

31 July 2017

QUARTERLY ACTIVITIES REPORT AND APPENDIX 5B FOR THE QUARTER ENDING 30 JUNE 2017

The Board of European Lithium Limited (ASX:EUR, FRA:PF8) (the **Company**) is pleased to present its activities report and Appendix 5B for the three months ending 30 June 2017.

SUMMARY OF KEY UPDATES

- Completion of the deep hole drilling programme confirmed the extension of the pegmatite veins down to RL1250m
- Drilling in Zone 2 showed pegmatite intersections up to 4m wide and with grades up to 1.92% Li₂O
- Spodumene concentrate of 6.2% Li₂O was produced by flotation together with by-products of feldspar and quartz for the glass and ceramic industry
- Independent mine consultant confirms that the measured and indicated resource supports a production level of 7,100 tpa lithium carbonate for a mine life of 13 years. Preliminary economic evaluation gives a NPV₁₀ of US\$95 million and NPV₈ of US\$125 million
- Arbitration ruling received that the Austrian subsidiary, ECM Lithium AT GmbH, has full access to the land of Glock Gut-und Forstverwaltung to undertake mining and all related activities
- Completion of \$1.1m placement (before costs)
- Binding Term Sheet executed with Shandon for the off-take of spodumene concentrates from Wolfsberg

Post quarter end:

- The resource was increased by 4.68million tonnes in Inferred category which was an increase of 50% in contained Li₂O. This is expected to increase mine life and positively impact on the economics of the project
- Independent consulting engineer confirms production of battery grade lithium carbonate (>99.9% Li₂CO₃) and battery grade lithium hydroxide (>56.5% LiOH) from the spodumene concentrate

CORPORATE MATTERS

Placement

During the quarter, the Company completed a placement of 23,630,148 fully paid ordinary shares at \$0.045 per share to raise funds of \$784k (before costs) and settle certain creditors of

the company of approximately \$279k (**Placement**). The Company also issued 10,192,852 options as part of the Placement which are exercisable at \$0.05 (5 cents) on or before 31 March 2020. The funding will be used towards advancing the Company's Wolfsberg Lithium Project.

Sale of Paynes Find Gold Project

As previously announced, the Company has entered into a binding terms sheet with Cervantes Gold Pty Ltd, a wholly owned subsidiary of Cervantes Corporation Limited (ASX: CVS) (**CVS**) for the sale of its 100% owned Paynes Find Gold Project located in Western Australia (the **Transaction**).

During the quarter, the Company received cash instalments from CVS of \$45,000 which represents completion of the due diligence process and signing of the formal sale agreement.

Consideration for the Transaction consists of \$500,000 cash, of which \$50,000 has been received to date, and \$500,000 share capital in CVS. The Company will receive the balance of funds and be issued shares in CVS upon receipt of all necessary shareholder, regulatory and third-party approvals.

Suspension and Reinstatement of Trading

On 7 July 2017, the Company's securities were suspended from official quotation in relation to cleansing notices issued on 8 June 2017, 15 June 2017 and 3 July 2017 relating to the issue of ordinary shares on 8, 15 and 30 June 2017 (**Shares**) which did not exempt the sellers of the Shares from their obligation to make disclosure pursuant to s707(3) of the Corporations Act 2001 because the Shares were not in a class of securities that was trading on the ASX and not suspended for more than a total of 5 days during the previous 12 month period.

The Company prepared a short form cleansing prospectus which was lodged with ASIC on 10 July 2017. In addition, the Company lodged an application with the Federal Court of Australia seeking urgent declaratory relief and ancillary orders relating to the issue of securities and the subsequent offer for sale, or sale, by some of the subscribers to those securities. The Company sought orders declaring that any offer for sale or sale of the securities from the date of issue of the securities until 10 July 2017 was not invalid by reason of the sellers failure to comply with s707(3) of the *Corporations Act 2001*. On 26 July 2017, the Company was granted the relevant court orders and was reinstated to trading on ASX at the open of market on 27 July 2017.

Shandong Terms Sheet

On 15 May 2017, the Company announced that it had entered into an agreement with Shandong RuiFu Lithium Co., Ltd (**Shandong**) for the off-take of spodumene concentrates from Wolfsberg (**Off-take Agreement**) pursuant to a binding term sheet (**Term Sheet**).

