EUROPEAN LITHIUM

27 April 2017

INDEPENDENT MINE DESIGN STUDIES CONFIRM THE WOLFSBERG LITHIUM PROJECT TO BE TECHNICALLY AND ECONOMICALLY VIABLE

Highlights

- **Independent consulting engineer confirms the production of battery grade lithium carbonate from Wolfsberg concentrate (99.9% Li_2CO_3)**
- **The current JORC resource supports a mine life of 13 years with potential to increase mine life and production rate as additional resources are developed**
- **Preliminary pre-tax NPV_{10} of US$94.8 million**
- **Next steps to increase resource with current drilling programme (4 hole programme completed, results out within weeks)**

European Lithium Limited (ASX:**EUR,** FRA:**PF8**)(the **Company**) is pleased to report results from the recently completed initial mine design study at its advanced Wolfsberg Lithium Project (**Wolfsberg**), in Austria.

The study shows that the pegmatite veins can be mined economically using long hole open stoping. Key to the effectiveness of this low cost bulk mining technique is the use of laser sensor sorting to reject the waste dilution from the run of mine, therefore, maximising the lithium grade of the process plant feed.

The metallurgy test work by independent consulting engineer, Dorfner Anzaplan, confirms that the Wolfsberg ore is suitable for the production of battery grade lithium carbonate, having produced >99.9% Li_2CO_3 by the conventional acid bake process with impurity removal by precipitation and ion exchange with precipitation of lithium carbonate and purification via bicarbonation.

Steve Kesler, CEO, commented "This preliminary mine design by SRK has shown that the pegmatite veins at Wolfsberg, can be mined economically. An essential component is the use of ore sorting to reject waste dilution. Projected costs of lithium carbonate are in the middle of the cost curve. The project becomes more attractive economically as it is expanded beyond that supported by the current JORC Code (2012) resource. Following completion of the current exploration programme and PFS we plan to undertake further drilling as part of the definitive feasibility study to upgrade the deeper resources to indicated category. The work by Dorfner Anzaplan confirms that the Wolfsberg ore is suitable for battery grade production and delivering that to the emerging lithium battery plants in Europe is our objective. Opportunities for limited fast track production of concentrate for the European glass-ceramic industry are also being evaluated".

SRK Consulting (UK) Limited (**SRK**) was engaged to develop to Scoping Study level an appropriate mining concept based on the updated resource and geological models declared by the Company, reported metallurgical testwork undertaken by Dorfner Anzaplan as well as previous geotechnical and mine design studies by previous owners. This design will then be used as the basis for a pre-feasibility study (**PFS**).

The resource derived from drilling solely in Zone 1, the northern limb of an anticline, was declared as a Measured and Indicated Resource of 6.30 million tonnes at 1.17% Li_2O (ASX release 21 November 2016 "European Lithium declares 75% increase in JORC Code (2012) compliant resource tonnes"). This resource is the basis for the mine study and conversion into mineable material. The resource is believed to extend to an unknown depth and an Exploration Target of 8-14 million tonnes at 1.1 to 1.2% Li_2O has been estimated by extending the known major pegmatite veins down to 1100masl. A deep drilling programme is currently in progress in Zone 1 and results from the initial drill holes has confirmed that the pegmatite veins extend to depth (ASX release 18 April 2017 "Drilling confirms extension of pegmatite veins to depth at Wolfsberg Lithium Project"). This drilling programme will be completed by end April 2017 and an increase in the resource is expected to be declared by end May 2017. Such an increase in resource is expected to be in the 'Inferred' category and cannot be considered within a mineable reserve until further closer spaced drilling upgrades it to 'Indicated' category'. However, the Exploration Target and additional Inferred resource can be used to assess the potential of the project if it is converted to 'Indicated'. On completion of the current deep drilling programme in Zone 1 work will shift to carrying out the first drilling programme in Zone 2, the southern limb of the anticline, which the Company believes has the potential to mirror the resources of Zone 1. This initial Zone 2 programme is planned to be completed by end June 2017.

Following a review of previous mining studies and trial mining at Wolfsberg and alternative mining methods SRK selected long hole open stoping as the preferred method for low cost mining at Wolfsberg.

Geotechnical

SRK reviewed historical geological reports, undertook detailed underground mapping to characterize the orebodies, hangingwall and footwall, undertook preliminary 2D numerical modelling to estimate mining induced stresses and semi-empirical estimation of stable stope dimensions, pillar dimensions and stope dilution. Data on joint sets for the two host rock types, amphibolite and mica schist, for hanging wall, footwall and orebody was also collected. A standard stope shape shown in Figure 1 was selected for geotechnical analysis.

