EUROPEAN LITHIUM LIMITED
(FORMERLY PAYNES FIND GOLD LIMITED)
ABN 45 141 450 624

Annual Report

For the Year Ended 30 June 2016

Corporate Directory

DIRECTORS

Antony Sage	Non-Executive Chairman
Malcolm Day	Non-Executive Director
Paul Lloyd	Non-Executive Director

COMPANY SECRETARY

Amy Fink

REGISTERED OFFICE

32 Harrogate Street
West Leederville, WA 6007
Ph: + 61 (8) 6181 9792
Fax: + 61 (8) 9380 9666

PRINCIPAL PLACE OF BUSINESS

32 Harrogate Street
West Leederville, WA 6007
Ph: + 61 (8) 6181 9792
Fax: + 61 (8) 9380 9666

CONTACT DETAILS

Website: www.europeanlithium.com
Email: info@europeanlithium.com

SOLICITORS TO THE COMPANY

Steinepreis Paganin
Level 4, The Read Building
16 Milligan Street
Perth WA 6000

AUDITORS

HLB Mann Judd
Level 4,130 Stirling Street
PERTH WA 6000

STOCK EXCHANGE

Australian Securities Exchange
Level 40, Central Park
152-158 St George's Terrace
Perth WA 6000

ASX Code: **EUR** (Formerly PNE**)**

SHARE REGISTRY

Advanced Share Registry Ltd
110 Stirling Highway
NEDLANDS WA 6009
Ph: + 61 (8) 9389 8033
Fax: + 61 (8) 9262 3723

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Directors' Report

Your directors present their report on European Lithium Limited (formerly Paynes Find Gold Limited) ("Company" or "EUR") for the financial year ended 30 June 2016.

1. DIRECTORS

The names and details of the directors in office at any time during or since the end of financial year are:

Antony Sage	Non-Executive Chairman (appointed 9 September 2016)
Malcolm Day	Non-Executive Director
Paul Lloyd	Non-Executive Director
David Holden	Non-Executive Director (resigned 9 September 2016)

2. COMPANY SECRETARY

The following person held the position of company secretary at the date of this report:

Amy Fink (appointed 19 September 2016)
Paul Lloyd held the position of company secretary for the entire financial year and up to the date of his resignation, 19 September 2016.

3. PRINCIPAL ACTIVITY

The principal activity of the Company during the financial year was the exploration for gold and other minerals. The current activity is in Western Australia.

There were no significant changes in the nature of the Company's principal activities during the financial year.

After the end of the financial year, the Company completed the acquisition of European Lithium Limited and the principal activity of the Company changed to Lithium exploration and development in Austria (see point 7 below).

4. OPERATING RESULTS

The Company reported a net loss of $553,745 for the financial year (2015: $986,321 loss).

5. DIVIDENDS PAID OR RECOMMENDED

The directors do not recommend the payment of a dividend and no amount has been paid or declared by way of a dividend to the date of this report.

6. SIGNIFICANT CHANGES IN STATE OF AFFAIRS

During the year there were no significant changes in the state of affairs of the Company other than as disclosed in this report or in the Financial Report.

Subsequent to the end of the financial year the Company completed the acquisition of European Lithium Limited as detailed in point 7 below.

7. EVENTS SINCE THE END OF THE FINANCIAL YEAR

On 6 May 2016, The Company announced the proposed acquisition of European Lithium Limited (Company number 1629378), the 100% owner of the Wolfsberg Lithium project in Austria. On 25 July 2016 the Shareholders approved the acquisition of the advanced Lithium project and on 9 September 2016 the acquisition was completed. The Company's securities recommenced trading on the ASX on 20 September 2016 under the code EUR after the Company's name was changed to European Lithium Limited. Further details of the acquisition are provided at Note 22 of the Financial Statements.

Other than the above, no matters or circumstances have arisen since the end of the financial year which significantly altered or may significantly alter the operations of the Company, the results of those operations or the state of affairs of the Company in financial years subsequent to 30 June 2016.

8. ENVIRONMENTAL REGULATIONS

The Company's environmental obligations are regulated under both State and Federal Law. The Company has a policy of complying with its environmental performance obligations. No environmental breaches have been notified to the Company to the date of this report.

The Directors have considered compliance with the National Greenhouse and Energy Reporting Act 2007 which requires entities to report annual greenhouse gas emissions and energy use. The directors have assessed that there are no current reporting requirements, but the Company may be required to do so in the future.

9. LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Disclosure of information regarding likely developments in the operations of the Company in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Company. Therefore, this information has not been presented in this report.

10. REVIEW OF OPERATIONS

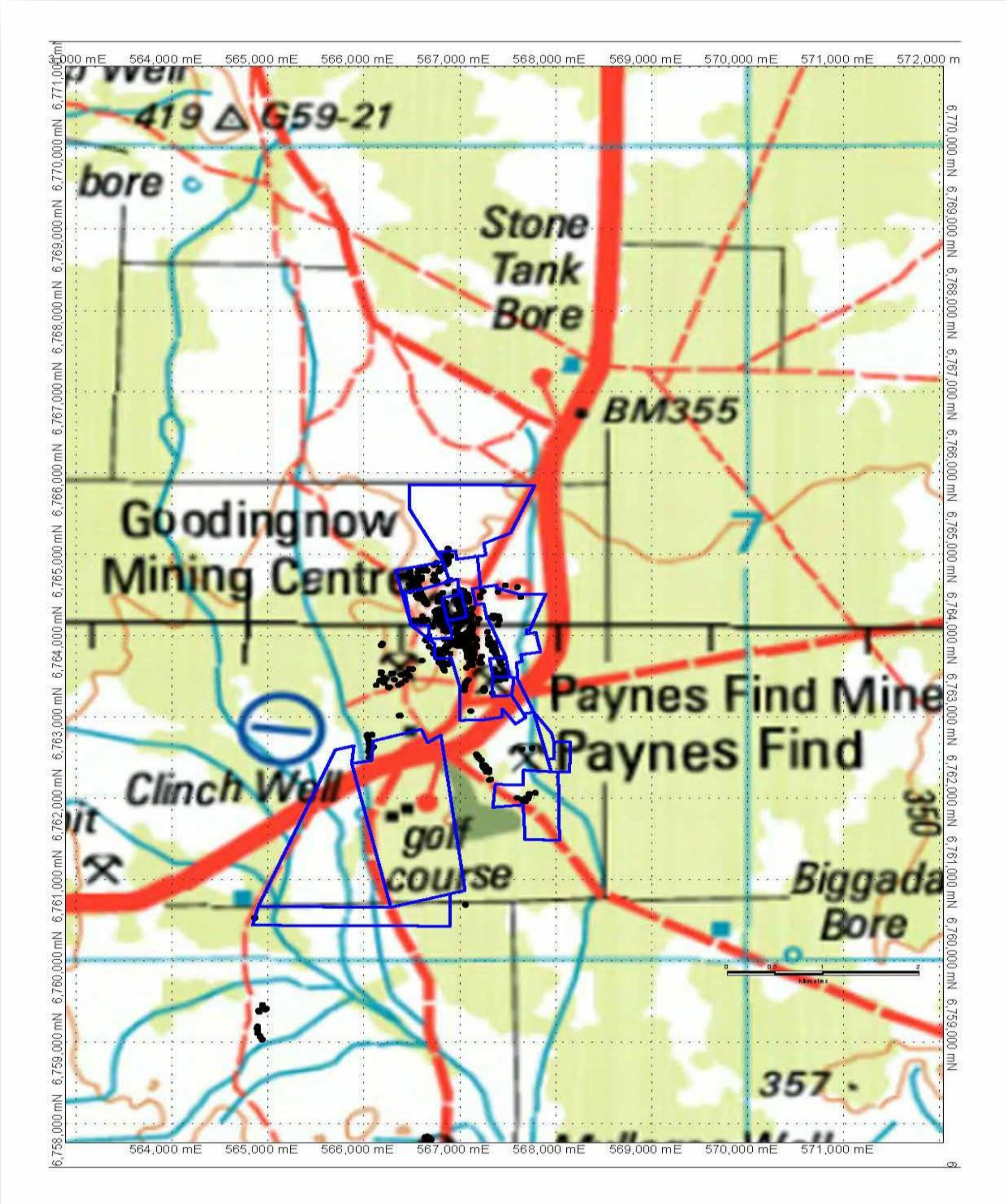
For the past 12 months the Company has been working on predominantly corporate issues to re-focus the Company's activities aligning expectations with outcomes for shareholders and Directors.

The technical team has concluded its first pass review of previous exploration and mining data and is now evaluating the opportunities that exist for the Company at its core gold property at Paynes Find, Western Australia. The Company has also continued to monitor the progress of last year's rehabilitation activities ensuring that the work continues to improve the project's environmental landscape.

Location Map for the Paynes Find Gold Prospect

Economic assessment of the project has been a major focus with both gold price improvements in the first half of this year. The Company has identified the importance of identifying any resources or resource potential as a pre cursor to any further exploration work and this is a focus for the technical team.

10. REVIEW OF OPERATIONS (cont'd)



Tenement holdings and known historical workings

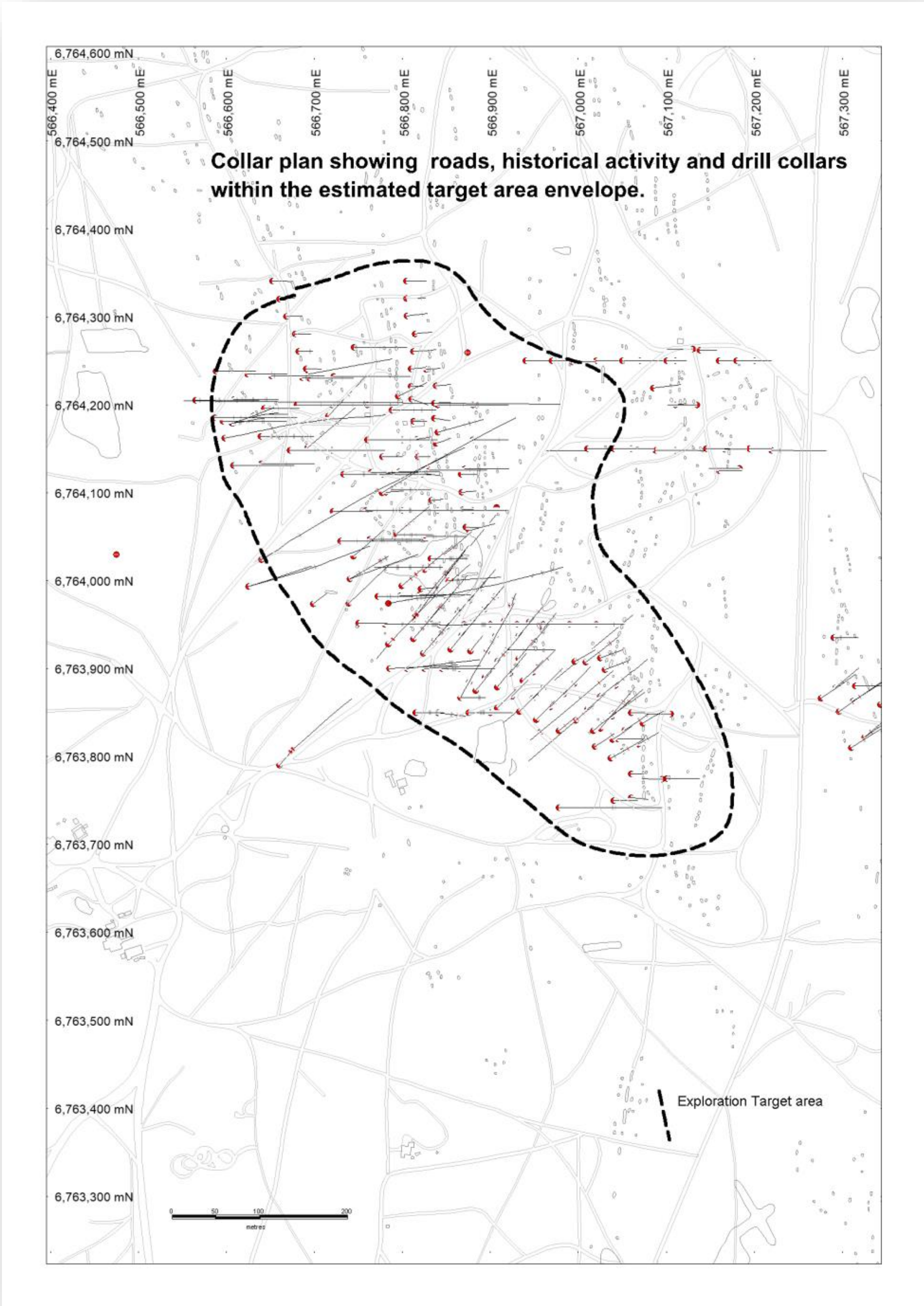
In this regard the technical group has completed a theoretical evaluation based upon grade distribution within known drill holes and the drill hole spatial relationship and has determined that the project has an exploration target of between approximately 1.7 million and 1.9 million tonnes and a gold grade of between approximately 2.7g/t and 3.0g/t at the "stage 1" target area (see figure 1). This exploration target allows the Company to determine the cost benefit for future exploration and will guide future exploration expenditure but is not to be misconstrued as a mineral resource. The database upon which the estimate is based contained 247 drill holes comprising predominantly RC or percussion drilling with an additional 5 diamond drill cores. Drill spacing is on average 25 metres along section and average 25 metres between sections over an area measuring 800 by 300 metres and to a nominal depth of 100 metres. No top cut or restriction has been placed upon any assay interval, all carry equal weighting. Specific gravity has been taking as standard for the rock type which host the vein system of 2.85g/cc and is supported by field measurements of SG completed this year on 6 core samples of varying depth.

