EUROPEAN LITHIUM LIMITED
ABN 45 141 450 624

Interim Financial Report

For the Half Year Ended 31 December 2019

CONTENTS

DIRECTORS' REPORT

Your Directors submit the Interim Financial Report of European Lithium Limited (**European Lithium** or the **Company**) and its controlled entities (together the **Group**) for the half-year ended 31 December 2019. In order to comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

Directors

The names of Directors who held office during or since the end of the interim period and until the date of this report are noted below. Directors were in office for the entire period unless otherwise stated.

Antony Sage	Non-Executive Chairman
Malcolm Day	Non-Executive Director
Stefan Muller	Non-Executive Director (resigned 4 March 2020)
Tim Turner	Non-Executive Director (appointed 4 March 2020)

Review of Operations

Corporate

Placement

During the half year ended 31 December 2019, the Company issued 5.3m shares to raise cash proceeds of $477,000 (before expenses) (**Placement A**).

Also, during the period, the Company issued 5.0m shares to raise cash proceeds of $425,000 (before expenses) (**Placement B**).

Financing Facility - Magna

On 7 September 2018, the Company entered into a convertible note agreement with MEF I, L.P. (**Magna**) of which A$2.5m (1,840,500 convertible notes) was drawn down on 7 September 2018.

On 13 September 2019, Magna agreed to extend the maturity date of the convertible notes on issue from 7 September 2019 to 30 November 2019. In consideration for this extension, the Company issued Magna 1,000,000 fully paid ordinary shares on 13 September 2019.

During the half year ended 31 December 2019, the Company converted 253,260 notes and redeemed 434,782 notes (each with a face value of US$1.10). As at 31 December 2019, Magna had nil convertible notes remaining.

Financing Facility - Winance

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.

During the half year ended 31 December 2019, the Company converted 1,060 notes. As at 31 December 2019, Winance had 940 convertible notes outstanding.

Debt Facility

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

The Debt Facility will allow the Company to continue with the DFS at the Company's Wolfsberg Lithium Project in Austria and for general working capital purposes.

Key terms and conditions of the Debt Facility are included in the announcement released on 30 December 2019.

Capital Raisings and Movements

On 11 July 2019, the Company issued 2,000,000 fully paid ordinary shares pursuant to Placement A. The Company also issued 983,548 fully paid ordinary shares to Magna upon the conversion 50,000 convertible notes.

On 31 July 2019, the Company issued 995,223 fully paid ordinary shares issued to Magna upon the conversion of 50,000 convertible notes.

On 16 August 2019, the Company issued 1,016,411 fully paid ordinary shares issued to Magna upon the conversion of 50,000 convertible notes.

On 13 September 2019, the Company issued 1,000,000 fully paid ordinary shares to Magna as consideration for the extension of repayment date of the convertible notes.

On 25 September 2019, the Company issued 285,714 fully paid ordinary shares to Winance upon the conversion of 20 convertible notes.

On 30 September 2019, the Company issued 3,300,000 fully paid ordinary shares pursuant to Placement A. THe Company also issued 1,999,999 fully paid ordinary shares to Winance upon the conversion of 140 convertible notes.

On 7 October 2019, the Company issued 819,917 fully paid ordinary shares to Magna upon the conversion 40,000 convertible notes.

On 11 October 2019, the Company issued 1,428,571 fully paid ordinary shares to Winance upon the conversion of 100 convertible notes.

On 23 October 2019, the Company issued 1,428,570 fully paid ordinary shares to Winance upon the conversion of 100 convertible notes.

On 30 October 2019, the Company issued 2,857,142 fully paid ordinary shares to Winance upon the conversion of 200 convertible notes.

On 5 November 2019, the Company issued 5,000,000 fully paid ordinary shares pursuant to Placement B.

On 12 November 2019, the Company issued 1,428,571 fully paid ordinary shares to Winance upon the conversion of 100 convertible notes.

On 19 November 2019, the Company issued 1,428,571 fully paid ordinary shares to Winance upon the conversion of 100 convertible notes.

On 26 November 2019, the Company issued 1,428,571 fully paid ordinary shares to Winance upon the conversion of 100 convertible notes.

On 5 December 2019, the Company issued 853,289 fully paid ordinary shares to Magna upon the conversion of 30,000 convertible notes.

On 10 December 2019, the Company issued 1,428,571 fully paid ordinary shares to Winance upon the conversion of 100 convertible notes.

On 11 December 2019, the Company issued 17,500,000 unlisted options to Directors and 8,440,000 options to participants in the December 2017 and May 2017 placements and to various service provider of the Company as approved at the Company's 2019 AGM. The options are exercisable at 10c each on or before 30 June 2020.

On 13 December 2019, the Company issued 950,026 fully paid ordinary shares to Magna upon the conversion of 33,260 convertible notes.

On 17 December 2019, the Company issued 1,428,571 fully paid ordinary shares to Winance upon the conversion of 100 convertible notes.

