

28 April 2017

QUARTERLY ACTIVITIES REPORT AND APPENDIX 5B FOR THE QUARTER ENDING 31 MARCH 2017

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 March 2017.

SUMMARY OF KEY UPDATES

- Completion of three out of the four deep hole drilling campaign confirming the extension of the veins to depth. An update to the resource is expected in the next quarter.
- Flotation testwork has produced a 6% Li₂O concentrate and testwork has established that it can be converted into battery grade lithium carbonate

Post quarter end:

- Completion of final Zone 1 deep hole drilling campaign and commencement of drilling in Zone 2. Completion of the programme expected by end Q2 2017.
- Mine design studies confirm that mining of the Wolfsberg project is technically and economically viable with long hole open stoping being the preferred mining method.
- Independent consulting engineer confirms production of battery grade lithium carbonate from Wolfsberg concentrate (99.9% Li₂CO₃).
- 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 NPV₁₀ of US\$94.8 million.
- Cervantes completes due diligence on the Paynes Find Gold Project.

CORPORATE MATTERS

Sale of Paynes Find Gold Project

As previously announced, the Company has 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**).

Subsequent to the quarter end, the Company received a cash instalment from CVS of \$20,000 which represents completion of the due diligence process.

Consideration for the Transaction consists of \$500,000 cash, of which \$25,000 has been received

to date, and \$500,000 share capital in CVS. The Company will receive the balance of funds and be issued shares in CVS upon receipt of all necessary shareholder, regulatory and third party approvals and upon entering into a formal agreement.

Change in Company Secretary

During the quarter, Melissa Chapman was appointed Company Secretary and Chief Financial Officer with effect from 24 February 2017.

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 to 31 March 2017. The year to date figures shown include the cashflows for the Company for the 9 months and the cashflows for the subsidiaries acquired from 9 September 2016 to 31 March 2017.

EXPLORATION AND DEVELOPMENT ACTIVITIES

Wolfsberg Lithium Project

Exploration

Three of the four deep drill holes to test the extension of the pegmatite veins to depth in Zone 1 were completed by the end of the quarter and the fourth was completed subsequent to the quarter end. Results of the first two holes drilled from surface to an elevation of 1250masl confirmed the extension of the veins to depth (refer ASX Announcement dated 18 April 2017). The fourth hole was drilled to a depth of 1100masl. After results are obtained from all holes the resource will be re-evaluated and an upgraded resource declared in Q2 2017. This deeper material down to 1100m is considered as an Exploration Target which is estimated as 8-14 million tonnes at 1.1 to 1.2% Li₂O.

Subsequent to the quarter end, drilling commenced in Zone 2 and is expected to complete by the end of Q2 2017. Drill core from the Zone 2 scout drilling programme was recovered, re-logged and re-assayed to enable the data to also be used in a JORC Code (2012) compliant initial resource for Zone 2.

The arbitration hearing on the ongoing validity of the land access agreement with the landowner, Glock Gut- und Forstverwaltung GmbH, was held in Vienna on 14 February 2017. A final brief including witness testimony was submitted to the arbitrators on 27 March 2017. The arbitration ruling is expected in Q2 2017.

Metallurgy

The metallurgical testwork undertaken by independent consulting engineer, Dorfner Anzaplan (**Dorfner**), continued during the quarter. This work showed that laser sorting of run of mine ore was effective at rejecting waste dilution whilst achieving high recoveries of the lithium bearing pegmatite ore. Performance was similar for both ore types – amphibolite hosted pegmatite (**AHP**) (93% recovery) and mica schist hosted pegmatite (**MHP**) (92% recovery).

Dense media separation testwork on the sorter accept material showed that the coarsely crystallised AHP ore was amenable to concentration by DMS and magnetic separation with

recovery of a 5.3% Li_2O concentrate. The finely crystallised MHP ore was not amenable to DMS. A sample of the DMS concentrate was analysed by a leading European glass-ceramic producer who concluded that it was acceptable for their production process. Discussions were in progress at month end regarding the testing of a bulk sample of this material at their pilot plant facility. Refer ASX announcement dated 9 February 2017.

