

31 January 2017

QUARTERLY ACTIVITIES REPORT AND APPENDIX 5B FOR THE QUARTER ENDING 31 DECEMBER 2016

The Board of European Lithium Ltd (ASX: **EUR**, FRA: PF8) (the **Company**) is pleased to present its activities report and Appendix 5B for the three months ending 31 December 2016.

SUMMARY OF KEY UPDATES

- The drilling contractors remobilised on 9 January and a drilling campaign has commenced with the completion of deep hole drilling anticipated during Quarter 1, 2017.
- The Minerex data was verified for use in a JORC Code (2012) compliant resource model
- The new resource model increased resource tonnes by 75% to 6.3 million tonnes measured and indicated at 1.17% Li₂O and contained Li₂O increased by 33%
- Testwork demonstrated that waste dilution from mining can be successfully separated from pegmatite ore by laser based sorting
- Binding Term Sheet executed to sell 100% of the right, title and interest in the tenements known as the Paynes Find Gold Project, located in Western Australia.

CORPORATE MATTERS

On 9 September 2016, all conditions precedent to the acquisition of 100% of the issued capital of European Lithium AT (Investments) Ltd (Company number 1629395) (**EL AT**) (the **Acquisition**) were satisfied and the Company completed the Acquisition.

In accordance with the binding Term Sheet, the Company issued 187,500,000 fully paid ordinary shares (**Shares**) pro-rata to the shareholders of European Lithium Limited (Company number 1629378) (**ELL Shareholders**) by way of part consideration for the Acquisition.

Subject to the Company upgrading the JORC resource for the Wolfsberg Lithium Project in Austria to a minimum of 4,500,000 tonnes inferred resource at 1.3% Li₂O and compliance with the Listing Rules, the Company issued a further 62,500,000 Shares pro-rata to the ELL Shareholders on 23 December 2016.

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

Consideration for the Transaction consists of cash and share capital in CVS as follows:

- \$500,000 to be satisfied through the issue of 25,000,000 shares in CVS, at a deemed issue price of 2 cents each, on completion of the Transaction.
- \$500,000 in cash, paid in the following instalments:
 - \$5,000 on signing of the Terms Sheet (non-refundable) (received 23 December 2016)
 - \$20,000 on completion of the due diligence process by the Purchaser
 - \$25,000 on signing of a formal agreement
 - \$100,000 on completion of the Transaction
 - \$150,000 on the later of CVS completing a \$1 million capital raising, or completion of the Transaction
 - \$200,000 on the later of 60 days following the Purchaser completing the \$1 million capital raising, or completion of the Transaction.

Completion of the Transaction is dependent on the Purchaser completing due diligence, receipt of all necessary shareholder, regulatory and third party approvals by the Company, the Purchaser and CVS, and a formal agreement being entered into.

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 October to 31 December 2016. The year to date figures shown include the cashflows for the Company for the 6 months and the cashflows for the subsidiaries acquired from 9 September 2016 to 31 December 2016.

EXPLORATION AND DEVELOPMENT ACTIVITIES

Wolfsberg Lithium Project

Exploration

The data obtained from the Minerex data verification programme was compared to that obtained by Minerex in the 1980's. A thorough analysis showed that there was no statistical difference between the two sets of data and the independent qualified person supported the use of all Minerex data in a new JORC Code (2012) compliant model. The results of the verification programme were comprehensively reported in a release to the ASX on 16 November 2016.

The resource was re-modelled using the original Minerex data and a JORC Code (2012) compliant measured and indicated resource of 6.3 million tonnes at 1.17% Li₂O was declared in a release to the ASX on 21 November 2016. This resource was a 75% increase in tonnes and a 33% increase in contained lithium compared to the previous inferred resource reported in the re-listing prospectus.

The drilling programme that had been mobilised to start in Zone 2 in October was delayed awaiting receipt of the forest clearance permit. Although no trees were to be cut there is a technical requirement to have a forest clearance permit for carrying out any activity other than forestry on already cleared areas, such as forest roads. The application for the permit was made on 10 August 2016 and the permit was received on 9 December 2016. The deep drilling permit was received on 6 December 2016 following the hearing on 19 October 2016.

One drill hole of 150m in Zone 2 was completed before the Christmas/New Year shutdown on 22 December 2016. This did not intersect lithium bearing pegmatites. This was the furthest

planned drill hole along strike from the 'hinge' of the anticline and drilled first because of easier winter access. The geology team has reviewed the positions of the other planned drill holes in Zone 2 to maximise potential for intersecting pegmatite veins.

Work did not start on the deep drill holes in Zone 1 as it would not have been possible to complete a drill hole before the Christmas shutdown. The drilling contractors remobilised on 9 January commencing a drilling campaign on the deep holes in Zone 1 that is anticipated to complete during Quarter 1, 2017.

