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EUROPEAN LITHIUM LIMITED
ABN 45 141 450 624

Interim Financial Report

**For the Half Year Ended
31 December 2021**

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DIRECTORS' REPORT

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 2021. 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	Executive Chairman
Malcolm Day	Non-Executive Director
Michael Carter	Non-Executive Director (appointed 31 August 2021)
Mykhailo Zhernov	Non-Executive Director (appointed 22 December 2021)
Kimon Gkomoziias	Executive Director (resigned 31 August 2021)

Review of Operations

Corporate

Millstone Acquisition and Placement

On 4 November 2021, the Company announced that it has entered into binding agreements under which EUR will acquire Petro Consulting LLC (**Petro Consulting**), a Ukraine incorporated company that is applying (through either court proceedings, public auction and/or production sharing agreement with the Ukraine Government) for 20-year special permits for the extraction and production of lithium at the Shevchenkivske project and Dobra Project in Ukraine, from Millstone and Company Global DW LLC (**Millstone**). In addition, under the terms of the agreement, Millstone will subscribe for \$20m in shares in the Company, with \$2.5m invested immediately, \$2.5m subject to shareholder approval (approval received at the AGM held on 21 January 2022) and the balance of \$15m following completion of the acquisition of Petro Consulting.

Board Changes

During the half year ended 31 December 2021, the Company announced the appointment of Mr Michael Carter as Non-Executive Director and the resignation of Mr Kimon Gkomoziias as Executive Director of the Company with effect from 31 August 2021.

On 22 December 2021, the Company announced the appointment of Mr Mykhailo Zhernov as Non-Executive Director of the Company. Mr Mykhailo Zhernov's appointment was in accordance with the terms of the Millstone transaction.

During the half year ended 31 December 2021, as a result of EUR's advancement of the Wolfsberg Lithium Project and increased levels of activities, Tony Sage transitioned to Executive Chairman.

Placement

During the half year ended 31 December 2021, the Company issued 141,000,000 shares at an issue price of \$0.0625 per share with a 1 for 1 free attaching listed option (exercisable at \$0.075 on or before 19 April 2024) to raise proceeds of \$6.50m (before expenses) (**August Placement**)

Financing Facility - Winance

The Company previously announced that it had secured a A\$10 million finance facility with Winance Investment LLC (**Winance**) (refer ASX Announcement 31 July 2019). On 5 March 2020, the Company announced that it had agreed to draw down A\$2 million (2,000 convertible notes) under the Winance facility (**Tranche 2**).

DIRECTORS' REPORT

During the half year ended 31 December 2021, Winance converted the remaining 300 Tranche 2 notes. As at 31 December 2021, Winance had nil Tranche 2 convertible notes remaining.

OTC

On 23 November 2021, the Company announced that its shares are now quotes on the US OTCQB market under the symbol EULIF.

OTC Markets Group Inc. (OTCQX: OTCM) operates the OTCQX® Best Market, the OTCQB® Venture Market, and the Pink® Open Market for 11,000 U.S. and global securities. The OTC Markets Group provide an SEC regulated Alternative Trading System, OTC Link® ATS, that connects a diverse network of broker-dealers to provide liquidity and execution services for the OTC markets, therefore, enabling investors to easily trade through the broker of their choice and empower companies to improve the quality of information available for investors. OTC Markets Group Market Data is distributed by most major financial data distributors, including Bloomberg, Thomson Reuters, Interactive Data, Factset, Fidessa, NASDAQ and SIX Financial.

Capital Raisings and Movements

On 16 August 2021, the Company issued 104,000,000 shares and 52,000,000 listed options (\$0.075 each expiring 19 April 2024) pursuant to the August Placement. On the same day, Evolution was issued 2,000,000 shares and 20,000,000 listed options (\$0.075 each expiring 19 April 2024) as lead managers for the August Placement. In addition, the Company issued 200,000 shares in satisfaction of debts of \$12,000 owed by the Company to unrelated third parties.

On 23 August 2021, the Company issued 6,000,000 shares to Winance upon the conversion of 300 convertible notes.

On 17 September 2021, the Company issued 150,000 shares upon the exercise of unlisted options (\$0.05 each expiring 31 July 2022).

On 30 September 2021, the Company issued 4,000,000 shares upon the exercise of unlisted options (\$0.05 each expiring 31 July 2022).

On 5 October 2021, the Company issued 3,400,000 shares upon the exercise of unlisted options (\$0.05 each expiring 31 July 2022).

On 20 October 2021, the Company issued 7,500,000 shares upon the exercise of listed options (\$0.075 each expiring 19 April 2024).

On 5 November 2021, the Company issued 4,043,688 shares upon the exercise of unlisted options (\$0.05 each expiring 31 July 2022).

On 12 November 2021, the Company issued 1,713,335 shares upon the exercise of unlisted options (\$0.05 each expiring 31 July 2022) and issued 8,528,035 shares upon the exercise of listed options (\$0.075 each expiring 19 April 2024).