Wolfsberg Lithium Project – Austria

Drilling

Phase 1 drilling covering the shallow holes with a depth of less than 300m has been completed in Q3/2019. The drill core samples have been assayed at ALS laboratory in Dublin, Ireland where crushing, pulp and Li_2O analysis was completed. The Company expects the final assay results from phase 1 drilling in Q1/2020. A short delay took place when some samples had to be resent to the laboratory's facilities.

The five shallow drill holes of phase 1 with a maximum depth of 290.0 m were completed in Zone 1 during Q3/2019. All five drill holes show multiple pegmatite intersections. Three drill holes contain pegmatite intersections with a true thickness up to 2 m. The phase 1 drillings confirm the suspected extension of pegmatite veins at depth. For details on the Q3/2019 drilling results, we refer to the company's Q3/2019 report, published on 31 October 2019 at the ASX and titled "30 September 2019 Quarterly Report".

Application for drilling of the deep holes with more than 300m of depth covering phase 2 in of the drilling program in Zone 1 has been lodged in Q4/2019 to the mining authority. An official hearing at the municipality involving compulsory public and private parties during the approval process took place on 30th October and was coordinated and moderated under the leadership of the mining authority.

The approval for the phase 2 drilling program is expected to be issued in Q1/2020 when drilling will commence shortly thereafter.

Definitive-Feasibility Study (DFS)

Results from phase 1 of the summer drilling program (shallow holes <300m depth in Zone 1 have been assessed for eligibility to convert the JORC resource from Inferred into Measured and Indicated category and upgrade resources to 10.98mt. All holes have been considered to be of sufficient quality to contribute to the expected resource update. This is a successful outcome as expected and convinces the company to move ahead with the envisaged deep holes. Together with the deep holes from phase 2 will this form the basis to convert the Measured and Indicated resources into JORC reserves during the DFS mine planning and scheduling. The Zone 1 drilling programme to increase the Measured and Indicated Resource allows the DFS to be undertaken at the envisaged higher mining rate of max. 800,000tpa.

SRK Consulting (**SRK**) continued to work on the optimized mine design and increased declaration of mineral reserves, based on the PFS and current drilling program results.

During the 3rd and 4th quarter, Dorfner/Anzaplan carried out significant metallurgical test work to assess and optimize the process lines, flowsheets and layouts. This testing is to ensure a high-quality final product (Lithium Hydroxide) is produced using the most efficient and competitive metallurgical processes from the beginning of the production cycle. All metallurgic test work took place at the pilot plant for the Wolfsberg Project at Dorfner/Anzaplan's testing facility in Hirschau, Germany and have been completed in Q4/2019. The results will be published in a timely manner during Q1/2020, based on the comprehensive and detailed technical report.

DRA Global continued independently to assess and review the metallurgical test work to complete their research studies in a timely manner and attended to all work stages in Hirschau, Germany.

Land Access

In Q4 2019 the company renewed 54 exploration and 11 mining licenses. The decision of the mining authority is based on the significant effort European Lithium has demonstrated to develop the Wolfsberg Lithium Project. The exploration progress to increase the resources and metallurgic test work to produce battery grade lithium hydroxide in high level industrial purity have shown the company's successful work to the mining authority. This is a significant milestone to secure the company's rights to develop the Wolfsberg Lithium Project through the DFS into production.

Environmental

No environmental work has been carried out in Q3 and Q4/2019.

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

Hydrogeology

The Company continued during Q3 and Q4/2019 with hydrogeology monitoring program on a weekly, monthly and quarterly time frame:

- Weekly monitoring includes measuring the water level at the surface and underground sites,
- The monthly monitoring program includes sampling and analyzing defined chemical and physical parameters,
- The quarterly monitoring program includes water sampling and analyzing water from previously defined field sites and analyses at certified Austrian lab in Austria. The water samples are analyzed according to the Austrian state requirements for drinking water.

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.

Marketing

The strategy for the Company has remained unchanged and focused on the supply of lithium hydroxide to the nascent lithium battery plants of Europe. The Company has continued discussions with a number of industry players regarding future off-take contracts. Good progress has already been made with potential off-take partners.

Horizon 2020

As reported in Q1 2019, the company's 100% owned subsidiary ECM Lithium AT GmbH (**ECM**) has lodged contribution papers to participate in the European Union funded Horizon 2020 - GREENPEG programme. In Q4 the company was approved to participate in the GREENPEG programme. All requested and compulsory paperwork has been lodged in Q4/2019 to Horizon 2020 administrators and approval is expected in Q1/2020. This is another success showing the company's abilities and legibility to contribute with EU-level support to the sustainable supply of battery grade lithium, sourced and produced in Europe.

During Q3 and Q4 2019 the company has continued to work proactively in the already approved and funded Horizon 2020 LithRef programme.

Events Subsequent to Reporting Date

On 6 January 2020, the Company issued 18,000,000 unlisted options to Helvetican with an exercise price of $0.10c each that can be exercised on or before 30 June 2020.

