EUROPEAN LITHIUM LIMITED
ABN 45 141 450 624

Annual Report

For the Year Ended 30 June 2017

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

COMPANY SECRETARY
Melissa Chapman

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Your directors present their report on European Lithium Limited (**Company** or **EUR**) for the financial year ended 30 June 2017.

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 (resigned as Non-Executive Chairman 9 September 2016, appointed Non-Executive Director 9 September 2016)
David Holden	Non-Executive Director (resigned 9 September 2016)

2. COMPANY SECRETARY

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

Melissa Chapman	Company Secretary (appointed 24 February 2017)
Amy Fink	Company Secretary (appointed 19 September 2016, resigned 24 February 2017)
Paul Lloyd	Company Secretary (resigned 19 September 2016)

3. PRINCIPAL ACTIVITY

The principal activity of the Company during the financial year was Lithium exploration and development in Austria.

4. OPERATING RESULTS

The Company reported a net loss of $8,008,363 for the financial year (2016: $19,110,651 profit). The 2016 profit includes the forgiveness of intercompany loans ($20,192,894) offset with operating expenses ($1,082,243).

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.

7. EVENTS SINCE THE END OF THE FINANCIAL YEAR

On 3 July 2017, the Company announced the increase in resource (inferred category) by 4.68 million which was an increase of 50% in contained Li_2O.

On 7 July 2017, EUR was suspended from official quotation in relation to cleansing notices issued on 8 June 2017, 15 June 2017 and 3 July 2017 relating to the issue of ordinary shares on 8, 15 and 30 June 2017 (**Shares**) which did not exempt the sellers of the Shares from their obligation to make disclosure pursuant to s707(3) of the Corporations Act 2001 because the Shares were not in a class of securities that was trading on the ASX and not suspended for more than a total of 5 days during the previous 12 month period. The Company prepared a short form cleansing prospectus which was lodged with ASIC on 10 July 2017. In addition, the Company lodged an application with the Federal Court of Australia seeking urgent declaratory relief and ancillary orders relating to the issue of securities and the subsequent offer for sale, or sale, by some of the subscribers to those securities. The Company sought orders declaring that any offer for sale or sale of the securities from the date of issue of the securities until 10 July 2017 was not invalid by reason of the sellers' failure to comply with s707(3) of the Corporations Act 2001. On 26 July 2017, the Company was granted the relevant court orders and was reinstated to trading on ASX at the open of market on 27 July 2017.

On 27 July 2017, the Company announced that an independent consulting engineer had confirmed production of battery grade lithium carbonate (>99.9% Li_2CO_3) and battery grade lithium hydroxide (>56.5% LiOH) from the spodumene concentrate.

On 11 August 2017, the Company issued 3,722,222 options exercisable at $0.05 each on or before 31 March 2020.

On 14 August 2017, the Company announced the extension of time frame for entering into a formal off-take agreement with Shandong RuiFu Lithium Co Ltd.

On 15 August 2017, the Company announced amended terms of the sale agreement with Cervantes Gold Pty Ltd for the sale of its Paynes Find Gold Project.
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 2017.

8. ENVIRONMENTAL REGULATIONS

The Company is aware of its environmental obligations with regards to its exploration activities and ensures that it complies with all regulations when carrying out any exploration work.

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

Wolfsberg Lithium Project

Exploration

The previously declared measured, indicated and inferred resource for the Wolfsberg Lithium Project was not compliant to JORC Code (2012) because the original drill core from 1980's work of Minerex no longer exists and primary data was not available to the Competent Person for the relisting prospectus. The previous measured resource of 3.7 million tonnes at 1.5% Li_2O at a cut-off of 0.75% Li_2O was reclassified as 'inferred' whilst the other categories were considered to be exploration targets.

The Company discovered that the original primary data had been archived with the Mining Authority in Vienna. This was recovered and catalogued for use in a primary resource model. Before the data could be used it was necessary to verify its accuracy. A data verification exercise was undertaken which comprised drilling 7 twin holes from underground totalling 828m designed to intersect numerous pegmatite veins and taking channel samples along tunnels following 3 exposed pegmatite veins to as far as possible replicate channel sampling carried out by Minerex when the tunnels were driven. The drilling and channel sampling commenced mid July 2016 and was completed on 1 September 2016. The data obtained for positions of pegmatite intersections, intersection widths and Li_2O grades were compared to that obtained by Minerex. A thorough analysis showed that there was no statistical difference between the two sets of data and the independent qualified person supported the use of all Minerex data in a new JORC Code (2012) compliant resource model. The results of the verification reported were comprehensively reported in a release to the ASX on 16 November 2016.

The resource was re-modelled using the primary Minerex data and a JORC Code (2012) compliant measured and indicated resource of 6.3 million tonnes at 1.17% Li_2O was declared in a release to the ASX on 21 November 2016. This resource was a 75% increase in tonnes and a 33% increase in contained lithium compared to the inferred resource reported in the re-listing prospectus.