On 25 November 2021, the Company issued 3,634,426 shares upon the exercise of unlisted options (\$0.05 each expiring 31 July 2022) and issue of 1,370,000 shares upon the exercise of listed options (\$0.075 each expiring 19 April 2024).

On 30 November 2021, a total of 10,000,000 unlisted options expired (\$0.15 each).

On 11 December 2021, a total of 2,500,000 unlisted options expired (\$0.20 each).

On 22 December 2021, the Company issued 26,310,749 shares in respect to tranche 1 of the subscription agreement pursuant to the Millstone transaction.

Wolfsberg Lithium Project – Austria

Drilling

Two drill rigs mobilised Q1 & Q2/2021 were demobilised in Q3 after the successful completion of the deep hole drilling program. Both drill rigs completed the ambitious drilling program for deep holes (>300m in depth) totalling 7,923m during Q3/2021. The drilling contractor delivered the high-quality work with an extraordinary core recovery and remaining incident free.



Figure 1: Drill Rig I - in operation

Total Measured, Indicated and Inferred Mineral Resources now total 12.9 Mt grading 1.00% Li₂O. This includes the previously announced estimate of 9.7Mt grading 1.03% Li₂O in the Measured and Indicated Resource category (see ASX Announcement, 8 November 2021) and the updated Inferred Resource estimate of 3.1 Mt grading 0.90% Li₂O.

Category	Tonnage (t)	Grade (% Li ₂ O)
Measured	4 313 000	1,13
Indicated	5 430 000	0,95
Total (M+I)	9 743 000	1,03
Inferred	3 138 000	0,90
Total (M+I+In)	12 881 000	1.00

Notes:

- 1) resources estimated based on minimum mineralized intersection of 0.5m
- 2) bulk density of 2.73 t/m³ applied to volumetric estimate
- 3) Grade is based on length weighted mineralized intersections, assuming minimum intersection width of 2m and incorporates internal dilution.

Definitive-Feasibility Study (DFS)

The Company completed the resource upgrade to 12.9Mt grading 1.00% Li₂O in Zone 1 that is an essential part of the DFS. The final results were signed off by the Company's competent person and published (see ASX Announcement, 1 December 2021).

Dorfner/Anzaplan (**Dorfner**) based in Germany, as the Company's independent consultants, completed the final locked cycle test as part of the QA/QC process for the metallurgical test work to assess and optimise process lines, flowsheets and layouts. In total there were 4 LCTs required to achieve full confidence in the chemical process lines developed. The comprehensive report provided by Dorfner covers the final results as expected.

DIRECTORS' REPORT

Dorfner carries out a series of tests using bulk samples to provide information for use in various feasibility studies including the following:

- Sensor based ore sorting tests to minimise dilution of ore into a process plant.
- Pilot test work to understand the physical processing characteristics of the Wolfsberg ore into a spodumene concentrate product.
- Settling and filtration tests.
- Gravity separation techniques for mica removal.
- Hydrometallurgical tests for conversion of spodumene concentrate into a lithium carbonate product.
- Conversion tests for production of lithium hydroxide from lithium carbonate to determine recoveries and end product specifications.

End product quality results have now been received for both lithium carbonate and lithium hydroxide produced from the Wolfsberg ore compared against a series of German Industry Normal Specifications. These specifications were derived from a cross section of Dorfner's experiences with end users in lieu of a definitive industry standard which currently does not exist.

The results show a high-quality battery grade specification of either lithium carbonate or lithium hydroxide can be produced from the Wolfsberg ore.

The results for the major impurities in the lithium hydroxide product are all well below the comparable product specification. The lithium content is calculated as 100% minus the total impurities.

Land Access

The Company's 54 exploration remain unchanged as approved by the Mining Authority in Q4/2019 (expire Q4/2024) and 11 mining licenses have been renewed to expire at the end of Q4/2023. Compulsory operational work has continued on these licenses and will be reported to the mining authority, as necessary.

Environmental

The Company has completed its environmental base line studies at the project area for the purpose of the compulsory and independent second mine access, and the potential location for the hydrometallurgical conversion plant. A comprehensive report has been provided to the Company and will be incorporated in the final DFS document.

Monitoring of mine water flows and quality have continued.

Hydrogeology

The Company continued during Q3 and Q4/2021, with hydrogeology monitoring programs on a weekly, monthly and quarterly time frame:

- The weekly monitoring program 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 labs. The water samples are analyzed according to Austrian requirements for drinking water.

All hydrogeological data continues to be stored and secured within the Company's database.

The preparation work by SRK and geological consultant, GEO Unterweissacher, continues to ensure in-hole hydrogeological test work has been completed appropriately and will continue into the future.

Data from the above activities is fed into a water measuring database from which an annual report is produced.