On 7 January 2020, the Company issued 20,000,000 unlisted options to Helvetican with an exercise price of $0.10c each that can be exercised on or before 30 June 2020.

On 20 January 2020, the Company entered into a short-term loan agreement for $400k. Under the terms of the facility, 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 facility on 20 January 2020.

On 24 January 2020, the Company issued 8,333,333 fully paid ordinary shares to Winance upon the conversion of 500 convertible notes.

On 24 January 2020, the Company issued 500,000 unlisted options to Winance with an exercise price of $0.10c each that can be exercised on or before 30 June 2020.

On 5 February 2020, the Company announced that it had listed on the ASX the options with an exercise price of $0.10 each that can be exercise on or before 30 June 2020. Trading of these options is under the ASX code EURO.

On 27 February 2020, the Company issued 7,333,333 fully paid ordinary shares to Winance upon the conversion of 440 convertible notes.

On 4 March 2020, Mr Stefan Muller resigned as a Non-Executive Director of the Company. Following Mr Mullers resignation, Mr Tim Turner was appointed as Non-Executive Director of the Company effective 4 March 2020.

On 5 March 2020, the Company drew down $2m from the Winance finance facility through the issue of 2,000 convertible notes.

No matters or circumstances have arisen since the end of the half-year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs in future financial years.

Auditor's Independence Declaration

Section 307C of the *Corporations Act 2001* requires our auditors, HLB Mann Judd, to provide the Directors of the Company with an Independence Declaration in relation to the review of the half-year financial report. This Independence Declaration is set out on page 6 and forms part of this Directors' report for the half-year ended 31 December 2019.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to s.306(3) of the *Corporations Act 2001*.

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Antony Sage
Non-Executive Chairman
13 March 2020

HLB MANN JUDD
ADVISORY AND ACCOUNTING

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the interim financial report of European Lithium Limited for the half-year ended 31 December 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b) any applicable code of professional conduct in relation to the review.

Perth, Western Australia
13 March 2020

M R Ohm
Partner

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2019

	Note	For the six months ended 31 December 2019 $	For the six months ended 31 December 2018 $
Continuing operations			
Revenue and other income	3	3,365	23,817
Employee benefits expense	4	(96,000)	(98,000)
Loss on fair value of financial assets through profit or loss	6	-	(81,000)
Depreciation and amortisation expense		(2,473)	(1,440)
Finance costs	4	(121,801)	(27,715)
Transaction costs relating to the issue of convertible note facility	7	(160,000)	(100,000)
Difference between transaction price of convertible note and fair value at initial recognition	7	(363,883)	(318,115)
Fair value loss on remeasurement of convertible note	7	31,777	(46,754)
Impairment of deferred exploration and evaluation expenditure	5	-	(330)
Consulting fees		(211,734)	(327,212)
Travel expenses		(155,589)	(251,250)
Regulatory and compliance costs	4	(463,774)	(584,492)
Share based payments	8	(364,490)	(435,258)
Other expenses	4	(414,730)	(21,589)
Loss before income tax		**(2,319,332)**	**(2,269,338)**
Income tax expense		-	-
Loss after tax from continuing operations		**(2,319,332)**	**(2,269,338)**
Other comprehensive income, net of income tax			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		(225,072)	529,387
Other comprehensive income for the period, net of income tax		**(225,072)**	**529,387**
Total comprehensive loss for the period		**(2,544,404)**	**(1,739,951)**
Loss per share for the period			
Basic loss per share (cents per share)	10	(0.39)	(0.41)
Diluted loss per share (cents per share)	10	(0.39)	(0.41)

The above Condensed Consolidated Statement of Comprehensive Income is to be read in conjunction with the Notes to the Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note	31 December 2019 $	30 June 2019 $
ASSETS			
Current Assets			
Cash and cash equivalents		32,165	1,199,738
Trade and other receivables		443,792	309,918
Total Current Assets		**475,957**	**1,509,656**
Non-Current Assets			
Property, plant and equipment		6,500	7,030
Deferred exploration and evaluation expenditure	5	34,892,153	33,004,593
Restricted cash and other deposits		31,140	31,517
Financial assets	6	128,000	128,000
Total Non-Current Assets		**35,057,793**	**33,171,140**
TOTAL ASSETS		**35,533,750**	**34,680,796**
LIABILITIES			
Current Liabilities			
Trade and other payables		1,619,939	1,028,183
Convertible note	7	1,110,338	1,078,136
Total Current Liabilities		**2,730,277**	**2,106,319**
TOTAL LIABILITIES		**2,730,277**	**2,106,319**
NET ASSETS		**32,803,473**	**32,574,477**
EQUITY			
Issued capital	8	22,621,952	20,283,788
Reserves	9	7,111,600	6,901,436
Retained earnings		3,069,921	5,389,253
TOTAL EQUITY		**32,803,473**	**32,574,477**