Whilst historical drilling has been extensive, the lack of information pertaining to quality controls and quality assurances on the sampling and spatial data dictates that further assaying checking and twinning of selected holes is mandatory in any future exploration programmes.

This estimate has been in conjunction with not only the drill hole database but incorporating the detailed surface mapping by previous explorers and an understanding of the nature and extent of the vein systems as described from investigations and production in underground workings and the vein geometry and distribution, again as detailed by previous explorers. This potential quantity and grade is only conceptual in nature. There has been insufficient exploration to estimate a Mineral Resource and that it is uncertain if further exploration will result in the estimation of any Mineral Resource.

Directors' Report (cont'd)

10. REVIEW OF OPERATIONS (cont'd)



Field work during the beginning of 2016 also identified numerous pegmatite veins within the property boundary. Sampling of a number of the pegmatite occurrences as initial evaluation of potential for lithium as reported in the June quarterly 2016.

SAMPLE NO:	TYPE	EASTING	NORTHING	DATUM	ppm Li (detection to 1ppm)
2	outcrop	567464	6763187	MGA94 Zone 50	7
3	outcrop	567379	6763355	MGA94 Zone 50	6
4	outcrop	565755	6764368	MGA94 Zone 50	379
5	outcrop	566907	6764990	MGA94 Zone 50	83
6	outcrop	566907	6764990	MGA94 Zone 50	49

10. REVIEW OF OPERATIONS (cont'd)

Competent Persons Statement

This information in this announcement to which this statement is attached relates to Exploration Results, Mineral Resources or Ore Reserves at Paynes Find compiled by Mr D. J. Holden, who is a Director of the Company and is a Member of The Australian Institute of Geoscientists with over 25 years' experience in the mining and resource exploration industry. Mr Holden has sufficient experience, as to qualify as a Competent Person as defined in the 2012 edition of the "Australian Code for Reporting of Mineral Resources and Ore reserves". Mr Holden consents to the inclusion in the report of the matters based on information in the form and context in which it appears. The company is reporting the historical exploration results under the 2012 edition of the Australasian Code for the Reporting of Results, Mineral Resources and Ore reserves (JORC code 2012).

Corporate

On 6 May 2016, The Company announced the proposed acquisition of European Lithium Limited (Company number 1629378), the 100% owner of the Wolfsberg Lithium project in Austria. On 25 July 2016 the Shareholders approved the acquisition of the advanced Lithium project and on 9 September 2016 the acquisition was completed. The Company's securities recommenced trading on the ASX on 20 September 2016 under the code EUR after the Company's name was changed to European Lithium Limited. Further details of the acquisition are provided at Note 22 of the Financial Statements.

11. INFORMATION ON DIRECTORS AND COMPANY SECRETARY

Mr Antony Sage

- Non-Executive Chairman (appointed 9 September 2016)

Qualifications: Bachelor of Business. Mr Sage is a Chartered Accountant with over 30 years commercial experience.

Experience: Mr Sage has in excess of 30 years' experience in the fields of corporate advisory services, funds management and capital raising. Mr Sage is based in Western Australia and has been involved in the management and financing of listed mining and exploration companies for the last 19 years.

Interest in shares and options in the Company: 3,859,034 Shares (Shares are owned by Okewood Pty Ltd, a company in which Mr Sage has a relevant interest)

Directorships held in other listed entities:

Cape Lambert Resources Ltd	14 December 2000 to Present
Global Strategic Metals Limited[1]	June 2012 to August 2014
Caeneus Minerals Limited	December 2010 to 18 January 2016
Cauldron Energy Limited	June 2009 to Present
Fe Limited	August 2009 to Present
International Petroleum Limited[2]	January 2006 to Present
Kupang Resources Limited[3]	September 2010 to Present

[1] Company was delisted August 2014
[2] Listed on the National Stock Exchange of Australia.
[3] Company was delisted August 2015
No other listed company directorships were held in the last three years.

Mr Paul Lloyd

- Non-Executive Director (appointed 4 October 2013)
- Company secretary (resigned 19 September 2016)
- Chief Financial Officer (resigned 19 September 2016)

Qualifications: Bachelor of Business. Mr Lloyd is a Chartered Accountant with over 25 years commercial experience.

Experience: Mr Lloyd operates his own corporate consulting business, specialising in the area of corporate, financial and management advisory services. After commencing his career with an international accounting firm, he was employed for approximately 10 years as the General Manager of Finance for a Western Australian based international drilling contractor working extensively in Asia and Africa .Mr Lloyd has been responsible for a number of Initial public offerings on the ASX in the mining and oil and gas industries.

Interest in shares and options in the Company: 6,000,000 unlisted options exercisable at 12.5 cents on or before 27 February 2020.

Directorships held in other listed entities:

Firestrike Resources Limited	Resigned 18 April 2016

No other listed company directorships were held in the last three years.

Mr Malcolm Day	• Non-Executive Director
Qualifications	Bachelor of Applied Science in Surveying and Mapping
Experience	Mr Day was the founder and inaugural Managing Director of Adultshop.com which listed on ASX in June 1999. In October 2010 Adultshop.com was privatised. Prior to founding Adultshop.com in 1996, Mr Day worked in the civil construction industry for 10 years, six of which were spent in senior management as a Licensed Surveyor and then later as a Civil Engineer. Whilst working as a Surveyor, Mr Day spent three years conducting mining and exploration surveys in remote Western Australia. Mr Day is a Member of the Australian Institute of Company Directors.
Interest in shares and options in the Company	Goldshore Investments Pty Ltd ATF The Goldshore Trust and the M R Day Superfund, Hollywood Marketing Pty Ltd, companies of which Mr Day is a director, hold 2,708,062 ordinary fully paid shares. Delecta Limited, a company of which Mr Day is a director, holds 11,000,000 ordinary fully paid shares. Mr Day holds 2,000,000 unlisted options exercisable at 12.5 cents on or before 27 February 2020.
Directorships held in other listed entities	Delecta Limited — From: 15 June 1999 No other listed company directorships were held in the last three years.

Mr David Holden	• Non-Executive Director (appointed 15 January 2014 resigned 9 September 2016)
Qualifications	Mr Holden holds a Bachelor of Science degree in Geology from Otago University, New Zealand. He also holds a Masters in Business Administration and a Masters in Management giving him a broad base of managerial skills to compliment the years of experience. He is a member of the Australian Institute of Geoscientists.
Experience	His career spans over 25 years in the minerals industry from the coal mines in New Zealand to deep underground gold mines in South Africa. Over his career, David has held a number of senior management roles including Supervising Geologist, Chief Geologist and Technical Director for a number of public companies including Prosperity Resources Ltd (ASX listed) Quadrant Australia (ASX listed), Avonlea Minerals Ltd (ASX listed) and IGC Resources Inc. (TSX listed) (resigned 2009). David was intimately involved in the multi million ounce discoveries of gold at Mt Todd in the Northern Territory and the Nimary Mine in Western Australia. In 1997 David founded a geological consulting service company, Ravensgate which specialises in expert's reports, resource estimations, valuations and exploration management, and in 2005 started Shackleton Capital Pty Ltd, advising listed companies on both corporate and technical matters relating to project acquisition or initial public offering. In 2007 he founded Atomic Resources Ltd (ASX listed) a solid energy company that is currently developing major coal assets in Tanzania.
Interest in shares and options in the Company	Nil.
Directorships held in other listed entities	Firestrike Resources Limited — Resigned 18 April 2016 No other listed company directorships were held in the last three years.

Ms Amy Fink	• Company secretary (appointed 19 September 2016)
Qualifications	Bachelor of Commerce (Accounting & Finance). Ms Fink is a member of the Institute of Chartered Accountant, Australia.
Experience	Ms Fink has 15 years of experience in the accounting profession, primarily in the area of corporate administration and financial reporting. She has worked in Australia and the United Kingdom for both listed and private companies and has been involved in a number of initial public offerings/capital raisings.

12. REMUNERATION REPORT (Audited)

This report details the nature and amount of remuneration for each key management person of European Lithium Limited.

The information provided in this report has been audited as required by Section 308(3c) of the *Corporations Act 2001*.

The remuneration report is set out under the following main headings:

A Remuneration Policy
B Details of remuneration
C Equity-based compensation
D Equity Instrument disclosures relating to key management personnel
E Other related party transactions
F Employment contracts of directors and senior executives

A Remuneration Policy

The remuneration policy of European Lithium Limited has been designed to align key management personnel objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the Company's financial results. The Board of European Lithium Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best key management personnel to run and manage the Company, as well as create goal congruence between directors, executives and shareholders.

The Board's policy for determining the nature and amount of remuneration for key management personnel of the Company is as follows:

- The remuneration policy, setting the terms and conditions for key management personnel, was developed and approved by the Board.
- All key management personnel receive a base salary (which is based on factors such as length of service and experience), superannuation, fringe benefits, options and performance incentives.
- Key management personnel can be employed by the Company on a consultancy basis, upon Board approval, with remuneration and terms stipulated in individual consultancy agreements.
- The board reviews key management personnel packages annually based on market practices, duties and accountability. Currently there is no link between remuneration and shareholder wealth or Company performance. The Board may, however, approve at its discretion, incentives, bonuses and options. The policy is designed to attract the highest calibre of executives and reward them for their performance that results in long-term growth in shareholder wealth.

Key management personnel are also entitled to participate in the employee share and option arrangements.

