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EUROPEAN LITHIUM LIMITED
ABN 45 141 450 624

Interim Financial Report

**For the Half Year Ended
31 December 2020**

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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 2020. 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
Kimon Gkomoziias	Executive Director (appointed 2 September 2020)
Tim Turner	Non-Executive Director (resigned 2 September 2020)

Review of Operations

Corporate

Placement

During the half year ended 31 December 2020, the Company issued 46,363,643 shares at an issue price of \$0.045 per share with a 1 for 4 free attaching unlisted option (exercisable at \$0.05 on or before 31 July 2022) to raise proceeds of approximately \$2.1m (before expenses) (**September Placement**)

Financing Facility - Winance

On 31 July 2019, the Company announced that it had secured an A\$10m finance facility with Winance Investment LLC (**Winance**) to repay the residual amount owing to Magna, to fast-track the completion of a DFS at the Company's Wolfsberg Lithium Project in Austria and for general working capital purposes.

An initial amount of A\$2.0m (2,000 notes) was drawn down on 20 September 2019 (**Tranche 1**). 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**). During the year ended 30 June 2020, the Company received Tranche 2 funding of A\$1.0m (before expenses) and subsequently 1,000 convertible notes were released from escrow. During the half year ended 31 December 2020, the Company received the final Tranche 2 funding of A\$1.0m and released the remaining 1,000 convertible notes from escrow.

During the half year ended 31 December 2020, Winance converted 400 Tranche 2 notes with 500 notes being redeemed from the proceeds of the Placement. As at 31 December 2020, Winance had 800 Tranche 2 convertible notes remaining.

AQSE Exchange

On 6 November 2020, the Company withdrew the Company's ordinary shares from trading on the AQSE Growth Market in the United Kingdom (**AQSE**).

Capital Raisings and Movements

On 20 July 2020, the Company issued 3,636,363 shares to Winance upon the conversion of 200 convertible notes and 3,030,303 shares issued to Winance for the conversion of debt in relation to the Winance shortfall amount payable (refer to the 2019 AGM and 2020 AGM notice of meeting for further details).

On 22 September 2020, the Company issued 44,363,643 shares pursuant to the September Placement.

On 23 September 2020, the Company issued 2,000,000 shares pursuant to the September Placement and 1,800,000 shares issued to Empire Capital Partners to convert \$81,000 of debt into equity.

On 9 October 2020, the Company issued 1,000,000 shares to Empire Capital pursuant to a corporate advisor mandate and 106,383 shares issued to convert \$5,000 of debt into equity.

On 2 November 2020, the Company issued 20,634,199 unlisted options exercisable at \$0.05 each on or before 31 July 2022 (as approved at the Company's 2020 AGM held on 30 October 2020 in respect to resolutions 10, 11, 12, 17, 18 and 20).

DIRECTORS' REPORT

On 5 November 2020, the Company issued 5,000,000 shares to Winance upon the conversion of 200 convertible notes and 1,666,667 shares to Winance for the conversion of debt in relation to the Winance shortfall amount payable (refer to the 2019 and 2020 AGM notice of meeting for further details).

Wolfsberg Lithium Project – Austria

Drilling

In Q3/2020, the Company was issued the decree to drill the deep holes, with more than 300m of depth, covering Phase 2 of the drilling program in Zone 1. The Company commenced the tender process for the drilling contractor and the process of engaging the consultants that will supervise the progress of the exploration process.

In Q4/2020, the Company has continued the tender process for the drilling contractor and engaging relevant consultants to supervise the progress of these exploration activities. As some of these contractors are not based in Austria, the Company anticipates delays due to differing regulations and restrictions during the ongoing COVID-19 pandemic. Due to the reinforcement of restrictions in Q4/2020 numerous contractors remain on lockdown and/or with significantly reduced operational abilities.

Definitive-Feasibility Study (DFS)

During the 2nd half of 2020, the Company has continued to progress the Phase 2 resource drilling program in Zone 1 as an essential part of the DFS. This is based on the receipt of the decree in Q3/2020 for the deep hole drilling program in Zone 1.