The above Condensed Consolidated Statement of Financial Position is to be read in conjunction with the Notes to the Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2019

		Attributable to equity holders			
	Issued Capital	**Retained Earnings**	**Share Based Payments Reserve**	**Foreign Currency Translation Reserve**	**Total Equity**
	$	**$**	**$**	**$**	**$**
At 1 July 2018	16,711,098	8,191,920	4,539,764	1,485,281	30,928,063
Loss for the period	-	(2,269,338)	-	-	(2,269,338)
Foreign currency exchange differences arising on translation from functional currency to presentation currency	-	-	-	529,387	529,387
Total comprehensive income/(loss) for the period	**-**	**(2,269,338)**	**-**	**529,387**	**(1,739,951)**
Shares issued to Magna (conversion)	307,416	-	-	-	307,416
Shares issued to Magna (commitment shares)	100,000	-	-	-	100,000
Shares issued to Project Director	42,000	-	-	-	42,000
Options issued to corporate advisor as share issue costs	-	-	151,570	-	151,570
Options issued to directors as share issue costs	-	-	241,688	-	241,688
At 31 December 2018	**17,160,514**	**5,922,582**	**4,933,022**	**2,014,668**	**30,030,786**
At 1 July 2019	20,283,788	5,389,253	4,933,022	1,968,414	32,574,477
Loss for the period	-	(2,319,332)	-	-	(2,319,332)
Foreign currency exchange differences arising on translation from functional currency to presentation currency	-	-	-	(225,072)	(225,072)
Total comprehensive income/(loss) for the period	**-**	**(2,319,332)**	**-**	**(225,072)**	**(2,544,404)**
Shares issued to Magna (conversion)	427,461	-	-	-	427,461
Shares issued to Magna (extension)	80,000	-	-	-	80,000
Shares issued to Winance (conversion)	1,060,000	-	-	-	1,060,000
Shares issued Placement	902,000	-	-	-	902,000
Share issue costs – cash	(60,551)	-	-	-	(60,551)
Share issue costs – options issued to corporate advisors	(70,746)	-	-	-	(70,746)
Options issued to corporate advisor	-	-	151,603	-	151,603
Options issued to directors	-	-	283,633	-	283,633
At 31 December 2019	**22,621,952**	**3,069,921**	**5,368,258**	**1,743,342**	**32,803,473**

The above Condensed Consolidated Statement of Changes in Equity is to be read in conjunction with the Notes to the Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2019

	Note	31 December 2019 $	31 December 2018 $
Cash flows from operating activities			
Payments to suppliers and employees		(900,248)	(1,478,111)
Payments for exploration		(2,034,238)	(1,149,251)
Finance costs		(7,426)	(27,715)
Interest received		3,365	23,817
VAT Refund		(120,347)	(6,752)
Net cash used in operating activities		**(3,058,894)**	**(2,638,012)**
Cash flows from investing activities			
Proceeds from the sale of exploration tenements		-	-
Payment for property, plant and equipment		(1,992)	(2,716)
Net cash used in investing activities		**(1,992)**	**(2,716)**
Cash flows from financing activities			
Proceeds from capital raisings		902,000	-
Payment for share issue costs		(35,051)	-
Proceeds from convertible note facility	7	2,000,000	2,500,000
Transaction costs related convertible note facility	7	(160,000)	(75,000)
Repayment of convertible loan note facility	7	(812,443)	-
Net cash provided by financing activities		**1,894,506**	**2,425,000**
Net decrease in cash and cash equivalents		(1,166,380)	(215,728)
Cash and cash equivalents at beginning of year		1,199,738	3,258,892
Effects on exchange rate fluctuations on cash held		(1,193)	1,167
Cash and cash equivalents at end of year		**32,165**	**3,044,331**

The above Condensed Consolidated Statement of Cash Flows is to be read in conjunction with the Notes to the Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These half-year consolidated financial statements are general purpose financial statements prepared in accordance with the requirements of the *Corporations Act 2001*, applicable accounting standards including *AASB 134 Interim Financial Reporting*, Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board (***AASB***). Compliance with *AASB 134* ensures compliance with *IAS 34 Interim Financial Reporting*.

The half-year financial report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Group as in the full financial report.

It is recommended that this half-year financial report be read in conjunction with the annual financial report for the year ended 30 June 2019 and any public announcements made by European Lithium Limited and its subsidiaries during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001* and the ASX Listing Rules.

Basis of preparation

The half-year financial report has been prepared on a historical cost basis, except for the revaluation of certain financial instruments to fair value. Cost is based on the fair value of the consideration given in exchange for assets. The company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

Going concern

The interim financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The Company incurred an operating loss after tax for the period ended 31 December 2019 of $2,319,332 (31 December 2018: $2,269,338 loss), had cash and cash equivalents of $32,165 at 31 December 2019 (30 June 2019: $1,199,738), had a net working capital deficit of $2,254,320 at 31 December 2019 (30 June 2019: $596,663 deficit) and a net cash outflow from operating activities amounting to $3,058,894 (31 December 2018: $2,638,012).