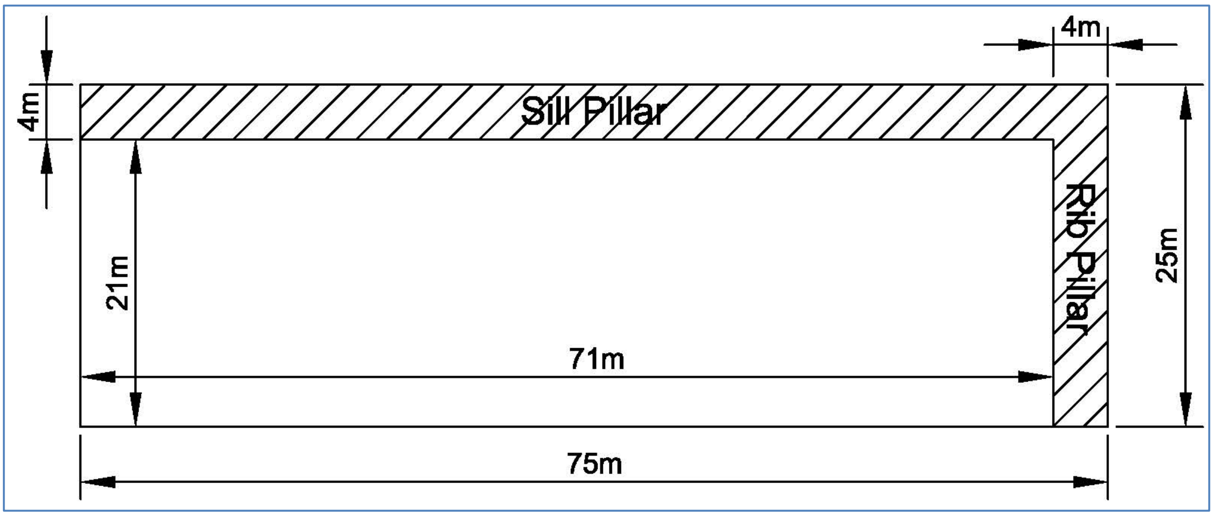

Figure 1: Standard stope shape and dimension

The analysis indicated that the stopes would likely remain stable without support and that the standard stope shape with 4m sill and rib pillars is generally robust and appropriate for mine design. As mining continues below the 1450m level the sill and rib pillars should be increased to 5m but there is potential to reduce the pillars at shallow mining depths.

With the absence of surface infrastructure or habitation a crown pillar of 25m from the topographic surface was considered adequate.

Based on the rock mass strength, potential for blast damage of the hangingwall and footwall and use of long hole open stoping taking into account the variability in dip, strike and morphology of the narrow veins SRK has allowed for a dilution skin for each stope of 0.8m, with 0.5m located on the hangingwall and 0.3m on the footwall.

No systematic support is required for development drives but local support of joint bounded blocks and where cross cuts pass through proximal footwall zones is proposed.

Mining

Longitudinal long hole open stoping was selected as the preferred method for low cost mining at Wolfsberg. Rib and sill pillars are required to be left for support whilst stopes are to be partially backfilled with waste from mining and the concentrator to reduce the surface impact of the project.

In order to generate an estimate of tonnage and grade in 3D, be able to run a stope optimizer and create a mine design and schedule, SRK created a block model in Deswik software with a block size of 1.5m x 1.5m x 0.5m within the vein wireframes provided by the Company. Fifteen pegmatite veins identified as of economic interest were modelled and given individual zone numbers (1 to 15). The Mineable Shape Optimiser (**MSO**) module of Deswik was used to outline deposit areas with potential to be both practically and economically extractable.

A minimum mining width of 1.2m was considered practical which, with a dilution skin of 0.8m, results in an effective minimum mining width of 2m. Veins less than 1.2m width, if mined because of their grade, would incur additional dilution in addition to the dilution skin. Dilution is dependent on the width of the vein mined and for veins at the average width of 1.4m for the resource a dilution of 57% is expected. The use of low operating cost ore sorting to reject this waste dilution is essential to the project.

The marginal stoping cut off grade used in this optimisation was calculated at 0.3% Li_2O for the MSO process. This was based on a lithium carbonate price of US$8,500/tonne, a mining cost for long hole open stoping of US$45/tonne, benchmarked against narrow vein gold deposits of similar production rate, and the process flowsheet proposed by Dorfner Anzaplan (ASX release 9 February 2017 "Wolfsberg Lithium Project closer to fast track production") of which laser sensor sorting to reject waste dilution is a key component. The ore sorters are to be placed underground to minimize haulage as reject waste is to be returned as backfill to the open stopes. The mining cost for waste, principally haulage, was estimated at US$15/tonne. Other cost and process assumptions were made by SRK and the Company based on previous studies and industry benchmarks. Table 1 summarises the MSO results by zone with stope tonnes and grade, contained mineralized tonnes and grade and waste tonnes.