Marketing

The strategy for the Company remains unchanged and is focused on the supply of lithium hydroxide to the nascent lithium battery plants of Europe. The Company is in discussion with several industry players regarding future off-take contracts. Good progress has already been made with potential off-take partners and a Memorandum of Agreement (**MoA**), was recently signed with Traxys (see ASX Announcement, 22 December 2021).

Horizon 2020

The Company infield and underground geophysical survey program, forming a part of the database for the DFS, with the European Union funded Horizon 2020 - GREENPEG programme.

The Company continued to work proactively in the already approved and funded Horizon 2020 LithRef programme.

DIRECTORS' REPORT

Continued participation shows the Company's ability and eligibility to contribute with EU-level support to the sustainable supply of battery grade lithium, sourced and produced in Europe.

Sustainability

The Company continues to develop technical solution to incorporate recycled lithium-ion battery materials into the flowsheets for final lithium carbonate and Lithium hydroxide (LiOH) production. This project, defined in a letter of intent, is technically supervised by a research group from University of Graz.

The Company has appointed Tunley Engineering to work with the technical advisory team to assess the Wolfsberg Lithium Project to be Carbon Neutral.

Jadar Lithium – Austria

On 11 May 2021, the Company announced that it had entered into a Collaboration Agreement with EV Resources Limited (formerly Jadar Resources Limited) (ASX: EVR) (EVR) and an agreement to acquire a 20% interest in EVR's Austrian Lithium assets from their JV partner (EVR Acquisition) (see ASX Announcement, 11 May 2021). EVR holds an 80% interest in Subsidiary Jadar Lithium GmbH (Jadar Lithium), the holder of the Weinebene and Eastern Alps Projects which lies 20km to the east of the Company's Wolfsberg Project.

The Collaboration Agreement includes the establishment of a Technical Advisory Committee for the purpose of jointly collaborating in connection with the Weinebene and Eastern Alps Projects and sharing information to identify the best options to advance those assets and operations. This includes making recommendations for exploration programs, budgets and development scenarios in relation to the assets and operations. During the half year, EVR announced the establishment of the Technical Advisory Committee comprising Mr Tony Sage of EUR and Mr Luke Martino of EVR. The Committee has commenced work to expand the Wolfsberg Project and look for potential extensions to the mineralisation that may continue into the Weinebene and Eastern Alps Projects.

Australia E47/4144

On 23 September 2020, the Company announced that it had secured tenement E47/4144 via ballot under the WA Mining Act. E47/4144 is progressing through the WA Mining Act regulatory application process and has cleared the Native Title process. The Company is continuing discussions with a stakeholder and remaining objector to negotiate access with respect to areas of existing or intended infrastructure.

Events Subsequent to Reporting Date

On 28 January 2022, the Company issued securities approved by shareholders at its AGM, including:

- 26,320,831 shares representing 5,041 residual shares in respect to the first tranche and 26,315,790 shares pursuant to the second tranche of the subscription agreement with Millstone and Company Global DW LLC following receipt of funds of \$2.5m (refer ASX announcement 3 November 2021)
- 200,000 shares issued in satisfaction of debts of \$12,000 owed by the Company to an unrelated third party
- 172,640 shares issued in satisfaction of debts of \$22,271 owed by the Company to an unrelated third party
- 2,032,241 fully paid ordinary shares upon the exercise of unlisted options (\$0.05 each expiring 31 July 2022)
- 820,000 fully paid ordinary shares upon the exercise of unlisted options (\$0.075 each expiring 19 April 2024)
- 21,000,000 unlisted options with 7,000,000 having an exercise price of \$0.06 per share, 7,000,000 having an exercise price of \$0.08 per share and 7,000,000 having an exercise price of \$0.10 per share all expiring 36 months from the date of issue
- 80,000,000 performance rights to Directors of the Company (refer to note 13)
- 2,500,000 listed options with an exercise price of \$0.075 each expiring 19 April 2024 to Director Michael Carter

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.

DIRECTORS' REPORT

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 8 and forms part of this Directors' report for the half-year ended 31 December 2021.

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*.



Antony Sage
Executive Chairman
16 February 2022

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of European Lithium Limited for the half-year ended 31 December 2021, 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
16 February 2022



M R Ohm
Partner

hlb.com.au

HLB Mann Judd (WA Partnership) ABN 22 193 232 714

Level 4, 130 Stirling Street, Perth WA 6000 / PO Box 8124 Perth BC WA 6849

T: +61 (0)8 9227 7500 **E:** mailbox@hbw.com.au

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**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2021**