Key management personnel may receive a superannuation guarantee contribution as required by the government, which is currently 9.5%, and do not receive any other retirement benefits. Individuals may choose to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to key management personnel is valued at the cost to the Company and expensed. Shares given to key management personnel are valued as the difference between the market price of those shares and the amount paid by key management personnel. Unlisted options are valued using the Black-Scholes methodology.

The Board believes that it has implemented suitable practices and procedures that are appropriate for an organisation of this size and maturity.

Remuneration Governance

During the year ended 30 June 2016, the Company did not have a separately established nomination or remuneration committee. Considering the size of the Company, the number of directors and the Company's early stages of its development, the Board is of the view that these functions could be efficiently performed with full Board participation.

Remuneration Structure

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate and distinct.

Key Management Personnel Remuneration Policy

The Board's policy for determining the nature and amount of remuneration of key management for the Company is as follows:

The remuneration structure for key management personnel is based on a number of factors, including length of service, and particular experience of the individual concerned. The contracts for service between the Company and key management personnel are on a continuing basis, the terms of which are not expected to change in the immediate future.

12. REMUNERATION REPORT (AUDITED) (cont'd)

B Details of Remuneration

Non-Executive Director Remuneration

Objective
The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

Structure
The Board's policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The remuneration of non-executive directors is reviewed annually, based on market practice, duties and accountability. Independent external advice is sought when required. Fees for non-executive directors are not linked to the performance of the Company. However, to align directors' interests with shareholders' interests, the directors are encouraged to hold shares in the Company. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. The maximum aggregate currently stands at $300,000 per annum and was approved by shareholders at a General Meeting on 15 March 2010.

Non-executive directors may also be remunerated for additional specialised services performed at the request of the Board and reimbursed for reasonable expenses incurred by directors on Company business.

Executive Director Remuneration

Objective
The Company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company and so as to:

- Reward executives for individual performance against targets set by reference to appropriate benchmarks;
- Align the interests of executives with those shareholders; and
- Ensure total remuneration is competitive by market standards.

Currently there is no link between remuneration and shareholder wealth or Company performance.

Structure
Executive directors are provided to the Company on a consultancy basis with remuneration and terms stipulated in individual consultancy agreements.

Key Management Personnel Remuneration

The key management personnel of the Company during the financial year were the directors of European Lithium Limited as follows:

Paul Lloyd	Non-Executive Chairman/Company Secretary and Chief Financial Officer
Malcolm Day	Non-Executive Director
David Holden	Non-Executive Director

Details of the nature and amount of emoluments of each director during the financial year are:

		Short-term Benefits	Long-term Benefits	Post Employment Benefits	Total	% of Remuneration Linked to Performance
		Salary & Fees	Director Options	Super annuation		
Directors		**$**	**$**	**$**	**$**	**$**
Paul Lloyd	2016	174,500	-	-	174,500	Nil
	2015	120,000	108,000	-	228,000	47
Malcolm Day	2016	43,333	-	-	43,333	Nil
	2015	36,667	36,000	-	72,667	50
David Holden	2016	48,100	-	-	48,100	Nil
	2015	44,600	-	-	44,600	Nil
	2016	**265,933**	**-**	**-**	**265,933**	Nil
Total	**2015**	**201,267**	**144,000**	**-**	**345,267**	Nil

12. REMUNERATION REPORT (AUDITED) (cont'd)

C Equity-based compensation

Options Granted as Part of Remuneration
Options are issued to directors and executives as part of their remuneration. The options are not issued based on performance criteria, but are issued to the majority of directors of European Lithium Limited to increase goal congruence between directors and shareholders.

There were no options granted to directors during the year ended 30 June 2016. Options granted to directors during the year ended 30 June 2015 were as follows:

Paul Lloyd	6,000,000
Malcolm Day	2,000,000
	8,000,000

The options are exercisable at 12.5 cents on or before 27 February 2020. The value of the options is included in the Key Management Personnel Remuneration for the 2015 year above. All options vested during the 2015 year. The grant date fair value per option was $0.02.

Shares Issued on Exercise of Compensation Options

No compensation options lapsed and no options were exercised during the year (2015: nil).

D Equity instrument disclosures relating to key management personnel

i. Shareholdings

2016

Name	Balance at the start of the year	Rights issue take up	Share capital Reconstruction	On Market Purchases/ (Sales)	Balance at appointment/ (resignation) date	Balance at the end of the year
Paul Lloyd	-	-	-	-	-	-
Malcolm Day	7,066,201	4,141,861	-	-	-	11,208,062
David Holden	-	-	-	-	-	-
	7,066,201	4,141,861	-	-	-	11,208,062

2015

Name	Balance at the start of the year	Rights issue take up	Share capital Reconstruction	On Market Purchases/ (Sales)	Balance at the end of the year
Paul Lloyd	-	-	-	-	-
Malcolm Day	103,310,098	250,000,000	(346,243,897)	-	7,066,201
David Holden	-	-	-	-	-
	103,310,098	250,000,000	(346,243,897)	-	7,066,201

ii. Option holdings

2016

Name	Balance at the start of the year	Granted as remuneration	Expired Options	On Market Purchases/ (Sales)	Balance at appointment/ (resignation) date	Balance at the end of the year
Paul Lloyd	6,000,000	-	-	-	-	6,000,000
Malcolm Day	2,000,000	-	-	-	-	2,000,000
David Holden	-	-	-	-	-	-
	8,000,000	-	-	-	-	8,000,000

2015

Name	Balance at the start of the year	Granted as remuneration	Expired Options	On Market Purchases/ (Sales)	Balance at appointment/ (resignation) date	Balance at the end of the year
Paul Lloyd	-	6,000,000	-	-	-	6,000,000
Malcolm Day	51,103,366	2,000,000	(51,103,366)	-	-	2,000,000
David Holden	-	-	-	-	-	-
	51,103,366	8,000,000	(51,103,366)	-	-	8,000,000

12. REMUNERATION REPORT (AUDITED) (cont'd)

E Other related party transactions

Transactions with other related parties are made on normal commercial terms and conditions and at market rates. Outstanding balances are unsecured and are repayable in cash.

For the year ended 30 June 2016

No related party transaction occurred during the year.

For the year ended 30 June 2015

During the 2015 year the Company entered into an Option to acquire the Canadian River Oil and Gas field development project in Oklahoma USA, from Delecta Limited. Delecta Limited is a substantial shareholder of the Company and Malcolm Day is a director and substantial shareholder of Delecta Limited. After completion of due diligence and approval by shareholders, the option was not exercised due to the minimum capital not being raised. No shares or options were issued to Delecta Limited and there were no costs reimbursed.

A loan was provided by Delecta Limited, a substantial shareholder, on normal commercial terms.
The terms of the loan were as follows:

- Principal sum of $250,000
- Interest rate of 10% and an establishment fee of 2%
- It was intended that repayment would be by way of conversion to equity pursuant to the rights issue announced on 30 July 2014.
- No security was provided by the Company

The loan was repaid during the year ended 30 June 2015.

Malcolm Day, a director of the Company, is also a Director and substantial shareholder of Delecta Limited.

F Employment Contracts of Directors and Senior Executives

Remuneration and other terms of employment for Executive Directors are formalised in executive service agreements and Non-Executive Directors are formalised in consultancy agreements with the Company.

Major provisions of the agreements relating to remuneration are set out below.

Non-Executive Chairman - Mr Paul Lloyd

- Term of Agreement – The agreement commenced on 9 October 2013, for a term of twelve months, renewable annually or until either party gives 3 months written notice of termination or is otherwise terminated in accordance with the consultancy agreement.
- Remuneration of $120,000 per annum to act as Non-Executive Chairman, Company Secretary and Chief Financial Officer, payable monthly to Mr Paul Lloyd or his nominee. Plus additional fees for specific work completed.

Non-Executive Director - Mr Malcolm Day

- Term of Agreement – The agreement commenced on 2 July 2012 for a term of twelve months, renewable annually, or until either party gives 3 months written notice of termination or is otherwise terminated in accordance with the consultancy agreement.
- Remuneration of $40,000 per annum, payable monthly to Mr Malcolm Day or his nominee.

Non-Executive Director - Mr David Holden

- Term of Agreement – The agreement commenced on 15 January 2014 for a term of twelve months, renewable annually, or until either party gives 3 months written notice of termination or otherwise terminated in accordance with the consultancy agreement.
- Remuneration of $40,000 per annum, payable monthly to Mr David Holden or his nominee. Plus additional fees for specific work completed.

Trading in the Company's securities by directors, officers and employees

The Board has adopted a policy in relation to dealings in the securities of the Company which applies to all directors and employees. Under the policy, the directors, officers and employees are prohibited from dealing in the Company's securities whilst in possession of price sensitive information and also prohibited from short term or "active" trading in the company's securities. The directors, officers and employees should also prevent dealing in the Company's securities during specific blackout periods. The Company Secretary or a director must be notified upon a trade occurring.

The policy is provided to all directors and employees. Compliance with it is reviewed on an ongoing basis in accordance with the Company's risk management systems.

There were no loans to directors during the financial year.

12. REMUNERATION REPORT (AUDITED) (cont'd)

Voting and comments made at the Company's 2015 Annual General Meeting

The Company's remuneration report for the 2015 financial year was approved at the Annual General Meeting (AGM) of Shareholders. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

Remuneration consultants

There were no remuneration consultants engaged by the Company during the year.

This is the end of the audited Remuneration Report.

13. OPTIONS

As at the date of this report the unissued ordinary shares of European Lithium Limited under option are as follows:

Date of Expiry		Exercise Price	Number Under Option
27/02/2020	unlisted	12.5 cents	8,000,000
			8,000,000

No person entitled to exercise these options had or has any right by virtue of the option to participate in any share issue of any other body corporate.

Shares issued on exercise of options

There were no shares issued on the exercise of options during the year ended 30 June 2016. During the year, 480,000 unlisted options expired unexercised and 6,000,000 options were cancelled.

Since the end of the financial year, no ordinary shares have been issued as a result of the exercise of options.

14. MEETINGS OF DIRECTORS

The number of directors' meetings held during the financial year and the numbers of meetings attended by each director were:

	Directors' Meetings	
Director	**Number eligible to attend**	**Number attended**
Paul Lloyd	3	3
Malcolm Day	3	3
David Holden	3	3

15. INDEMNIFICATION OF AUDITORS AND OFFICERS

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an office or auditor of the Company.

16. AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

Auditor Independence

The auditor's independence declaration for the year ended 30 June 2016 has been received and can be found on page 40.

Non-Audit Services

During the year ended 30 June 2016, fees of $20,000 were paid or payable for non-audit services provided by the entity's auditors, HLB Mann Judd (30 June 2015 $30,000).