	Stopes		**Contained mineralized material**				
Zone	**MSO Tonnes**	**MSO Li %**	**Min Tonnes**	**Min Li2O %**	**Waste Tonnes**	**WF**	**Dilution**
1	68,588	0.40	35,834	0.86	32,754	0.48	91%
2	93,567	0.52	47,767	1.06	45,800	0.49	96%
3	66,979	0.70	29,863	1.61	37,116	0.55	124%
4	70,098	0.46	28,457	1.20	41,641	0.59	146%
5	632,164	0.63	346,711	1.19	285,453	0.45	82%
6	662,635	0.50	491,020	0.72	171,615	0.26	35%
7	1,012,764	0.79	496,093	1.58	516,671	0.51	104%
8	332,819	0.65	133,409	1.39	199,410	0.60	149%
9	1,081,554	0.90	596,933	1.63	484,620	0.45	81%
10	229,493	0.59	76,434	1.72	153,059	0.67	200%
11	196,677	0.57	95,114	1.21	101,563	0.52	107%
12	37,968	0.39	23,216	0.69	14,752	0.39	64%
13	845,919	0.70	540,904	1.13	305,015	0.36	56%
14	2,169,934	0.76	1,506,607	1.13	663,327	0.31	44%
15	22,999	0.35	20,644	0.61	2,355	0.10	11%
Total	**7,524,158**	**0.72**	**4,469,006**	**1.22**	**3,055,152**	**0.41**	**68%**

Table 1: MSO stope results by zone

Figure 2 shows the image of the stopes created by the MSO runs coloured by zone. Pegmatite veins in Zones 1 to 10 are hosted in amphibolite (**AHP**) and in Zones 11 to 15 are hosted in mica schist (**MHP**).

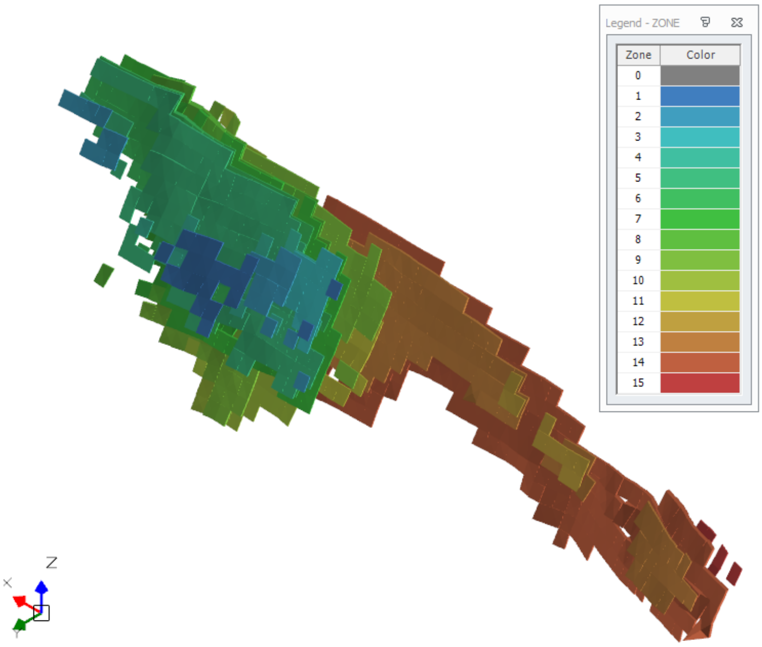

Figure 2: MSO stope results by zone looking from the north west

Table 2 presents the conversion from resources to mineable mineralized tonnages. 72.7% of the Measured and indicated lithium resources are included in the MSO shapes. The crown pillar (essentially the top level in all zones) has been excluded from these totals.

		Contained mineralized material			Resources (Deswik wireframes)			Conversion		
Zone	Vein	Min Tonnes	Min Li2O %	Li2O t	Min Tonnes	Min Li %	Li2O t	t	grade	Li2O
1	0	35,834	0.86	308	142,618	0.90	1,284	25.1%	95.6%	24.0%
2	0.1	47,767	1.06	505	135,701	1.06	1,438	35.2%	99.7%	35.1%
3	0.2	29,863	1.61	482	55,357	1.51	836	53.9%	106.9%	57.7%
4	0.3	28,457	1.20	340	142,156	0.88	1,251	20.0%	135.9%	27.2%
5	1.1	346,711	1.19	4,132	464,253	1.13	5,246	74.7%	105.5%	78.8%
6	1.2	491,020	0.72	3,552	632,088	0.70	4,425	77.7%	103.3%	80.3%
7	2.1	496,093	1.58	7,823	629,938	1.52	9,575	78.8%	103.8%	81.7%
8	2.2	133,409	1.39	1,853	274,680	1.32	3,626	48.6%	105.2%	51.1%
9	3.1	596,933	1.63	9,749	729,737	1.62	11,822	81.8%	100.8%	82.5%
10	3.2	76,434	1.72	1,318	301,259	1.30	3,916	25.4%	132.7%	33.7%
11	4	95,114	1.21	1,153	206,250	1.14	2,351	46.1%	106.3%	49.0%
12	6.1	23,216	0.69	161	115,220	0.71	818	20.1%	97.6%	19.7%
13	6.2	540,904	1.13	6,119	795,900	1.09	8,675	68.0%	103.8%	70.5%
14	7	1,506,607	1.13	17,047	1,719,991	1.13	19,436	87.6%	100.1%	87.7%
15	8	20,644	0.61	126	79,030	0.61	482	26.1%	99.7%	26.0%
Total		**4,469,006**	**1.22**	**54,668**	**6,424,178**	**1.17**	**75,181**	**69.6%**	**104.5%**	**72.7%**

