



ASX Release
30 July 2018
ASX: NLI

Corporate Directory

Non-Executive Chairman
John Fitzgerald

Non-Executive Director
Dudley J Kingsnorth

Managing Director
Justin Tremain

Technical Director
Francis Wedin

Fast Facts

Issued Capital	372.8m
Market Cap	\$16.8m
Cash & Rec. (30 Jun 18)	\$16.0m

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Quarterly Activities Report For the period ending 30 June 2018

Summary

- **Ongoing identification and assessment of advanced exploration projects to enhance shareholder value**
- **Due diligence undertaken on several alternative projects with a number remaining under consideration at Quarter end**
- **Strong cash position (inclusive of receivable performance bond) of approximately \$16.0 million as at 30 June 2018** (\$16.0 million as at 31 March 2018)
- **Ongoing engagement with Lusorecursos to resolve the disputed Sepeda Project ownership rights**
- **Proposals presented to Lusorecursos to resolve the dispute, however no agreement reached to date**

Novo Lítio Limited ("Novo Lítio" or "Company") has continued in its attempts to resolve the dispute regarding the ownership rights to the Sepeda Lithium Project located in Portugal ("Sepeda Project"). The Company has met with and presented proposals to the registered licence holder Lusorecursos Lda ("Lusorecursos") with whom the Company entered into a binding agreement ("Acquisition Agreement"). Despite an indicated willingness to negotiate to resolve the dispute outside of the legal process, Lusorecursos has not been accepting of Novo Lítio's proposals to date and no agreement has been able to be reached.

To better understand the potential economics of the Sepeda Project, locked cycle flotation test work was undertaken on the Sepeda petalite ore as a follow up to previous sighter test work. The previous sighter results were not able to be replicated in recently completed locked cycle results which do not support the assumptions made in the Company's Scoping Study (refer ASX announcement dated 4 September 2017). Further work is required to fully understand the impact of the different metallurgical approaches to the locked cycle tests undertaken by the two reputable European laboratories engaged by the Company.

Given the increasing likelihood that the Sepeda dispute will be protracted, along with the latest test work results, Novo Lítio has placed greater focus on identifying, assessing and securing other mineral projects that offer value enhancing opportunities. To this end, several exploration projects were assessed during the June Quarter with a number progressing to due diligence stage including site visits. The Company remains in confidential negotiations on a number of these opportunities and will keep shareholders informed should a definitive transaction be agreed.

Projects

Portugal | Lithium Projects

Northern Portugal

Novo Lítio's Portuguese Lithium Projects consisted of approximately 391km² of three granted exploration licenses (including the disputed Sepeda Project licence, refer below) and two additional licences registered in Novo Lítio's 100% and 1,200km² of exploration license applications (six in the name of Novo Lítio's Portuguese subsidiary company and six in the name of Lusorecursos subject to dispute).

During the June Quarter, Novo Lítio was formally advised that its six exploration licence applications had been rejected by the Portuguese General Directorate of Energy and Geology ("DGEG"). This decision by the DGEG is not unique to Novo Lítio. The DGEG is planning to put all vacant ground that is considered prospective for lithium through a public tender process. Accordingly, it is Novo Lítio's understanding that all applications that cover such ground have been, or are in the process of being, rejected by the DGEG to facilitate the public tender process. Novo Lítio is unsure of the status of the six applications in the name of Lusorecursos that were subject to the Acquisition Agreement. The timing of the public tender is unknown with some indication that it may occur later in 2018, however it has already been delayed on several occasions.

Novo Lítio has undertaken comprehensive mapping and surface sampling over the two granted exploration licences registered in the name of its Portuguese subsidiary company. The mapping and sampling program failed to identify any significant targets. As a result, the Company is planning to surrender both granted licences during the September Quarter which will result in the return of €167,500 in performance bonds.

Sepeda Project Background

The Sepeda Project covers a granted exploration licence area of 37km², located in the Barroso-Alvão region of Northern Portugal. The Sepeda Project is registered in the name of Lusorecursos with whom the Company entered into a binding agreement ("Acquisition Agreement") to acquire 100% of the Sepeda Project for consideration of approximately €1.0 million cash, comprising a €250,000 milestone payment on a JORC Mineral Resource of 5Mt @ >1.2%Li₂O and a €750,000 milestone payment upon a JORC Mineral Resource of 15Mt @ >1.2% Li₂O (refer ASX announcement dated 1 June 2016).