In Q4/2019 and Q1/2020 the Company reported that Dorfner/Anzaplan completed the metallurgical test work to assess and optimize the process lines, flowsheets and layouts. The results and scope of work was reviewed and the remaining lock cycle tests, that serve to sufficiently assess the process to produce reliable results for the Lithium Hydroxide product, were pending during the 2nd half of 2020. In Q3/2020 Dorfner/Anzaplan were advised to recommence the lock cycle tests as advised in the Company's Q2/2020 report. The Company has been advised by Dorfner/Anzaplan that the final results for these tests can be expected in Q1/2021, but may be subject to delays should further COVID-19 restrictions become applicable. This metallurgic test work will take place at the pilot plant for the Wolfsberg Lithium Project at Dorfner/Anzaplan's testing facility in Hirschau, Germany.

Land Access

The Company's 54 exploration and 11 mining licenses remain unchanged as approved by the Mining Authority in Q4/2019. Compulsory operational work has continued on these licenses and will be reported to the mining authority, as necessary.

Environmental

No environmental work has been carried out in Q3 and Q4/2020.

Monitoring of mine water flows and quality have continued.

Hydrogeology

The Company continued during Q3 and Q4/2020 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 labs. The water samples are analyzed according to Austrian requirements for drinking water.

All hydrogeological data continues to be stored and secured into 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 can continue into the 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 remains unchanged and is focused on the supply of lithium hydroxide to the nascent lithium battery plants of Europe. The Company continues to engage in discussion with a number of industry players regarding future off-take contracts. Good progress has already been made in advanced discussions with potential off-take partners while the Company remains flexible to European and broader industry changes.

DIRECTORS' REPORT

Horizon 2020

In Q4 the Company commenced sharing its Q3/2020 reported infield and underground geophysical survey program, 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.

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.

Events Subsequent to Reporting Date

On 21 January 2021, the Company issued 926,111 fully paid ordinary shares upon the exercise of 926,111 options with an exercise price of \$0.05 each on before 31 July 2020.

On 28 January 2021 and 1 February 2020, the Company issued a total of 141,000,000 fully paid ordinary shares at an issue price of \$0.05 per share to raise funds of \$7.05m (before expenses). Participants in the placement will also be issued with 1 option for every 2 shares applied for with an exercise price of \$0.075 each expiring 3 years from date of issue.

On 28 January 2021, the Company issued a total of 42,105,193 fully paid ordinary shares at an issue price of \$0.0475 per share pursuant to a share purchase plan to raise cash proceeds of \$2.0m (before expenses).

On 28 January 2021, the Company issued 125,000,000 fully paid ordinary shares to Winance upon the conversion of 500 convertible notes.

On 28 January 2021, the Company issued 194,444 fully paid ordinary shares upon the exercise of 194,444 options with an exercise price of \$0.05 each on before 31 July 2020.

On 28 January 2021, the Company issued 753,335 shares in satisfaction of debts of \$35,703 owed by the Company to unrelated third parties.

On 5 February 2021, the Company issued 1,249,999 fully paid ordinary shares upon the exercise of 1,249,999 options with an exercise price of \$0.05 each on before 31 July 2020.

On 5 February 2021, the Company issued 600,000 shares in satisfaction of debts of \$30,000 owed by the Company to the CEO of the Company.

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 2020.

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
Non-Executive Chairman
26 February 2021

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 2020, 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
26 February 2021



M R Ohm
Partner

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**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2020**