Table2: Resource conversion

Because of the size, depth and location of the orebody declines are chosen to be the most favourable mine access method. The existing adit to surface will be used as the primary method of access to underground workings. The main decline, shown in Figure 3, is located to the north of the mica schist lithology (shown in red) to mitigate against poor ground conditions when developing the decline. The spiral advances upwards and downwards from the adit access at the 1550m level.

Longitudinal longhole open stoping without backfill, leaving sill and rib pillars in place for stability, is the recommended mining method. 25m sub-levels are used as a balance between maximising production, minimising development and controlling dilution.

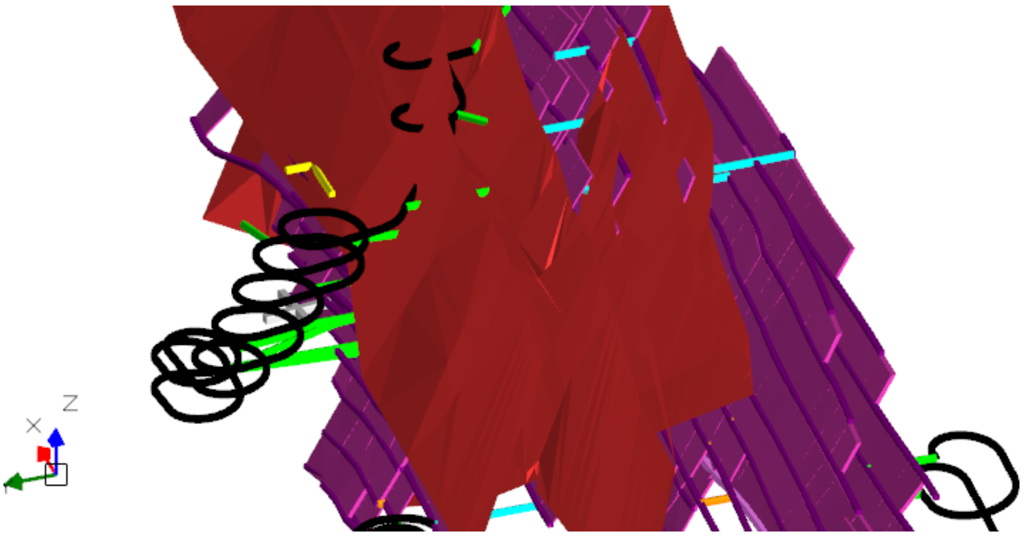

Figure 3: Location of main infrastructure relative to the Mica Schist domain

Using single level longitudinal longhole open stoping, to the thickness of the veins in each zone, the stopes are aligned along strike of the orebody. This method allows the majority of the development to be within the orebody minimising the waste to be mined. Extraction would commence along strike from the extremities of the levels retreating towards the central access drives. Figure 4 shows the typical layout of a level with access from the decline to the north with level access connecting all the ore drives.