	Note	31 December 2021	31 December 2020
		\$	\$
Continuing operations			
Revenue and other income	3	1,225	1,018
Employee benefits expense	4	(166,000)	(177,000)
Depreciation and amortisation expense		(4,976)	(13,760)
Finance costs	4	(17,041)	(265,334)
Transaction costs relating to the issue of convertible note facility		-	(80,000)
Difference between transaction price of convertible note and fair value at initial recognition	8	-	(187,378)
Amortised convertible note costs transferred to other debtors		(20,226)	-
Fair value loss on remeasurement of convertible note	8	57,870	165,239
Consulting fees		(275,732)	(211,590)
Travel expenses		(45,251)	(28,309)
Regulatory and compliance costs	4	(393,481)	(516,113)
Share-based payments	11	(480,264)	(102,642)
Share of net losses of JV accounted for using the equity method	6	(4,754)	-
Sale of royalty	10	(3,659,652)	-
Other expenses	4	(817,737)	(710,217)
Loss before income tax		(5,826,019)	(2,126,086)
Income tax expense		-	-
Loss after tax from continuing operations		(5,826,019)	(2,126,086)
Other comprehensive income, net of income tax			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations		(214,959)	(519,500)
Other comprehensive loss for the period, net of income tax		(214,959)	(519,500)
Total comprehensive loss for the period		(6,040,978)	(2,645,586)
Loss per share for the period			
Basic loss per share (cents per share)	12	(0.57)	(0.30)
Diluted loss per share (cents per share)	12	(0.57)	(0.30)

*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 2021

	Note	31 December 2021	30 June 2021
		\$	\$
ASSETS			
Current Assets			
Cash and cash equivalents		9,323,479	5,422,494
Trade and other receivables		179,983	240,656
Short-term loan receivable		501,164	-
Total Current Assets		10,004,626	5,663,150
Non-Current Assets			
Property, plant and equipment		26,290	9,026
Deferred exploration and evaluation expenditure	5	41,429,455	38,030,732
Investment in associate		536,149	540,903
Restricted cash and other deposits		30,417	30,814
Listed investments	6	20,000	-
Total Non-Current Assets		42,042,311	38,611,475
TOTAL ASSETS		52,046,937	44,274,625
LIABILITIES			
Current Liabilities			
Trade and other payables		1,128,640	1,349,242
Convertible note	8	-	357,870
Total Current Liabilities		1,128,640	1,707,112
TOTAL LIABILITIES		1,128,640	1,707,112
NET ASSETS		50,918,297	42,567,513
EQUITY			
Issued capital	9	47,413,423	36,799,202
Unissued capital	10	2,877,277	-
Reserves	11	8,287,208	7,601,903
Accumulated losses		(7,659,611)	(1,833,592)
TOTAL EQUITY		50,918,297	42,567,513

*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 2021**

	Issued Capital	Unissued Capital	Retained Earnings / (Accumulated losses)	Share- based Payments Reserve	Foreign Currency Translation Reserve	Total Equity
	\$	\$	\$	\$	\$	\$
At 1 July 2020	24,800,736	-	2,131,330	5,444,764	2,174,406	34,551,236
Loss for the period	-	-	(2,126,086)	-	-	(2,126,086)
Foreign currency exchange differences arising on translation from functional currency to presentation currency	-	-	-	-	(519,500)	(519,500)
Total comprehensive income/(loss) for the period	-	-	(2,126,086)	-	(519,500)	(2,645,586)
Shares issued to Winance (conversion)	400,000	-	-	-	-	400,000
Shares issued Conversion of Debt	348,358	-	-	-	-	348,357
Shares issued Placement	2,086,364	-	-	-	-	2,086,364
Share issue costs – cash	(123,181)	-	-	-	-	(123,181)
Options issued to corporate advisor	-	-	-	102,642	-	102,642
At 31 December 2020	27,512,277	-	5,244	5,547,406	1,654,906	34,719,833
At 1 July 2021	36,799,202	-	(1,833,592)	6,059,735	1,542,168	42,567,513
Loss for the period	-	-	(5,826,019)	-	-	(5,826,019)
Foreign currency exchange differences arising on translation from functional currency to presentation currency	-	-	-	-	(214,959)	(214,959)
Total comprehensive loss for the period	-	-	(5,826,019)	-	(214,959)	(6,040,978)
Issue of shares – Winance Conversion	300,000	-	-	-	-	300,000
Issue of shares – Spark Plus	12,000	-	-	-	-	12,000
Issue of shares – Placement	8,999,521	-	-	-	-	8,999,521
Issue of shares – Exercise of Options	2,151,925	-	-	-	-	2,151,925
Issue of shares – Broker (Evolution)	125,000	-	-	-	-	125,000
Shares to be issued – royalty	-	2,877,277	-	-	-	2,877,277
Share issue costs – cash	(429,225)	-	-	-	-	(429,225)
Share issue costs – shares & options issued to corporate advisor	(545,000)	-	-	-	-	(545,000)
Shares & options issued to Directors	-	-	-	480,264	-	480,264
Shares & options issued to corporate advisor as share issue costs	-	-	-	420,000	-	420,000
At 31 December 2021	47,413,423	2,877,277	(7,659,611)	6,959,999	1,327,209	50,918,297

