

30 April 2020

QUARTERLY ACTIVITIES REPORT AND APPENDIX 5B FOR THE QUARTER ENDING 31 MARCH 2020

The Board of European Lithium Limited (ASX: **EUR**, FRA: **PF8**, VSE: **ELI**, NEX: **EUR**) (the **Company**) is pleased to present its activities report and Appendix 5B for the three months ending 31 March 2020.

SUMMARY OF KEY UPDATES

- COVID-19 pandemic and government enforced rules forces EUR to temporarily suspend operational activities.
- Dorfner/Anzaplan, a minor delay has occurred in the metallurgical work. A further lockcycle test became necessary, but delayed due to COVID-19, final report still pending.
- First decree for deep holes with more than 300m of depth covering phase 2 of the drilling program in Zone 1 has been received from the forestry authority final decree from mining authority pending

CORPORATE MATTERS

Board Restructure

During the quarter, the Company announced the appointment of Mr Tim Turner and the resignation of Mr Müller as Non-Executive Director of the Company with effect from 4 March 2020.

Listing of Options

On 5 February 2020, the Company advised that it has listed 263,440,000 options on the ASX under the code EURO. The options have an exercise price of \$0.10 each and an expiry date of 30 June 2020.

Winance Financing Facility

The Company previously announced that it had secured a A\$10m finance facility with Winance Investment LLC (**Winance**) (refer ASX Announcement 31 July 2019).

The Company previously drew down A\$2.0m (2,000 convertible notes) on 20 September 2019 (**Tranche 1**). During the quarter, Winance converted the remaining 940 convertible notes from Tranche 1. As at 31 March 2020, there were nil convertible notes remaining from the Tranche 1

drawdown.

On 5 March 2020, the Company announced that it had agreed to draw down a further A\$2.0m (2,000 convertible notes) under the Winance facility (**Tranche 2**). As at the date of this announcement, the Company is yet to receive Tranche 2 funding, however the Company advises it is in communication with Winance who have confirmed their commitment to finalizing the transaction.

Debt Facility

On 30 December 2019, the Company announced that it had agreed to a long-term debt facility of EUR 7,500,000 with a Swiss based sophisticated investor introduced by Helvetican International AG (**Debt Facility**).

As at the date of this announcement, the Company is yet to receive funding under the Debt Facility and there is no certainty the facility will be entered into. However the Company advises it is in communication with Helvetican who have advised that they will work with EUR in the future when there is more visibility on the economic environment. As a result of the delays, Helvetican has agreed to cancel 38 million options previously issued to it.

Short Term Loan Facility

On 20 January 2020, the Company entered into a short-term loan agreement for \$400k, secured by way of a fixed and floating charge over the Company' assets (**Loan**). Under the terms of the Loan, interest of \$40k is payable at the repayment date of 20 February 2020 with penalty interest applying for the late repayment of funds. Funds were drawn down under the Loan on 20 January 2020 and as at the date of this announcement, the Loan remains outstanding.

Capital Movements

During the quarter, the Company issued the following securities:

- 6 January 2020 – Issue of 18,000,000 listed options exercisable at \$0.10 each on or before 30 June 2020 to Helvetican in association with debt financing (refer ASX announcement 30 December 2019) (as noted above, Helvetican has since agreed to have these options cancelled)
- 7 January 2020 – Issue of 20,000,000 listed options exercisable at \$0.10 each on or before 30 June 2020 to Helvetican in association with debt financing (refer ASX announcement 30 December 2019) (as noted above, Helvetican has since agreed to have these options cancelled)
- 24 January 2020 – Issue of 500,000 listed options exercisable at \$0.10 each on or before 30 June 2020 to Winance as compensation for not issuing an event of default notice to the Company in respect to the convertible note facility
- 24 January 2020 – 8,333,333 shares issued to Winance upon the conversion of 500 convertible notes
- 27 February 2020 – 7,333,333 shares issued to Winance upon the conversion of 440 convertible notes
- 27 February 2020 – Expiry of 2,000,000 unlisted options exercisable at \$0.125 each
- 31 March 2020 – Expiry of 2,394,444 unlisted options exercisable at \$0.05 each

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 2020 to 31 March 2020.

