

26 July 2018

## QUARTERLY ACTIVITIES REPORT AND APPENDIX 5B FOR THE QUARTER ENDING 30 JUNE 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 30 June 2018.

### SUMMARY OF KEY UPDATES

- The PFS for the Wolfsberg Lithium Project was completed during the quarter and released to the ASX on 5 April 2018. The results were positive with a project pre-tax NPV<sub>8</sub> of A\$441.9 million.
- The Company has optimised and revised the original 33 drill hole programme together with SRK and lodged a 10 shallow hole programme with the Mining Authority for approval. The remaining 23 holes will be lodged during the progress of the current drilling activities. 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 August 2018. Subsequent to the quarter end, the Mining Authority granted approval for the programme on 7 May 2018.
- The drill programme in Zone 2 was completed during the quarter and released to the ASX on 27 April 2018. The results were positive and demonstrated the potential for Zone 2 to mirror the resource of Zone 1. Further drilling to increase the resource in Zone 2 is planned at a later stage.

### CORPORATE MATTERS

#### CEO Appointment

On 4 May 2018, the Company announced the appointment of Dietrich Wanke as CEO of the Company replacing Dr Steve Kesler. Mr Wanke has successfully run the Company's operations in Austria in capacity of General Manager since 2016 and was responsible for the development of the Wolfsberg resource from an exploration into a pre-production project.

#### Change of Share Registry

During the quarter, the Company announced the change of its share registry to Computershare Investor Services Pty effective close of business Friday 29th June 2018.

## **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 consisted of \$500,000 cash and \$500,000 share capital in CVS.

As at 30 June 2018, the Company has received cash funds of \$420,000. Subsequent to the quarter end, the Company announced that it had agreed to settle the remaining cash consideration of \$80,000 through the issue of 7,000,000 shares in CVS shares as well as the issue of one free attaching unquoted option for every two shares issued which are exercisable at 1.5 cents each on or before 30 June 2020 (refer ASX announcement 5 July 2018).

The Company currently holds 32,000,000 shares in CVS which represents a 6.47% shareholding in CVS.

## **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 2018 to 30 June 2018.

## **EXPLORATION AND DEVELOPMENT ACTIVITIES**

### **Wolfsberg Lithium Project**

#### **Exploration**

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 (refer ASX announcement dated 03 July 2017) 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 the current Measured and Indicated Resource of 6.3 million tonnes at 1.17% Li<sub>2</sub>O. The programme was submitted to the Mining Authority at end February 2018 for approval. The approval decree for the shallow drill holes was received from the Mining Authority on 07 May 2018.

A tender process for the programme commenced in March 2018 and the Company received four quotations from pre-qualified drilling contractors addressing the scope of work. The preferred contractor was selected based on a pre-defined selection criteria.

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 ASX announcement dated 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 Company will continue to use the drill hole data for the purposes of updating the lithological model for Zone 2. Plans for a next phase drilling programme to increase the resource in Zone 2 are underway.

## **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.

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% Li<sub>2</sub>O 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 in the vicinity 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% Li<sub>2</sub>O. 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 have significant upside potential to 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 NPV<sub>8</sub> is A\$441.9 million.

The mining studies indicated and confirmed 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 identified a number of 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. The planning and review for the scope of work as "post PFS studies" has commenced in Q2/2018 and is expected to be completed by the end of Q3/2018. Completion of the Zone 1 drilling programme to increase the Measured and Indicated Resource would also allow the DFS to be undertaken at the higher mining rate of 800,000tpa. Also, the scope of work, budgets and schedules of these works has been prepared as well.

## **Environmental**

Umweltbüro completed the spring monitoring of flora and fauna at mine site, that had been interrupted in 2017. Additional base line studies into noise, air quality and traffic were delayed, however are scheduled to be completed in Q3/2018.

Monitoring of water flows and quality from the mine continue.

## **Marketing**

The PFS showed that current spodumene concentrate sales prices from Australia to China

cannot be undercut by the Wolfsberg Lithium project, making the company hence focus on lithium hydroxide production.

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 Dietrich Wanke who is a Qualified Person and is a Member of the Australian Institution of Mining and Metallurgy (AusIMM) since 2006 with about 30 years' experience in the mining and resource development industry. Dietrich Wanke 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". Dietrich Wanke 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:

<b>Tenement reference</b>	<b>Location</b>	<b>Acquired interest during the quarter</b>	<b>Disposed interest during the quarter</b>	<b>Interest at the end of the quarter</b>
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 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(1,138)	(4,605)
(b) development	-	-
(c) production	-	-
(d) staff costs	(13)	(13)
(e) administration and corporate costs	(197)	(950)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	14	32
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	(94)	(389)
- Bank guarantee refund (movement from restricted to non-restricted cash)	-	223
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,428)</b>	<b>(5,702)</b>

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
<b>2. Cash flows from investing activities</b>		
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)	150	370
(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	-	-
<b>2.6 Net cash from / (used in) investing activities</b>	<b>150</b>	<b>370</b>

<b>3. Cash flows from financing activities</b>		
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	-	1,369
3.4 Transaction costs related to issues of shares, convertible notes or options	-	(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)	-	-
<b>3.10 Net cash from / (used in) financing activities</b>	<b>-</b>	<b>8,042</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of period	4,546	550
4.2 Net cash from / (used in) operating activities (item 1.9 above)	<b>(1,428)</b>	<b>(5,702)</b>



<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
4.3	Net cash from / (used in) investing activities (item 2.6 above)	150	370
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	8,042
4.5	Effect of movement in exchange rates on cash held	(10)	(2)
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>3,258</b>	<b>3,258</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	32	658
5.2	Call deposits	3,226	3,888
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>3,258</b>	<b>4,546</b>

<b>6.</b>	<b>Payments to directors of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to these parties included in item 1.2	52
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)

<b>7. Payments to related entities of the entity and their associates</b>	<b>Current quarter \$A'000</b>
7.1 Aggregate amount of payments to these parties included in item 1.2	103
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.

<b>8. Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
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

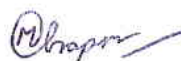
<b>9. Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1 Exploration and evaluation	(1,118)
9.2 Development	-
9.3 Production	-
9.4 Staff costs	-
9.5 Administration and corporate costs	(255)
9.6 Other (sale of Paynes Find Gold Tenements)	-
<b>9.7 Total estimated cash outflows</b>	<b>(1,373)</b>

## 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 <sup>a</sup>	-	-	-	-
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: .....26 July 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.