The Group's ability to continue as a going concern and to continue to fund its planned expanded activities is dependent on raising further capital and/or drawing down on the convertible note facility and/or generating additional revenues from its operations and/or reducing or deferring exploration expenditure or operational costs.

The Directors believe the Group will continue as a going concern, after consideration of the following factors:

- The Group has successfully completed its pre-feasibility study and work is underway on the Definitive-Feasibility Study (**DFS**). The Company has agreed a long-term debt facility of EUR 7,500,000 with a Swiss based sophisticated investor introduced by Helvetican International AG (**Debt Facility**) allowing access to funds for the purposes of the DFS. The Company has yet to draw down on the Debt Facility as outstanding security issues relating to the loan require finalisation;
- The Company has established the Winance convertible loan note facility (refer note 7) allowing access to funds for the purposes of working capital and project DFS; and
- The Group is able to defer certain exploration-related expenditures in order to retain a positive cash balance;
- The Group is able to realise its financial assets if required; and
- The Group is in discussions with a number of entities regarding future off-take contracts and is continuing efforts to secure key customers in key markets and is confident of generating additional sales revenue within the next 12 months.

However, should the fundraising above not be completed, or be available on a sufficiently timely basis, there exists a material uncertainty that may cast significant doubt as to where the Company would continue as a going concern and therefore whether it will realize its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Adoption of new and revised standards

Standards and Interpretations applicable to 31 December 2019
In the half-year ended 31 December 2019, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the *AASB* that are relevant to the Company and effective for the half-year reporting periods beginning on or after 1 July 2019. As a result of this review, the Directors have applied all new and amended Standards and Interpretations that were effective as at 1 July 2019 including:

Interpretation 23 Uncertainty over Income Tax Treatments

The Group has adopted interpretation 23 with the date of initial application being 1 July 2019.

The Interpretation clarifies the application of the recognition and measurement criteria in AASB 12 Income Taxes when there is uncertainty over income tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable income (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

At 1 July 2019 it was determined that the adoption of Interpretation 23 had no impact on the Group.

AASB 2018-1 Australian Amendments to Australian Accounting Standards – Annual Improvements 2015-2017 Cycle

The Group has adopted AASB 2018-1 with the date of initial application being 1 January 2019.

The amendments clarify certain requirements in:

- AASB 3 Business Combinations and AASB 11 Joint Arrangements - previously held interest in a joint operation
- AASB 112 Income Taxes - income tax consequences of payments on financial instruments classified as equity
- AASB 123 Borrowing Costs - borrowing costs eligible for capitalisation.

At 1 January 2019 it was determined that the adoption of AASB 2018-1 had no impact on the Group.

AASB 16 - Leases

The Group has adopted AASB 16 with the date of initial application being 1 January 2019.

AASB 16 eliminates the operating and finance lease classifications for lessees currently accounted for under AASB 117 Leases. It instead requires an entity to bring most leases into its statement of financial position in a similar way to how existing finance leases are treated under AASB117. An entity will be required to recognise a lease liability and a right of use asset in its statement of financial position for most leases. There are some optional exemptions for leases with a period of 12 months or less and for low value leases. Lessor accounting remains largely unchanged from AASB 117.

At 1 January 2019 it was determined that the adoption of AASB 16 had no impact on the Group.

Accounting policies and methods of computation

The accounting policies and methods of computation adopted are consistent with those of the previous financial year and corresponding half-year. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards with the exception of the following:

Leases

Right of use asset
The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease Liabilities
At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The Group recognised the lease payments as an expense on a straight line basis over the lease term.

The Group has taken advantage of practical expedient available under AASB16 and elected not to recognise right of use assets and lease liabilities for short term leases and low value assets.

Significant accounting judgments and key estimates

The preparation of the half-year financial report requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing this half-year financial report, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2019.

2. SEGMENT REPORTING

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Board of Directors in order to allocate resources to the segment and to assess its performance.

The Company operates in the mineral exploration industry. For 2019, and as disclosed in the 2019 Annual Report this consisted of mineral exploration in Austria. For the current period, this consists of mineral exploration in Austria. For management purposes, the Company is still organised into one main operating segment which now involves the exploration of minerals in Austria. All of the Company's activities are interrelated and discrete financial information is reported to the Board (Chief Operating Decision Maker) as a single segment. Accordingly, all significant operating decisions are based upon analysis of the Company as one segment. The financial results from this segment are equivalent to the financial statements of the Company as a whole.