The board of directors has considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the provisions of non-audit services by the auditor, as set out above ,did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- All non-audit services have been reviewed by the directors to ensure they do not impact the impartiality and objectivity of the auditor
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

17. PROCEEDINGS ON BEHALF OF COMPANY

No persons have applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a part for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

Signed in accordance with a resolution of the directors:

P Lloyd

Paul Lloyd
Chairman
29 September 2016

Statement of Profit or Loss and Other Comprehensive Income
For the Year Ended 30 June 2016

	Notes	2016 $	2015 $
Continuing operations			
Revenue	4	4,700	4,082
Other income	4	63,643	3,461
Employee benefits expense	5	(163,333)	(156,667)
Premises expense	5	(3,657)	(60,195)
Administration expenses	5	(311,697)	(202,742)
Exploration expenses	5	(87,545)	(85,183)
Due diligence costs		(55,857)	(232,830)
Share based payments expenses	5	-	(252,000)
Loss from continuing operations before tax and finance costs		**(553,746)**	**(982,074)**
Finance costs	5	-	(4,247)
Loss before income tax		**(553,746)**	**(986,321)**
Income tax expense	7	-	-
Loss after tax from continuing operations		**(553,746)**	**(986,321)**
Other comprehensive income, net of income tax		-	-
Total comprehensive loss for the year		**(553,746)**	**(986,321)**
Loss per share for the year			
Basic loss for the year (cents per share)	16	(1.39)	(6.16)
Diluted loss for the year (cents per share)	16	(1.39)	(6.16)

The above Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the Notes to the Financial Statements

Statement of Financial Position
As at 30 June 2016

	Notes	2016 $	2015 $
ASSETS			
Current Assets			
Cash and cash equivalents	8	709,078	267,273
Trade and other receivables	9	70,632	78,569
Prepayments	10	4,133	2,766
Total Current Assets		**783,843**	**348,608**
Non-Current Assets			
Other financial assets	11	750,000	-
Total Non-Current Assets		**750,000**	**-**
TOTAL ASSETS		**1,533,843**	**348,608**
LIABILITIES			
Current Liabilities			
Trade and other payables	12	151,935	293,376
Borrowings	13	-	13,739
Total Current Liabilities		**151,935**	**307,115**
TOTAL LIABILITIES		**151,935**	**307,115**
NET ASSETS		**1,381,908**	**41,493**
EQUITY			
Issued capital	14	17,632,983	15,738,822
Reserves	15	2,280,954	2,280,954
Accumulated losses		(18,532,029)	(17,978,283)
TOTAL EQUITY		**1,381,908**	**41,493**

The above Statement of Financial Position is to be read in conjunction with the Notes to the Financial Statements

Statement of Changes in Equity
For the Year Ended 30 June 2016

	Issued Capital $	Attributable to equity holders Accumulated Losses $	Share Based Payments Reserve $	Total Equity $
At 1 July 2014	**15,073,593**	**(16,991,962)**	**2,028,954**	**110,585**
Loss for the year	-	(986,321)	-	(986,321)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the year	**-**	**(986,321)**	**-**	**(986,321)**
Transactions with owners in their capacity as owners:				
Share capital issue	778,273	-	-	778,273
Share capital costs	(113,044)	-	-	(113,044)
Share options issued	-	-	252,000	252,000
At 30 June 2015	**15,738,822**	**(17,978,283)**	**2,280,954**	**41,493**
Loss for the year	-	(553,746)	-	(553,746)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the year	**-**	**(553,746)**	**-**	**(553,746)**
Transactions with owners in their capacity as owners:				
Share capital issue	2,034,548	-	-	2,034,548
Share capital costs	(140,387)	-	-	(140,387)
At 30 June 2016	**17,632,983**	**(18,532,029)**	**2,280,954**	**1,381,908**

The above Statement of Changes in Equity is to be read in conjunction with the Notes to the Financial Statements

Statement of Cash Flows
For the Year Ended 30 June 2016

	Notes	2016 $	2015 $
Cash flows from operating activities			
Payments to suppliers and employees		(543,265)	(311,429)
Payments for exploration		(107,937)	(83,055)
Interest received		4,703	4,871
Interest paid		-	(7,397)
Net cash used in operating activities	18	**(646,499)**	**(397,010)**
Cash flows from investing activities			
Proceeds from the sale of exploration tenements		-	300,000
Proceeds from sale of plant and equipment		-	3,461
Loan to European Lithium Limited(Company number 1629378)		(750,000)	-
Payment of due diligence costs		(55,857)	(232,830)
Net cash provided by (used in)/ investing activities		**(805,857)**	**70,631**
Cash flows from financing activities			
Proceeds from capital raisings		2,034,547	778,273
Payment for share issue costs		(140,386)	(113,044)
Repayment of borrowings		-	(250,000)
Net cash provided by financing activities		**1,894,161**	**415,229**
Net increase in cash and cash equivalents		441,805	88,850
Cash and cash equivalents at beginning of year		267,273	178,423
Cash and cash equivalents at end of year	8	**709,078**	**267,273**

The above Statement of Cash Flows is to be read in conjunction with the Notes to the Financial Statements

1. CORPORATE INFORMATION

The financial report of European Lithium Limited (the "Company") for the year ended 30 June 2016 was authorised for issue in accordance with a resolution of the directors on 29 September 2016.

European Lithium Limited is a public company incorporated in Western Australia whose shares are publicly traded on the Australian Securities Exchange. The nature of the operations and principal activities of the Company are described in the Directors' Report.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS). The Company is a for-profit entity for the purpose of preparing the financial statements.

The financial report has also been prepared on the accruals basis and historical cost basis, except for available for sale investments, which are measured at fair value.

The accounting policies set out below have been applied consistently to all periods presented in the financial report except where stated.

b) Going concern

The directors have prepared the financial statements on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and extinguishment of liabilities in the ordinary course of business.

The Company has recorded a loss after tax of $553,746 and net operating cash outflows of $646,499 for the year ended 30 June 2016. Notwithstanding this, the directors believe the going concern basis is appropriate as:

- The Company lodged a Replacement Prospectus on 28 July 2016 to raise a minimum of $6,000,000 and a maximum of $9,000,000 before cost. The Prospectus was closed on 5 September 2016 and a total of $6,232,200 was raised before costs of the issue.
- The cash assets of the Company at 30 June 2016 were $709,078.

c) Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

<u>Share based payment transactions</u>

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black-Scholes option pricing model.

The Company measures the cost of cash-settled share based payments at fair value at the grant date using the Black-Scholes formula taking into account the terms and conditions upon which the instruments were granted.

<u>Deferred taxation</u>

Potential future income tax benefits have not been brought to account at 30 June 2016 because the Directors do not believe that it is appropriate to regard realisations of future income tax benefits as probable.

d) Borrowing costs

Borrowing costs are recognised as an expense when incurred, except for borrowing cost relating to qualifying assets when the interest is capitalised to the qualifying assets.

e) Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position comprise cash at bank and in hand and short-term deposits with an original maturity of six months or less.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

f) Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) Investments

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment. After initial recognition, investments, which are classified as held for trading and available-for-sale, are measured at fair value. Gains or losses on investments held for trading are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

Gains or losses on available-for-sale investments are recognised in other comprehensive income and presented as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the Statement of Profit or Loss and Other Comprehensive Income.

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Company has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification.

Other long-term investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any discount or premium on acquisition, over the period to maturity. For investments carried at amortised cost, gains and losses are recognised in income when the investments are derecognised or impaired, as well as through the amortisation process. For investments that are actively traded in organised financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices at the close of business on the balance date.

For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

Purchases and sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place are recognised on the trade date i.e. the date that the Company commits to purchase the asset.

h) Financial instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement. Transaction costs on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

Interest and dividends are classified as expenses or as distributions of profit consistent with the statement of financial position classification of the related debt or equity instruments or component parts of compound instruments.

i) Impairment of assets

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless that asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or group of assets. In which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying value does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

j) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred tax liabilities are recognised for all taxable temporary differences except:

When the deferred tax liability arises from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither the accounting profit nor taxable profit or loss; or

When the taxable temporary difference arises from the initial recognition of goodwill; or

When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which the deductible temporary differences or unused tax losses and tax offsets can be utilised, except:

When the deductible temporary difference giving rise to the asset arises from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither accounting profit nor taxable income; or

When the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset when they relate to the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis

k) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of GST except:

When the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost acquisition of the asset or as part of the expense item as applicable; and receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

l) Leases

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased asset to the Company. All other leases are classified as operating leases.

Finance leases are capitalised, recording an asset and a liability equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, including any guaranteed residual values. Leased assets are depreciated on a diminishing value basis over their estimated useful lives where it is likely that the Company will obtain ownership of the asset or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Operating lease payments are recognised as an expense in the Statement of Profit or Loss and Other Comprehensive Income on a straight-line basis over the lease term.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Provisions and employee leave benefits

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cashflows estimated to settle the present obligation, its carrying value is the present value of those cashflows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, for example under an insurance contract, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Employee leave benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

n) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

o) Trades and other payables

Trade payables and other accounts payable are recognised when the Company becomes obliged to make future payments resulting from the purchase of goods and services.

p) Exploration and evaluation expenditure

Exploration and evaluation expenditures in relation to each separate area of interest are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

- the rights to tenure of the area of interest are current; and
- at least one of the following conditions is also met:
- the exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale; or
- exploration and evaluation activities in the area of interest have not at the balance date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortised of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

This is a change in accounting policy. Previously, exploration and evaluation expenditure was expensed as incurred. There is no requirement to disclose the effect of this change in accounting policy as the company incurred only minor exploration and evaluation expenditure in the previous year and in the current year.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (for the cash generating unit(s) to which it has been allocated being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision has been made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to development.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

q) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the profit or loss over the period of the borrowings using the effective interest rate method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or other expenses.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

r) Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

s) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Board of Directors who is responsible for making strategic decisions.

t) Comparatives

Certain comparatives have been reclassified where necessary to be consistent with the current year's disclosures.

3. SEGMENT INFORMATION

The Company predominantly operated in one geographical segment for the 2016 and 2015 financial years.

The Company operates in the mineral exploration industry in Australia. For management purposes, the Company is organised into one main operating segment which involves the exploration of minerals in Australia. 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.

4. REVENUE AND OTHER INCOME FROM CONTINUING OPERATIONS

	2016 $	2015 $
Revenue		
Interest revenue	4,700	4,082
Other income		
Reversal of liability balances	59,869	-
Profit on sale of assets	-	3,461
Other	3,774	-
	63,643	3,461
Total Revenue and other income	68,343	7,543

5. EXPENSES FROM CONTINUING OPERATIONS

	2016 $	2015 $
Employee benefits expenses		
Directors' remuneration & consulting	(217,833)	(156,667)
	(217,833)	(156,667)
Premises expenses		
Rent expense	(3,657)	(60,195)
	(3,657)	(60,195)
Administration expenses		
Accounting and auditing fees	(43,301)	(35,595)
Australian listing fees	(18,832)	(22,569)
Share registry fees	(15,437)	(35,196)
Legal fees	(25,359)	(69,803)
Consultants	(186,318)	-
Other expenses	(22,450)	(39,579)
	(311,697)	(202,742)
Exploration expenses		
Drilling and assaying	(1,086)	-
Geological consultancy services and labour hire	(50,355)	(44,452)
Equipment purchased/hired	(3,438)	(5,821)
Tenement costs	(26,696)	(29,698)
Other exploration expenses	(5,970)	(5,212)
	(87,545)	(85,183)
Share based payments expenses		
Fair value of shares and options issued – Note 14(d)	-	(252,000)
	-	(252,000)
Finance costs		
Interest expense	-	(4,247)
	-	(4,247)

6. AUDITORS' REMUNERATION

	2016 $	2015 $
Amounts paid or payable to:		
HLB Mann Judd:		
Auditing services	28,500	25,000
Other services – independent expert's report and independent accountant's report	20,000	30,000
BDO Audit (WA) Pty Ltd:		
Auditing services	-	120
Total	48,500	55,120

7. INCOME TAX

	2016 $	2015 $
Numerical reconciliation of income tax expense to prima facie tax payable		
Loss from ordinary activities before income tax expense	(553,746)	(986,321)
Prima facie tax benefit on loss from ordinary activities at 30% (2015: 30%)	(166,124)	(295,896)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
- Non-deductible expenses	17,060	9,439
- Share based payments	-	75,600
Movement in deferred tax not recognised	149,064	210,857
	-	-

7. INCOME TAX (continued)

	2016 $	2015 $
Unrecognised temporary differences		
Deferred tax assets (at 30%)		
On income tax account		
Carry forward tax losses	3,462,404	3,313,340
Accrued expenses	(18,300)	(10,268)
	3,444,104	3,303,072
Deferred tax liabilities (at 30%)		
Prepayments	1,240	830
	1,240	830

Potential future income tax benefits arising from tax losses have not been brought to account at 30 June 2016 because the directors do not believe it is appropriate to regard realisation of the future income tax benefits as probable. These benefits will only be obtained if:

- assessable income is derived of a nature and of amount sufficient to enable the benefit from the deductions to be realised;
- the Company continues to comply with the conditions for deductibility imposed by law; and
- no changes in tax legislation adversely affect the realisation of the benefit from the deductions.