The Company continues to hold discussions with Shandong in relation to a formal Off-take Agreement.

Appendix 5B Quarterly Report and Statement of Cash Flows

The ASX Appendix 5B quarterly report is attached to and lodged with this report.

The Company's Appendix 5B Quarterly Report covers the 3 month period from 1 April to 30 June 2017. The year to date figures shown include the cashflows for the Company for the 12 months and the cashflows for the subsidiaries acquired from 9 September 2016 to 30 June 2017.

EXPLORATION AND DEVELOPMENT ACTIVITIES

Wolfsberg Lithium Project

Exploration

The deep hole drilling programme in Zone 1 was completed, This confirmed the extension of the pegmatite veins down to RL1250m in both the amphibolite and mica schist host rocks. A single deeper hole to RL1100m in the mica schist showed only thin and sub economic veins. On the basis of a single hole it is not possible to say whether this is a local thinning or a feature of the deposit. In order to intersect the deeper veins drilling was started from an area of amphibolite, previously undrilled, to the north east of previously drilled areas. This drilling intersected significant lithium bearing veins with widths up to 2.3m and grades up to 1.6% Li₂O between 50 and 70m from surface. This is an extremely promising exploration target. The drill hole results were reported in ASX announcements of 18 April 2017 and 31 May 2017.

The pegmatite intersections of the deep drill hole results were connected where reasonable to the major veins (comprising the measured and indicated resource) by following the average dip angle. For each of the major veins the true intersections and lithium grades of the deep holes were used to estimate an increase in the resource. Because of the drill spacing the increased resource was considered as 'Inferred'. The drilling results and resource estimation were reviewed by the independent competent person and an increase to the resource of 4.68 million tonnes at 0.78% Li₂O was announced to the ASX subsequent to the quarter end on 3 July 2017 with an addendum on 7 July 2017. The current JORC Code (2012) compliant resource is shown in Table 1. The resource was increased by 50% in terms of contained Li₂O.

Category	Million Tonnes	%Li ₂ O
Measured	2.86	1.28
Indicated	3.44	1.08
Measured and Indicated	6.30	1.17
Inferred	4.68	0.78
Total Resources	10.98	1.00

Table 1: JORC Code (2012) resource

Zone 2, the southern limb of the anticline, is considered to have the potential to mirror the resource of Zone 1, the northern limb. Two drill holes were completed in Zone 2 which showed exceptional results. Mineralised intersections up to 4m with grades up to 1.92% Li₂O were encountered. The results were reported in ASX announcement 28 June 2017.

The Wolfsberg deposit has three promising exploration targets for further drilling which are shown in Figure 1.