3. REVENUE AND OTHER INCOME FROM CONTINUING OPERATIONS

	Six months ended 31 December 2019 $	Six months ended 31 December 2018 $
Interest revenue	3,365	23,817
	3,365	23,817

4. EXPENSES FROM CONTINUING OPERATIONS

	Six months ended 31 December 2019 $	Six months ended 31 December 2018 $
Employee benefits expenses		
Directors' remuneration & consulting	96,000	98,000
	96,000	98,000
Finance expenses		
Bank fees	7,426	4,707
Magna extension fee	80,000	-
Financing legal expenses	34,375	23,008
	121,801	27,715
Regulatory and compliance costs		
ASX listing fees	78,616	74,795
NEX listing expenses	150,316	123,801
Vienna listing expenses	1,149	72,563
Legal expenses	189,091	259,551
Other regulatory and compliance expenses	44,602	53,782
	463,774	584,492

	Six months ended 31 December 2019 $	Six months ended 31 December 2018 $
Other expenses		
Promotions and advertising	159,322	178,124
Foreign exchange	196,110	(280,665)
Other administrative expenses	59,298	124,130
	414,730	21,589

5. DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

	Six months to 31 December 2019 $	Year to 30 June 2019 $
Balance at beginning of period	33,004,593	27,465,305
Expenditure incurred	2,311,641	4,755,718
Foreign exchange movement	(424,081)	783,900
Impairment	-	(330)
Balance at end of period	34,892,153	33,004,593

The recoupment of costs carried forward in relation to areas of interest in the exploration and evaluation phases is dependent upon the successful development and commercial exploitation or sale of the respective areas.

6. FINANCIAL ASSETS

	Six months to 31 December 2019 $	Year to 30 June 2019 $
Balance at beginning of period	128,000	225,000
Acquisition of equity securities (listed) (i)	-	80,000
Gain/(loss) in fair value from revaluation	-	(177,000)
Balance at end of period	128,000	128,000

(i) The Company previously 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. On 5 July 2018, the Company announced that it had agreed to settle the remaining cash consideration of $80,000 through the issue of 7,000,000 shares in CVS shares as well as the issue of one free attaching unquoted option for every two shares issued which are exercisable at 1.5 cents each on or before 30 June 2020.

7. CONVERTIBLE NOTE

	Six months to 31 December 2019 $	Year to 30 June 2019 $
Balance at beginning of period	1,078,136	-
Funds borrowed under convertible loan agreement	2,000,000	2,500,000
Difference between transaction price of convertible note and fair value at initial recognition	363,883	318,115
Fair value loss on remeasurement of convertible note	(31,777)	46,754
Amount repaid through redemption of notes	(812,443)	-
Amounts repaid through issue of shares	(1,487,461)	(1,786,007)
Balance at end of period	1,110,338	1,078,136

a) Magna

On 7 September 2018, the Company entered into a Convertible Note Agreement with MEF I, L.P. (**Magna**) of which A$2.5m (1,840,500 convertible notes) was drawn down on 7 September 2018. At the time of issuance, the difference between the fair value of the convertible notes of $2,818,115 and the proceeds received of A$2,500,000 being $318,115 was recorded in the statement of comprehensive income.

The face value of each convertible note is US$1.10 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 twelve

(12) months after the issue date. The conversion price for each convertible note is the lower of $0.30 or a 15% 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 (revised floor price).

On 13 September 2019, Magna agreed to extend the maturity date of the convertible notes on issue from 7 September 2019 to 30 November 2019. In consideration for this extension, the Company issued Magna 1,000,000 fully paid ordinary shares on 13 September 2019.

During the year, Magna redeemed 434,782 notes for US$550,000 (AU$812,443). Magna also exercised its option to convert 253,260 notes borrowed under the convertible loan agreement into 5,618,413 fully paid ordinary shares of the Company.

At reporting date, the fair value of the convertible notes (following conversion of 253,260 notes and redemption of 434,782 notes during the year) was $nil with the difference of $161,768 recorded in the statement of comprehensive income.

As at 31 December 2019, Magna had nil convertible notes remaining.

b) Winance

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. Winance received a commitment fee of 3% of the investment amount at the funding of each tranche.

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).

At the time of issuance, the difference between the fair value of the convertible notes of $2,363,883 and the proceeds received of A$2,000,000 being $363,883 was recorded in the statement of comprehensive income.

During the year, Winance exercised its option to convert 1,060 notes borrowed under the convertible loan agreement into 15,142,851 fully paid ordinary shares of the Company.

At reporting date, the fair value of the convertible notes (following conversion 1,060 notes during the year) was $1,110,338 with the difference of $193,545 recorded in the statement of comprehensive income.

As at 31 December 2019, Winance had 940 convertible notes remaining.