8. CASH AND CASH EQUIVALENTS

	2016 $	2015 $
Cash at bank and in hand	709,078	267,273
	709,078	267,273

Cash at bank earns interest at floating rates based on daily bank deposit rates.

9. TRADE AND OTHER RECEIVABLES

	2016 $	2015 $
Trade and other receivables	70,632	46,752
Security deposit	-	31,817
	70,632	78,569

These amounts arise from the usual operating activities of the Company and is non-interest bearing. The debtors do not contain any overdue or impaired receivables.

10. PREPAYMENTS

	2016 $	2015 $
Prepayments (insurance & rent)	4,133	2,766
	4,133	2,766

11. OTHER NON-CURRENT FINANCIAL ASSETS

	2016 $	2015 $
Loan to European Lithium Limited (Company number 1629378) (i)	750,000	-
	750,000	-

(i) As disclosed in Note 22 and in accordance with the Binding Term Sheet ("Agreement") with European Lithium AT (Investments) Limited (Company number 162395), the Company was required to pay European Lithium Limited (Company number 1629378) a first advance of $200,000 within 5 days of execution of the Agreement. The Company was also required to pay a second advance of $550,000 upon satisfactory completion of due diligence. Both amounts were paid prior to balance date.

12. TRADE AND OTHER PAYABLES

	2016 $	2015 $
Trade payables	92,269	155,945
Sundry payables and accruals	59,666	137,431
	151,935	293,376

These amounts arise from the usual operating activities of the Company and do not contain any overdue amounts.

	2016 $	2015 $
13. BORROWINGS		
Current		
Unrelated, unsecured, non-interest bearing loans	-	13,739
	-	13,739

14. ISSUED CAPITAL

a) Ordinary shares

	$
Issued shares:	
Balance at 30 June 2014	15,073,593
Issues during year (net)	665,229
Balance at 30 June 2015	15,738,822
Issues during year	2,034,548
Capital raising costs	(140,387)
Balance at 30 June 2016	17,632,983
Total issued capital	17,632,983

	2016 No of shares	2015 No of shares
Issued shares:		
Balance at beginning of financial year	23,628,420	403,150,600
Issue of fully paid shares (pre-consolidation)	-	507,876,500
	23,628,420	911,027,100
Share consolidation (1 for 50 shares held) (ii)	-	(892,806,618)
	23,628,420	18,220,482
Issue of fully paid shares (post-consolidation)	49,416,330	500,000
	73,044,750	18,720,482
Unissued shares:		
Rights issue – June 2015 (i)	-	4,907,938
	73,044,750	23,628,420

(i) The Company's rights issue announced on 5 June 2015 closed on 29 June 2015 with funds of $245,397 (representing 4,907,938 shares) being received prior to 30 June 2015. These shares were issued on 8 July 2015 and were classified as unissued shares at 30 June 2015.
(ii) At a general meeting held on 30 January 2015, shareholders approved a consolidation of the Company's issued capital on the basis that every 50 shares be consolidated into one share.

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, and amounts paid up, of 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.

14. ISSUED CAPITAL (continued)

b) Options

At 30 June 2016, the unissued ordinary shares of Paynes Find Gold under option are as follows:

Date of Expiry		Exercise Price	Number Under Option
27/02/2020	unlisted	12.5 cents	8,000,000
			8,000,000

No person entitled to exercise these options had or has any right by virtue of the option to participate in any share issue of any other body corporate.

Shares issued on exercise of options

There were no options exercised during the year ended 30 June 2016 (2015: nil).

Since the end of the financial year, no ordinary shares have been issued as a result of the exercise of options.

c) Capital management

Management controls the capital of the Company, comprising the liquid assets held by the Company, in order to maintain an appropriate debt to equity ratio, provide the shareholders with adequate returns and ensure that the Company can fund its operations and continue as a going concern. The Company's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets. There are no externally imposed capital requirements. Management effectively manages the Company's capital by assessing the Company's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues. There have been no changes in the strategy adopted by management to control the capital of the Company since the prior year.

d) Share based payments

The number and weighted average exercise prices of share options issued as share based payments are as follows:

	2016		2015	
	Number of Options	Weighted Average Exercise Price $	Number of Options	Weighted Average Exercise Price $
Outstanding at the beginning of the year	14,000,000	0.125	31,800,000	0.03
Expired or cancelled	(6,000,000)	0.125	(31,800,000)	0.03
Granted during the year	-	-	14,000,000	0.125
Outstanding at year end	8,000,000	0.125	14,000,000	0.125
Exercisable at year end	8,000,000	0.125	14,000,000	0.125

	2016 $	2015 $
Issue of 14,000,000 options issued to Directors (i)	-	252,000
Share based payment expense recorded in net loss	-	252,000

(i) Options issued to Directors and a proposed Director were valued using a Black-Scholes option pricing model with the following inputs:

Exercise price	12.5 cents
Underlying share price	5 cents
Expiry date	27 February 2020
Volatility	85%
Risk free interest rate	2.78%

15. RESERVES

	2016 $	2015 $
Share based payments reserve	2,280,954	2,280,954
Movements:		
Share based payments reserve		
Balance at beginning of year	2,280,954	2,028,954
Issue of unlisted options (2015: 14,000,000)	-	252,000
Balance at end of year	2,280,954	2,280,954

Nature and purpose of reserves

Share based payments reserve

The share based payments reserve is used to recognise the fair value of options issued as share based payments.

16. EARNINGS PER SHARE

		2016	2015
a)	Loss used in the calculation of basic and dilutive earnings per share	(553,746)	(986,321)
		cents	**cents**
b)	Earnings per share:		
	Basic loss per share (cents per share)	(1.39)	(6.16)
	Diluted loss per share (cents per share)	(1.39)	(6.16)

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 for basic loss per share.

		No.	No.
c)	Weighted average number of shares:	39,978,989	16,005,126

17. COMMITMENTS AND CONTINGENCIES

a) Exploration commitments

In order to maintain current rights of tenure to mining tenements, the Company has the following exploration expenditure requirements up until the expiry of leases. These obligations, which are subject to renegotiation upon expiry of the leases, are not provided for in the financial statements and would be payable:

	2016 $	2015 $
Not later than one year	90,400	81,183
Later than one year, but not later than five years	288,058	207,500
Later than five years	454,868	505,000
	833,326	793,683

If the Company decides to relinquish certain leases and/or does not meet these obligations, assets recognised in the Statement of Financial Position may require review to determine the appropriateness of carrying values, however at balance date, all capitalised exploration and evaluation expenditure had been fully impaired. The sale, transfer or farm-out of exploration rights to third parties will reduce or extinguish these obligations.

b) Contingencies

As disclosed in the Company's prospectus dated 14 September 2010, the Company has entered into an agreement to pay First Tech Energy Ltd a royalty equal to 2% of the gross revenue derived from certain tenements. As the Company is in the exploration phase at 30 June 2016 and has not yet determined whether its tenements hold economic resources, no liability has been recorded at 30 June 2016.

18. CASH FLOW INFORMATION

	2016 $	2015 $
Reconciliation from net loss after tax to net cash used in operations		
Net loss	(553,746)	(986,321)
Non cash flows included in operating loss:		
Share based payments – shares	-	252,000
Profit on sale of Plant and equipment	-	(3,461)
Gain on creditors/debts written off	(59,870)	-
Payment of due diligence costs (reclassified to investing activities)	55,857	232,830
Changes in assets and liabilities:		
Decrease / (increase) in trade and other receivables	7,937	(41,893)
Decrease / (increase) in Borrowings	(13,739)	-
Decrease / (increase) in prepayments	(1,367)	1,756
(Decrease) / increase in trade and other payables	(81,571)	148,079
Net cash used in operating activities	(646,499)	(397,010)

19. FINANCIAL INSTRUMENTS

a) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 2 to the financial statements.

b) Financial risk exposures and management

The main risks the Company is exposed to through its financial instruments are credit risk, interest rate risk, and liquidity risk.

c) Credit risk exposures

Credit risk represents the loss that would be recognised if the counterparties default on their contractual obligations resulting in financial loss to the Company. The Company has adopted the policy of only dealing with creditworthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company measures credit risk on a fair value basis.

d) Interest rate risk

The Company's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates, and the effective weighted average interest rate for classes of financial assets and financial liabilities comprises:

2016	Weighted average	Floating interest rate $	Fixed interest maturing in 1 year or less	Fixed interest maturing over 1 to 5 years	Non-interest bearing	Total $
Financial Assets						
Cash and cash equivalents	1.29%	702,811	-	-	6,267	709,078
Trade and other receivables	-	-	-	-	70,632	70,632
Other financial assets	-	-	-	-	754,133	754,133
Total		702,811	-	-	831,032	1,533,843
Financial Liabilities						
Trade and other payables	-	-	-	-	151,935	151,935
Borrowings - current	-	-	-	-	-	-
Total		-	-	-	151,935	151,935
Net Financial Assets		702,811	-	-	679,097	1,381,908

19. FINANCIAL INSTRUMENTS (continued)

2015	Weighted average	Floating interest rate $	Fixed interest maturing in 1 year or less	Fixed interest maturing over 1 to 5 years	Non-interest bearing	Total $
Financial Assets						
Cash and cash equivalents	0.09%	21,876	-	-	245,397	267,273
Trade and other receivables	-	31,817	-	-	46,752	78,569
Other financial assets	-	-	-	-	2,766	2,766
Total		53,693	-	-	294,915	348,608
Financial Liabilities						
Trade and other payables	-	-	-	-	293,376	293,376
Borrowings - current	-	-	13,739	-	-	13,739
Total		-	13,739	-	293,376	307,115
Net Financial Assets		53,693	(13,739)	-	1,539	41,493

The policy is to monitor the interest rate yield curve out to 120 days to ensure a balance is maintained between the liquidity of cash assets and the interest rate of return.

As at the reporting date, the Company had the following variable rate cash and cash equivalents outstanding:

	30 June 2016		30 June 2015	
	Weighted average interest rate %	Balance $	Weighted average interest rate %	Balance $
Financial assets				
Cash at bank	1.29%	709,078	0.09%	267,273
	1.29%	709,078	0.09%	267,273

The Company does not have any significant credit risk to any single counterparty or any Company of counterparties having similar characteristics. The credit risk on financial assets, excluding investments, of the Company which have been recognised in the Statement of Financial Position, is the carrying amount, net of any provision for doubtful debts.

The Company minimises concentrations of credit risk by undertaking transactions with a large number of customers.

The credit quality of financial assets that are neither past, due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

e) Liquidity risk

The Company manages liquidity risk by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities. Surplus funds are generally only invested in short term bank deposits.