Metallurgy

Dorfner Anzaplan commenced work on metallurgical optimisation. The initial programme was to determine the applicability of sensor based sorting to reject waste host rock arising from mining dilution from entering the processing circuit with the lithium bearing pegmatite. The work was carried out at the TOMRA sorting facility in Hamburg, Germany on the previously mined bulk samples of amphibolite hosted pegmatite (AHP) and mica schist hosted pegmatite (MHP). Laser rather than optical sorting proved best and the work showed that virtually all waste could be rejected from the ore fractions suitable for sorting (-70+8mm). Material finer than 8mm was not sorted.

The AHP is coarsely crystalline and laboratory scale heavy liquid separation tests showed that it was possible to obtain a relatively high grade spodumene concentrate (5.2% Li₂O). The concentrate contained a certain amount of waste amphibolite arising from the unsorted -8mm fraction which can be largely removed by magnetic separation. Representative samples of AHP after sorting were sent to Metsolve in Vancouver, Canada for pilot plant dense media separation testing. This testing was completed in December 2016 and the products returned to Anzaplan for analysis and further magnetic separation testwork in January. Following this, samples of the DMS concentrate will be passed to a glass-ceramic producer eager to test its suitability as feedstock for glass-ceramic production.

The middlings and tailings from the DMS testwork on AHP and the sorted MHP will then be subject to flotation and magnetic separation testing to produce a conventional 6% Li₂O concentrate for conversion to lithium carbonate and hydroxide.

Mining

SRK Consulting were engaged to undertake the mine design studies for the PFS. An initial kick off meeting was held late in December which will be followed by a mine visit and geotechnical mapping underground the first week in January 2017. An initial 7 week Phase 1 programme is underway to address mine planning, geotechnical analysis, stope optimisation, production rate analysis, mine production scheduling and high level capital and operating costs. Following the results of this study a 12 week programme to undertake mine design and scheduling to PFS level will be carried out.

Environmental and Permitting

Austrian environmental consultants, Umwelt Büro, have been conducting habitat characterisation studies in the mine area and will start base line studies in spring 2017.

A review of the permitting regime for the project was received from the environmental legal consultants, Haslinger Nagele. Depending on the surface area of the project it may be required to complete an EIA under the authority of the Carinthian Government but if the maximum area of 20ha is not exceeded then permitting would be by sectoral authorities coordinated by the

Mining Authority. A screening under the EIA Act will be undertaken to determine which regime applies.

Marketing

A report from the marketing consultant, MiDevCon, assessing the potential for sale of spodumene concentrate in Europe was received during the quarter. Comparing the concentrate specification reported by Minerex to that material currently imported from Australia the report concludes that there is a market with potential volume depending on the final specification of concentrate produced by Anzaplan. With security of supply a concern, glass-ceramic producers in Europe are keen to receive samples for testing.

Paynes Find Gold Project

During the quarter the Company continued to evaluate the gold potential for its project at Payne's Find, Western Australia, with a firm exploration target in mind (previously reported in September Quarter 2016). Further, the Company was looking to identify the grade distribution with a view to identifying any high grade component which may assist in further refining and improving any future economic studies for the project.

Given that gold was previously extracted from numerous lodes underground, this evaluation of grade distribution focused on the potential to differentiate between the lode systems and any gold distribution between mapped lode systems or other mapped gold bearing structures.

The results of the work will provide important information for the project going forward in terms of extraction techniques including options to evaluate a hybrid of open cut and underground mining methods. This is in conjunction with work programmes currently under development to seek to continue resource definition drilling as discussed in the previous quarter report.

As stated earlier in the report, the Company executed a Binding Terms Sheet with CVS to sell the Paynes Find Gold Project and will assist CVS with their due diligence process.

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, Mineral 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%
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 December 2016

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(1,151)	(1,954)
(b) development	-	-
(c) production	-	-
(d) staff costs	(40)	(40)
(e) administration and corporate costs	(209)	(559)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	7	8
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	(163)	(163)
1.9 Net cash from / (used in) operating activities	(1,556)	(2,708)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-

Mining exploration entity and oil and gas exploration entity quarterly report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
	(c) investments	-	-
	(d) other non-current assets	-	-
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	12	12
	(b) tenements (see item 10)	5	5
	(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)	(683)	(945)
	Other (cash on hand for new subsidiaries on settlement of acquisition)	-	29
	Other (increase in bank guarantees and restricted deposits)	(389)	(389)
2.6	Net cash from / (used in) investing activities	(1,055)	(1,288)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	6,232
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	(382)	(532)
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	(382)	5,700

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	5,390	709
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,556)	(2,708)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,055)	(1,288)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(382)	5,700
4.5	Effect of movement in exchange rates on cash held	22	6
4.6	Cash and cash equivalents at end of period	2,419	2,419

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	2,419	5,390
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)	2,419	5,390

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	67
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 & Consultancy Fees paid to Directors

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	

Not applicable

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	(1,250)
9.2 Development	-
9.3 Production	-
9.4 Staff costs	(30)
9.5 Administration and corporate costs	(265)
9.6 Other (sale of Paynes Find Gold Tenements)	45
9.7 Total estimated cash outflows	(1,500)

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.

During the current quarter, a \$5,000 non-refundable deposit has been received by the Company from CVS in line with the conditions of the Term Sheet.

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 January 2017.....

Print name:Amy Fink.....

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.