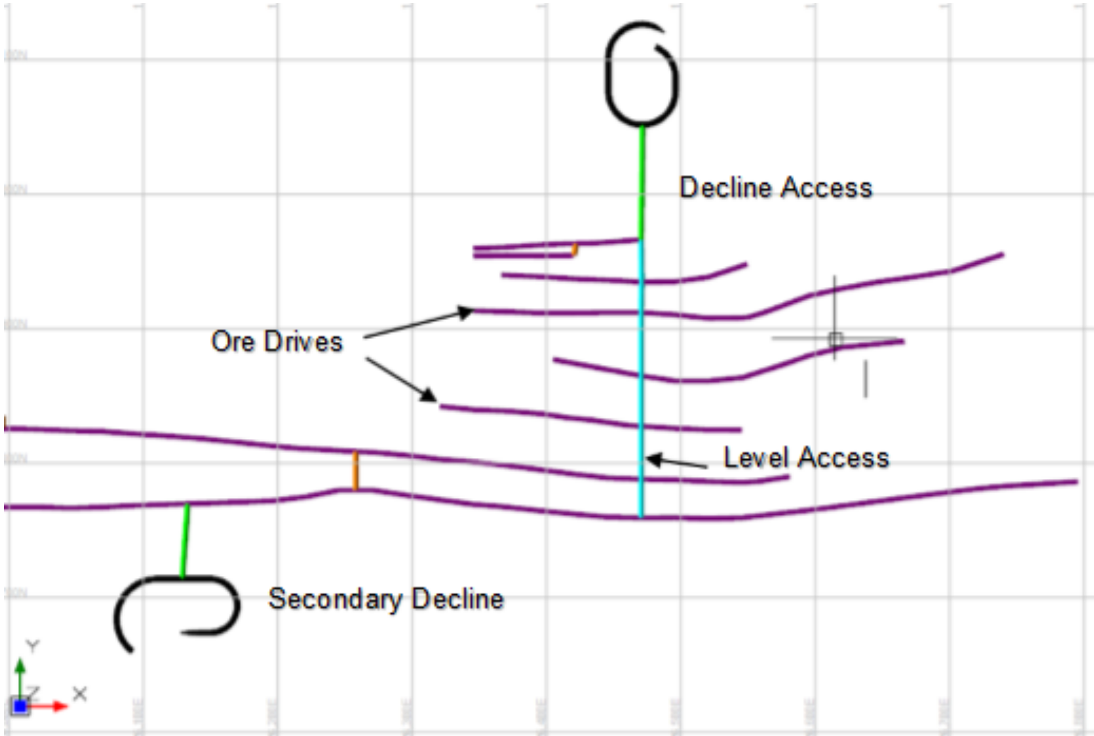

Figure 4: Layout level development (plan view)

Trackless equipment is used for decline and orebody development, production and haulage activities. The decline and haulageways are 5m x 5m, sufficient to accommodate 30 tonne underground trucks whilst production drives are 4m x 4.5m. A second egress is provided in the western half of the orebody which, together with the main access, also acts as fresh air intake. Return airways and escape routes are also developed. Development split firing is used when faces are partially in ore in order to reduce development waste to the ore sorters.

Open stopes are used for storage of development waste and waste rejected by the ore sorters. Remote loaders are required to move production from the open stope to convenient stockpiles for reloading to haul trucks.

A visualisation of the mine development is shown in Figure 5 looking from the north depicting the main decline spiral (black), access drives on each sub-level (light green) and production drives (purple.

