

12 October 2018

## QUARTERLY ACTIVITIES REPORT AND APPENDIX 5B FOR THE QUARTER ENDING 30 SEPTEMBER 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 September 2018.

### SUMMARY OF KEY UPDATES

- Commencement of the DFS
- Mobilisation commenced for Zone 1 Drilling program to confirm 10.98 mt JORC resource with drilling expected to follow in Q4 2018
- Appointment of experienced Project Director for Wolfsberg Lithium Project
- European Lithium considers the spinoff and main listing of its Austrian subsidiary in the PRIME MARKET on Vienna Stock Exchange
- Up to A\$10 million finance facility secured to complete the Definitive Feasibility Study (DFS) for the Wolfsberg Lithium Project

### CORPORATE MATTERS

#### Project Director Appointment

On 6 August 2018, the Company announced the appointment of Christian Heili as Project Director. Mr Heili is a highly experienced mining engineer with more than 30 years' experience in business, project management and wide-ranging operations including underground and beneficiation processes within the mining industry. Mr Heili has an M.Sc. (Eng) from Montan-University of Leoben, Austria, and an MBA from Henley Management College, UK. Mr Heili will work closely with the Company's CEO, Mr Dietrich Wanke, in overseeing the Definitive Feasibility Study (**DFS**) on Wolfsberg. Mr Heili will commence his position as Project Director in November 2018.

#### Financing Facility

On 7 September 2018, the Company announced that it has secured a A\$10m finance facility with MEF I, L.P. (**Magna** or **Investor**) to fast-track the completion of a DFS at the Wolfsberg Lithium Project in Austria.

The A\$10m facility allows the Company to ensure its DFS process is fully funded whilst retaining flexibility in the event negotiations for a strategic partner result in alternative funding, such as a cash injection into the Project, through development and beyond.

An initial amount of A\$2.5m was drawn down on 14 September 2018 and a further A\$7.5m is available in tranches upon the Company meeting key milestones relating to the DFS process and standard conditions precedent.

On 7 September 2018, the Company announced the issue of 600,672 fully paid ordinary shares to Magna which represented Tranche 1 commitments shares. Full terms and conditions of the convertible securities are included in the announcement released on 7 September 2018.

### **Vienna Listing**

On 10 September 2018, the Company announced that it is investigating the spinoff of its Austrian subsidiary that holds the Wolfsberg project to existing EUR shareholders and to list this entity at the PRIME MARKET at the Vienna Stock Exchange (**VSE**).

Brandl & Talos Rechtsanwälte GmbH, one of the leading law firms in Austria have been engaged to support the Company with the listing process, as well as Metrum Communications GmbH, a leading strategic communications consulting company in the fields of financial and corporate communications in Austria, on the communication side.

In October 2017 EUR was the first Australian company to be admitted to the VSE and the listing has substantially increased exposure of the Company to European investors. Since the listing on the VSE the % of European shareholders on the register has increased substantially. If the transaction is successfully implemented, the Company is thus striving for a rank in the top 40 companies on the VSE and the participation in the ATX prime market index.

The Company will remain listed on the ASX for the foreseeable future. Any changes that the Board approves will be subject to all the required regulatory approvals in both countries, including shareholder approval.

### **Capital Movements**

On 20 September 2018, the Company announced that 101,978,820 fully paid ordinary shares and 200,000,000 options with an exercise price of \$0.10 exercisable on or before 30 June 2020 had been released from ASX imposed escrow period.

### **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 (of which \$420,000 had been received as at 30 June 2018) and \$500,000 share capital in CVS.

On 5 July 2018, 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.

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 July 2018 to 30 September 2018.

### EXPLORATION AND DEVELOPMENT ACTIVITIES

#### Wolfsberg Lithium Project

##### Exploration

GEO Unterweissacher and Mine-it completed the lithological models for Zones 1 and 2 in January and September 2018. SRK Consulting (UK) (**SRK**) assisted the Company and its consultants to develop a 31 drill hole programme totalling 11,330 metres intended to convert the Inferred Resource (refer ASX announcement dated 03 July 2017) in Zone 1 to 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. The approval process for the deep hole drilling (>300 m) is pending.

