

18 May 2020

Daniel Nicholson
Advisor, Listings Compliance (Perth)
ASX Limited

Dear Daniel,

Query letter dated 13 May 2020

I refer to your query letter dated 13 May 2020. Capitalised terms have the meaning given in your letter.

Below are ASX's queries and EUR's responses:

1. Does EUR consider the Bank Information to be information that a reasonable person would expect to have a material effect on the price or value of its securities?

No.

2. If the answer to question 1 is "no", please advise the basis for that view.

EUR is of the view that a reasonable person would not expect the Bank Information to, at the time EUR became aware of the Bank Information, have a material effect on the price or value of its securities. This was because:

- Winance had previously transferred funds to EUR under the facility, and had a track record in performing its obligations under its funding agreement with EUR; and
- at the time Winance advised EUR that it had initiated the transfer (a copy of the swift transfer was provided on 9 March 2020) and that the delay in receiving funds was temporary and due to Winance's intermediary bank in London requiring additional information and staffing shortages due to COVID-19 restrictions in London. See the responses to question 5 below for details of communications with Winance.

For those reasons, it was reasonable for EUR to expect that there was no basis to believe that the funds would not be received in due course, and for that reason EUR did not consider the Bank Information to be information that a reasonable person would expect to have a material effect on the price or value of EUR's securities.

3. When did EUR first become aware of the Bank Information?

The Company first became aware of the Bank Information on 11 March 2020 when it had not received any funds from Winance.

4. If EUR first became aware of the Bank Information before 12 May 2020 (being the date of the Query Response), did EUR make any announcement prior to the 12 May 2020 which disclosed the information? If so, please provide details. If not, please explain why this information was not released to the market at an earlier time, commenting specifically on when you believe EUR was obliged to release the information under Listing Rule 3.1 and 3.1A and what steps EUR took to ensure that the information was released promptly and without delay.

Prior to 1 April 2020 no, for the reasons set out under questions 1 and 2.

By 1 April 2020 EUR had determined that the delays in receiving the funding was information that a reasonable person would expect to have a material effect on the price or value of its securities and for that reason on that day it announced to ASX that it was in communication with Winance who had confirmed its commitment to finalising the transaction as soon as practicable.

EUR provided a further update on 30 April 2020 when it announced to ASX that it was yet to receive Tranche 2 funding from Winance, and that it was in communication with Winance who had confirmed their commitment to finalising the transaction.

5. Commenting specifically on the Receipt of Funds Information, including clause 3.2 of the Facility which required Winance to transfer the Subscription Price by no later than the business day after EUR's formal request for A\$2m (which EUR made on 4 March 2020):

5.1 Did EUR make any enquiries of Winance after 5 March 2020 to track the progress of the A\$2m transfer? In answering this question, please provide details of the enquiries made, including:

5.1.1 the date(s); and

5.1.2 a summary of the nature of the enquiry by EUR and the responses(s) by Winance, including any reason(s) for the delay in transferring the funds pursuant to the drawdown under the Facility.

Yes, the Company has been in constant contact with Winance regarding the convertible loan note facility and timing as to receipt of the funds to be advanced under the facility. Below is a summary of the key dates and responses regarding the status of the funds transfer:

- 9 March 2020 - Winance provides EUR with a SWIFT copy for the first tranche of the funds transfer. Winance confirmed on 28 February 2020 that the funds would be remitted in two tranches which would be two days apart from each other.
- 11 March 2020 - EUR requests an update from Winance regarding the status of the funds transfer. Winance confirm that they are checking the status with their bank. They confirm that they have initiated the funds transfer from their side. Winance confirm that the funds are 'stuck' with the London based intermediary bank.
- 13 March 2020 - EUR requests an update from Winance regarding the status of the funds transfer. The Chairman has a 30-minute phone conversation with Winance who

confirm that the funds have been sent. That day EUR announced its 31 December 2019 half yearly accounts.