Resource Expansion Potential

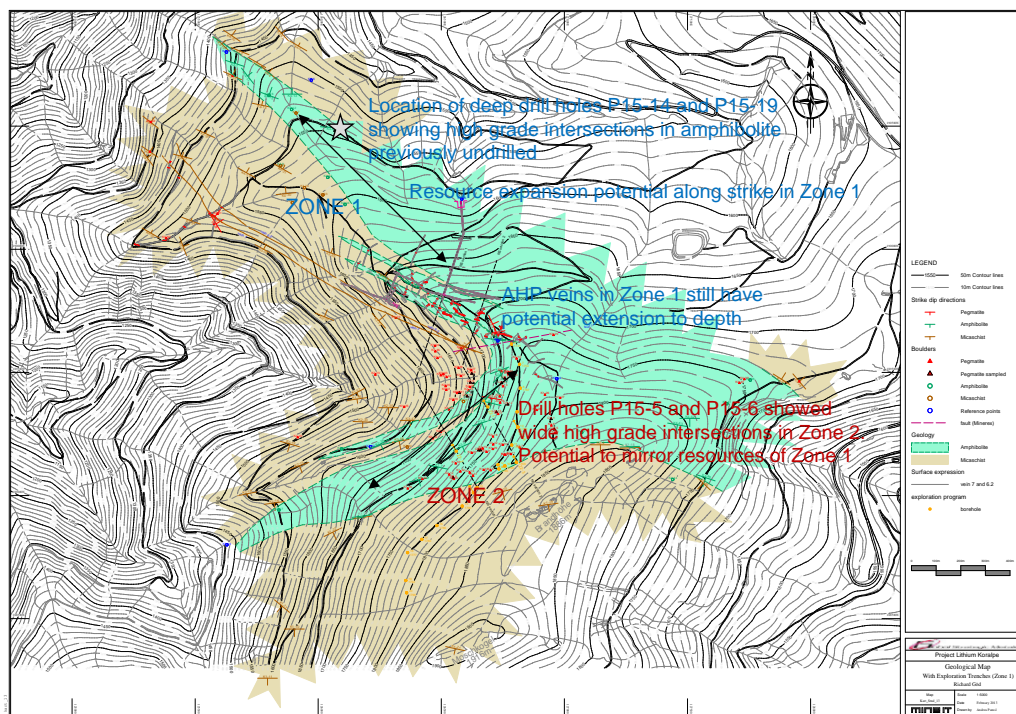


Fig 1: Exploration targets and resource expansion potential

Land Access

The arbitration tribunal on the validity of the agreement reached on 15 April 2011 granting ECM Lithium AT GmbH (**ECM**) access to and use of Glock Gut-und Forstverwaltung GmbH's (**Glock Gut**) property was concluded with a ruling on 26 June 2017. This stated that the agreement remained in full force and that the termination notices of Glock Gut were illegal and that ECM has full access to carry out all mining activities as well as all ancillary activities related thereto. The ruling was reported in ASX announcement dated 30 June 2017.

Metallurgy

The independent German metallurgical consultant, Dorfner Anzaplan, completed the test work programme. It showed that the Wolfsberg ore could be processed by laser sorting and flotation to produce a spodumene concentrate of 6.2% Li₂O with an overall lithium recovery from Run of Mine of 79%. High quality feldspar and quartz are also produced as by-products of flotation and result in significant by-product credits for sale into the local glass and ceramic industry. The physical processing testwork was reported in ASX announcement dated 26 June 2017.

The spodumene flotation concentrate was converted to battery grade lithium carbonate (>99.9% Li₂CO₃) using the conventional acid roast, carbonate precipitation, bicarbonation process. Recovery of lithium from spodumene to lithium carbonate was 86.8%. The battery grade lithium carbonate was also transformed to battery grade lithium hydroxide monohydrate (>56.5% LiOH) by reacting the lithium carbonate with lime and crystallising the resulting lithium hydroxide solution. Recovery of lithium from spodumene to lithium hydroxide was 82.6%. The

results were reported subsequent to the quarter end in ASX announcement dated 27 July 2017.

Mining

SRK Consulting completed the mine design study. They concluded that mining of the Wolfsberg deposit is technically and economically viable by longitudinal long hole open stoping with 75m stopes along strike and with 25m sub-levels. The mine plan for the measured and indicated resource provides for mining an average of 600,000tpa run of mine which after ore sorting provides for about 400,000tpa processed to produce 50,000tpa spodumene concentrate which converts to 7,100 tpa lithium carbonate for 13 years. Cost of production after by-product credits was estimated at US\$5,000/tonne lithium carbonate which is in the middle of the cost curve. At a lithium carbonate price of US\$10,500/tonne the preliminary economic evaluation resulted in an NPV10 of US\$95million and NPV8 of US\$125 million. The results of the study were reported in an ASX announcement dated 27 April 2017. An upside scenario was presented assuming exploration target material is converted to indicated resource through further drilling. The study considered that a mining rate of 800,000tpa was achievable to produce about 11,000tpa lithium carbonate in full production years.

An isometric view of the mine development is shown in Figure 2. Mine access is from the existing adit and a spiral decline (black) with cross cuts (green) at each 25m sub level and production drives (purple) along each vein to its extremities followed by retreat mining of long hole open stopes back towards the main access. Waste material after ore sorting underground is returned to the mined out stopes.

