMITED | 61,832,508 | 1.11% |
| WEALTH NOMINEES LIMITED <NOMINEE> | 59,694,284 | 1.07% |
| HSBC CLIENT HOLDINGS NOMINEE (UK) LIMITED <731504> | 56,239,313 | 1.01% |
| | | |
| **Top 20 holders of Ordinary Fully Paid Shares (Total)** | **4,200,182,414** | **75.32%** |

**ASX Requirements (continued)**

**Table 3**
**Substantial shareholders**

| ***Shareholder*** | ***Number of shares*** | ***Percentage*** |
|---|---|---|
| HARGREAVES LANSDOWN (NOMINEES) LIMITED <15942> | 592,749,482 | 10.63% |
| INTERACTIVE INVESTOR SERVICES NOMINEES LIMITED <SMKTISAS> | 377,947,081 | 6.78% |
| HARGREAVES LANSDOWN (NOMINEES) LIMITED <VRA> | 365,653,897 | 6.56% |
| INTERACTIVE INVESTOR SERVICES NOMINEES LIMITED <SMKTNOMS> | 292,219,514 | 5.24% |
| BARCLAYS DIRECT INVESTING NOMINEES LIMITED <CLIENT1> | 287,255,139 | 5.15% |

**Voting Rights**

The voting rights attached to each class of equity securities are set out below:

**(a) Ordinary shares**

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

**Table 4**
**Tenement schedule as at 30 June 2018:**

| Project | Right Number | Right Status | Holder | Percentage Interest |
|---|---|---|---|---|
| Toral | 15.199 | Investigation Permit | GoldQuest Iberica, S.L. | 100% |
| Lago | Lago II 6.056 | Exploration Permit in progress | GoldQuest Iberica, S.L. | 100% |
| | Lago III 6.058 | Investigation Permit in progress | | |

**JSE Limited Requirements**

| Headline earnings reconciliation | 2018<br>$ | 2017<br>$ |
|---|---|---|
| Loss attributable to ordinary equity holders of the parent entity | (1,883,446) | (11,286,803) |
| Add back IAS 16 loss on the disposal of plant and equipment | - | (2,647) |
| Less profit on sale of available for sale investments | - | - |
| Total tax effects of adjustments | | - |
| **Headline loss** | **(1,883,446)** | **(11,289,450)** |
| Basic loss per share | (1,883,446) | (11,286,803) |
| Weighted average shares in issue | 3,075,844,119 | 1,238,720,046 |
| Basic loss per share (cents) | **(0.06)** | **(0.91)** |
| Headline loss | (1,883,446) | (11,289,450) |
| Weighted average shares in issue | 3,075,844,119 | 1,238,720,046 |
| Headline loss per share (cents) | **(0.06)** | **(0.91)** |