	Note	For the six months ended 31 December 2020 \$	For the six months ended 31 December 2019 \$
Continuing operations			
Revenue and other income	3	1,018	3,365
Employee benefits expense	4	(177,000)	(96,000)
Depreciation and amortisation expense		(13,760)	(2,473)
Finance costs	4	(265,334)	(121,801)
Transaction costs relating to the issue of convertible note facility		(80,000)	(160,000)
Difference between transaction price of convertible note and fair value at initial recognition	7	(187,378)	(363,883)
Fair value loss on remeasurement of convertible note	7	165,239	31,777
Consulting fees		(211,590)	(211,734)
Travel expenses		(28,309)	(155,589)
Regulatory and compliance costs	4	(516,113)	(463,774)
Share based payments	8d	(102,642)	(364,490)
Other expenses	4	(710,217)	(414,730)
Loss before income tax		(2,126,086)	(2,319,332)
Income tax expense		-	-
Loss after tax from continuing operations		(2,126,086)	(2,319,332)
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		(519,500)	(225,072)
Other comprehensive income for the period, net of income tax		(519,500)	(225,072)
Total comprehensive loss for the period		(2,645,586)	(2,544,404)
Loss per share for the period			
Basic loss per share (cents per share)	10	(0.30)	(0.39)
Diluted loss per share (cents per share)	10	(0.30)	(0.39)

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 2020**

	Note	31 December 2020 \$	30 June 2020 \$
ASSETS			
Current Assets			
Cash and cash equivalents		410,054	300,655
Trade and other receivables		217,829	219,098
Total Current Assets		627,883	519,753
Non-Current Assets			
Property, plant and equipment		3,195	4,736
Deferred exploration and evaluation expenditure	5	36,109,797	36,499,437
Restricted cash and other deposits		30,984	31,869
Financial assets	6	128,000	128,000
Right of use asset		-	12,341
Total Non-Current Assets		36,271,976	36,676,383
TOTAL ASSETS		36,899,859	37,196,136
LIABILITIES			
Current Liabilities			
Trade and other payables		1,226,295	1,800,534
Convertible note	7	953,731	831,592
Lease liabilities		-	10,676
Total Current Liabilities		2,180,026	2,642,802
Non Current Liabilities			
Lease liabilities		-	2,098
Total Non-Current Liabilities		-	2,098
TOTAL LIABILITIES		2,180,026	2,644,900
NET ASSETS		34,719,833	34,551,236
EQUITY			
Issued capital	8	27,512,277	24,800,736
Reserves	9	7,202,312	7,619,170
Retained earnings		5,244	2,131,330
TOTAL EQUITY		34,719,833	34,551,236

*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 2020**

	Issued Capital	Retained Earnings	Share Based Payments Reserve	Foreign Currency Translation Reserve	Total Equity
	\$	\$	\$	\$	\$
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
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

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 2020**

	Note	31 December 2020 \$	31 December 2019 \$
Cash flows from operating activities			
Payments to suppliers and employees		(1,198,656)	(900,248)
Finance costs		9,235	(7,426)
Interest paid (leased assets)		(186)	-
Interest received		1,018	3,365
VAT refund		(72,271)	(120,347)
Net cash used in operating activities		(1,260,860)	(1,024,656)
Cash flows from investing activities			
Payments for exploration		(941,493)	(2,034,238)
Payment for property, plant and equipment		-	(1,992)
Net cash used in investing activities		(941,493)	(2,036,230)
Cash flows from financing activities			
Proceeds from capital raisings		2,086,364	902,000
Payment for share issue costs		(42,181)	(35,051)
Proceeds from convertible note facility	7	1,000,000	2,000,000
Transaction costs related convertible note facility		(80,000)	(160,000)
Repayment of convertible loan note facility	7	(636,364)	(812,443)
Repayment of lease liabilities		(12,932)	-
Net cash provided by financing activities		2,314,887	1,894,506
Net decrease in cash and cash equivalents		112,534	(1,166,380)
Cash and cash equivalents at beginning of year		300,655	1,199,738
Effects on exchange rate fluctuations on cash held		(3,135)	(1,193)
Cash and cash equivalents at end of year		410,054	32,165

*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 2020 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 2020 of \$2,126,086 (31 December 2019: \$2,319,332 loss), had cash and cash equivalents of \$410,054 at 31 December 2020 (30 June 2020: \$300,655), had a net working capital deficit of \$1,552,143 at 31 December 2020 (30 June 2020: \$2,123,049 deficit) and a net cash outflow from operating activities amounting to \$1,260,860 (31 December 2019: \$1,024,656).