Contractual maturities of financial liabilities

2016	Less than 6 months $	6 – 12 months $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Total contractual cashflows $	Carrying amount of liabilities $
Financial Liabilities							
Trade and other payables	151,935	-	-	-	-	151,935	151,935
Total	151,935	-	-	-	-	151,935	151,935

19. FINANCIAL INSTRUMENTS (continued)

2015	Less than 6 months $	6 – 12 months $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Total contractual cashflows $	Carrying amount of liabilities $
Financial Liabilities							
Trade and other payables	293,376	-	-	-	-	293,376	293,376
Total	293,376	-	-	-	-	293,376	293,376

f) Net fair value

The carrying amount of financial assets and liabilities recorded in the financial statements represents their respective fair values determined in accordance with the accounting policies disclosed in Note 2 of the financial statements.

g) Foreign currency risk

The Company is not materially exposed to foreign currency risk.

20. RELATED PARTY DISCLOSURE

a) Compensation of key management personnel (by category)

Information on remuneration of Key Management Personnel is contained in the Remuneration Report within the Directors' Report and is summarised in Note 21(a).

b) Other related party transactions

Transactions with other related parties are made on normal commercial terms and conditions and at market rates. Outstanding balances are unsecured and are repayable in cash.

For the year ended 30 June 2016

No related party transactions.

For the year ended 30 June 2015

The Company repaid the loan from Delecta Limited in full with interest. Delecta Limited is a substantial shareholder.

Malcolm Day, a director of the Company, is also a Director and substantial shareholder of Delecta Limited.

21. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Key management personnel compensation

	2016 $	2015 $
Short-term employee benefits	265,933	201,267
Post-employment benefits	-	-
Share-based payments	-	144,000
	265,933	345,267

(b) Equity instrument disclosures relating to key management personnel

Equity instrument disclosures relating to key management personnel are included in the Remuneration Report which forms part of the Directors' Report.

22. EVENTS AFTER THE REPORTING PERIOD

On 6 May 2016, The Company announced the proposed acquisition, subject to satisfaction of certain conditions precedent, of 100% of the shares in European Lithium AT (Investments) Limited (Company Number 162395) (**ELA**) the ultimate 100% owner of ECM Lithium AT GmbH, a subsidiary entity of European Lithium Limited (Company Number 1629378) and, the 100% owner and holder of the **Wolfsberg Lithium Project in Austria** from European Lithium Limited (Company Number 1629378) (**Acquisition**).

The Company executed a binding term sheet (**Agreement**) to acquire 100% of the issued shares (**ELA Shares**) in European Lithium AT (Investments) Limited (Company Number 162395) (**ELA**) , subject to satisfaction of a number of conditions precedent outlined below, from the shareholders of European Lithium Limited (Company Number 1629378) (**EL**)(**EL Shareholders**).
ELA is the ultimate 100% owner of ECM Lithium AT GmbH, a subsidiary entity of European Lithium Limited (Company Number 1629378) and the 100% owner and holder of the Wolfsberg Lithium Project in Austria (**Project**).

The key terms of the acquisition were as follows:

- Within 5 days of execution of the Agreement, the Company will advance EL a first advance of $200,000 (**First Advance**).
- Upon satisfactory completion of due diligence by the Company on ELA, the Company will pay ELA a second advance of $550,000 for immediate drilling requirements on the Project (**Second Advance**) to immediately commence mineral exploration drilling to upgrade the JORC resource.
- At completion of the Acquisition, the consideration to be issued to the EL Shareholders for the acquisition of their ELA Shares will be:
    - 187,500,000 fully paid ordinary shares in the capital of PNE (a fully paid ordinary share in PNE being a **PNE Share**); and
        - 62,500,000 performance shares that convert into PNE Shares (on a one for one basis) (**Performance Shares**) upon ELA (which, for the purpose of the following provisions means any company in the new ELA group post-Acquisition) upgrading the non-JORC resource for the Project as reported in the Competent Person Report (**CPR**) of the 'Pathfinder' prepared by the Company as an Inferred resource of 4.5 million tonnes at 1.3% Li2O being upgraded to a JORC resource.
    - Pay ELA a third advance of A$1,500,000 as a payment for reimbursement of expenditure in developing the Project.

Conditions precedent
Completion of the Acquisition was subject to a number of conditions being satisfied, including:

- Completion of due diligence investigations by the Company;
- The Company obtaining all necessary regulatory and shareholder approvals required by the *Corporations Act 2001* (Cth) and the ASX Listing Rules in relation to the Acquisition;
- EL providing to the Company consolidated financial statements in respect of ELA for the last three financial years (or such other period as required by ASX/ASIC);
- EL providing all statutory and regulatory approvals and any other third party consents or waivers necessary or desirable, to complete the Acquisition;
- The Company not incurring expenses in excess of $25,000 between the date of this Term Sheet being executed and completion of the Acquisition other than expenses in the normal course of business, related to the acquisition of ELA or expenses incurred with the prior written consent of EL;
- The Company preparing a full form prospectus, lodging the prospectus with ASIC and the ASX and raising the minimum subscription under the prospectus;
- The Company having a minimum of A$5,000,000 in the bank at the time of completion of the Acquisition and obtaining conditional approval to be requoted on ASX and for the Share Consideration to be admitted to ASX (subject to ASX imposed escrow restrictions) subject to standard conditions, acceptable to PNE;
- All loans payable, including any interest and associated fees owing, by ELA and debts owed to major shareholders and directors by ELA will be converted to shares in ELA prior to the Acquisition completing.

22. EVENTS AFTER THE REPORTING PERIOD (CONT'D)

Name change
As part of the acquisition, the Company would seek the approval of shareholders to change its name to "European Lithium Limited" to more accurately reflect the proposed future operations of the Company.

Change of board and new CEO
At completion of the Acquisition, two existing directors of the Company, would resign and EL would nominate two new directors to the board to take effect from completion of the Acquisition. Mr Steve Kesler will also be appointed as Chief Executive Office of the Company following completion of the Acquisition, on terms and conditions to be agreed with the Company.

Finalisation of Acquisition

The shareholders approved the acquisition as per the terms listed above at a meeting held on 25 July 2016.The Company lodged a Replacement Prospectus on 28 July 2016 to raise a minimum of $6,000,000 and a maximum of $9,000,000 before cost. The Prospectus was closed on 5 September 2016 and a total of $6,232,200 was raised before costs of the issue. The acquisition was completed on 9 September 2016 and the Company's securities recommenced trading on the ASX under the name of European Lithium Limited.

The capital structure of European Lithium Limited (ACN 141 450 624) (formerly "Paynes find Gold Limited") (**Company**) following completion of the acquisition of European Lithium AT (Investments) Limited and the issue of securities pursuant to the prospectus dated 21 June 2016, replaced by the first replacement prospectus dated 1 July 2016, replaced by the second replacement prospectus dated 28 July 2016 (**Prospectus**) is set out below.

Capital Structure	Shares	Options[1]
Securities on issue as at date of Prospectus	73,044,750	8,000,000
Securities issued under the Prospectus pursuant to the Public Offer	77,902,500	-
Securities issued under the Prospectus to the shareholders of European Lithium Limited (or their nominees) pursuant to the EL Offer	187,500,000	-
Securities issued under the Prospectus to EverBlu Capital Pty Ltd (or its nominees) pursuant to the EverBlu Capital Offer	23,437,500	200,000,000
TOTAL	**361,884,750**	**208,000,000**

Notes:

1. Options on issue comprise the following classes:

   8,000,000 Options exercisable at $0.125 on or before 27 February 2020.

   200,000,000 Options exercisable at $0.10 on or before 30 June 2020.

No other matters or circumstances have arisen since the end of the financial year which significantly altered or may significantly alter the operations of the Company, the results of those operations or the state of affairs of the Company in financial years subsequent to 30 June 2016.

Effective on 25 July 2016, the Company became the legal parent of European Lithium AT (Investments) Limited. As explained in the Investigating Accountant's Report included in the Prospectus, the acquisition of European Lithium AT (Investments) Limited by the Company has the features of a reverse acquisition under Australian Accounting Standard AASB 3 "Business Combinations". The Company will be accounting for the acquisition as a reverse acquisition in future accounting periods.

DIRECTORS' DECLARATION

1. In the opinion of the directors of European Lithium Limited (the 'Company'):

    a. the accompanying financial statements and notes are in accordance with the Corporations Act 2001 including:

        i. giving a true and fair view of the Company's financial position as at 30 June 2016 and of its performance for the year then ended; and

        ii. complying with Australian Accounting Standards, the Corporations Regulations 2001, professional reporting requirements and other mandatory requirements.

    b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

    c. the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2016.

This declaration is signed in accordance with a resolution of the board of directors.

Dated 29 September 2016.

P Lloyd

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Paul Lloyd
Director
Perth, Western Australia

HLB Mann Judd

Accountants | Business and Financial Advisers

INDEPENDENT AUDITOR'S REPORT

To the members of European Lithium Limited (formerly Paynes Find Gold Limited)

Report on the Financial Report

We have audited the accompanying financial report of European Lithium Limited (formerly Paynes Find Gold Limited) ("the company"), which comprises the statement of financial position as at 30 June 2016, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration, for the company.

Directors' responsibility for the financial report

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

In Note 2(a), the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, the financial statements of European Lithium Limited (formerly Paynes Find Gold Limited) comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

HLB Mann Judd (WA Partnership) ABN 22 193 232 714
Level 4, 130 Stirling Street Perth WA 6000. PO Box 8124 Perth BC 6849 Telephone +61 (08) 9227 7500. Fax +61 (08) 9227 7533.
Email: hlb@hlbwa.com.au. Website: http://www.hlb.com.au

Auditor's opinion

In our opinion:

(a) the financial report of European Lithium Limited (formerly Paynes Find Gold Limited) is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the company's financial position as at 30 June 2016 and its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2(a).

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion the Remuneration Report of European Lithium Limited (formerly Paynes Find Gold Limited) for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

L Di Giallonardo
Partner

Perth, Western Australia
29 September 2016

HLB Mann Judd

Accountants | Business and Financial Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of European Lithium Limited (formerly Paynes Find Gold Limited) for the year ended 30 June 2016, 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 audit; and

b) any applicable code of professional conduct in relation to the audit.

Giallonardo

Perth, Western Australia
29 September 2016

L Di Giallonardo
Partner

HLB Mann Judd (WA Partnership) ABN 22 193 232 714
Level 4, 130 Stirling Street Perth WA 6000. PO Box 8124 Perth BC 6849 Telephone +61 (08) 9227 7500. Fax +61 (08) 9227 7533.
Email: hlb@hlbwa.com.au. Website: http://www.hlb.com.au

Corporate Governance Statement

The Company is committed to implementing the highest standards of corporate governance. In determining what those high standards should involve the Company has considered the ASX Corporate Governance Council's *Principles of Good Corporate Governance and Recommendations, 3rd Edition*. In line with the above, the Board has set out the way forward for the Company in its implementation of its Principles of Good Corporate Governance and Recommendations. The approach taken by the board was to set a blueprint for the Company to follow as it introduces elements of the governance process. Due to the current size of the Company and the scale of its operations it is neither practical nor economic for the adoption of all of the recommendations approved via the board charter. Where the Company has not adhered to the recommendations it has stated that fact in this Corporate Governance Statement however has set out a mandate for future compliance when the size of the Company and the scale of its operations warrants the introduction of those recommendations. Date of last review and Board approval: 18 September 2016.

As the Board currently does not have a Managing Director, all references to a Managing Director will be assumed by the Non-Executive Chairman.