- 16 March 2020 - Winance confirm that the intermediary bank has rejected the funds and the funds will be returned to Winance. Winance confirm that they will initiate the transfer as soon as funds are credited to their account.
- 19 March 2020 - Winance confirms that their bank is the cause of being unable to transfer the funds. Winance confirms that they are looking at other options to get the funds over to EUR.
- 23 March 2020 - Winance request that the funds be transferred in USD and as such EUR provides USD bank account details.
- 24 March 2020 - EUR informed Winance that USD funds have not been received. Winance advise that the transfer is subject to review by the bank's compliance team due to previously returned transfer. The bank confirms that all transfers are being delayed and as such they are unable to confirm timing as to when the transfer will proceed.
- 25 March 2020 - Winance confirm that they are in contact with them bank to prioritise the transfer of funds.
- 26 March 2020 - The Chairman of EUR holds several phone conversations with Winance.
- 30 March 2020 - Winance informs EUR that the transfer is still with their bank's compliance team.
- 3 April 2020 - Winance confirms to EUR that they are equally as frustrated with their bank and continue to follow it up.
- 6 April 2020 - EUR advises Winance that they may need to seek alternative financing solutions if funding is not received imminently.
- 8 April 2020 - Winance confirm that the bank has informed them that the reason for the delay as a result of additional compliance measures on its accounts. Winance confirmed that they were seeking approval from the bank to continue with the transfer.
- 16 April 2020 - Winance advise that they have had a change in CEO. Winance confirm that once the transfer of authorisation from the CEO is complete that they will be in a better position to resolve and expedite the pending issues with banks and prime brokers. Winance acknowledge that EUR is seeking alternative funding options however confirm their commitment to working with EUR.
- In late April and early May 2020 Tony Sage (EUR's executive chairman) had two conference calls with Waqas Ibrahim (Winance's chief financial officer) and Kapil Singh (of Kapital Global Company, broker). During the calls Mr Ibrahim confirmed that Winance would proceed with the funding.

5.2 If the answer to question 5.1 is 'no', please explain why EUR did not make enquiries in circumstances where EUR lodged the Appendix 3B on 10 March 2020 and the Half Year Accounts on 13 March 2020.

Not applicable.

6. Please confirm that EUR is complying with the Listing Rules and, in particular, Listing Rule 3.1.

EUR confirms that it is in compliance with the Listing Rules, and in particular, Listing Rule 3.1.

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

EUR confirms that the above responses have gone through the required Board approval process.

Regards,



For and on behalf of the EUR Board,

Tony Sage

Non-Executive Chairman



13 May 2020

Reference: 17792

Ms Melissa Chapman
Company Secretary
European Lithium Limited

By email

Dear Ms Chapman

European Lithium Limited ('EUR'): Aware Query

ASX refers to the following:

- A. EUR's announcement entitled 'European Lithium Signs Binding Agreement for A\$10m Funding Facility' lodged with ASX Market Announcements Platform ('MAP') and released on 31 July 2019 ('Facility Announcement') which disclosed EUR's execution of a A\$10m finance facility with Winance Investments LLC ('Winance') ('Facility'). In particular, ASX refers to the material terms of the Facility included in Annexure A to the announcement, including, among other things, the following:

"Further drawdowns of A\$8m are at the Company's election available in tranches of A\$1m each upon full conversion of the notes from the previous drawdown, subject to:

- a) a cooling off period calculated based on the value of the tranche and average trading volumes during the preceding 60-day period; and*
- b) prior approval by EUR's shareholders"*

- B. EUR's announcement entitled 'Notice Under Sections 708a(5)(E) and 708a(12c)(E) (As Notionally Inserted by ASIC Corporations (Sale Offers: Securities Issued on Conversion of Convertible Notes) Instrument 2016/82) of the Corporations Act 2001 (Cth)' lodged with MAP and released on 20 September 2019 which disclosed, among other things, EUR's election to draw down on the Facility an initial amount of A\$2m and which included an Appendix 3B for the issue of 2,000 convertible notes to Winance.

- C. EUR's request for a trading halt on 2 March 2020 in order to announce a funding update and board changes ('Trading Halt')

- D. EUR's request for a voluntary suspension on 4 March 2020 pending an announcement regarding a funding update and board changes ('Suspension').