Testwork showed that the Wolfsberg ore was readily concentrated by flotation to a 6% Li_2O spodumene concentrate. Testing of the conversion of this concentrate to battery grade lithium carbonate using the conventional acid roast process demonstrated good lithium dissolution (refer ASX announcement dated 29 March 2017). Subsequent to the quarter end, Dorfner confirmed the battery grade lithium carbonate from the Wolfsberg concentrate is >99.9% Li_2CO_3 (refer ASX Announcement 27 April 2017). Work continues on the production of lithium hydroxide that is increasingly preferred by manufacturers of batteries for electric vehicles.

Work by previous owners had shown that feldspar, quartz and mica can be recovered as by-products of the flotation process. Work is ongoing into the optimisation of by-product recovery which can be a significant offset to production costs.

Mining

Subsequent to the quarter end, the Company announced (refer ASX Announcement dated 27 April 2017) that SRK Consulting (UK) (**SRK**) had largely completed a preliminary mine design for the Wolfsberg deposit. It concluded that based on this preliminary study the Wolfsberg Lithium Project is technically and economically viable based on the current measured and indicated resources and an increase in mine life is expected based on the exploration target material at depth. A preliminary evaluation of the project economics based on a lithium carbonate price of US\$10,500/tonne calculated a preliminary pre-tax NPV10 of US\$94.8 million.

SRK concluded that longitudinal long hole open stoping was the most appropriate mining method for low cost bulk mining of the fairly narrow veins. Stable stope size of 75m along strike with 25m sub-levels and a minimum mining width of 1.2m was established. With the variation in the veins and their fairly narrow nature it was considered prudent to assume a dilution skin of 0.8m which for the average vein width of 1.4m implies a dilution of 57%. However, the use of ore sorting is effective at rejecting waste dilution and maximising grade to the mill. This study was based on the JORC Code (2012) Measured and Indicated resource which resulted in a project life about 13 years mining at a rate up to 650,000tpa including dilution to produce about 50,000tpa spodumene concentrate which is converted to about 7,100tpa battery grade lithium carbonate. An upside scenario was considered for a case whereby the Exploration Target is converted to Indicated resource by further drilling. SRK considered that mining rates of about 800,000tpa were possible and that the project life could be extended to 23 years with an average production rate at full capacity of about 11,000tpa lithium carbonate.

Environmental

Environmental studies continued into the characterisation of natural habitats but base line studies were suspended until the spring growing season.

Pre-Feasibility Study (PFS)

Expressions of interest were received from three consultants to undertake the PFS. However, a complete Request for Services (**RFS**) was postponed until completion of the mine design study which was required to establish production parameters for the project and to allow metallurgical studies to be completed. An RFS is to be issued for completion of the PFS by end Q3 2017.

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 March 2017

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	(1,006)	(2,960)
(b) development	-	-
(c) production	-	-
(d) staff costs	(25)	(66)
(e) administration and corporate costs	(295)	(854)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	6	14
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	(88)	(251)
1.9 Net cash from / (used in) operating activities	(1,408)	(4,117)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
(d) other non-current assets	-	-
2.2 Proceeds from the disposal of:		
(a) property, plant and equipment	-	12
(b) tenements (see item 10)	-	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)	(97)	(1,042)
Other (cash on hand for new subsidiaries on settlement of acquisition)	-	29
Other (increase in bank guarantees and restricted deposits)	(127)	(515)
2.6 Net cash from / (used in) investing activities	(224)	(1,511)

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	-	(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	-	5,700

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	2,419	709
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,408)	(4,117)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(224)	(1,511)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	5,700
4.5	Effect of movement in exchange rates on cash held	(19)	(13)
4.6	Cash and cash equivalents at end of period	768	768

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	768	2,419
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)	768	2,419

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	59
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

Director Fees paid to Directors (inclusive of GST)

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	36
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 and the reimbursement of travel and other expenses.

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	(750)
9.2 Development	-
9.3 Production	-
9.4 Staff costs	-
9.5 Administration and corporate costs	(300)
9.6 Other (sale of Paynes Find Gold Tenements)	495
9.7 Total estimated cash outflows	(555)

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.

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: Date:28 April 2017.....
Company secretary

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.