

30 April 2018

QUARTERLY ACTIVITIES REPORT AND APPENDIX 5B FOR THE QUARTER ENDING 31 MARCH 2018

The Board of European Lithium Limited (ASX:EUR, FRA:PF8, VSE:ELI) (the **Company**) is pleased to present its activities report and Appendix 5B for the three months ending 31 March 2018.

SUMMARY OF KEY UPDATES

- The PFS for the Wolfsberg Lithium Project was completed by end of the quarter. The results were positive with a project pre-tax NPV₈ of A\$441.9 million. The results were released to the ASX post quarter end on 5 April 2018.
- The Company has submitted a 33 drill hole programme to the Mining Authority for approval. The programme was developed with SRK to convert the Inferred resource in Zone 1 at Wolfsberg to a Measured and Indicated resource. Drilling is expected to commence in May.
- The drill programme in Zone 2 was completed by end of quarter. The results were positive and demonstrated the potential for Zone 2 to mirror the resource of Zone 1. The results were released to the ASX post quarter end on 27 April 2018

CORPORATE MATTERS

Capital Movements

During the quarter, the Company issued 1,000,000 fully paid ordinary shares following the conversion of options with an exercise price of \$0.125 expiring on 27 February 2020 into shares.

Sale of Paynes Find Gold Project

As previously announced, the Company 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**).

Consideration for the Transaction consists of \$500,000 cash and \$500,000 share capital in CVS.

The Company has received cash funds of \$345,000 (note that the \$75,000 payment due on 31 March 2018 was received on 3 April 2018) to date with the remaining cash payments due as follows:

- \$75,000 on or before 31 May 2018
- \$80,000 on or before 30 June 2018

Pursuant to the terms of the Transaction, the Company currently holds 25,000,000 shares in CVS. Subsequent to the quarter end, CVS completed a capital raising hence diluting the Company's shareholder in CVS from 7% to 5.13%.

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 January 2018 to 31 March 2018.

EXPLORATION AND DEVELOPMENT ACTIVITIES

Wolfsberg Lithium Project

Exploration

The application to the Mining Authority to extend the suspension of the requirement to carry out mining for at least four months a year was granted on 30 January 2018. The suspension was extended to 31 December 2019 to allow completion of the DFS and construction.

GeoUnterweissacher and Mine-it completed in January 2018 the lithological model for Zones 1 and 2. SRK Consulting (UK) (SRK) assisted the Company and its consultants to develop a 33 drill hole programme totalling 11,330 metres intended to convert the Inferred resource in Zone 1 to Measured and Indicated resource. Completion of this programme will allow the larger resource to be used for the DFS and support a higher production rate than used for the PFS which was restricted to using the current Measured and Indicated resource of 6.3 million tonnes at 1.17% Li₂O. The programme was submitted to the Mining Authority at end February 2018 for approval. The programme was put out to tender to drilling contractors in March 2018. It is expected that approval of the programme will be received from the Mining Authority by end April and the drilling contract awarded for drilling to commence mid May 2018. The programme will use three drilling rigs and take four months to complete.

The drilling programme in Zone 2 that commenced in 2017 was restarted in January 2018 and completed by end March 2018. An additional five holes were drilled totalling 1,338 metres. The results were released to the ASX (refer announcement titled Positive drill results confirm Zone 2 could mirror Zone 1 resources at Wolfsberg Lithium Project - 27 April 2018). These showed that multiple lithium bearing pegmatite veins had been intersected with widths and lithium grades similar to those of Zone 1. It is thought that Zone 2 has the potential to mirror the resource of Zone 1. Twelve drill holes have been completed in Zone 2 between the 2012 and 2017/8 programmes. The drill hole data will be used with the lithological model to estimate a maiden Inferred resource for Zone 2 before end Q2 2018. A next phase drilling programme in Zone 2 is being planned to increase the resource.

Pre-Feasibility Study

DRA Global (**DRA**) had been contracted as lead consultant for the project engineering design and integration of third party studies into the PFS. SRK Consulting (**SRK**) undertook the mine design and declaration of mineral reserves.

The PFS was completed, reviewed by the Company and accepted as scheduled on 30 March 2018. A summary of the PFS was released to the ASX (European Lithium completes positive PFS - 5 April 2018). The project configuration comprises underground mining, crushing and ore sorting to reject waste dilution in the Run of Mine (**RoM**), processing on surface the sorter accepts by

grinding, flotation and magnetic separation to produce a 6% Li₂O spodumene concentrate and by-products of feldspar and quartz for the regional glass and ceramics market. Mine development waste, the sorter rejects and the concentrator tailings as cemented backfill are returned to mined out stopes. There would be no permanent waste dumps or tailings dam on surface to minimise the project footprint.