A surface drilling programme was planned to drill 4 deep holes to confirm the extension of the pegmatite veins to depth. The declared resource is on the northern side of an anticline (Zone 1). Although no trees were to be cut down work could not start until a forest clearance permit was received on 9th December 2016. The drilling programme was completed in May 2017 and the results were reported in releases to the ASX on 18 April 2017 and 31 May 2017.

Three of the holes were targeted to intersect pegmatite veins at about RL1250m and the fourth at about RL1100m. The drill holes are illustrated in Figure 1.

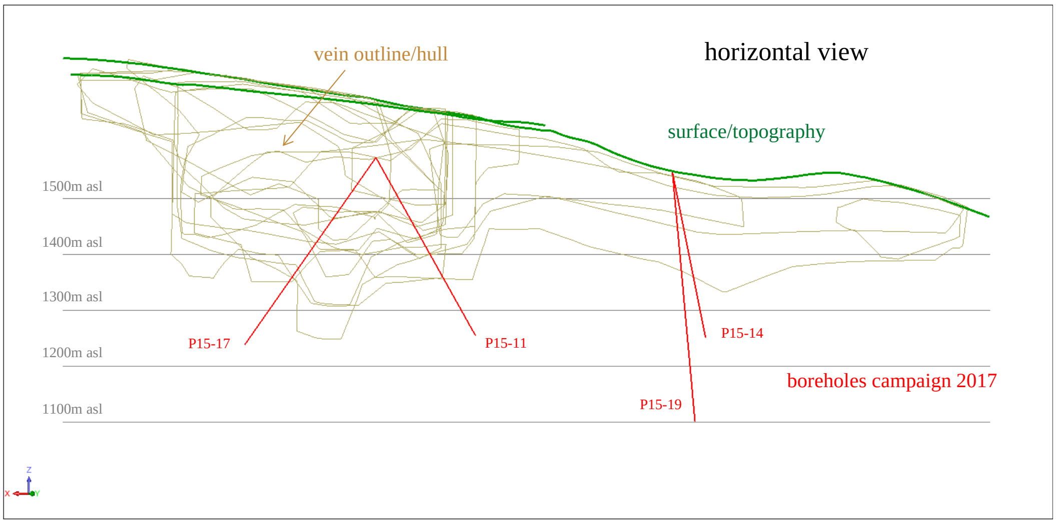

Figure 1: Schematic cross section along strike of pegmatite veins in the declared resource model with traces of the four deep drill holes

The drill hole results (summarised in Table 1) confirmed that the multiple lithium bearing pegmatite veins extend to depth.

Drill Hole ID	Composite From (m)	Composite To (m)	Composite width (m)	Composite Mineralized (m)	Composited %Li2O	Internal dilution	Host Rocks
P15-11	248.58	249.72	1.14	1.14	1.17	0%	AHP
P15-11	257.83	258.15	0.32	0.32	1.37	0%	AHP
P15-11	262.2	262.73	0.53	0.53	0.33	0%	AHP
P15-11	301.45	301.81	0.36	0.36	0.34	0%	AHP
P15-11	303.26	303.98	0.72	0.72	0.27	0%	AHP
P15-11	307	307.53	0.53	0.53	0.23	0%	AHP
P15-11	308.77	309.47	0.7	0.7	0.48	0%	AHP
P15-11	311.5	312.15	0.65	0.65	0.46	0%	AHP
P15-11	315	316	1	1	0.85	0%	AHP
P15-11	326.84	327.15	0.31	0.31	1.74	0%	AHP
P15-11	330.45	331.35	0.9	0.9	1.17	0%	AHP
P15-11	372.54	373.19	0.65	0.65	1.51	0%	MHP
P15-11	404.84	409.12	4.28	2.71	0.73	37%	MHP
P15-11	482.54	483.4	0.86	0.86	0.4	0%	MHP
P15-17	273.25	273.81	0.56	0.56	0.58	0%	AHP
P15-17	324.71	330.91	6.2	4.33	1.9	30%	AHP
P15-17	377.78	379.58	1.8	1.8	1.51	0%	AHP
P15-17	382.65	384.63	1.98	1.98	0.36	0%	AHP
P15-17	459.52	460.34	0.82	0.82	0.54	0%	MHP
P15-14	53.57	55.9	2.33	2.33	1.44	0%	AHP
P15-14	65.32	66.33	1.01	1.01	1.56	0%	AHP
P15-14	334.83	335.6	0.77	0.77	0.59	0%	MHP
P15-14	376.14	376.94	0.80	0.80	0.48	0%	MHP
P15-14	416.6	417.15	0.55	0.55	0.29	0%	MHP
P15-14	461	464.62	3.62	2.09	1.00	42%	MHP
P15-19	47.31	48.3	0.99	0.99	1.11	0%	AHP
P15-19	206.5	209.17	2.67	2.03	2.01	24%	AHP

Table 1: Composite widths and lithium assays highlighting results of most interest

In order to drill holes P15-14 and P15-19 to intersect expected deep veins in the mica schist the drill holes had to be started in a previously undrilled zone of amphibolite to the north east of the known veins. Significant intersections of lithium bearing pegmatites were encountered 50-70 metres from surface which opens up a promising new exploration target.