Novo Lítio announced a greenfield lithium (petalite) discovery at the Sepeda Project in October 2016 and released a maiden JORC Inferred Mineral Resource Estimate for the Sepeda deposit of 10.3Mt @ 1.0% Li₂O in February 2017 (refer ASX announcement dated 20 February 2017). Unfortunately, the conditions to the completion of the Acquisition Agreement with Lusorecursos were not satisfied by the required completion date of 31 May 2017 contained in the Acquisition Agreement. Furthermore, the Company's attempt in May 2017 to make the initial milestone payment of €250,000 to Lusorecursos, triggered by the announcement of the maiden mineral resource estimate, was unsuccessful with the payment returned to the Company by Lusorecursos. The Company obtained a legal opinion from Portuguese law firm Jose Pedro Aguiar-Branco Advogados ("JPAB") that the Acquisition Agreement remained legally enforceable based on a legal argument that the conditions to completion were not met by the required date due to frustration by Lusorecursos. Accordingly, Novo Lítio engaged JPAB to commenced legal proceedings in the Portuguese Courts to seek enforcement of the Acquisition Agreement.

Novo Lítio's request to the Portuguese Court for expedited legal proceedings to hear the Lusorecursos dispute was denied in December 2017 (refer ASX announcement dated 6 December 2017). The Company has been unable to appeal this decision. As a result, Novo Lítio's advice is that legal proceedings to resolve the Sepeda dispute will be protracted.

Novo Lítio believes it is in the interest of both parties and all stakeholders to resolve the legal dispute commercially and quickly. Novo Lítio has been making a concerted effort to engage with Lusorecursos, on a without prejudice basis, to resolve the matter outside of the Portuguese Court process.

Activities during the June Quarter

During the June Quarter, the Company was able to have positive engagement with Lusorecursos and at the invitation of Lusorecursos presented proposals to resolve the ongoing ownership dispute. Unfortunately, Lusorecursos has not accepted such proposals and no resolution to the dispute has yet been able to be achieved. Notwithstanding these discussions, Novo Lítio continues to reserve its legal rights in relation to the Sepeda Project. Novo Lítio has engaged a new law firm in Portugal, Coelho Ribeiro & Associados ("CRA Law"), to advise it on the dispute going forward. Further meetings with Lusorecursos and its representative are expected during the September Quarter.

Given the Sepeda Project licences are registered in the name of Lusorecursos, it is not legally possible for Novo Lítio to undertake any further field work, or make any applications to the DGEG, concerning the Sepeda Project. Novo Lítio retains all drill samples and data.

Novo Lítio undertook additional flotation test work to better understand the potential economics of the Sepeda Project. This test work included locked cycle flotation tests undertaken by Outotec in Finland. The results of the previous sighter flotation test work undertaken by Dorfner-Anzaplan in Germany (refer ASX announcement 24 April 2017) were not able to be replicated in the locked cycle tests. Eight of the nine locked cycle flotation tests returned <4.0% Li₂O petalite concentrate grades and all nine tests returned <50% Li₂O recoveries. Further work would be required to understand these results as they do not support the assumptions made in the Company's Scoping Study on the Sepeda Project (refer ASX announcement dated 4 September 2017) in relation to Li₂O petalite concentrate grade, Li₂O flotation recovery and Fe₂O₃ concentrate grade.

Sweden | Lithium Projects

The Company has a portfolio of exploration leases totalling 126km², over three areas highly prospective for spodumene lithium mineralisation in central Sweden.

Spodumenberget Project

The Spodumenberget Project is located in the locality of Örnköldsvik, in Västernorrland County. It is 245km south by road of Northvolt's planned lithium-ion battery factory in Skellefteå¹. Surface sampling at the Spodumenberget Project has yielded high grade results including 2.77% Li₂O, 7,820ppm Ta and 653ppm Sn from spodumene-bearing pegmatites (refer ASX announcement dated 28 July 2017). Mapping has shown the presence of pegmatite outcrops over a strike length of 340m, and up to 100m wide, with surrounding areas masked by glacial cover. Sweden is an attractive mining investment jurisdiction, strategically positioned relative to the burgeoning European lithium market and highly prospective for spodumene-bearing, LCT-pegmatite type lithium mineralisation.