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

- The Group successfully completed a placement in January 2021 to raise funds of \$7.05m (before expenses (refer note 14)); and
- The Group successfully completed a share placement plan in January 2021 to raise funds of \$2.0m (before expenses) (refer note 14); and
- The Group is able to realise its financial assets if required.

Adoption of new and revised standards

Standards and Interpretations applicable to 31 December 2020

In the half-year ended 31 December 2020, 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 2020. As a result of this review, the Directors have applied all new and amended Standards and Interpretations that were effective as at 1 July 2020 including:

Conceptual Framework for Financial Reporting and relevant amending standards (Conceptual Framework)

The Group has adopted the Conceptual Framework with the date of initial application being 1 July 2020.

The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. It is arranged in eight chapters, as follows:

- Chapter 1 – The objective of financial reporting
- Chapter 2 – Qualitative characteristics of useful financial information
- Chapter 3 – Financial statements and the reporting entity
- Chapter 4 – The elements of financial statements
- Chapter 5 – Recognition and derecognition
- Chapter 6 – Measurement
- Chapter 7 – Presentation and disclosure
- Chapter 8 – Concepts of capital and capital maintenance

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Amendments to References to the Conceptual Framework in IFRS Standards has also been issued, which sets out the amendments to affected standards in order to update references to the revised Conceptual Framework. The changes to the Conceptual Framework may affect the application of IFRS in situations where no standard applies to a particular transaction or event. In addition, relief has been provided in applying IFRS 3 and developing accounting policies for regulatory account balances using IAS 8, such that entities must continue to apply the definitions of an asset and a liability (and supporting concepts) in the 2010 Conceptual Framework, and not the definitions in the revised Conceptual Framework

At 1 July 2020 it was determined that the adoption of the Conceptual Framework had no impact on the Group.

AASB 2018-7 Definition of Material (Amendments to AASB 101 and AASB 108)

The Group has adopted AASB 2018-7 with the date of initial application being 1 July 2020.

This Standard amends AASB 101 *Presentation of Financial Statements* and AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The amendments clarify that materiality will depend on the nature or magnitude of information. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

At 1 January 2020 it was determined that the adoption of AASB 2018-7 had no impact on the Group.

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 2020.

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 organised 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.

3. REVENUE AND OTHER INCOME FROM CONTINUING OPERATIONS

	Six months ended 31 December 2020 \$	Six months ended 31 December 2019 \$
Interest revenue	1,018	3,365
	1,018	3,365

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. EXPENSES FROM CONTINUING OPERATIONS

	Six months ended 31 December 2020 \$	Six months ended 31 December 2019 \$
Employee benefits expenses		
Directors' remuneration & consulting	177,000	96,000
	<u>177,000</u>	<u>96,000</u>
Finance expenses		
Bank fees	7,433	7,426
Interest	(16,668)	-
Interest on leased assets	186	-
Allowance for doubtful debts	(2,890)	-
Magna extension fee	-	80,000
Financing legal expenses	-	34,375
Shortfall on Winance conversion (note 7)	277,273	-
	<u>265,334</u>	<u>121,801</u>
Regulatory and compliance costs		
ASX listing fees	43,139	78,616
NEX listing expenses	58,536	150,316
Vienna listing expenses	-	1,149
Legal expenses	324,812	189,091
Other regulatory and compliance expenses	89,626	44,602
	<u>516,113</u>	<u>463,774</u>
Other expenses		
Promotions and advertising	17,293	159,322
Foreign exchange	496,220	196,110
Other administrative expenses	196,704	59,298
	<u>710,217</u>	<u>414,730</u>

5. DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

	Six months to 31 December 2020 \$	Year to 30 June 2020 \$
Balance at beginning of period	36,499,437	33,004,593
Expenditure incurred	630,688	3,153,767
Foreign exchange movement	(1,020,328)	341,077
Impairment	-	-
Balance at end of period	<u>36,109,797</u>	<u>36,499,437</u>