EXPLORATION AND DEVELOPMENT ACTIVITIES

Wolfsberg Lithium Project

COVID-19

Q1/2020 has seen a number of challenges for commodity markets due to the impact of the novel coronavirus pandemic. The situation is very uncertain with governments, companies and individuals required to adapt quickly to help curb the rate of infection. Although circumstances are changing almost daily the restrictions to travel specifically has impacted the Company directly. These challenges forced the company's Wolfsberg Lithium project to suspend temporarily its operational activities.

Drilling

First decree for the deep holes with more than 300m of depth covering phase 2 of the drilling program in Zone 1 has been received by the forestry authority. This document is a prerequisite for the final decree issued by the mining authority, which is pending. Due to COVID-19 outbreak and the Austrian rules for operating essential public services only, a delay is expected.

Definitive Feasibility Study (DFS)

During the 1st quarter SRK Consulting (**SRK**) continued minor work on the optimized mine design and increased declaration of mineral reserves, based on the PFS and current drilling program results as the data became available.

The Company reported in Q4/2019 that Dorfner/Anzaplan completed the metallurgical test work to assess and optimize the process lines, flowsheets and layouts. When reviewing the results and scope of work it became evident, that a further lock cycle test is necessary to assess sufficiently the process to produce reliable results for the Lithium Hydroxide product. This metallurgic test work will also take place at the pilot plant for the Wolfsberg Project at Dorfner/Anzaplan's testing facility in Hirschau. When this work is done and reviewed, the expected detailed technical report will be published as the Company returns to operation after the government restrictions have been withdrawn.

DRA Global has continued to assess independently the metallurgical work at the testing facility in Hirschau, Germany.

Hydrogeology

The Company continues at its best efforts the hydrogeology monitoring program.

All hydrogeological data continues to be stored and secured into the Company's database.

The preparation work by SRK, and the geological consultant, GEO Unterweissacher, continues to ensure in-hole hydrogeological test work has been completed appropriately and can continue in future.

Data from the above activities is fed into a water measuring database from which an annual

report is abbreviated.

Environmental

No environmental work has been carried out in Q4 2019.

Monitoring of water flows and quality from the mine have continued.

Product Marketing

The strategy for the Company remains unchanged and focuses on the supply of lithium hydroxide to the nascent lithium battery plants of Europe. The Company is in discussion with a number of industry players regarding future off-take contracts and good progress has already been made in the advanced discussions with potential off-take partners.

Horizon 2020

In Q1/2020, the Company's 100% owned subsidiary ECM Lithium AT GmbH (**ECM**) has successfully joined to participate in the European Union funded Horizon 2020 - GREENPEG programme.

The Company continued to work proactively in the already approved and funded Horizon 2020 LithRef programme.

Continued participation shows the Company's abilities and eligibility to contribute with EU-level support to the sustainable supply of battery grade lithium, sourced and produced in Europe.

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:

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%

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

European Lithium Limited

ABN

45 141 450 624

Quarter ended ("current quarter")

31 March 2020

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 (if expensed)	(346)	(2,597)
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	-	-
	(e) administration and corporate costs	(218)	(745)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	3
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (promotion and marketing expenses)	37	(152)
	Other (overseas listing fees)	(11)	(30)
	Other (overseas VAT refund)	245	245
1.9	Net cash from / (used in) operating activities	(293)	(3,276)
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) exploration & evaluation (if capitalised)	-	-
	(e) investments	-	-

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
(f) other non-current assets	-	-
2.2 Proceeds from the disposal of:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	-	-

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	902
3.2 Proceeds from issue of convertible debt securities	-	2,000
3.3 Proceeds from exercise of options	-	-
3.4 Transaction costs related to issues of equity securities or convertible debt securities	(60)	(331)
3.5 Proceeds from borrowings	400	400
3.6 Repayment of borrowings	-	(812)
3.7 Transaction costs related to loans and borrowings	(22)	(22)
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	318	2,137

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	32	1,200
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(293)	(3,276)
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)	318	2,137

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	1	(3)
4.6	Cash and cash equivalents at end of period	58	58

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	58	32
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)	58	32

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

Current quarter \$A'000
41
-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

Payments included in item 6.1 relates to payment of director fees (\$24k) and the reimbursement of business-related travel and other expenses (\$17k).

In addition, payments included in item 3 relates to payments to director-related entities for capital raising costs (\$26k).