Corporate Governance Statement Principle / Recommendation	**Compliance**	**Reference**	**Commentary**
Principle 1: Lay solid foundations for management and oversight			
<u>Recommendation 1.1</u> A listed entity should disclose: a) the respective roles and responsibilities of its board and management; and b) those matters expressly reserved to the board and those delegated to management.	Yes	Board Charter Code of Conduct, Independent Professional Advice Policy Website	To add value to the Company the Board has been formed so that it has effective composition, size and commitment to adequately discharge it responsibilities and duties. Directors are appointed based on the specific skills required by the Company and on their decision-making and judgment. The Board's role is to govern the Company rather than to manage it. In governing the Company, the Directors must act in the best interests of the Company as a whole. It is the role of senior management to manage the Company in accordance with the direction and delegations of the Board and the responsibility of the Board to oversee the activities of management in carrying out those delegated duties. In carrying out its governance role, the main task of the Board is to drive the performance of the Company. The Board must also ensure that the Company complies with all of its contractual, statutory and any other legal obligations, including the requirements of any regulatory body. The Board has the final responsibility for the successful operations of the Company. To assist the Board carry its functions, it has developed a Code of Conduct to guide the Directors. In general, the Board is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the Company. It is required to do all things that may be necessary to be done in order to carry out the objectives of the Company. Without intending to limit this general role of the Board, the principal functions and responsibilities of the Board include the following. • Leadership of the Organisation: overseeing the Company and establishing codes that reflect the values of the Company and guide the conduct of the Board. • Strategy Formulation: to set and review the overall strategy and goals for the Company and ensuring that there are policies in place to govern the operation of the Company. • Overseeing Planning Activities: the development of the Company's strategic plan. • Shareholder Liaison: ensuring effective communications with shareholders through an appropriate communications policy and promoting participation at general meetings of the Company as well as ensuring timely and balanced disclosures of all material information concerning the Company that a reasonable person would expect to have a material effect on the price or value of the entity's securities. • Monitoring, Compliance and Risk Management: the development of the Company's risk management, compliance, control and accountability systems and monitoring and directing the financial and operational performance of the Company.

Corporate Governance Statement Principle / Recommendation	Compliance	Reference	Commentary
			• Company Finances: approving expenses and approving and monitoring acquisitions, divestitures and financial and other reporting along with ensuring the integrity of the Company's financial and other reporting. • Human Resources: reviewing the performance of Executive Officers and monitoring the performance of senior management in their implementation of the Company's strategy. • Ensuring the Health, Safety and Well-Being of Employees: in conjunction with the senior management team, developing, overseeing and reviewing the effectiveness of the Company's occupational health and safety systems to ensure the well-being of all employees. • Delegation of Authority: delegating appropriate powers to the Managing Director to ensure the effective day-to-day management of the Company. • Monitoring the effectiveness of the Company's corporate governance practices. Full details of the Board's and Company Secretary's roles and responsibilities are contained in the Board Charter. The Board collectively and each Director has the right to seek independent professional advice at the Company's expense, with the Chairman's approval, to assist them to carry out their responsibilities.
Recommendation 1.2 A listed entity should: a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re- elect a director.	Yes	Director Selection Procedure Website	Directors are appointed based on the specific governance skills required by the Company. Given the size of the Company and the business that it operates, the Company aims at all times to have at least one Director with experience appropriate to the Company's operations. The Company currently has 2 out of the 3 Directors that have relevant experience in the operations. In addition, Directors should have the relevant blend of personal experience in: • Accounting and financial management; and • Director-level business experience. Each member of the Board is committed to spending sufficient time to enable them to carry out their duties as a Director of the Company. In determining candidates for the Board, the Board follows a prescribed process whereby it evaluates the mix of skills, experience and expertise of the existing Board. In particular, to identify the particular skills that will best increase the Board's effectiveness. Consideration is also given to the balance of independent directors. Any appointment made by the Board is subject to ratification by shareholders at the next general meeting. Each Non-Executive Director has a written agreement with the Company that covers all aspects of their appointment including term, time commitment required, remuneration, disclosure of interests that may affect independence, guidance on complying with the Company's corporate governance policies and the right to seek independent advice, indemnity and insurance arrangements, rights of access to the Company's information and ongoing confidentiality obligations as well as roles on the Company's committees. Each executive director's agreement with the Company includes the same details as the non-executive directors' agreements but also includes a position description, reporting hierarchy and termination clauses. The Board is responsible for implementing a program to identify, assess and enhance Director competencies. In addition, the Board puts in place succession plans to ensure an appropriate mix of skills, experience, expertise and diversity are maintained on the Board.
Recommendation 1.3 A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	Yes	Kept at registered office, Independent Professional Advice Policy	The Board collectively and each Director has the right to seek independent professional advice at the Company's expense, up to specified limits, with the Chairman's approval, to assist them to carry out their responsibilities.

Corporate Governance Statement Principle / Recommendation	Compliance	Reference	Commentary
Recommendation 1.4 The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	Yes	Board Charter Website	Full details of the Board's and Company Secretary's roles and responsibilities are contained in the Board Charter.
Recommendation 1.5 A listed entity should: a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them; b) disclose that policy or a summary of it; and c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either: 1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or 2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.	Yes	Diversity Policy Website	The Company recognises and respects the value of diversity at all levels of the organisation. The Company is committed to setting measurable objectives for attracting and engaging women at the Board level, in senior management and across the whole organisation. The Diversity Policy was re-adopted during the year and the Company set the following objectives for the employment of women: • to the Board – 25% by 2018 • to senior management (including Company Secretary) – 25% by 2018 • to the organisation as a whole – 25% by 2018 As at the date of this report, the Company has the following proportion of women appointed: • to the Board – 0% • to senior management (including Company Secretary) – 50% • to the organisation as a whole – 20% The Company recognises that the mineral exploration industry is intrinsically male dominated in many of the operational sectors and the pool of women with appropriate skills will be limited in some instances. The Company recognises that diversity extends to matters of age, disability, ethnicity, marital/family status, religious/cultural background and sexual orientation. Where possible, the Company will seek to identify suitable candidates for positions from a diverse pool.
Recommendation 1.6: A listed entity should: a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and	Yes	Board & Individuals Performance Evaluation Procedure Website	It is the policy of the Board to conduct evaluation of its performance. The objective of this evaluation is to provide best practice corporate governance to the Company. During the financial year an evaluation of the performance of the Board and its members was formally carried out.

Corporate Governance Statement Principle / Recommendation	Compliance	Reference	Commentary
b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.			
Recommendation 1.7: A listed entity should: a) have and disclose a process for periodically evaluating the performance of its senior executives; and b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	Yes	Board & Individuals Performance Evaluation Procedure Website	It is the policy of the Board to conduct evaluation of individuals' performance. The objective of this evaluation is to provide best practice corporate governance to the Company. During the financial year the Company did not employ any senior executives.
Principle 2: Structure the board to add value			
Recommendation 2.1 The board of a listed entity should: a) have a nomination committee which: 1) has at least three members, a majority of whom are independent directors; and 2) is chaired by an independent director, and disclose: 3) the charter of the committee; 4) the members of the committee; and 5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.	No	Board, Independent Professional Advice Policy Website	Due to the Company's current size and stage of development, the Directors do not consider it appropriate to establish a Nomination Committee. The Directors understand the need to achieve a structured Board that adds value to the Company by ensuring an appropriate mix of skills are present in Directors on the Board at all times. The responsibilities of the Board of Directors includes devising criteria for Board membership, regularly reviewing the need for various skills and experience on the Board and identifying specific individuals for nomination as Directors for review by the Board. The Board also oversees management succession plans including the Managing Director and his/her direct reports and evaluates their own performance and make recommendations for the appointment and removal of Directors. Matters such as remuneration, expectations, terms, the procedures for dealing with conflicts of interest and the availability of independent professional advice are clearly understood by all Directors, who are experienced public company Directors. The Board collectively and each Director has the right to seek independent professional advice at the Company's expense, up to specified limits, with the Chairman's approval, to assist them to carry out their responsibilities.

Corporate Governance Statement Principle / Recommendation	Compliance	Reference	Commentary
Recommendation 2.2 A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.	Yes	Website	The Company has reviewed the skill set of its Board to determine where the skills lie and any relevant gaps in skills shortages. The Company is working towards filling these gaps through professional development initiatives as well as seeking to identify suitable Board candidates for positions from a diverse pool.

Board skills matrix

	Chairman	Non-Executive Director	Non-Executive Director
Strategy	X	X	X
Communication	X	X	X
Fundraising	X	X	X
Mining Industry	X	X	
Risk	X	X	X
Governance	X	X	X
OH & S	X	X	
Environmental		X	
Accounting and Legal		X	

Corporate Governance Statement Principle / Recommendation	Compliance	Reference	Commentary
Recommendation 2.3 A listed entity should disclose: a) the names of the directors considered by the board to be independent directors; b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and c) the length of service of each director.	Yes	Board Charter, Independence of Directors Assessment Website	The Company recognises the importance of Non-Executive Directors and the external perspective and advice that Non-Executive Directors can offer. An Independent Director: 1. is a Non-Executive Director and; 2. is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company; 3. within the last three years has not been employed in an executive capacity by the Company or another group member, or been a Director after ceasing to hold any such employment; 4. within the last three years has not been a principal of a material professional adviser or a material consultant to the Company or another group member, or an employee materially associated with the service provided; 5. is not a material supplier or customer of the Company or another group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer; 6. has no material contractual relationship with the Company or other group member other than as a Director of the Company; 7. has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company; and 8. is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

Corporate Governance Statement Principle / Recommendation	Compliance	Reference	Commentary
			Materiality for the purposes of points 1 to 8 above is determined on the basis of both quantitative and qualitative aspects with regard to the independence of Directors. An amount over 5% of the Company's expenditure or 25% of the particular Director's annual gross income is considered to be material. A period of more than six years as a Director would be considered material when assessing independence. Paul Lloyd (appointed 4 October 2013) is a Non-Executive Director of the Company and does not meet the Company's criteria for independence. Malcom Day (appointed 2 July 2012) is a Non-Executive Director of the Company and large shareholder and therefore does not meet the Company's criteria for independence. His experience and knowledge of the Company makes his contribution to the Board such that it is appropriate for him to remain on the Board and in his position as a Non-Executive Director. Antony Sage (appointed 9 September 2016) is a Non-Executive Chairman of the Company and substantial shareholder and does not meet the Company's criteria for independence. His experience and knowledge of the Company makes his contribution to the Board such that it is appropriate for him to remain on the Board and in his position as a Non-Executive Chairman.
Recommendation 2.4 A majority of the board of a listed entity should be independent directors.	No	Independence of Directors Assessment Website	The Board has a majority of Directors who are not independent. The Board are considering the appointment of additional independent Directors as the Company develops.
Recommendation 2.5 The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	No	Independence of Directors Assessment Website	The Chairperson is not an independent Director. The Board will consider the independence of the Chairman as the company develops and has access to a greater level of resources with the view to obtaining an independent Chairman.
Recommendation 2.6 A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	Yes	Director Induction Program, Ongoing Education Framework Website	It is the policy of the Company that each new Director undergoes an induction process in which they are given a full briefing on the Company. Where possible this includes meetings with key executives, tours of the premises, an induction package and presentations. Information conveyed to new Directors include: • details of the roles and responsibilities of a Director; • formal policies on Director appointment as well as conduct and contribution expectations; • a copy of the Corporate Governance Statement, Charters, Policies and Memos and • a copy of the Constitution of the Company. In order to achieve continuing improvement in Board performance, all Directors are encouraged to undergo continual professional development. The Board has implemented an Ongoing Education Framework.
Principle 3: Act ethically and responsibly			
Recommendation 3.1 A listed entity should: a) have a code of conduct for its directors, senior executives and employees; and b) disclose that code or a summary of it.	Yes	Code of Conduct Website	As part of its commitment to recognising the legitimate interests of stakeholders, the Company has established a Code of Conduct to guide compliance with legal and other obligations to legitimate stakeholders. These stakeholders include employees, clients, customers, government authorities, creditors and the community as whole.
Principle 4: Safeguard integrity in corporate reporting			
Recommendation 4.1 The board of a listed entity should: (a) have an audit committee which:	No	Board Website	The Board of Directors do not consider it appropriate to establish an Audit Committee given the Company's current size and stage of development. All the functions of an Audit Committee can be carried out by the Board of Directors.