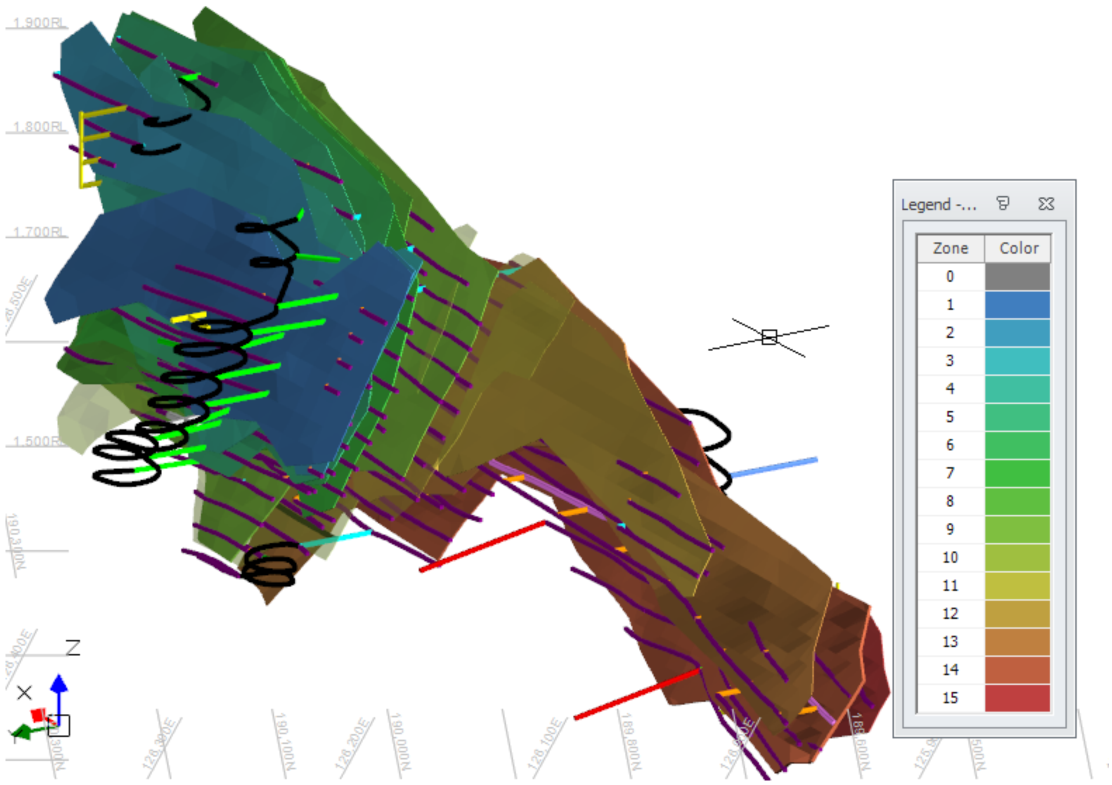

Figure 5: Isometric view of mine development and mineralisation

Scheduling was completed using the Deswik Integrated Scheduler and Deswik Sched packages. Tunnel development was taken to be 3.5m/day and the individual stope mining rate to be 600 tonnes/day which was benchmarked against similar narrow vein deposits using long hole open stoping. Mining was assumed for 350 days/year at 1,500 tonnes/day giving a stope production rate of 525,000 tonnes/year. With development requirement this equates to mining about 650,000 tonnes/year. The mine life is about 13 years. Figure 6 shows the annual run of mine production and lithium grade and the sorter production and sorter product lithium grade. Overall ore sorter performance (including the undersize material bypassing the sorter) was taken as previously reported with 92.5% ore recovery and 73% waste rejection.

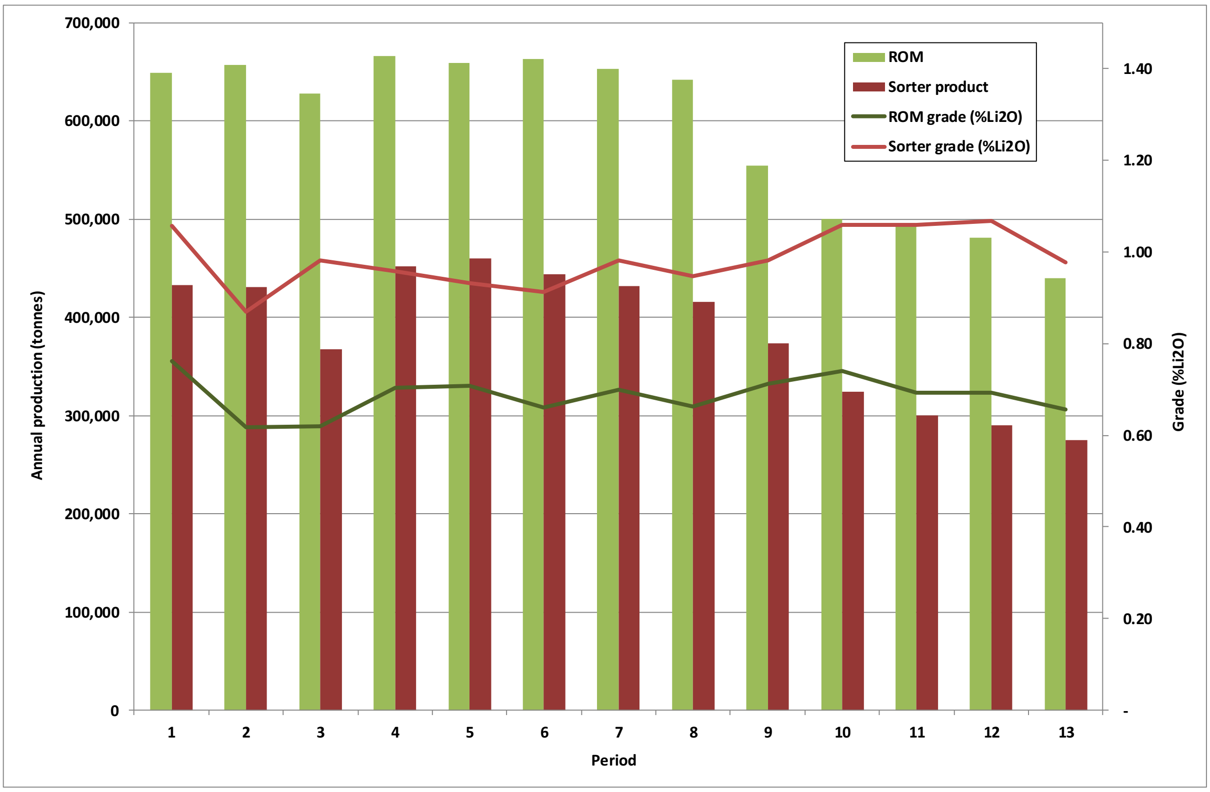

Figure 6: Annual ROM production, sorter production and ROM and sorter product lithium grades

Technical Economic Model

A technical economic model was developed between SRK and the Company using the schedules generated from the mine design. Metallurgical testwork is ongoing but the current process envisages processing of ore from the mine to produce a flotation concentrate for conversion to battery grade lithium carbonate and hydroxide. The potential for fast track production of a dense media separation (**DMS**) concentrate for the European glass-ceramic market is also being evaluated. By-products of feldspar, quartz and mica from flotation are an offset to the concentrate production costs.