- E. EUR's announcement entitled 'European Lithium Draws AUD\$2M From Existing Facility' lodged with MAP and released on 5 March 2020 which, among other things, disclosed that EUR had agreed to drawdown a further AUD\$2m from its existing facility with Winance (being the Facility) ('Tranche 2 Announcement'). In particular, ASX notes that the Tranche 2 Announcement included the following statement:

"The issue is made using the Company's existing capacity under Listing Rule 7.1 and without shareholder approval."

- F. The Appendix 3B for a Proposed Issue of Securities lodged with MAP and released on 5 March 2020 for the proposed issue of 2,000 convertible notes ('Convertible Notes') to Winance under the Facility with a proposed issue date of 5 March 2020 ('Appendix 3B').

- G. EUR's reinstatement to official quotation on 5 March 2020 following the release of the Tranche 2 Announcement.

- H. EUR's announcement entitled 'Notice Under Sections 708a(5)(E) and 708a(12c)(E) (As Notionally Inserted by ASIC Corporations (Sale Offers: Securities Issued on Conversion of Convertible Notes) Instrument 2016/82) of the Corporations Act 2001 (Cth)' lodged with MAP and released on 10 March 2020 ('Cleansing Statement') which disclosed, among other things, that:

"Following this notice the Company will issue 2,000 convertible notes (each with a face value of \$1,000) (Convertible Notes) to Winance Investment LLC. The Convertible Notes are issued without disclosure."

- I. EUR's half year accounts for the half year ended 31 December 2019 lodged with MAP and released on 13 March 2020 ('Half Year Accounts').
- J. ASX notes that the Independent Auditor's Report attached to the Half Year Accounts ('Auditor's Report') contains a material uncertainty related to going concern.
- K. The notes to the financial statements in the Half Year Accounts include the following:

at Note 1 'Summary of Significant Accounting Policies - Going Concern':

"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*

at Note 14 'Events Subsequent to the Reporting Date':

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

- L. EUR's announcement entitled 'European Lithium Market Update' lodged with MAP and released on 1 April 2020 ('April Update') which, among other things, disclosed that:

"Further to our announcement on 5 March 2020 regarding the Winance finance facility and 30 December 2019 regarding the debt facility introduced by Helvetican, the Company advises it is in communication with both parties who have confirmed their commitment to finalising these transactions.

Both parties have advised that the COVID-19 pandemic has hampered their business plans, however, both wish to fulfil their commitments as soon as practicable."

- M. EUR's Quarterly Activities Report for the quarter ended 31 March 2020 lodged with MAP and released on 30 April 2020 ('March 2020 Quarterly Activities Report') which, among other things, disclosed that:

"The Company previously drew down A\$2.0m (2,000 convertible notes) on 20 September 2019 (Tranche 1). During the quarter, Winance converted the remaining 940 convertible notes from Tranche 1. As at 31 March 2020, there were nil convertible notes remaining from the Tranche 1 drawdown.

On 5 March 2020, the Company announced that it had agreed to draw down a further A\$2.0m (2,000 convertible notes) under the Winance facility (Tranche 2). As at the date of this announcement, the Company

is yet to receive Tranche 2 funding, however the Company advises it is in communication with Winance who have confirmed their commitment to finalizing the transaction."

(‘March 2020 Quarterly Activities Report Information’)

- N. EUR’s Appendix 5B attached to its March 2020 Quarterly Activities Report lodged with MAP and released on 30 April 2020 which, among other things, includes at Item 4.6, cash and cash equivalents at the end of the quarter in the amount of \$58,000, and as footnotes to Item 8, the following statements:

" As outlined above in section 7, further drawdown on the Winance facility is subject to full conversion of the notes from the previous drawdown. Also as outlined above in section 7, on 5 March 2020, the Company announced that it had agreed to draw down a further A\$2.0m (2,000 convertible notes) under the Winance facility (Tranche 2). As at the date of this announcement, the Company is yet to receive Tranche 2 funding, however the Company advises it is in communication with Winance who have confirmed their commitment to finalizing the transaction. The table is prepared on the basis that the Company receives funding under Tranche 2 of the Winance facility.*

*** As outlined, the Company is awaiting funding under Tranche 2 of the Winance facility. As such, net cash used in operating activities of (\$293k) in the March 2020 is not representative of the Company’s current level of net operating cash flows.*

**** Taking the above into consideration and assuming Tranche 2 of the Winance facility is not received in a timely manner, the Company’s Estimated quarters of funding available (Item 8.7) is less than 2 quarters, which is more a representative estimate."*

(the ‘Appendix 5B Information’).