Hamrånge Project

The Hamrånge Project is a large portfolio of tenements in the Hamrånge Region of Gävle Municipality in Gävleborg County. The project area surrounds the Bergby Lithium Project owned by Leading Edge Materials where drilling activity² has returned 10.5m @ 1.62% Li₂O. Multiple pegmatite units have been identified by Novo Lítio which are being assessed for lithium potential.

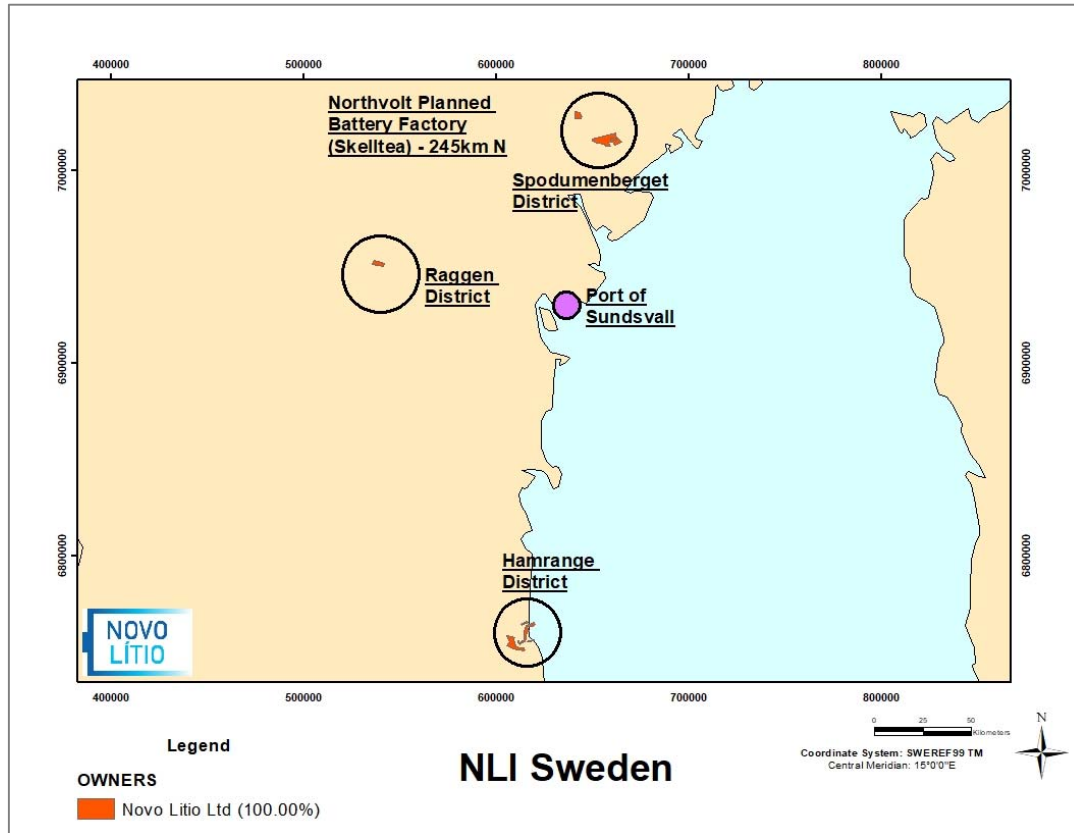
Räggen Project

The Räggen Project is located in the Räggen region of the Bracke Municipality, Jämtland County in Northern Sweden. The Räggen region is a historic tin mining district containing multiple historical occurrences of LCT-type pegmatites and is believed to be prospective for lithium mineralisation.

¹ <https://www.reuters.com/article/us-northvolt-scania/vws-scania-backs-northvolts-5-billion-swedish-battery-plant-idUSKBN1FE1FN>

² <https://leadingedgematerials.com/leading-edge-materials-intersects-10-5m-1-62-lithium-oxide-at-bergby-lithium-project-sweden/>

Figure 1 | Location of the Company's Lithium Projects in Sweden



Activities during the June Quarter

No field work was undertaken on the Swedish Lithium Projects during the June Quarter and the Company is considering how best to extract value from the projects.