The spodumene concentrate would be trucked to a hydrometallurgical plant located just to the south of Wolfsberg where it is to be converted to battery grade lithium hydroxide using the conventional acid roast process with precipitation of lithium carbonate and transformation to lithium hydroxide by contact with lime.

The mine plan was based on utilising only the Measured and Indicated resource of 6.3 million tonnes at 1.17% Li₂O. A mineral reserve of 7.44 million tonnes at 0.71% Li₂O was declared by SRK which included waste dilution during mining. The ore sorters reject waste to deliver feed to the concentrator of 4.92 million tonnes at 1.03% Li₂O. A base case mining this material in 12 years was engineered and capital and operating costs estimated to PFS level. During the mine design it became apparent that improved scheduling could increase the mining rate with minimal increase in mining equipment. A mine plan was developed that mined the material in 10 years at about 720,000tpa to produce an average of 10,129tpa lithium hydroxide monohydrate. Capital cost was estimated at US\$423.6 million. Operating cost was estimated at US\$6,561/tonne lithium hydroxide monohydrate after by-product credits. This puts the Wolfsberg project at higher cost than the brine projects of South America but significantly lower cost than the Chinese converters buying Australian spodumene. The pre-tax NPV₈ is A\$441.9 million.

The mining studies indicated that a practical maximum mining rate would be about 800,000tpa and that the project would increase NPV if additional mineral resources were developed to sustain that rate for a longer period.

The PFS also concluded that there were a number of open areas in geology, hydrogeology, mining, metallurgy, land access and environmental that warranted further study before initiating the DFS so that design changes during the DFS could be minimised. Completion of the Zone 1 drilling programme to increase the Measured and Indicated resources would also allow the DFS to be undertaken at the higher mining rate of 800,000tpa. Scope of work, budgets and schedules of these works are being prepared.

Environmental

Umweltbüro were instructed to undertake the spring monitoring of flora and fauna at mine site, that had been interrupted in 2017, as soon as snow conditions allowed it. Additional base line studies into noise, air quality and traffic were commissioned. These studies will be undertaken in Q2 2018.

Monitoring of water flows and quality from the mine were instituted. SRK completed an initial hydrogeology study as part of the PFS. This concluded that the natural water inflow into the mine would be sufficient for all process needs and that a supplemental water source was not required.

Marketing

The PFS clearly showed that the sale of spodumene concentrate to China was not economic at current terms that China is buying from Australia.

The marketing study undertaken by Benchmark Minerals Intelligence as part of the PFS projected that lithium hydroxide prices in Europe would continue to increase from the present level to a

peak in 2022 and then decline to stabilise at a real terms price of US\$15,000/tonne. The strategy for the Company is to supply lithium hydroxide to the nascent lithium battery plants of Europe. The Company is in discussion with a number of these regarding future off-take contracts.

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
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")

31 March 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(2,091)	(3,467)
(b) development	-	-
(c) production	-	-
(d) staff costs	-	-
(e) administration and corporate costs	(195)	(753)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	18	18
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	(120)	(279)
- Bank guarantee refund (movement from restricted to non-restricted cash)	-	223
1.9 Net cash from / (used in) operating activities	(2,388)	(4,258)

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-
2.2 Proceeds from the disposal of:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	50	220
(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	-	-
2.6 Net cash from / (used in) investing activities	50	220

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	7,133
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	109	1,353
3.4 Transaction costs related to issues of shares, convertible notes or options	(6)	(460)
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	103	8,026

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	6,768	550
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(2,388)	(4,258)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	50	220
4.4	Net cash from / (used in) financing activities (item 3.10 above)	103	8,026
4.5	Effect of movement in exchange rates on cash held	13	8
4.6	Cash and cash equivalents at end of period	4,546	4,546

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	658	317
5.2	Call deposits	3,888	6,451
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)	4,546	6,768

6. Payments to directors of the entity and their associates

- 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

Current quarter \$A'000
48
-

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	98
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.

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	(3,031)
9.2 Development	-
9.3 Production	-
9.4 Staff costs	-
9.5 Administration and corporate costs	(227)
9.6 Other (sale of Paynes Find Gold Tenements)	230
9.7 Total estimated cash outflows	(3,028)

Mining exploration entity and oil and gas exploration entity quarterly report

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	-	-	-	-

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:30 April 2018.....

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.