6 July 2017

Ben Secrett
Australian Securities Exchange
Level 40 Central Park
152-158 St Georges Terrace
Perth WA 6000

By E-Mail: ben.secrett@asx.com.au

Dear Ben,

RE: EUROPEAN LITHIUM LIMITED ("ENTITY"): ASX AWARE LETTER

We refer to your letter dated 5 July 2017 and respond to each of the following items below.

Capitalised terms used and not defined herein have the meaning ascribed to them in your letter.

1 **ASX understands that the Entity is purporting to rely on section 708A(5) *"Case 1"* of the Corporations Act 2001 (Cth) (the "Act") as the basis for issuing a 'cleansing notice' for secondary trading purposes, and not a disclosure document under Part 6D.2 Act, in relation to the issue of securities made under the Cleansing Statements. Please confirm that this is correct and, if so, please explain how the Entity was able to rely on this section of the Act given that it appears that the Entity does not satisfy section 708A(5)(b) of the Act because trading in the Entity's securities have been suspended for more than 5 days during the 12 months ending on 3 July 2017. If ASX's understanding is not correct, please advise the basis on which the Entity considers the Cleansing Statements to be valid and effective.**

Having taken legal advice, the Company now understands that it was not in a position to issue a valid 'cleansing notice' in accordance with section 708A(5)(b) of the Corporations Act because the Company's securities had been suspended from trading for more than 5 trading days in the last 12 months.

The Company Secretary and Directors of the Company made an honest mistake when releasing the Cleansing Statements to ASX. The Company Secretary and Directors:

- did not appreciate the significance of the effect of a defective Cleansing Statements;
- did not turn their minds to s 707(3) or appreciate its significance in relation to future sale of the Shares;
- were mistaken as to the significance of the Company's period of suspension; and
- note the change in company secretary in February 2017 as a contributing factor to the mistake occurring.

The Company is now preparing a prospectus in accordance with the exception set out in Section 708(11) of the Corporations Act and intends to lodge the prospectus with the ASIC on as soon as possible.

In addition, the Company has instructed its lawyers to make an application to the Court under section 1322 of the Corporations Act 2001 (Cth) to validate on-sales of shares within 12 months of their issue where there has been no disclosure and the conditions of the exceptions in section 708A of the Act have not been met. There is legal precedent for this and the Company is confident the Court will make the orders it will seek in the application (refer to *Sprint Energy Limited, in the matter of Sprint Energy Limited* [2012] FCA 1354; *TV2U International Ltd, Re TV2U International Ltd* [2016] FCA 1556).

2 If the Entity considers the July Cleansing Statements to constitute a valid and effective 'cleansing notice', please answer the following questions.

As noted above, the Company does not consider the July Cleansing Statement to constitute a valid and effective 'cleansing notice'. Therefore, there is no requirement to respond to the balance of the queries from ASX outlined in point 2.

3 Please confirm that the Entity is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.

The Company confirms that it is in compliance with the Listing Rules, in particular Listing Rule 3.1.

4 Please confirm that the Entity's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of the Entity with delegated authority from the board to respond to ASX on disclosure matters.

The Company confirms this.

For and on behalf of the Board.
EUROPEAN LITHIUM LIMITED

Tony Sage
Non-Executive Chairman

5 July 2017

Ms Melissa Chapman
European Lithium Limited
32 Harrogate Street
WEST LEEDERVILLE WA 6007

By email

Dear Ms Chapman

EUROPEAN LITHIUM LIMITED ("ENTITY"): ASX AWARE LETTER

ASX Limited ("ASX") refers to the following.

1. The Entity's announcements entitled:

   1.1. "Cleansing Statement" lodged on the ASX Market Announcements Platform ("Platform") and released to the market at 9.22am AEST on Monday, 3 July 2017 (the "July Cleansing Statement"), which purports to 'cleanse' for secondary sale purposes the securities issued under the Appendix 3B released to the market at 5.17pm AEST on Friday, 30 June 2017, and which states that "[a]s at the date of this notice, there is no excluded information (as defined in subsection 708A(7) and 708A(8) of the Act) which is required to be disclosed by EUR.";

   1.2. "Issue of Placement Shares and Appendix 3B" lodged on the Platform and released to the market at 8.23am AEST on Thursday, 15 June 2017 (the "June 15 Appendix 3B & Cleansing Statement"), which purports to 'cleanse' for secondary sale purposes the securities issued under the June 15 Appendix 3B & Cleansing Statement; and

   1.3. "Issue of Placement Shares and Appendix 3B" lodged on the Platform and released to the market at 6.52pm AEST on Thursday, 8 June 2017 (the "June 8 Appendix 3B & Cleansing Statement"), which purports to 'cleanse' for secondary sale purposes the securities issued under the June 8 Appendix 3B & Cleansing Statement,

   (together, the "Cleansing Statements").

2. The Entity's announcement entitled "Resource Increase at Wolfsberg" lodged on the Platform and released to the market at 10.51am AEST on Monday, 3 July 2017 (the "Resource Increase Announcement"), disclosing that the Entity had declared an increase in the mineral resource of its Wolfsberg Lithium Project following completion of a deep drilling program.

3. Listing Rule 3.1, which requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities.

4. The definition of "aware" in Chapter 19 of the Listing Rules. This definition states that:

> "*an entity becomes aware of information if, and as soon as, an officer of the entity (or, in the case of a trust, an officer of the responsible entity) has, or ought reasonably to have, come into possession of the information in the course of the performance of their duties as an officer of that entity.*"

Additionally, you should refer to section 4.4 in Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B "When does an entity become aware of information"*.