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 2020 \$	Year to 30 June 2020 \$
Balance at beginning of period	128,000	128,000
Gain/(loss) in fair value from revaluation	-	-
Balance at end of period	<u>128,000</u>	<u>128,000</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7. CONVERTIBLE NOTE

	Six months to 31 December 2020	Year to 30 June 2020
	\$	\$
Balance at beginning of period	831,592	1,078,136
Funds borrowed under convertible loan agreement	1,000,000	3,000,000
Difference between transaction price of convertible note and fair value at initial recognition	187,378	549,553
Fair value loss on remeasurement of convertible note	(165,239)	(256,194)
Amount repaid through redemption of notes	(500,000)	(812,443)
Amounts repaid through issue of shares	(400,000)	(2,727,460)
Balance at end of period	953,731	831,592

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.

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 \$0.04 (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 year, Winance exercised its option to convert 400 notes (Tranche 2) borrowed under the convertible loan agreement into 8,636,363 fully paid ordinary shares of the Company and redeem 500 notes (Tranche 2).

At reporting date, the fair value of Tranche 2 convertible notes (following conversion 400 notes and redemption of 500 notes during the year) was \$953,731 with the difference of \$165,239 recorded in the statement of comprehensive income.

As at 31 December 2020, Winance had 800 convertible notes remaining with a fair value of \$953,731.

8. ISSUED CAPITAL

a) Ordinary shares

	Six months to 31 December 2020		Year to 30 June 2020	
	No of Shares	\$	No of Shares	\$
Balance at beginning of period	662,293,209	24,800,736	587,163,028	20,283,788
Issue of shares - Placement - Cash	46,363,643	2,086,364	10,300,000	902,000
Issue of shares - Conversion of debt	6,446,641	219,858	19,947,707	848,784
Issue of shares – Magna extension	-	-	1,000,000	80,000
Issue of shares – Winance conversion (refer note 7)	8,636,363	400,000	36,264,061	2,300,000
Issue of shares – Magna conversion	-	-	5,618,413	427,461
Issue of shares – Empire Capital	2,800,000	128,500	2,000,000	90,000
Capital raising costs – shares and options issued to corporate advisor	-	-	-	(70,746)
Capital raising costs – cash	-	(123,181)	-	(60,551)
Balance at end of period	726,539,856	27,512,277	662,293,209	24,800,736

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

b) Options

On 2 November 2020, the Company issued 1,643,288 unlisted options to Directors as approved at the Company's 2020 AGM. The options are exercisable at \$0.05 each on or before 31 July 2022 and were issued in lieu of outstanding director's fees.

On 2 November 2020, the Company issued 11,590,911 unlisted options as approved at the Company's 2020 AGM. The options are exercisable at \$0.05 each on or before 31 July 2022 and were issued to participants of the September 2020 placement.

At 31 December 2020, the unissued ordinary shares of the Company under option are as follows:

Date of Expiry	Status	Exercise Price	Number of Options
11/12/2021	Unlisted	20.0 cents	2,500,000
31/7/2022	Unlisted	5.0 cents	38,869,783
			41,369,783

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 corporate advisor	2,400,000	30 October 2020	31 July 2022	\$0.05	\$0.0139	30 October 2020
Options issued to corporate advisor	5,000,000	30 October 2020	31 July 2022	\$0.05	\$0.0139	30 October 2020

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	2,400,000	5,000,000
Dividend yield	0.00%	0.00%
Expected volatility	95%	95%
Risk-free interest rate	0.13%	0.13%
Expected life of options	1.75 years	1.75 years
Exercise price	\$0.05	\$0.05
Grant date share price	\$0.036	\$0.036

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 2020	Six months to 31 December 2019
	\$	\$
Options issued to Directors	-	283,632
Options issued to placement participants and service providers	102,642	136,792
Options issued to Hevetican	-	14,812
Balance at end of period	102,642	435,236