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 2021**

	Note	31 December 2021	31 December 2020
		\$	\$
Cash flows from operating activities			
Payments to suppliers and employees		(1,234,422)	(1,198,656)
Payments for deferred exploration and evaluation expenditure		(3,841,601)	-
Finance costs		(11,547)	9,235
Interest paid (leased assets)		-	(186)
Interest received		34,467	1,018
GST/VAT refunds (paid)/received		85,241	(72,271)
Repayment of grant proceeds		(64,129)	-
Payment for the repurchase of royalty	10	(782,375)	-
Payment of FMA fine		(279,987)	-
Income tax paid		-	-
Net cash used in operating activities		(6,094,353)	(1,260,860)
Cash flows from investing activities			
Payments for the acquisition of exploration tenements		(181,443)	-
Payments for exploration		-	(941,493)
Investment in listed shares		(20,000)	-
Payments for property, plant and equipment		(22,277)	-
Net cash used in investing activities		(223,720)	(941,493)
Cash flows from financing activities			
Proceeds from capital raisings		8,999,521	2,086,364
Proceeds from exercise of options	9a	2,151,925	-
Payment for share issue costs	9a	(429,225)	(42,181)
Repayment of short-term loan facility		(500,000)	-
Proceeds from convertible note facility	8	-	1,000,000
Transaction costs related convertible note facility		-	(80,000)
Repayment of convertible loan note facility	8	-	(636,364)
Repayment of lease liabilities		-	(12,932)
Net cash provided by financing activities		10,222,221	2,314,887
Net increase in cash and cash equivalents		3,904,148	112,534
Cash and cash equivalents at beginning of the period		5,422,494	300,655
Effects on exchange rate fluctuations on cash held		(3,163)	(3,135)
Cash and cash equivalents at end of year		9,323,478	410,054

*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 2021 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.

Adoption of new and revised standards

Standards and Interpretations applicable to 31 December 2021

In the half-year ended 31 December 2021, 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 2021. As a result of this review, the Directors have applied all new and amended Standards and Interpretations that were effective as at 1 July 2021 with no material impact on the amounts or disclosures included in the financial report.

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 2021.

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 management purposes, the Company is recognised into one main operating segment, 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. REVENUE AND OTHER INCOME FROM CONTINUING OPERATIONS

	Six months ended 31 December 2021	Six months ended 31 December 2020
	\$	\$
Bank interest revenue	34,467	1,018
Interest on loan	1,164	-
Other income	29,723	-
Repayment of grant proceeds	(64,129)	-
	<u>1,225</u>	<u>1,018</u>

4. EXPENSES FROM CONTINUING OPERATIONS

	Six months ended 31 December 2021	Six months ended 31 December 2020
	\$	\$
Employee benefits expenses		
Directors' remuneration & consulting	166,000	177,000
	<u>166,000</u>	<u>177,000</u>
Finance expenses		
Bank fees	11,547	7,433
Brokerage fees	200	-
Interest	-	(16,668)
Interest on leased assets	-	186
Allowance for doubtful debts	5,294	(2,890)
Shortfall on Winance conversion (note 7)	-	277,273
	<u>17,041</u>	<u>265,334</u>
Regulatory and compliance costs		
ASX listing fees	97,253	43,139
OTC listing fees	80,317	-
NEX listing expenses	-	58,536
Vienna listing expenses	808	-
Legal expenses	146,361	324,812
Other regulatory and compliance expenses	68,742	89,626
	<u>393,481</u>	<u>516,113</u>
Other expenses		
Promotions and advertising	55,520	17,293
Foreign exchange	373,691	496,220
Due diligence and legal fees associated with tenement acquisition	181,443	-
Other administrative expenses	207,083	196,704
	<u>817,737</u>	<u>710,217</u>

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

	Six months to 31 December 2021	Year to 30 June 2021
	\$	\$
Balance at beginning of period	38,030,732	36,499,437
Expenditure incurred	3,944,951	2,755,620
Foreign exchange movement	(546,228)	(1,224,325)
Balance at end of period	41,429,455	38,030,732

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. INVESTMENT IN ASSOCIATE

	Six months to 31 December 2021	Year to 30 June 2021
	\$	\$
Investment in associate	536,149	540,903

On 11 May 2021, the Company announced that it had entered into a Collaboration Agreement with EV Resources Limited (formerly Jadar Resources Limited) (ASX: EVR) (**EVR**) and an agreement to acquire a 20% interest in Jadar's Austrian Lithium assets from their JV partner (**Jadar Acquisition**). EVR holds an 80% interest in Subsidiary Jadar Lithium GmbH (**Jadar Lithium**), the holder of the Weinebene and Eastern Alps Projects which lies 20km to the east of the Company's Wolfsberg Project.