Project Generation

Given the lack of progress in resolving the Sepeda Project ownership dispute and the likelihood of the dispute being protracted, Novo Lítio has placed an emphasis on identifying and reviewing new project opportunities both within and outside Portugal to satisfy the Company's ultimate objective of providing value-enhancing opportunities to its shareholders. The Company's strong cash position places it in an excellent position to pursue additional opportunities.

During the June Quarter the Company identified and reviewed numerous mineral projects both within Australia and overseas. A number of these progressed to detailed due diligence and at the end of the June Quarter remained under consideration by the Company.

Corporate

As at 30 June 2018, the Company has cash of approximately \$15.7 million with a further €167,500 (~A\$265,000) receivable from performance bonds provided for two granted exploration licences in Portugal that have or will be surrendered in the September 2018 Quarter. During the June Quarter, the Company implemented further cost reduction initiatives to preserve its strong cash position. As at the June Quarter end, ongoing overhead costs within Portugal are now limited to predominately legal costs concerning the Sepeda dispute.

[ASX waiver details](#)

Pursuant to the waiver from ASX Listing rules 7.3.2 and 10.13.3 (granted by ASX and announced on 20 January 2015) ("Waivers"), the Company advises that the following securities, which were the subject of the Waivers, remain to be issued:

- 30,000,000 fully paid ordinary shares to the shareholders of Asgard Metals Pty Ltd and Slipstream Resources Investments Pty Ltd (on a 49:51 basis) upon an Inferred Mineral Resource (in accordance with the requirements of the JORC Code) of 15 million tonnes at 1.2% Li₂O being identified, on or before 12 February 2021, on the Lynas Find Project tenements previously owned by the Company and now owned by Pilbara Minerals Limited.

For further information please contact
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Managing Director
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Competent Person Statement

The information in this report that relates to Exploration Results is based on information compiled by Dr Francis Wedin, who is a Member of the Australasian Institute of Mining and Metallurgy. Dr Wedin is a full-time employee of Novo Lítio and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity he is undertaking to qualify as a competent person as defined in the 2012 Edition of the "Australasian Code for reporting of Exploration Results, Exploration Targets, Mineral Resources and Ore Reserves" (JORC Code). Dr Wedin consents to the inclusion in this report of the matters based upon the information in the form and context in which it appears. All material assumptions and technical parameters underpinning the JORC 2012 reporting tables in the relevant market announcements referenced in this text continue to apply and have not materially changed.

Tenement Information (ASX LR 5.3.3)

Project (Tenement)	Location	Ownership as at 30 June 2018	Change in Ownership During June 2018 Quarter	Status as at 30 June 2018
E69/3417	Western Australia	0%	100%	Surrendered
E69/3418	Western Australia	0%	100%	Surrendered
Sepeda Project (MNPP04612)	Portugal	100%	N/A	Granted ¹
Northern Portugal (MNPP01713)	Portugal	100%	N/A	Granted
Northern Portugal (MNPP01015)	Portugal	100%	N/A	Granted
Northern Portugal (MNPPP0394)	Portugal	100%	N/A	Under Application ^{1,2}
Northern Portugal (MNPPP0275)	Portugal	100%	N/A	Under Application ^{1,2}
Northern Portugal (MNPPP0393)	Portugal	100%	N/A	Under Application ^{1,2}
Northern Portugal (MNPPP0396)	Portugal	100%	N/A	Under Application ^{1,2}
Northern Portugal (MNPPP0274)	Portugal	100%	N/A	Under Application ^{1,2}
Northern Portugal (MNPPP0395)	Portugal	100%	N/A	Under Application ^{1,2}
Northern Portugal (MNPPP0407)	Portugal	0%	100%	Application Rejected
Northern Portugal (MNPPP0427)	Portugal	0%	100%	Application Rejected
Northern Portugal (MNPPP0424)	Portugal	0%	100%	Application Rejected
Northern Portugal (MNPPP0426)	Portugal	0%	100%	Application Rejected
Northern Portugal (MNPPP0430)	Portugal	0%	100%	Application Rejected
Northern Portugal (MNPPP0431)	Portugal	0%	100%	Application Rejected
Spodumenberget Project (Dyngselet nr 1)	Sweden	100%	N/A	Granted
Spodumenberget Project (Dyngselet nr 2)	Sweden	100%	N/A	Granted
Spodumenberget Project (Skorped nr 1)	Sweden	100%	N/A	Granted
Hamrange Project (Hamråde nr 100)	Sweden	100%	N/A	Granted
Hamrange Project (Hamråde nr 101)	Sweden	100%	N/A	Granted
Hamrange Project (Hamråde nr 102)	Sweden	100%	N/A	Granted
Hamrange Project (Hamråde nr 103)	Sweden	100%	N/A	Granted
Hamrange Project (Hamråde nr 104)	Sweden	100%	N/A	Granted
Raggen Project (Räggen nr 100)	Sweden	100%	N/A	Granted
Wiagdon Thrust JV (EL 7549)	New South Wales, Australia	30%	N/A	Farm out to Perpetual Resources Ltd (ASX:PEC), Novo Lítio free carried
Wiagdon Thrust JV (EL 6627)	New South Wales, Australia	30%	N/A	Farm out to Perpetual Resources Ltd (ASX:PEC), Novo Lítio free carried
Wiagdon Thrust JV (EL 6628)	New South Wales, Australia	30%	N/A	Farm out to Perpetual Resources Ltd (ASX:PEC), Novo Lítio free carried