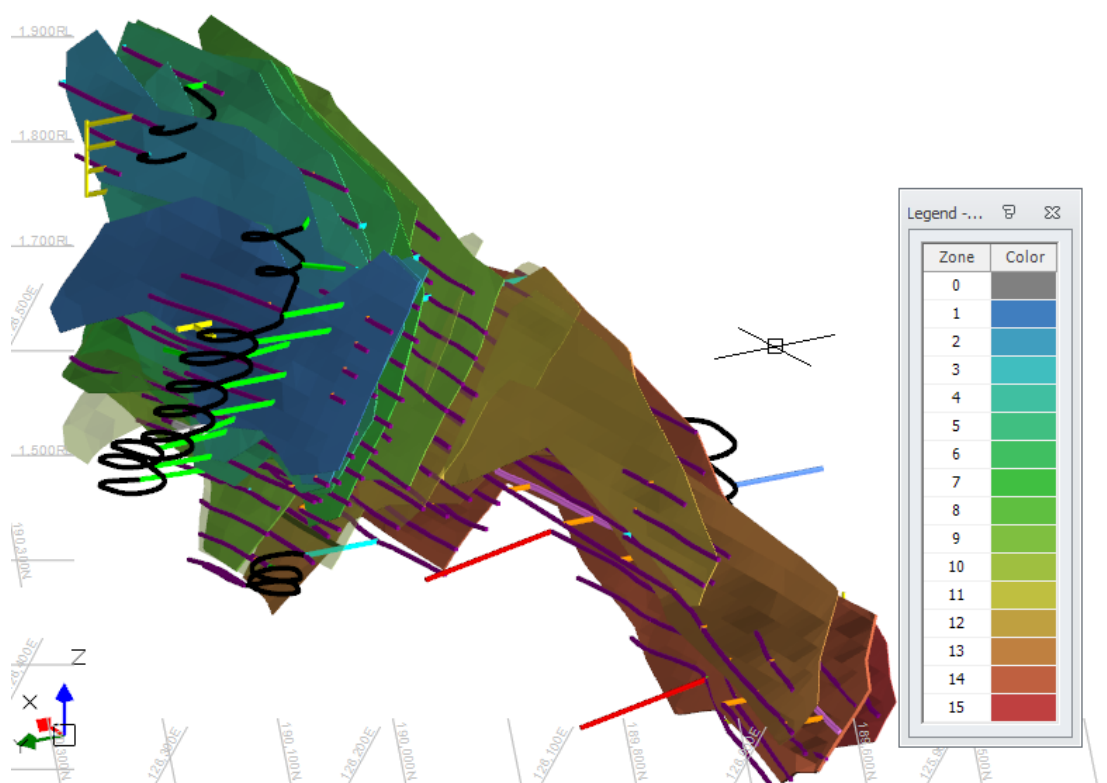


Figure 2: Isometric view of mine development and mineralisation

Environmental

An initial environmental assessment report was received from the environmental consultant, Umwelt Büro, that provided habitat characterisation.

Pre-Feasibility Study

A scope of work for the pre-feasibility was completed and a request for services issued. Three qualifying proposals were received and are being evaluated. Award of contract is waiting on completion of funding.

Tony Sage

Non-Executive Chairman

Competent Person's Statement

The information in this announcement pertaining to the Wolfsberg Lithium Project, and to which this statement is attached, relates to Project Development and Metallurgical Studies and is based on and fairly represents information and supporting documentation provided by the Company and its Consultants and summarized by Dr Steve Kesler who is a Qualified Person and is a Fellow of the Institute of Materials, Minerals and Mining and a Chartered Engineer with over 40 years' experience in the mining and resource development industry. Dr Kesler has sufficient experience, as to qualify as a Competent Person as defined in the 2012 edition of the "Australian Code for Reporting of Mineral Resources and Ore reserves". Dr Kesler consents to the inclusion in the report of the matters based on information in the form and context in which it appears. The company is reporting progress on project development and metallurgical results under the 2012 edition of the Australasian Code for the Reporting of Results, Minerals Resources and Ore reserves (JORC code 2012).