5. Listing Rule 3.1A, which sets out exceptions from the requirement to make immediate disclosure, provided that each of the following are satisfied.

> *"3.1A Listing rule 3.1 does not apply to particular information while each of the following requirements is satisfied in relation to the information:*
>
> *3.1A.1 One or more of the following applies:*
>
> - *It would be a breach of a law to disclose the information;*
> - *The information concerns an incomplete proposal or negotiation;*
> - *The information comprises matters of supposition or is insufficiently definite to warrant disclosure;*
> - *The information is generated for the internal management purposes of the entity; or*
> - *The information is a trade secret; and*
>
> *3.1A.2 The information is confidential and ASX has not formed the view that the information has ceased to be confidential; and*
>
> *3.1A.3 A reasonable person would not expect the information to be disclosed."*

6. ASX's policy position on the concept of *"confidentiality"* which is detailed in section 5.8 of Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B "Listing Rule 3.1A.2 – the requirement for information to be confidential"*. In particular, the Guidance Note states that:

> *"Whether information has the quality of being confidential is a question of fact, not one of the intention or desire of the listed entity. Accordingly, even though an entity may consider information to be confidential and its disclosure to be a breach of confidence, if it is in fact disclosed by those who know it, then it ceases to be confidential information for the purposes of this rule."*

Having regard to the above, we ask that you answer the following questions in a format suitable for release to the market in accordance with Listing Rule 18.7A.

1. ASX understands that the Entity is purporting to rely on section 708A(5) *"Case 1"* of the *Corporations Act 2001* (Cth) (the "Act") as the basis for issuing a 'cleansing notice' for secondary trading purposes, and not a disclosure document under Part 6D.2 of the Act, in relation to the issue of securities made under the Cleansing Statements. Please confirm that this is correct and, if so, please explain how the Entity was able to rely on this section of the Act given that it appears that the Entity does not satisfy section 708A(5)(b) of the Act because trading in the Entity's securities have been suspended for more than 5 days during the 12 months ending on 3 July 2017. If ASX's understanding is not correct, please advise the basis on which the Entity considers the Cleansing Statements to be valid and effective.

2. If the Entity considers the July Cleansing Statement to constitute a valid and effective 'cleansing notice', please answer the following questions. ASX asks these questions because it appears that the July Cleansing Statement may be defective pursuant to section 708A(10)(a) of the Act because the Entity may have been in possession of "excluded information" (as defined in sections 708A(7) and (8) of the Act at the time the Entity lodged the July Cleansing Statement on the Platform.

    2.1. Does the Entity consider the information disclosed in the Resource Increase Announcement ("Resource Increase Information") to be information that investors and their professional advisers would reasonably require for the purpose of making an informed assessment of the assets and liabilities, financial position and performance, profits and losses and prospects of the Entity? If the answer to this question is "no", please advise the basis for that view.

    2.2. Does the Entity consider the Resource Increase Information to be information for which it is reasonable for investors and their professional advisers to expect to find in a disclosure document? If the answer to this question is "no", please advise the basis for that view.

    2.3. When did the Entity first become aware of the Resource Increase Information? In answering this question, please specify the date and time when the Entity first became aware of the Resource Increase Information or any part thereof.

    2.4. If the Entity first became aware of the Resource Increase Information before lodging the July Cleansing Statement on the Platform, did the Entity make any announcement prior to lodging the July Cleansing Statement on the Platform which disclosed the Resource Increase Information? If so, please provide details. If not, please explain why the Resource Increase Information was not released to the market at an earlier time, commenting specifically on when you believe the Entity was obliged to release the Resource Increase Information under Listing Rules 3.1 and 3.1A and what steps the Entity took to ensure that the Resource Increase Information was released promptly and without delay.

    2.5. If the Entity first became aware of the Resource Increase Information before lodging the July Cleansing Statement on the Platform, did the Entity rely on the provisions of Listing Rule 3.1A not to release the Resource Increase Information before the Entity lodged the Resource Increase Announcement on the Platform?

3. Please confirm that the Entity is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.

4. Please confirm that the Entity's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of the Entity with delegated authority from the board to respond to ASX on disclosure matters.

When and where to send your response

This request is made under, and in accordance with, Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, **by not later than 3.00pm AWST on Thursday, 6 July 2017**. If we do not have your response by then, ASX will have no choice but to consider suspending trading in the Entity's securities under Listing Rule 17.3.

You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, the Entity's obligation is to disclose the information "immediately". This may require the information to be disclosed before the deadline set out in the previous paragraph.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be **sent to me by e-mail at tradinghaltsperth@asx.com.au**. It should **not** be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Listing Rule 3.1

Listing Rule 3.1 requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. Exceptions to this requirement are set out in Listing Rule 3.1A.

The obligation of the Entity to disclose information under Listing Rules 3.1 and 3.1A is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

In responding to this letter, you should have regard to the Entity's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*.

Trading halt

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in the Entity's securities under Listing Rule 17.1.

If you wish a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We may require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted.

You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

Please contact me if you have any queries or concerns about the above.

Yours sincerely

[sent electronically without signature]

Ben Secrett
Senior Adviser, ASX Listings Compliance (Perth)