Key production and cost data for the project total and as an annual average are shown in Table 3. Test work is ongoing into flotation performance, by-product recovery and conversion of spodumene concentrate to lithium carbonate and hydroxide. However, for the purpose of a preliminary evaluation past owner studies have been used to estimate spodumene concentrate production using a lithium recovery in flotation of 82% and lithium carbonate production using a lithium recovery in conversion to carbonate of 93%.

The current measured and indicated resource allows a production level of about 50,000 tonnes/year spodumene concentrate which is converted to 7,121tonnes/year lithium carbonate for 13 years. Mining averages about 600,000tpa with a peak capacity of 650,000tpa including dilution which results in just under 400,000tpa mill feed at an average grade of 0.98% Li_2O.

Further operating and capital cost estimates for the mine, concentrator and conversion plant will be undertaken as part of the pre-feasibility study. However, a preliminary estimate of mining costs and their contribution to total project costs has been made using data from the SRK database, TOMRA for sorting costs, previous owner studies for flotation lithium recovery, by-product production, conversion lithium recovery, lithium carbonate conversion costs and Dorfner Anzaplan for by-product selling prices.

Mining costs are the major part (two thirds) of operating costs as can be expected of vein underground mining. The direct operating cost per tonne of mill feed at US$77.4 compares favourably to that expected from use of more selective but less productive mining methods such as cut and fill. By-product credits are an important offset to production costs. This preliminary estimate results in a lithium carbonate cost net of by-product credits of US$5,001/tonne.

Item		Project Total	Annual Average
Total mined	tonnes	7,686,839	591,295
-from stopes	tonnes	6,410,342	493,103
-from development	tonnes	1,276,497	98,192
Mineralised grade	%Li_2O	1.18	1.18
Run of Mine grade	%Li_2O	0.69	0.69
Mill feed after sorting	tonnes	4,998,416	384,494
Mill feed grade	%Li_2O	0.98	0.98
Spodumene concentrate produced	tonnes	667,509	51,347
Lithium carbonate produced	tonnes	92,575	7,121
Direct mining and sorting operating cost	US$m	386.9	29,8
Direct mining and sorting cost/tonne mill feed	US$/t	77.4	77.4
Direct mining and sorting cost/tonne carbonate	US$/t	4,179	4,179
Processing and G&A cost to carbonate	US$	193.0	14.8
Processing and G&A cost/tonne carbonate	US$/t	2,085	2,085
Total operating cost to carbonate inc royalty	US$m	584.5	45.0
By-product revenue	US$m	121.5	9,3
Lithium carbonate cost after by-product credit	US$/t	5,001	5,001

Table 3: Production and cost data from the Technical Economic Model

The capital cost for the mining component has been estimated at US$53.8 million which includes US$41.8 million for development, US$8 million for mine infrastructure and US$4 million for ore sorting. The capital cost for the processing plant and infrastructure has been estimated at US$125 million.

A preliminary evaluation of the project economics is given in Table 4 based on a lithium carbonate price of US$10,500/tonne. This evaluation does not include the benefit of any capital reduction from Austrian/EC support that is under discussion.

Item	Project US$million	Annual US$million
Revenue	972.0	74.8
Operating Cost	463.0	35.6
EBITDA	509	39.2
Cash Flow	330.2	25.4
Pre-tax NPV10	94.8	
Pre-tax NPV8	125.0	

Table 4: Preliminary economic evaluation of the project

Sensitivity analysis showed that the project was more sensitive to lithium carbonate price (NPV_{10} increases about 100% for 10% increase in lithium carbonate price) than mining costs (NPV_{10} increases about 25% for 10% decrease in mining costs).

Upside Potential

The resource has been declared by previous owners as considerably greater than the current JORC Code (2012) compliant resource based on extrapolation of the major pegmatite veins in Zone 1 with depth. The Company has projected that extrapolation to a depth of 1100 masl to give an exploration target of 8 to 14 million tonnes at 1.1 to 1.2% Li_2O. The potential quantity and grade is conceptual in nature as there has been insufficient exploration to estimate an increase in mineral resource and it is uncertain if further exploration will result in the estimation of an increased mineral resource.

A deep drilling programme is currently in progress and the first two holes have confirmed that the pegmatite veins do extend to depth. This programme will complete by end April and an updated resource is expected by end May.

The project sensitivity to increased production was investigated as an upside scenario. A potential increase in mineable mineralised tonnes was estimated by SRK extending the wireframes for the 5 major veins to 1100 masl assuming average thickness and lithium grade. This resulted in a potential additional 6.7 million tonnes of mineralised material. Further drilling is required to prove this and to bring such material into the indicated category for use in ore reserve calculations.