8. ISSUED CAPITAL

a) Ordinary shares

	Six months to 31 December 2019		Year to 30 June 2019	
	No of Shares	**$**	**No of Shares**	**$**
Balance at beginning of period	587,163,028	20,283,788	545,724,526	16,711,098
Issue of shares - Placement - Cash	10,300,000	902,000	18,200,000	1,638,000
Issue of shares - Conversion of Options	-	-	1,000,000	100,000
Issue of shares – Magna commitment shares	-	-	600,672	100,000
Issue of shares – Magna repayment extension	1,000,000	80,000	-	-
Issue of shares – Magna conversion	5,618,414	427,461	21,287,830	1,786,007
Issue of shares – Winance conversion	15,142,851	1,060,000		
Issue of shares – Project Director	-	-	350,000	42,000
Capital raising costs	-	(131,297)	-	(93,317)
Balance at end of period	619,224,293	22,621,952	587,163,028	20,283,788

b) Options

On 11 December 2019, the Company issued 17,500,000 unlisted options to Directors as approved at the Company's 2019 AGM. The options are exercisable at $0.10 each on or before 30 June 2020 and were issued in consideration of the Directors services and efforts in advancing the Company's Definitive Feasibility Study **(DFS)**.

On 11 December 2019, the Company issued 8,440,000 unlisted options as approved at the Company's 2019 AGM. The options are exercisable at $0.10 each on or before 30 June 2020. A total of 4,365,000 options were issued to participants of the December 2017 and May 2017 placements and the remaining 4,075,000 options were issued to various service providers of the Company.

On 30 December 2019, the Company announced that it had agreed a long-term debt facility of EUR 7,500,000 with a Swiss based sophisticated investor introduced by Helvetican International AG (**Debt Facility**). As part of the Debt Facility, the Company has agreed to issue Helvetican (or Nominee) 40,000,000 unlisted options with an exercise price of $0.10c each that can be exercised on or before 30 June 2020 and 30,000,000 unlisted options with an exercise price of $0.15c each which can be exercised within 12 months of signing the binding terms sheet (**Debt Facility Options**). As at 31 December 2019, the Debt Facility Options had not been issued. The grant date of the Debt Facility Options will be after the period in which services have begun to be rendered. Therefore, the fair value at grant date presented in the 31 December 2019 financial statements is provisional, estimated by reference to the period end share price and expected services period. Once the date of the grant is known, the earlier provisional estimate will be revised.

At 31 December 2019, the unissued ordinary shares of the Company under option are as follows:

Date of Expiry	Status	Exercise Price	Number of Options
27/02/2020	Unlisted	12.5 cents	2,000,000
30/06/2020	Unlisted	10.0 cents	224,940,000
31/03/2020	Unlisted	5.0 cents	2,394,444
11/12/2021	Unlisted	20.0 cents	2,500,000
			231,834,444

c) Share based payments

The following options were issued as share-based payments arrangements during the period:

	Number of Options	Grant date	Expiry Date	Exercise Price	Fair value at grant date	Vesting date
Options issued to Directors	17,500,000	28 November 2019	30 June 2020	$0.10	$0.0162	28 November 2019
Options issued to placement participants and service providers	8,440,000	28 November 2019	30 June 2020	$0.10	$0.0162	28 November 2019
Helvetican options	40,000,000	29 December 2019 (8b)	30 June 2020	$0.10	$0.0096	29 December 2019
Helvetican options	30,000,000	29 December 2019 (8b)	29 December 2020	$0.15	$0.0094	29 December 2019

The fair value of the equity-settled share options granted is estimated as at the date of grant using the Black and Scholes model taking into account the terms and conditions upon which the options were granted.

	Assumption			
Number options issued	17,500,000	8,440,000	40,000,000	30,000,000
Dividend yield	0.00%	0.00%	0.00%	0.00%
Expected volatility	86%	86%	85%	85%
Risk-free interest rate	0.79%	0.79%	0.80%	0.80%
Expected life of options	0.59 years	0.59 years	0.50 years	1.00 year
Exercise price	$0.10	$0.10	$0.10	$0.15
Grant date share price	$0.083	$0.083	$0.073	$0.073

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

d) Share based payments expense

The following share based payment expense was recognised through profit or loss during the period:

	Six months to 31 December 2019 $	Six months to 31 December 2018 $
Shares issued to Project Director	-	42,000
Options issued to Directors	283,632	241,688
Options issued to placement participants and service providers	136,792	151,570
Options issued to Hevetican	14,812	-
Balance at end of period	435,236	435,258

9. RESERVES

	Six months to 31 December 2019 $	Year to 30 June 2019 $
Share based payments reserve	5,368,258	4,933,022
Foreign currency translation reserve	1,743,342	1,968,414
	7,111,600	6,901,436
Share based payments reserve		
Balance at beginning of year	4,933,022	4,539,764
Issue of unlisted options	435,235	393,258
Balance at end of year	5,368,258	4,933,022
Foreign currency translation reserve		
Balance at beginning of year	1,968,414	1,485,281
Foreign currency exchange differences arising on translation of foreign operations	(225,072)	483,133
Balance at end of year	1,743,342	1,968,414

10. BASIC AND DILUTED LOSS PER SHARE

	Six months ended 31 December 2019 $	Six months ended 31 December 2018 $
Loss used in the calculation of basic and dilutive loss per share	(**2,319,332**)	(2,269,338)

	Six months to 31 December 2019 Cents per share	Six months to 31 December 2018 Cents per share
Earnings per share:		
Basic loss per share (cents per share)	(0.39)	(0.41)
Diluted loss per share (cents per share)	(0.39)	(0.41)

There are dilutive potential ordinary share on issue at balance date. However, given the Company has made a loss, there is no dilution of earnings hence the diluted loss per share is the same as basic loss per share.