Tenement Status

The mining tenements held at the end of the quarter, acquired and disposed of during the quarter and their location:

Tenement reference	Location	Acquired interest during the quarter	Disposed interest during the quarter	Interest at the end of the quarter
M59/2	Paynes Find, WA	-	-	100%
M59/10	Paynes Find, WA	-	-	100%
M59/235	Paynes Find, WA	-	-	100%
M59/244	Paynes Find, WA	-	-	100%
M59/396	Paynes Find, WA	-	-	100%
M59/662	Paynes Find, WA	-	-	100%
M59/663	Paynes Find, WA	-	-	100%
P59/1907	Paynes Find, WA	-	-	100%
P59/1908	Paynes Find, WA	-	-	100%
P59/1909	Paynes Find, WA	-	-	100%
P59/1924	Paynes Find, WA	-	-	100%
P59/1941	Paynes Find, WA	-	-	100%
P59/1942	Paynes Find, WA	-	-	100%
P59/1956	Paynes Find, WA	-	-	100%
P59/1957	Paynes Find, WA	-	-	100%
P59/1958	Paynes Find, WA	-	-	100%
P59/1959	Paynes Find, WA	-	-	100%
P59/2101	Paynes Find, WA	-	-	100%
104/96	Wolfsberg Project, Austria	-	-	100%
105/96	Wolfsberg Project, Austria	-	-	100%
106/96	Wolfsberg Project, Austria	-	-	100%
107/96	Wolfsberg Project, Austria	-	-	100%
108/96	Wolfsberg Project, Austria	-	-	100%
109/96	Wolfsberg Project, Austria	-	-	100%
110/96	Wolfsberg Project, Austria	-	-	100%
111/96	Wolfsberg Project, Austria	-	-	100%
112/96	Wolfsberg Project, Austria	-	-	100%
113/96	Wolfsberg Project, Austria	-	-	100%
114/96	Wolfsberg Project, Austria	-	-	100%
115/96	Wolfsberg Project, Austria	-	-	100%
116/96	Wolfsberg Project, Austria	-	-	100%
117/96	Wolfsberg Project, Austria	-	-	100%
118/96	Wolfsberg Project, Austria	-	-	100%
119/96	Wolfsberg Project, Austria	-	-	100%
120/96	Wolfsberg Project, Austria	-	-	100%
121/96	Wolfsberg Project, Austria	-	-	100%
122/96	Wolfsberg Project, Austria	-	-	100%
123/96	Wolfsberg Project, Austria	-	-	100%

124/96	Wolfsberg Project, Austria	-	-	100%
125/96	Wolfsberg Project, Austria	-	-	100%
370/11(611/11)	Wolfsberg Project, Austria	-	-	100%
371/11(612/11)	Wolfsberg Project, Austria	-	-	100%
372/11(613/11)	Wolfsberg Project, Austria	-	-	100%
373/11(614/11)	Wolfsberg Project, Austria	-	-	100%
374/11(615/11)	Wolfsberg Project, Austria	-	-	100%
375/11(616/11)	Wolfsberg Project, Austria	-	-	100%
378/11(619/11)	Wolfsberg Project, Austria	-	-	100%
379/11(620/11)	Wolfsberg Project, Austria	-	-	100%
380/11(621/11)	Wolfsberg Project, Austria	-	-	100%
381/11(622/11)	Wolfsberg Project, Austria	-	-	100%
382/11(623/11)	Wolfsberg Project, Austria	-	-	100%
383/11(624/11)	Wolfsberg Project, Austria	-	-	100%
384/11(625/11)	Wolfsberg Project, Austria	-	-	100%
386/11(627/11)	Wolfsberg Project, Austria	-	-	100%
387/11(628/11)	Wolfsberg Project, Austria	-	-	100%
388/11(629/11)	Wolfsberg Project, Austria	-	-	100%
389/11(630/11)	Wolfsberg Project, Austria	-	-	100%
390/11(631/11)	Wolfsberg Project, Austria	-	-	100%
391/11(632/11)	Wolfsberg Project, Austria	-	-	100%
392/11(633/11)	Wolfsberg Project, Austria	-	-	100%
394/11(636/11)	Wolfsberg Project, Austria	-	-	100%
395/11(637/11)	Wolfsberg Project, Austria	-	-	100%
396/11(638/11)	Wolfsberg Project, Austria	-	-	100%
397/11(639/11)	Wolfsberg Project, Austria	-	-	100%
398/11(640/11)	Wolfsberg Project, Austria	-	-	100%
400/11(645/11)	Wolfsberg Project, Austria	-	-	100%
401/11(646/11)	Wolfsberg Project, Austria	-	-	100%
402/11(647/11)	Wolfsberg Project, Austria	-	-	100%
403/11(648/11)	Wolfsberg Project, Austria	-	-	100%
408/11(648/11)	Wolfsberg Project, Austria	-	-	100%
409/11(641/11)	Wolfsberg Project, Austria	-	-	100%
412/11(649/11)	Wolfsberg Project, Austria	-	-	100%
Andreas 1	Wolfsberg Project, Austria	-	-	100%
Andreas 2	Wolfsberg Project, Austria	-	-	100%
Andreas 3	Wolfsberg Project, Austria	-	-	100%
Andreas 4	Wolfsberg Project, Austria	-	-	100%
Andreas 5	Wolfsberg Project, Austria	-	-	100%
Andreas 6	Wolfsberg Project, Austria	-	-	100%
Andreas 7	Wolfsberg Project, Austria	-	-	100%
Andreas 8	Wolfsberg Project, Austria	-	-	100%
Andreas 9	Wolfsberg Project, Austria	-	-	100%
Andreas 10	Wolfsberg Project, Austria	-	-	100%
Andreas 11	Wolfsberg Project, Austria	-	-	100%