a) Investment details

	Six months to 31 December 2021	Year to 30 June 2021
	%	%
Percentage held at reporting date	20	20

b) Movement in the carrying amount of the investment in associates

	Six months to 31 December 2021	Year to 30 June 2021
	\$	\$
Balance at beginning of period	540,903	-
Cash investment	-	125,000
Equity investment	-	439,145
Share of net losses recognised during the year	(4,754)	(23,242)
Balance at end of period	536,149	540,903

c) Summarised financial information

	Six months to 31 December 2021	Year to 30 June 2021
	\$	\$
Current assets	25,366	10,316
Non-current assets	376,542	263,169
Current liabilities	(503,234)	(350,632)
Non-current liabilities	(40,386)	(42,338)
Equity	(141,713)	(119,484)
Group's carrying amount of the investment	536,149	540,903

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Jadar Lithium has no contingent liabilities, capital commitments or bank guarantees on issue as at 31 December 2021.

	Six months to 31 December 2021	Year to 30 June 2021
	\$	\$
Revenue and other income	-	52,983
Depreciation	-	-
Loss before tax	(23,768)	(116,211)
Income tax expense	-	-
Loss for the year	(23,768)	(116,211)
Total comprehensive (loss) for the year	(23,768)	(116,211)
Group's share of (loss) for the year	(4,754)	(23,242)

d) Impairment assessment

The carrying amount of the investments in associates were assessed for impairment at 31 December 2021 with no indication of impairment at the reporting date.

7. FINANCIAL ASSETS

	Six months to 31 December 2021	Year to 30 June 2021
	\$	\$
Balance at beginning of period	-	128,000
Purchase of listed investments	20,000	-
(Loss) in fair value from revaluation	-	(38,000)
Conversion of debt for proceeds from disposal of equity securities (listed)	-	(90,000)
Balance at end of period	20,000	-

8. CONVERTIBLE NOTE

	Six months to 31 December 2021	Year to 30 June 2021
	\$	\$
Balance at beginning of period	357,870	831,592
Funds borrowed under convertible loan agreement	-	1,000,000
Difference between transaction price of convertible note and fair value at initial recognition	-	187,378
Fair value loss on remeasurement of convertible note	(57,870)	(261,100)
Amount repaid through redemption of notes	-	(500,000)
Amounts repaid through issue of shares	(300,000)	(900,000)
Balance at end of period	-	357,870

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 (**Tranche 1**). On 5 March 2020, the Company announced that it had agreed to a further draw down of A\$2.0m. As a result, the Company issued 2,000 convertible notes on 10 March 2020 which were held in escrow pending the receipt of funds (**Tranche 2**). On 2 June 2020, the Company received funding of A\$1.0m and released 1,000 notes from escrow. On 14 July 2020, the Company received funding of A\$0.5m and released 500 notes from escrow. On 30 July 2020, the Company received the final funding of A\$0.5m and released 500 notes from escrow. Winance received a commitment fee of 3% of the investment amount at the funding of each tranche.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The face value of each convertible note is AU\$1,000 and is 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 \$0.04 (revised floor price).

At the time of issuance, the difference between the fair value of the convertible notes of \$1,187,378 and the proceeds received of A\$1,000,000 being \$187,378 (Tranche 2) was recorded in the statement of comprehensive income.

During the half year, Winance exercised its option to convert the remaining 300 notes (Tranche 2) borrowed under the convertible loan agreement into 6,000,000 fully paid ordinary shares of the Company.

As at 31 December 2021, Winance had nil convertible notes remaining.

9. ISSUED CAPITAL

a) Ordinary shares

	Six months to 31 December 2021		Year to 30 June 2021	
	No of Shares	\$	No of Shares	\$
Balance at beginning of period	933,935,604	36,799,202	662,293,209	24,800,736
Issue of shares – Placement – Cash (i)	130,310,749	8,999,521	187,363,643	9,136,364
Issue of shares – Share Purchase Plan – Cash	-	-	42,105,193	2,000,000
Issue of shares – Exercise of options – cash (ii)	34,339,484	2,151,925	2,370,554	118,528
Issue of shares – Conversion of debt (iii)	200,000	12,000	7,799,976	285,560
Issue of shares – Winance conversion (refer note 8)	6,000,000	300,000	21,136,363	900,000
Issue of shares – Facilitator (iv)	2,000,000	125,000	4,200,000	198,500
Issue of shares – Jadar acquisition	-	-	6,666,666	380,000
Capital raising costs – options issued to corporate advisor	-	(545,000)	-	(200,000)
Capital raising costs – cash	-	(429,225)	-	(820,486)
Balance at end of period	<u>1,106,785,837</u>	<u>47,413,423</u>	<u>933,935,604</u>	<u>36,799,202</u>