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9. RESERVES

	Six months to 31 December 2020	Year to 30 June 2020
	\$	\$
Share based payments reserve	5,547,406	5,444,764
Foreign currency translation reserve	1,654,906	2,174,406
	<u>7,202,312</u>	<u>7,619,170</u>
<i>Share based payments reserve</i>		
Balance at beginning of year	5,444,764	4,933,022
Issue of unlisted options	102,642	511,742
Balance at end of year	<u>5,547,406</u>	<u>5,444,764</u>
<i>Foreign currency translation reserve</i>		
Balance at beginning of year	2,174,406	1,968,414
Foreign currency exchange differences arising on translation of foreign operations	(519,500)	205,992
Balance at end of year	<u>1,654,906</u>	<u>2,174,406</u>

10. BASIC AND DILUTED LOSS PER SHARE

	Six months ended 31 December 2020	Six months ended 31 December 2019
	\$	\$
Loss used in the calculation of basic and dilutive loss per share	(2,126,086)	(2,319,332)
	<u>(2,126,086)</u>	<u>(2,319,332)</u>
	Six months to 31 December 2020	Six months to 31 December 2019
	Cents per share	Cents per share
<i>Earnings per share:</i>		
Basic loss per share (cents per share)	(0.30)	(0.39)
Diluted loss per share (cents per share)	(0.30)	(0.39)

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 2020	Six months to 31 December 2019
	Number	Number
Weighted average number of shares:	697,794,629	600,611,147

11. RELATED PARTY TRANSACTIONS

On 27 May 2020, the Company announced that it had agreed with Directors of the Company to convert \$73,948 of debt into equity. Debts will be converted based on a share price of 4.5c with a free attaching 1 for 1 unlisted option with an exercise price of 5c expiring on 31 July 2022. On 2 November 2020, the Company issued 1,643,288 Shares and 1,643,288 unlisted options with an exercise price of 5c expiring on 31 July 2022 to Directors as approved at the Company's 2020 AGM.

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. EVENTS SUBSEQUENT TO REPORTING DATE

On 21 January 2021, the Company issued 926,111 fully paid ordinary shares upon the exercise of 926,111 options with an exercise price of \$0.05 each on before 31 July 2020.

On 28 January 2021 and 1 February 2020, the Company issued a total of 141,000,000 fully paid ordinary shares and on at an issue price of \$0.05 per share to raise funds of \$7.05m (before expenses). Participants in the placement will also be issued one option for every 2 shares applies for with an exercise price of \$0.075 each expiring 3 years from date of issue.

On 28 January 2021, the Company issued a total of 42,105,193 fully paid ordinary shares at an issue price of \$0.05 per share pursuant to a share purchase plan to raise cash proceeds of \$2.0m (before expenses).

On 28 January 2021, the Company issued 125,000,000 fully paid ordinary shares to Winance upon the conversion of 500 convertible notes.

On 28 January 2021, the Company issued 194,444 fully paid ordinary shares upon the exercise of 194,444 options with an exercise price of \$0.05 each on before 31 July 2020.

On 28 January 2021, the Company issued 753,335 shares in satisfaction of debts of \$35,703 owed by the Company to unrelated third parties.

On 5 February 2021, the Company issued 1,249,999 fully paid ordinary shares upon the exercise of 1,249,999 options with an exercise price of \$0.05 each on before 31 July 2020.

On 5 February 2021, the Company issued 600,000 shares in satisfaction of debts of \$30,000 owed by the Company to the CEO of the Company.

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 2020:

	At amortised cost	Fair value	
		Through profit or loss	Through other comprehensive income
	\$	\$	\$
Financial assets			
Trade and other receivables	217,829	-	-
Total current	217,829	-	-
Financial assets	-	128,000	-
Total non-current	-	128,000	-
Total assets	217,829	128,000	-
Financial liabilities			
Trade and other payables	1,226,295	-	-
Convertible note	-	953,731	-
Total current	1,226,295	953,731	-
Total liabilities	1,226,295	953,731	-

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 2020 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
Non-Executive Chairman

26 February 2021

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 2020, 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 2020 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* including giving a true and fair view of the consolidated entity's financial position as at 31 December 2020 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*.

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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
26 February 2021

M R Ohm
Partner

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