Project (Tenement)	Location	Ownership as at 30 June 2018	Change in Ownership During June 2018 Quarter	Status as at 30 June 2018
Wiagdon Thrust JV (EL 6629)	New South Wales, Australia	30%	N/A	Farm out to Perpetual Resources Ltd (ASX:PEC), Novo Lítio free carried
Wiagdon Thrust JV (EL 7548)	New South Wales, Australia	0%	30%	Surrendered
Wiagdon Thrust JV (EL 7756)	New South Wales, Australia	0%	30%	Surrendered
Wiagdon Thrust JV (EL 7550)	New South Wales, Australia	0%	30%	Surrendered
Wiagdon Thrust JV (EL 6789)	New South Wales, Australia	0%	30%	Surrendered

¹ These granted licences and applications are subject to the Acquisition Agreement with Lusorecursos and are subject to a legal dispute between Novo Lítio and Lusorecursos as to the ownership as discussed above.

² Several of the licence applications in Northern Portugal are subject to competing licence applications and as such may be rejected and then subject to a public tender process.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Name of entity

NOVO LITIO LTD

ABN

16 009 146 794

Quarter ended ("current quarter")

30 JUNE 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(183)	(2,426)
(b) development	-	-
(c) production	-	-
(d) staff costs	(111)	(562)
(e) administration and corporate costs	(219)	(1,014)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	101	346
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	(30)	(30)
1.7 Research and development refunds	154	273
1.8 Other	5	5
1.9 Net cash from / (used in) operating activities	(283)	(3,408)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(15)	(15)
(b) tenements (see item 10)	-	-
(c) investments	(2)	(258)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
	(d) other non-current assets	-	-
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	1	85
	(b) tenements (see item 10)	-	-
	(c) investments	-	4,767
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(16)	4,579

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	85
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	-	85

4.	Net increase / (decrease) in cash and cash equivalents for the period	(299)	1,256
4.1	Cash and cash equivalents at beginning of period	15,993	14,398
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(283)	(3,408)

Mining exploration entity and oil and gas exploration entity quarterly report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(16)	4,579
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	85
4.5	Effect of movement in exchange rates on cash held	11	51
4.6	Cash and cash equivalents at end of period	15,705	15,705

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	1,355	1,042
5.2	Call deposits	14,350	14,950
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	15,705¹	15,992

¹ In addition, the Company has a performance bond of EUR167,500 (~A\$265,000) due to be refunded to it from the DGEG in Portugal relating to the surrender of two exploration licences.

6. Payments to directors of the entity and their associates

6.1 Aggregate amount of payments to these parties included in item 1.2

6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$A'000
144
-

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	-
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	175
9.2 Development	-
9.3 Production	-
9.4 Staff costs	153
9.5 Administration and corporate costs	150
9.6 Other (provide details if material)	(144) ¹
9.7 Total estimated cash outflows	334

¹Includes forecast interest income and Portuguese VAT refund

Mining exploration entity and oil and gas exploration entity quarterly report

10.	Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	*			
10.2	Interests in mining tenements and petroleum tenements acquired or increased				

*Refer to Quarterly Activities Report for Schedule of Tenements.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



30 July 2018

Sign here:
(Company secretary)

Date:

Print name:
Mathew Whyte

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.