- (i) The following shares were issued via share placements during the half year ended 31 December 2021:
- In August 2021, the Company issued 104,000,000 shares to raise funds of \$6,500,000 (before expenses) (**August 2021 Placement**)
 - On 22 December 2021, the Company issued 26,310,749 shares to raise funds of \$2,499,521 pursuant to the Millstone Transaction
- (ii) During the half year ended 31 December 2021, the following shares were issued on the exercise of unlisted options:
- On 17 September 2021, the Company issued 150,000 shares (\$0.05 each expiring 31 July 2022)
 - On 30 September 2021, the Company issued 4,000,000 shares (\$0.05 each expiring 31 July 2022)
 - On 5 October 2021, the Company issued 3,400,000 shares (\$0.05 each expiring 31 July 2022)
 - On 20 October 2021, the Company issued 7,500,000 shares (\$0.075 each expiring 19 April 2024)
 - On 5 November 2021, the Company issued 4,043,688 shares (\$0.05 each expiring 31 July 2022)
 - On 12 November 2021, the Company issued 1,713,335 shares (\$0.05 each expiring 31 July 2022) and 8,528,035 shares (\$0.075 each expiring 19 April 2024)
 - On 25 November 2021, the Company issued 3,634,426 shares (\$0.05 each expiring 31 July 2022) and 1,370,000 shares (\$0.075 each expiring 19 April 2024)
- (iii) The following shares were issued in settlement of liabilities during the half year ended 31 December 2021:
- On 16 August 2021, the Company issued 200,000 shares in satisfaction of debts of \$12,000 owed by the Company to unrelated third parties

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(iv) The following shares were issued to facilitators during the half year ended 31 December 2021:

- On 16 August 2021, the Company issued 2,000,000 shares pursuant to the August 2021 Placement

Terms and conditions of contributed equity

Fully paid ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from sale of all surplus assets in proportion to the number of paid up shares held.

Fully paid ordinary shares entitle their holder to one vote, either in person or by proxy, at any shareholders' meeting of the Company.

b) Options

On 16 August 2021, the Company issued 52,000,000 listed options which are exercisable at \$0.075 each on or before 19 April 2024 to participants of the August 2021 placement.

On 16 August 2021, the Company issued 20,000,000 listed options to the broker in respect to the August 2021 Placement. The listed options were issued at \$0.021 per listed option being the trading price on the date of issue.

At 31 December 2021, the unissued ordinary shares of the Company under option are as follows:

Date of Expiry	Status	Exercise Price	Number of Options
31/7/2022	Unlisted	5.0 cents	19,557,780
31/7/2022	Unlisted	7.5 cents	3,333,333
19/4/2024	Listed	7.5 cents	165,101,965
			187,993,078

10. UNISSUED CAPITAL

	Six months to 31 December 2021	Year to 30 June 2021
	\$	\$
Provision for royalty	2,877,277	-

The Company announced that it entered into an agreement Exchange Minerals Limited (EML), the holder of a €1.50 per tonne royalty for all mineral products extracted from the Wolfsberg Lithium Project, to buy back and cancel the royalty. During the half year ended 31 December 2021, the Company paid EML €500,000 (\$782,375) with an additional €2 million payable (at the Company's election either cash or 15,552,850 fully paid ordinary EUR shares, with one attaching option (exercise price of \$0.20 and expiring 2 years from issue) for every 2 EUR shares issued). The Company has elected to settle the liability through the issue of securities and has provided for the unpaid amount at 31 December 2021.

11. RESERVES

	Six months to 31 December 2021	Year to 30 June 2021
	\$	\$
Option reserve	6,959,999	6,059,735
Foreign currency translation reserve	1,327,209	1,542,168
	8,287,208	7,601,903

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

	Six months to 31 December 2021	Year to 30 June 2021
	\$	\$
<i>Share-based payments reserve</i>		
Balance at beginning of year	6,059,735	5,444,764
Issue of options – Corporate advisor (note 9(b))	420,000	355,826
Issue of performance rights – Directors (note 13)	480,264	200,000
Issue of options – Jadar acquisition	-	59,145
Balance at end of year	<u>6,959,999</u>	<u>6,059,735</u>
<i>Foreign currency translation reserve</i>		
Balance at beginning of year	1,542,168	2,174,406
Foreign currency exchange differences arising on translation of foreign operations	(214,959)	(632,238)
Balance at end of year	<u>1,327,209</u>	<u>1,542,168</u>

12. BASIC AND DILUTED LOSS PER SHARE

	Six months ended 31 December 2021	Six months ended 31 December 2020
	\$	\$
Loss used in the calculation of basic and dilutive loss per share	<u>(5,826,019)</u>	<u>(2,126,086)</u>
	Six months to 31 December 2021	Six months to 31 December 2020
	Cents per share	Cents per share
<i>Earnings per share:</i>		
Basic loss per share (cents per share)	(0.57)	(0.30)
Diluted loss per share (cents per share)	(0.57)	(0.30)

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 2021	Six months to 31 December 2020
	Number	Number
Weighted average number of shares:	<u>1,031,039,028</u>	<u>797,288,275</u>

13. RELATED PARTY TRANSACTIONS

On 22 December 2021, the Company issued 26,310,749 shares pursuant to the Millstone acquisition. Mr Mykhailo Zhernov is a director of Millston and Company Global DWE-LLC.