	Six months to 31 December 2019 Number	Six months to 31 December 2018 Number
Weighted average number of shares:	600,611,147	546,832,665

11. RELATED PARTY TRANSACTIONS

On 11 December 2019, the Company issued unlisted options to Directors Tony Sage (5,000,000), Malcolm Day (5,000,000) and Stefan Muller (7,500,000) as approved at the Company's 2019 AGM. The options are exercisable at $0.10 each on or before 30 June 2020 and 2020 and were issued in consideration of the Directors services and efforts in advancing the Company's Definitive Feasibility Study **(DFS)**.

During the period ended 31 December 2019, Director Stefan Muller and Frankfurt Capital Market Consulting, received fees in relation to the placements completed during the period. Frankfurt Capital Market Consulting is a subsidiary of Deutsche Gesellschaft für Wertpapieranalyse GmbH (DGWA). Mr Stefan Muller is a Director of DGWA.

12. CONTINGENT LIABILITIES

There have been no changes in contingent liabilities since the last annual reporting date.

13. COMMITMENTS

There have been no changes in commitments since the last annual reporting date.

14. EVENTS SUBSEQUENT TO REPORTING DATE

On 6 January 2020, the Company issued 18,000,000 unlisted options to Helvetican with an exercise price of $0.10c each that can be exercised on or before 30 June 2020.

On 7 January 2020, the Company issued 20,000,000 unlisted options to Helvetican with an exercise price of $0.10c each that can be exercised on or before 30 June 2020.

On 20 January 2020, the Company entered into a short-term loan agreement for $400k. Under the terms of the facility, 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 facility on 20 January 2020.

On 24 January 2020, the Company issued 8,333,333 fully paid ordinary shares to Winance upon the conversion of 500 convertible notes.

On 24 January 2020, the Company issued 500,000 unlisted options to Winance with an exercise price of $0.10c each that can be exercised on or before 30 June 2020.

On 5 February 2020, the Company announced that it had listed on the ASX the options with an exercise price of $0.10 each that can be exercise on or before 30 June 2020. Trading of these options is under the ASX code EURO.

On 27 February 2020, the Company issued 7,333,333 fully paid ordinary shares to Winance upon the conversion of 440 convertible notes.

On 4 March 2020, Mr Stefan Muller resigned as a Non-Executive Director of the Company. Following Mr Mullers resignation, Mr Tim Turner was appointed as Non-Executive Director of the Company effective 4 March 2020.

On 5 March 2020, the Company drew down $2m from the Winance finance facility through the issue of 2,000 convertible notes.

No matters or circumstances have arisen since the end of the half-year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs in future financial years.

15. FINANCIAL INSTRUMENTS

Set out below is an overview of financial instruments, other than cash and short-term deposits, held by the Group as at 31 December 2019:

		Fair value	
	At amortised cost	**Through profit or loss**	**Through other comprehensive income**
	$	**$**	**$**
Financial assets			
Trade and other receivables	443,792	-	-
Total current	443,792	-	-
Financial assets	-	128,000	-
Total non-current	-	128,000	-
Total assets	443,792	128,000	-
Financial liabilities			
Trade and other payables	1,619,939	-	-
Convertible note	-	940,000	-
Total current	1,619,939	940,000	-
Total liabilities	1,619,939	940,000	-

The Directors consider that the carrying amounts of current receivables, current payables and current borrowings are a reasonable approximation of their fair values. The Group's convertible note liability falls into Level 2 of the fair value hierarchy, in that the measurement of the valuation of the liability includes inputs other than quoted prices.

DIRECTORS' DECLARATION

In the opinion of the Directors of European Lithium Limited ('the company'):

1. The attached financial statements and notes thereto are in accordance with the *Corporations Act 2001* including:

    a. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

    b. giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the half-year then ended; and

2. There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with a resolution of the Board of Directors made pursuant to s.303(5) of the *Corporations Act 2001*.

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Antony Sage
Non-Executive Chairman

13 March 2020

HLB MANN JUDD
ADVISORY AND ACCOUNTING

INDEPENDENT AUDITOR'S REVIEW REPORT
To the members of European Lithium Limited

Report on the Condensed Interim Financial Report

Conclusion

We have reviewed the accompanying interim financial report of European Lithium Limited ("the Group") which comprises the condensed consolidated statement of financial position as at 31 December 2019, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes, and the directors' declaration, for the Group comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of European Lithium Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material uncertainty related to going concern

We draw attention to Note 1 in the financial report, which indicates that a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Directors' responsibility for the interim financial report

The directors of the Group are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the interim financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

M R Ohm
Partner

Perth, Western Australia
13 March 2020