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**EUROPEAN LITHIUM STARTS METALLURGICAL OPTIMISATION PROGRAMME TO
FAST TRACK PRODUCTION**

European Lithium Limited (formerly Paynes Find Gold Limited) (**ASX: EUR**) (the **Company**) has engaged Dorfner Anzaplan to undertake a metallurgical test work programme to optimise the process design for its Wolfsberg lithium project. Dorfner Anzaplan is a leading consultant in the development of lithium and industrial mineral processes with laboratory and pilot plant facilities in Hirschau, Germany.

The historical owners of the Wolfsberg project, Austrian state company, Minerex, conducted extensive metallurgical studies in the 1980's by the Mineral Research Laboratory of the State University of North Carolina (**MRL**). This work concluded that a 6% Li₂O spodumene concentrate could be obtained from the Wolfsberg pegmatites and marketable specifications of feldspar, quartz and mica could also be recovered such that 74% of the ore treated was saleable product. Unlike Western Australia or northern Quebec, there is a ready market in Central Europe for these industrial mineral by-products principally in the glass and ceramics industries. A robust process design was developed which comprised crushing, grinding, flotation and magnetic separation.

Since the original test work there have been a number of technological developments that could be applicable to the Wolfsberg deposit. In particular the use of sensor based/optical sorting to separate the dark waste rock from the light coloured pegmatite could minimise waste dilution in the ore feed to the concentrator and maximise lithium grade. Dense Media Separation (**DMS**) is another technology that could be applicable to the Wolfsberg deposit. A simple process of crushing, screening and DMS to obtain a spodumene concentrate would be a small and low capital cost facility. Such a concentrate could be marketed to the glass-ceramic producers in Europe that are currently importing spodumene concentrate from Australia and lithium carbonate from South America. If successful this would give the Company an opportunity to fast track limited production and cash flow whilst the rest of the mineral processing facilities were being constructed. These technologies will be early and key components of the Dorfner Anzaplan test work which will aim to optimise and simplify the process design of MRL and recover spodumene concentrate and marketable by-products.

In 2013, as part of the process to confirm the mining licence, two 500 tonne underground bulk samples were mined from pegmatite veins in the two host rocks (amphibolite and mica schist). These bulk samples were stored for subsequent metallurgical test work. Representative 4 tonne samples from each host rock have been taken, shipped to and received by Dorfner Anzaplan.

A complete scope of work and contract had been agreed between the Company and Dorfner Anzaplan and the contract has been put into effect following receipt of funds from the offer after relisting on ASX. Samples and specifications of the spodumene concentrate and by-products will be introduced to potential off-takers.

After the process design to concentrate has been optimised Dorfner Anzaplan will operate a pilot plant to produce larger quantities of spodumene concentrate. This will be used for downstream testing of the conversion to lithium carbonate and lithium hydroxide for both technical and battery use. This programme is scheduled to complete by end Q1 2017.

Europe is the second largest consumer of lithium behind China, with the recent announcements by Samsung, Nissan, Tesla, LG Chem, Jaguar, Ford, Land Rover and BMW of plans and considerations to build lithium battery plants in Europe, the production of battery grade lithium products for the local market is a strategic advantage for the Company.

Commenting on the progress of the Wolfsberg Lithium project, Chairman, Tony Sage, said "We are focused on the aggressive development of the project, with the fund raising and ASX listing successfully completed the Company can concentrate on the potential for fast track production."

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Visit the Company's website to find out more about the advanced Wolfsberg Lithium Project located in Austria.

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