On 14 December 2021, the Company purchased 5,000,000 shares in Cyclone Metals Ltd (ASX: CLE) (refer to note 7). Mr Antony Sage is a director of Cyclone Metals Limited.

On 14 December 2021, the Company entered into a loan agreement and advanced funds of \$500,000 to CLE. The loan is repayable on 28 February 2022 and accrues interest of 5% per annum. The loan is secured over 25,000,000 unencumbered shares held by CLE in CUFE Limited (ASX: CUF). Mr Antony Sage is a director of CLE.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

On 21 January 2022, the Company held its Annual General Meeting (**AGM**) of shareholders. The AGM Notice of Meeting (**NOM**) included resolutions to issue performance rights to Okewood Pty Ltd (related party of Tony Sage) (40,000,000), Pixsell Pty Ltd ATFT Pixsell Unit Trust (a company in which Malcolm Day is a Director) (30,000,000) and Michael Carter (10,000,000) (**Performance Rights**). The Performance Rights are subject to the achievement of milestones in respect to the Company's market capitalization and completion of the DFS at the Wolfsberg Lithium Project. The NOM included an external valuation of the Performance Rights to be issued for which a prorated amount of \$480,264 has been included in the accounts at 31 December 2021 to reflect the rendering of services in the half year ended 31 December 2021.

14. CONTINGENT LIABILITIES

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

15. COMMITMENTS

In September 2021, the Company awarded to DRA Projects (Pty) Ltd the contract for completion of the DFS at the Company's Wolfsberg Lithium Project. The contract was for a combined value of \$4.1m. At 31 December 2021, \$2.3m was remaining to be spent.

16. EVENTS SUBSEQUENT TO REPORTING DATE

On 28 January 2022, the Company issued securities approved by shareholders at its AGM, including:

- 26,320,831 shares representing 5,041 residual shares in respect to the first tranche and 26,315,790 shares pursuant to the second tranche of the subscription agreement with Millstone and Company Global DW LLC following receipt of funds of \$2.5m (refer ASX announcement 3 November 2021)
- 200,000 shares issued in satisfaction of debts of \$12,000 owed by the Company to an unrelated third party
- 172,640 shares issued in satisfaction of debts of \$22,271 owed by the Company to an unrelated third party
- 2,032,241 fully paid ordinary shares upon the exercise of unlisted options (\$0.05 each expiring 31 July 2022)
- 820,000 fully paid ordinary shares upon the exercise of unlisted options (\$0.075 each expiring 19 April 2024)
- 21,000,000 unlisted options with 7,000,000 having an exercise price of \$0.06 per share, 7,000,000 having an exercise price of \$0.08 per share and 7,000,000 having an exercise price of \$0.10 per share all expiring 36 months from the date of issue
- 80,000,000 performance rights to Directors of the Company (refer to note 13)
- 2,500,000 listed options with an exercise price of \$0.075 each expiring 19 April 2024 to Director Michael Carter

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

17. 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 2021:

	At amortised cost	Through profit or loss	Fair value	
			Through other comprehensive income	
	\$	\$	\$	\$
Financial assets				
Trade and other receivables	179,983	-	-	-
Short term loan receivables	501,164	-	-	-
Total current	681,147	-	-	-
Financial assets	-	20,000	-	-
Total non-current	-	20,000	-	-
Total assets	681,147	20,000	-	-
Financial liabilities				
Trade and other payables	1,128,640	-	-	-
Total current	1,128,640	-	-	-
Total liabilities	1,128,640	-	-	-

The Directors consider that the carrying amounts of current receivables, current payables and current borrowings are a reasonable approximation of their fair values.

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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 2021 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*.



Antony Sage
Executive Chairman

16 February 2022

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of European Lithium Limited

Report on the Condensed Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of European Lithium Limited ("the company") which comprises the condensed consolidated statement of financial position as at 31 December 2021, 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 information, and the directors' declaration, for the consolidated entity 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 half-year financial report of European Lithium Limited does not comply with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2021 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*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's responsibilities for the review of the financial report* section of our report. We are independent of the company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibility of the directors for the financial report

The directors of the Group are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001*

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HLB Mann Judd (WA Partnership) ABN 22 193 232 714

Level 4, 130 Stirling Street, Perth WA 6000 / PO Box 8124 Perth BC WA 6849

T: +61 (0)8 9227 7500 E: mailbox@hlbwa.com.au

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including giving a true and fair view of the consolidated entity's financial position as at 31 December 2021 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.

A review of a half-year 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

Perth, Western Australia
16 February 2022



M R Ohm
Partner

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