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

7. Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	10,400,000	2,400,000
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	10,400,000	2,400,000

7.5 Unused financing facilities available at quarter end	8,000,000
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7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

Winance Facility

On 31 July 2019, the Company entered into a Convertible Note Agreement with Winance Investment LLC (**Winance**) of which A\$2.0m (2,000 convertible notes) was drawn down on 20 September 2019 (Tranche 1). As at 31 March 2020, there were nil convertible notes remaining from the Tranche 1 drawdown

The face value of each convertible note is AU\$1,000 and are non-interest bearing. The notes are convertible to a variable number of ordinary shares at the option of the holder of the notes any time after issue. If not converted the notes mature and are repayable twenty-four (24) months after the issue date. The conversion price for each convertible note is the lower of an 8% discount from the lowest VWAP over ten (10) days prior to the conversion date, provided that the conversion price shall not in any case be lower than \$0.055 (floor price).

Refer to ASX announcement dated 31 July 2019 and notice of meeting dated 28 October 2019 for material terms and conditions.

On 5 March 2020, the Company announced that it had agreed to draw down a further A\$2.0m (2,000 convertible notes) under the Winance facility (**Tranche 2**). As at the date of this announcement, the Company is yet to receive Tranche 2 funding, however the Company advises it is in communication with Winance who have confirmed their commitment to finalizing the drawdown.

Further drawdowns of A\$6m (in addition to the A\$2m received and \$2m the Company is awaiting) are at the Company's election available in tranches of A\$1m each upon full conversion of the notes from the previous drawdown, subject to a cooling off period calculated based on the value of the tranche and average trading volumes during the preceding 60-day period and prior approval by EUR's shareholders.

Short Term Loan Facility

On 20 January 2020 the Company entered into a short term loan facility for \$400k, secured by a fixed and floating charge over the Company's assets. Under the terms of the facility, interest of \$40k is payable on the repayment date of 20 February 2020 with penalty interest applying for the late repayment of funds. Funds were drawn down on the facility on 20 January 2020.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(293)**
8.2 Capitalised exploration & evaluation (Item 2.1(d))	-
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	(293)
8.4 Cash and cash equivalents at quarter end (Item 4.6)	58
8.5 Unused finance facilities available at quarter end (Item 7.5)	2,000*
8.6 Total available funding (Item 8.4 + Item 8.5)	2,058
8.7 Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	7.02***

* As outlined above in section 7, further drawdown on the Winance facility is subject to full conversion of the notes from the previous drawdown. Also as outlined above in section 7, on 5 March 2020, the Company announced that it had agreed to draw down a further A\$2.0m (2,000 convertible notes) under the Winance facility (Tranche 2). As at the date of this announcement, the Company is yet to receive Tranche 2 funding, however the Company advises it is in communication with Winance who have confirmed their commitment to finalizing the transaction. The table is prepared on the basis that the Company receives funding under Tranche 2 of the Winance facility.

** As outlined, the Company is awaiting funding under Tranche 2 of the Winance facility. As such, net cash used in operating activities of (\$293k) in the March 2020 is not representative of the Company's current level of net operating cash flows.

*** Taking the above into consideration and assuming Tranche 2 of the Winance facility is not received in a timely manner, the Company's *Estimated quarters of funding available (Item 8.7)* is less than 2 quarters, which is more a representative estimate.

8.8 If Item 8.7 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

No. Expenditure in the current quarter reported under net cash used in operating activities is not representative of the Company's current level of net operating cash flows. This figure is expected to be higher in subsequent quarters as a result of the payment to creditors for debts incurred.

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Yes. On 5 March 2020, the Company announced that it had agreed to draw down a further A\$2.0m (2,000 convertible notes) under the Winance facility (Tranche 2). As at the date of this announcement, the Company is yet to receive Tranche 2 funding, however the Company advises it is in communication with Winance who have confirmed their commitment to finalizing the transaction. While this process is taking place, the Company is seeking alternative funding options.

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Yes. The Directors believe that it is reasonably foreseeable that the Company will continue as a going concern based on the following factors:

- Raising additional funds (as outlined above)
- Directors have agreed to defer the payment of their Director fees until it completes a capital raising
- Continued support from certain external creditors allowing for the deferred payment of certain liabilities
- Continued support from current debt holders of the Company

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.

Date: 30 April 2020.....

Authorised by: Board of Director.....
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.