Corporate Governance Statement Principle / Recommendation	Compliance	Reference	Commentary
a) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and 1) is chaired by an independent director, who is not the chair of the board, and disclose: 2) the charter of the committee; 3) the relevant qualifications and 4) experience of the members of the committee; and 5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.			
<u>Recommendation 4.2</u> The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its C E O and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	Yes	Kept at registered office	The Company Secretary provides a declaration to the Board in accordance with section 295A of the Corporations Act for each financial report and assure the Board that such declaration is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.
<u>Recommendation 4.3</u> A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	Yes	AGM	The external auditor is invited to attend every AGM for the purpose of answering questions from security holders relevant to the audit.

Corporate Governance Statement Principle / Recommendation	Compliance	Reference	Commentary
Principle 5: Make timely and balanced disclosure			
<u>Recommendation 5.1</u> A listed entity should: a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and b) disclose that policy or a summary of it.	Yes	Continuous Disclosure Policy Website	The Board has designated the Company Secretary as the person responsible for overseeing and coordinating disclosure of information to the ASX as well as communicating with the ASX. In accordance with the ASX Listing Rules the Company immediately notifies the ASX of information: 1. concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities; and 2. that would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of the Company's securities.
Principle 6: Respect the rights of security holders			
<u>Recommendation 6.1</u> A listed entity should provide information about itself and its governance to investors via its website.	Yes	Website Disclosure Policy Website	The Company's website includes the following: • Corporate Governance policies, procedures, charters, programs, assessments, codes and frameworks • Names and biographical details of each of its directors and senior executives • Constitution • Copies of annual, half yearly and quarterly reports • ASX announcements • Copies of notices of meetings of security holders • Overview of the Company's current business, structure and history • Contact details for the share registry
<u>Recommendation 6.2</u> A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	Yes	Shareholder Communication Policy, Social Media Policy Website	The Company respects the rights of its shareholders and to facilitate the effective exercise of those rights the Company is committed to: • communicating effectively with shareholders through releases to the market via ASX, information mailed to shareholders and the general meetings of the Company; • giving shareholders ready access to balanced and understandable information about the Company and corporate proposals; • requesting the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report of future Annual Reports. The Company also makes available a telephone number and email address for shareholders to make enquiries of the Company.
<u>Recommendation 6.3</u> A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	Yes	Shareholder Communication Policy Website	The Company respects the rights of its shareholders and to facilitate the effective exercise of those rights the Company is committed to making it easy for shareholders to participate in shareholder meetings of the Company. The Company also makes available a telephone number and email address for shareholders to make enquiries of the Company.
<u>Recommendation 6.4</u> A listed entity should give security holders the option to receive communications from and send communications to, the entity and its security registry electronically.	Yes	Shareholder Communication Policy Website	Shareholders are regularly given the opportunity to receive communications electronically.

Corporate Governance Statement Principle / Recommendation	Compliance	Reference	Commentary
Principle 7: Recognise and manage risk			
<u>Recommendation 7.1</u> The board of a listed entity should: a) have a committee or committees to oversee risk, each of which: 1) has at least three members, a majority of whom are independent directors; and 2) is chaired by an independent director, and disclose: 3) the charter of the committee; 4) the members of the committee; and 5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.	No	Risk Management Policy Website	The Board has not established a separate Risk Committee, and therefore it is not structured in accordance with Recommendation 7.1. Given the current size and composition of the Board, the Board believes that there would be no efficiencies gained by establishing a separate Risk Committee. Accordingly, the Board performs the role of Risk Committee. Items that are usually required to be discussed by a Risk Committee are discussed at a separate meeting when required. When the Board convenes as the Risk Committee it carries out those functions which are delegated to it in the Company's Risk Committee Charter. The Board deals with any conflicts of interest that may occur when convening in the capacity of the Risk Committee by ensuring that the Director with conflicting interests is not party to the relevant discussions. The Board as a whole did not meet as the Risk Committee during the year. Risk identification and risk management discussions occurred at several Board meetings throughout the year. To assist the Board to fulfil its function as the Risk Committee, the Company has adopted a Risk Management Policy.
<u>Recommendation 7.2</u> The board or a committee of the board should: a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and b) disclose, in relation to each reporting period, whether such a review has taken place.	Yes	Risk Management Policy Website	The Company's Risk Management Policy states that the Board as a whole is responsible for the oversight of the Company's risk management and control framework. The objectives of the Company's Risk Management Strategy are to: • identify risks to the Company; • balance risk to reward; • ensure regulatory compliance is achieved; and • ensure senior executives, the Board and investors understand the risk profile of the Company. The Board monitors risk through various arrangements including: • regular Board meetings; • share price monitoring; • market monitoring; and • regular review of financial position and operations. The Company has developed a Risk Register in order to assist with the risk management of the Company. The Company's Risk Management Policy is considered a sound strategy for addressing and managing risk. During the year, management regularly reported to the Board on the following categories of risks affecting the Company as part of the Company's systems and processes for managing material business risks: operational, financial reporting, sovereignty and market-related risks.

Corporate Governance Statement Principle / Recommendation	Compliance	Reference	Commentary
Recommendation 7.3 A listed entity should disclose: a) if it has an internal audit function, how the function is structured and what role it performs; or b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.	Yes	Board Website	The Board performs the role of the Audit Committee. When the Board convenes it carries various functions which include overseeing the establishment and implementation by management of a system for identifying, assessing, monitoring and managing material risk throughout the Company, which includes the Company's internal compliance and control systems. Due to the nature and size of the Company's operations, and the Company's ability to derive substantially all of the benefits of an independent internal audit function, the expense of an independent internal auditor is not considered to be appropriate.
Recommendation 7.4 A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	Yes	Corporate Governance Statement	The Company has considered its economic, environmental and social sustainability risks by way of internal review and has concluded that it is not subject to material economic, environmental and social sustainability risks.
Principle 8: Remunerate fairly and responsibly			
Recommendation 8.1 The board of a listed entity should: a) have a remuneration committee which: 1) has at least three members, a majority of whom are independent directors; and 2) is chaired by an independent director, and disclose: 3) the charter of the committee; 4) the members of the committee; and 5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.	No	Board, Independent Professional Advice Policy Website	The role of a Remuneration Committee is carried out by the Board given the current size of the Company and its stage of development. The Board responsibilities include setting policies for senior officers' remuneration, setting the terms and conditions of employment for the Managing Director (if applicable), reviewing the Company's incentive schemes and superannuation arrangements, reviewing the remuneration of both Executive and Non-Executive Directors, recommendations for remuneration by gender and making recommendations on any proposed changes and undertaking reviews of the Managing Director's performance, including, setting with the Managing Director (if applicable) goals and reviewing progress in achieving those goals. The Board collectively and each Director has the right to seek independent professional advice at the Company's expense, up to specified limits, with Chairman's approval, to assist them to carry out their responsibilities.
Recommendation 8.2 A listed entity should separately disclose its policies and practices regarding the remuneration of non-	Yes	Remuneration Policy Website	Non-Executive Directors are to be paid their fees out of the maximum aggregate amount approved by shareholders for the remuneration of Non-Executive Directors. Managing Director (if applicable) remuneration is set by the Board with the executive director in question not present. Full details regarding the remuneration of Directors has been included in the Remuneration Report within the Annual Report.

Corporate Governance Statement Principle / Recommendation	Compliance	Reference	Commentary
executive directors and the remuneration of executive directors and other senior executives.			
<u>Recommendation 8.3</u> A listed entity which has an equity-based remuneration scheme should: a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and b) disclose that policy or a summary of it.	Yes	Remuneration Policy Website	Executives and Non-Executive Directors are prohibited from entering into transactions or arrangements which limit the economic risk of participating in unvested entitlements.

Additional Shareholder Information

Additional Information required by the ASX Limited Listing Rules and not disclosed elsewhere in this report.

Ordinary Share Capital

361,884,750 issued ordinary shares held by 863 shareholders carry one vote per share.

Options

200,000,000 unlisted options on issue, exercisable at $0.10 on or before 30 June 2020
8,000,000 unlisted Director options on issue, exercisable at $0.125 on or before 27 February 2020

Options have no voting entitlements.

Distribution of shareholders as at 28 September 2016

(a) Analysis of numbers of shareholders by size of holding

Range of Units	Total number of Shareholders	Total number of Ordinary shares
1 - 1,000	410	151,826
1,001 - 5,000	211	601,251
5,001 - 10,000	145	1,141,903
10,001 - 100,000	372	14,703,602
100,001 - 9,999,999,999	261	345,286,168
	1,399	**361,884,750**

(b) There were 726 holders holding less than a marketable parcel of ordinary shares (8,928).

Twenty largest shareholders as at 28 September 2016

		No. of ordinary shares held	% Held
1.	DEMPSEY RESOURCES PTY LTD	49,112,940	13.57
2.	EXCHANGE MINERALS LIMITED	30,853,605	8.53
3.	ANGLO MENDA PTY LTD	12,944,500	3.58
4.	HR MOSER & ASSOCIATES	12,500,000	3.45
5.	DELECTA LIMITED	11,000,000	3.04
6.	CEDARLAND CONSULTING LTD	10,900,734	3.01
7.	BELLOC PTY LIMITED	10,827,514	2.99
8.	EXCHANGE MINERALS LIMITED	10,348,936	2.86
9.	SUBURBAN HOLDINGS PTY LIMITED	9,702,500	2.68
10.	KING DRAGON (FAR EAST) LTD	8,317,725	2.30
11.	PURE STEEL LIMITED	8,119,675	2.24
12.	DANIEL FOX-DAVIES	6,790,004	1.88
13.	EUROPEAN LITHIUM LIMITED	6,191,361	1.71
14.	CITICORP NOMINEES PTY LIMITED	4,899,304	1.35
15.	ANDREW WILLIAM SPENCER	4,882,144	1.35
16.	KARNTNER MONTANINDUSTRIE	4,058,624	1.12
17.	ANTONY WILLIAM PAUL SAGE	3,859,034	1.07
18.	DANIEL FOX-DAVIES	3,246,899	0.90
19.	CHIFLEY PORTFOLIOS PTY LTD	3,125,000	0.86
20.	AUSTRALIAN SHARE NOMINEES PTY LIMITED	3,000,000	0.83
		214,680,499	**59.32**

Substantial Shareholders as at 28 September 2016

	No. of Shares Held	% Held
DEMPSEY RESOURCES PTY LTD/CAPE LAMBERT RESOURCES LIMITED	49,112,940	13.57
EXCHANGE MINERALS LIMITED	30,853,605	8.53

Schedule of Mineral Tenements

Paynes Find Gold Ltd Schedule of Mineral Tenements As at 30 June 2016	
Tenement	Ownership Interest
M59/2	100 %
M59/10	100 %
M59/235	100 %
M59/244	100 %
M59/396	100 %
M59/662	100 %
M59/663	100 %
P59/1907	100 %
P59/1908	100 %
P59/1909	100 %
P59/1924	100 %
P59/1941	100 %
P59/1942	100 %
P59/1956	100 %
P59/1957	100 %
P59/1958	100 %
P59/1959	100 %