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 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 2017/18 programmes. The Company will continue to use the drill hole data for the purpose of updating the lithological model for Zone 2. Plans for a next phase drilling programme to increase the resource in Zone 2 are underway.

##### Definite-Feasibility Study (DFS)

The Mineral Corporation (**TMC**) has been appointed to define in detail the scope of work for the DFS, based on the results of the PFS being published in April 2018.

The PFS had identified areas in geology, hydrogeology, mining, metallurgy, land access and environmental to be investigated for the DFS so that design changes in general during the DFS will be minimised. Mobilisation of equipment onto site has commenced for the drilling program to convert the 10.98 mt JORC resource (measured, indicated and inferred) into Measured and Indicated category. Applications for the drilling have been lodged with the relevant authorities with approvals and approved drilling expected in Q4 2018. The Zone 1 drilling programme to increase the Measured and Indicated Resource would allow the DFS to be undertaken at the envisaged higher mining rate of max. 800,000tpa.

TMC started together with DRA Global (**DRA**) preparing the scope of work for the DFS project engineering design and integration of third party studies into the DFS. SRK Consulting (**SRK**) is

preparing the scope of work for the optimized mine design and increased declaration of mineral reserves, based on the PFS and current drilling program results when completed.

A 100t sample with 50 t each for Amphibolite Hosted Pegmatite (AHP) and Micaschist Hosted Pegmatite (MHP) has been prepared for the detailed metallurgical process studies through the pilot plant at Dorfner/Anzaplan. This is to ensure the high quality final product (LithiumHydroxide) with a most efficient and competitive metallurgical process from the beginning of the production cycle.

### **Environmental**

Umweltbüro conducted and completed additional Biotope mapping covering possible sensitive flora and fauna species. Furthermore, Umweltbüro completed a base line study for the road transport including the quality and impact along the different routes from the mine site to the expected logistical discharge points.

Monitoring of water flows and quality from the mine continue.

### **Product Marketing**

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. The strategy for the Company is to supply lithium hydroxide to the nascent lithium battery plants of Europe, and the Company is in good discussion with a number of these regarding future off-take contracts as well as potential off-take partners from the industry.

### **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 September 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(750)	(750)
(b) development	-	-
(c) production	-	-
(d) staff costs	(1)	(1)
(e) administration and corporate costs	(359)	(359)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	10	10
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	(111)	(111)
- Bank guarantee refund (movement from restricted to non-restricted cash)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,211)</b>	<b>(1,211)</b>

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 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)	-	-
(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>-</b>	<b>-</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	-	-
3.2 Proceeds from issue of convertible notes	2,500	2,500
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	(83)	(83)
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>2,417</b>	<b>2,417</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	3,258	3,258
4.2 Net cash from / (used in) operating activities (item 1.9 above)	<b>(1,211)</b>	<b>(1,211)</b>



## Mining exploration entity and oil and gas exploration entity quarterly report

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2,417	2,417
4.5	Effect of movement in exchange rates on cash held	(3)	(3)
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>4,461</b>	<b>4,461</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	104	32
5.2	Call deposits	4,357	3,226
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>4,461</b>	<b>3,258</b>

**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

<b>Current quarter \$A'000</b>
52
-

- 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	127
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 (Magna convertible security)	10,000,000	2,500,000
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.		

The Company has established a convertible note facility with MEF I, L.P. Full terms and conditions of this facility are included in the ASX announcement dated 7 September 2018.

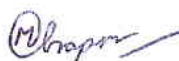
<b>9. Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1 Exploration and evaluation	(1,811)
9.2 Development	-
9.3 Production	-
9.4 Staff costs	-
9.5 Administration and corporate costs	(305)
9.6 Other (sale of Paynes Find Gold Tenements)	-
<b>9.7 Total estimated cash outflows</b>	<b>(2,116)</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: .....12 October 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.