- O. EUR’s announcement entitled ‘Query Letter Dated 6 May 2020’ lodged with MAP and released on 12 May 2020 which responded to ASX’s Query Letter dated 6 May 2020 (‘Query Response’). In particular, ASX refers to the following in the Query Response:

- (a) in response to Question 10, EUR stated that:

"In accordance with clause 3.1 of the Facility, on 4 March 2020 EUR delivered a formal request for \$2m to Winance. Winance agreed to the request and in accordance with clause 3.2 of the Facility was required to transfer the Subscription Price (as defined in the Facility) by no later than the business day after the request.

Under clause 3.3, EUR was required to issue the notes within 1 business day of receiving the funds."

(‘Receipt of Funds Information’),

- (b) in response to Question 12.1, among other things, EUR stated that:

"Subsequent to the release of the March Quarterly Activities Information, the Company received notification from Winance that whilst it had instructed its bank to transfer funds to EUR, the bank had been prevented from doing so. ..."

(‘Bank Information’).

- P. Listing Rule 3.1, which requires a listed entity to immediately give ASX 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.

- Q. The definition of “aware” in Chapter 19 of the Listing Rules, which 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" and section 4.4

in Guidance Note 8 Continuous Disclosure: Listing Rules 3.1 – 3.1B “When does an entity become aware of information.”

- R. 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 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.”

- S. 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. 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.”

Request for Information

Having regard to the above, including the Facility Announcement, Trading Halt, Suspension, Tranche 2 Announcement, Appendix 3B Cleansing Statement, Half Year Accounts and the Auditor’s Report, April Update, the March 2020 Quarterly Activities Information, the Appendix 5B Information and the Query Response, ASX asks EUR to respond separately to each of the following questions and requests for information:

1. Does EUR consider the Bank Information to be information that a reasonable person would expect to have a material effect on the price or value of its securities?
2. If the answer to question 1 is “no”, please advise the basis for that view.
3. When did EUR first become aware of the Bank Information?
4. If EUR first became aware of the Bank Information before 12 May 2020 (being the date of the Query Response), did EUR make any announcement prior to the 12 May 2020 which disclosed the information? If so, please provide details. If not, please explain why this information was not released to the market at an earlier time, commenting specifically on when you believe EUR was obliged to release the information under Listing Rules 3.1 and 3.1A and what steps EUR took to ensure that the information was released promptly and without delay.
5. Commenting specifically on the Receipt of Funds Information, including clause 3.2 of the Facility which required Winance to transfer the Subscription Price by no later than the business day after EUR’s formal request for A\$2m (which EUR made on 4 March 2020):

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- 5.1 Did EUR make any enquiries of Winance after 5 March 2020 to track the progress of the A\$2m transfer? In answering this question, please provide details of the enquiries made, including:
- 5.1.1 the date(s); and
- 5.1.2 a summary of the nature of the enquiry by EUR and the response(s) by Winance, including any reason(s) for the delay in transferring the funds pursuant to the drawdown under the Facility.
- 5.2 If the answer to question 5.1 is 'no', please explain why EUR did not make enquiries in circumstances where EUR lodged the Appendix 3B on 10 March 2020 and the Half Year Accounts on 13 March 2020.
6. Please confirm that EUR is complying with the Listing Rules and, in particular, Listing Rule 3.1.
7. Please confirm that EUR'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 EUR 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 Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **10:00 AM AWST Monday, 18 May 2020**.

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, EUR'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 and may require EUR to request a trading halt immediately.

If you wish to request 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 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*.

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 ListingsCompliancePerth@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 Rules 3.1 and 3.1A

In responding to this letter, you should have regard to EUR's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*. It should be noted that EUR's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Suspension

If you are unable to respond to this letter by the time specified above ASX will likely suspend trading in EUR's securities under Listing Rule 17.3.

Enquiries

If you have any queries or concerns about any of the above, please contact me immediately.

Yours faithfully

Daniel Nicholson
Adviser, Listings Compliance (Perth)