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

EUROPEAN LITHIUM LIMITED

ABN

45 141 450 624

Quarter ended ("current quarter")

30 June 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(814)	(3,774)
(b) development	-	-
(c) production	-	-
(d) staff costs	-	(66)
(e) administration and corporate costs	(165)	(1,019)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	15
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (provide details if material)	-	-
- Promotion and marketing related costs	(56)	(307)
1.9 Net cash from / (used in) operating activities	(1,034)	(5,151)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
	(d) other non-current assets	-	-
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	12
	(b) tenements (see item 10)	45	50
	(c) investments	-	-
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (previously incurred project expenditure)	-	(1,042)
	Other (cash on hand for new subsidiaries on settlement of acquisition)	-	29
	Other (increase in bank guarantees and restricted deposits)	-	(515)
2.6	Net cash from / (used in) investing activities	45	(1,466)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	784	7,016
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	(24)	(556)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	760	6,460

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	768	709
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,034)	(5,151)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	45	(1,466)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	760	6,460
4.5	Effect of movement in exchange rates on cash held	11	(2)
4.6	Cash and cash equivalents at end of period	550	550

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	550	768
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	550	768

6. Payments to directors of the entity and their associates

	Current quarter \$A'000
6.1	Aggregate amount of payments to these parties included in item 1.2
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Director Fees paid to Directors (inclusive of GST)

7. Payments to related entities of the entity and their associates

	Current quarter \$A'000
7.1	Aggregate amount of payments to these parties included in item 1.2
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3
7.3	Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Payments included in item 7.1 are inclusive of GST and relate to payments to Director-related parties for office occupancy costs, professional services and the reimbursement of travel and other expenses.

Mining exploration entity and oil and gas exploration entity quarterly report

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

Not applicable

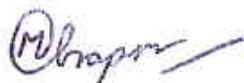
9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	(622)
9.2 Development	-
9.3 Production	-
9.4 Staff costs	-
9.5 Administration and corporate costs	(293)
9.6 Other (sale of Paynes Find Gold Tenements)	450
9.6 Other (release of restricted funds)	220
9.6 Other (capital raising)	200
9.7 Total estimated cash outflows	(45)

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced ^a	-	-	-	-
10.2 Interests in mining tenements and petroleum tenements acquired or increased	-	-	-	-

^a As announced on 22 December 2016, the Company has executed a Binding Terms Sheet with Cervantes Gold Pty Ltd, a wholly owned subsidiary of Cervantes Corporation Limited (ASX:CVS), to sell 100% of the right, title and interest in the tenements known as the Paynes Find Gold Project, located in Western Australia.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



Sign here:
Company secretary

Date:31 July 2017.....

Print name:Melissa Chapman.....

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.