SRK has estimated that, using resource conversion criteria from the mine design, this potential additional material could result in 5.6 million tonnes additional mineable mineralised material with additional associated waste from development and stoping. SRK also considered that a mining rate of about 800,000tpa should be possible from the Wolfsberg deposit. A potential production schedule for a 23 year project is shown in Figure 7. This results in an increase in lithium carbonate production to about 11,000 tpa in full production years. Lithium carbonate production costs after by-product credits are estimated to reduce to US$4,573/tonne. Lower costs and higher production would translate into significant increase in NPV. This upside potential scenario has been undertaken by SRK solely to investigate the sensitivity of the project to increased production if sufficient indicated resources are developed to support this increased production. More robust design and scheduling will need to be undertaken in the next phase of work particularly development rate and resources and stope scheduling constraints.

SRK has made a number of recommendations for geotechnical, mine design and cost studies to increase mineralised material recovered and NPV. These studies are to be included in the PFS to ensure a robust mine design for both the current production scenario and an increased production scenario if increased resources are established.

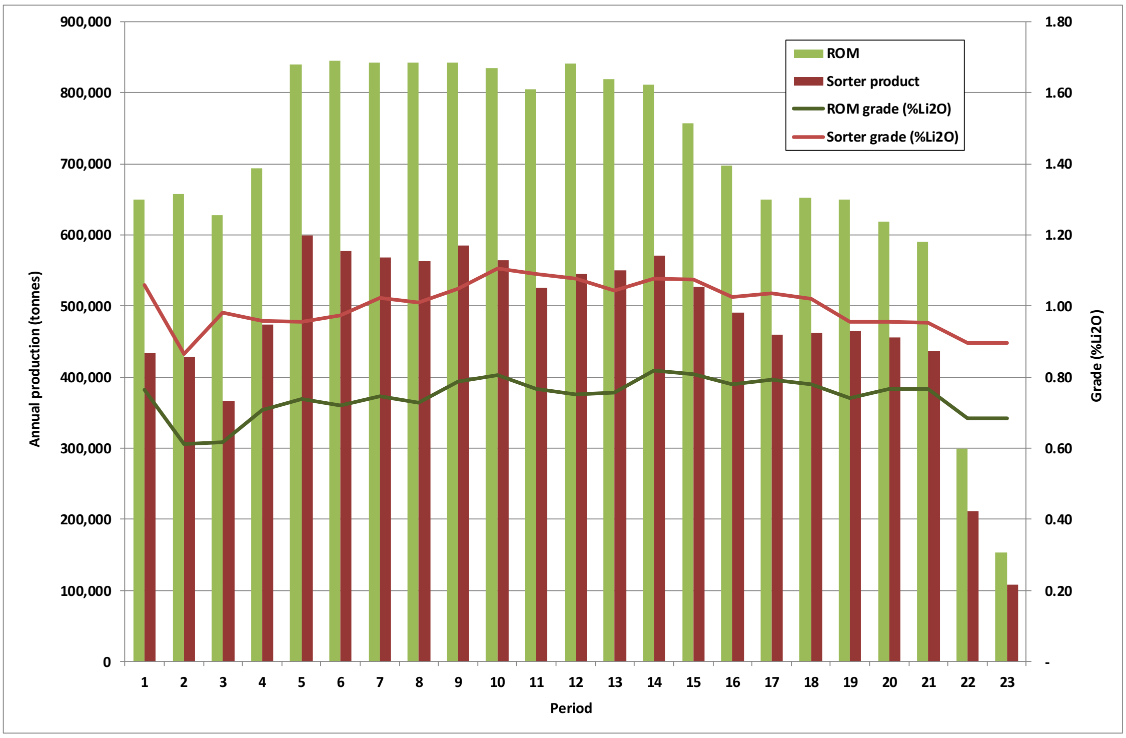

Figure 7: Potential production scenario if additional mineable mineralised material is converted from Exploration Target to Indicated resource

Conclusion

SRK concluded that based on this preliminary study the Wolfsberg Lithium Project is technically and economically viable based on the current Measured and Indicated resources. An increase in mine life is expected based on the Exploration Target material at depth which should also allow an increase in the production rate and improved project economics. SRK is of the opinion that the economic evaluation is robust, that proper dilution is applied and that further refinements are possible to increase both the mineralised material recovered and the NPV.

Dr Steve Kesler
Chief Executive Officer
European Lithium Limited

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Visit the Company's website to find out more about the advanced Wolfsberg Lithium Project located in Austria.

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 Charted 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 mine design studies under the 2012 edition of the Australasian Code for the Reporting of Results, Minerals Resources and Ore reserves (JORC code 2012).