The resource model comprises 15 identified veins separately represented by a projection onto a strike/dip plane with thickness and lithium grade as attributes modelled from the drill hole intersection thickness and lithium grade. The veins in the resource model were extended down dip for the 10 major veins to assigned intersections of the deep holes and along strike to the extent that veins have been established to persist along strike at higher elevations. This can be visualised in Figure 2 for a cross section in the south eastern part of the deposit.

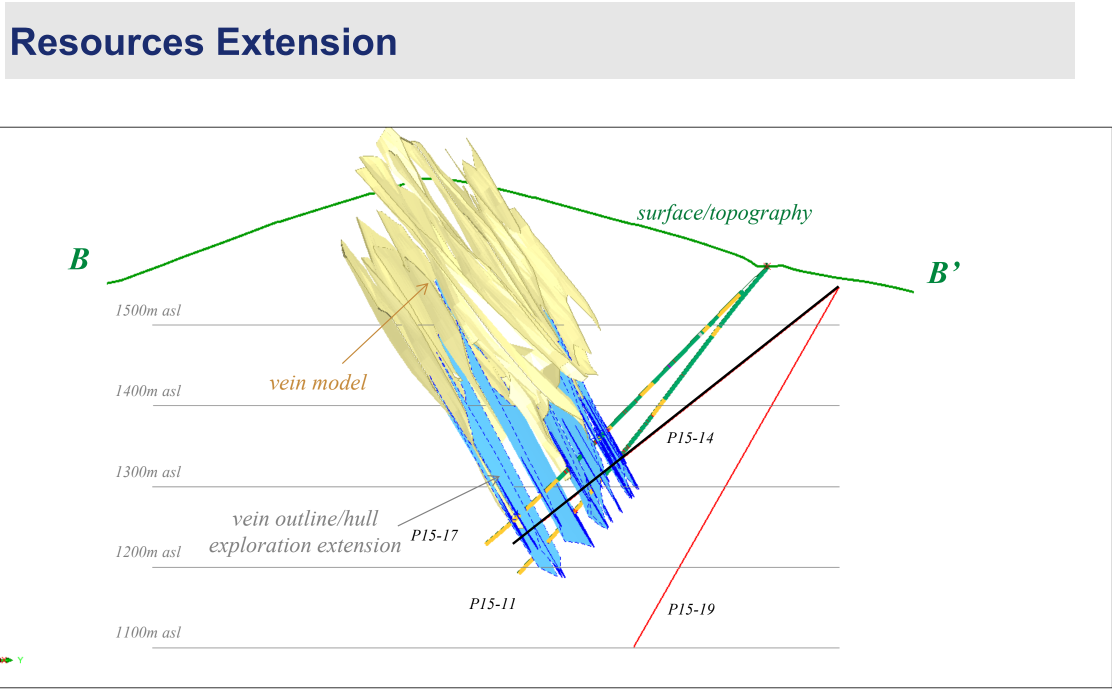

Figure 2: Cross section through south east of the deposit illustrating the extension of known veins in the resource model to intersections in the deep drill holes

The veins in amphibolite hosted pegmatite (AHP) were extended down to a lower elevation of about RL1300m and it was evident that the thickness of the veins persist to that level. Lithium grades also largely persist to this depth which indicates that drilling the AHP deeper than RL1300m should result in additional resource.

The veins in mica schist hosted pegmatite (MHP) were extended down to RL1130m. There were indications that the MHP veins are thinning out and decreasing in lithium grade. It appears that a lower level of RL1250m can probably be taken as a practical down dip extension of the resource.

The extension of the resource was estimated by calculating the average vein thickness and lithium grade for each of the 10 veins. The total for these veins was 4.68million tonnes at a weighted average grade of 0.78% Li2O and a weighted average thickness of 1.2 metres. This compares to an average grade of 1.17% Li2O and an average vein thickness of 1.4 metres for the Measured and Indicated resource. The spacing between drill holes along strike and intersections down dip is such that the extension resource can only be considered as Inferred. The total resource at Wolfsberg comprising the previously declared Measured and Indicated resource and the Inferred resource was reported to the ASX on 3 July 2017 and is summarised in Table 2.

Category	Million Tonnes	%Li_2O
Measured	2.86	1.28
Indicated	3.44	1.08
Measured and Indicated	**6.30**	**1.17**
Inferred	4.68	0.78
Total Resources	**10.98**	**1.00**

Table 2: Measured, Indicated and Inferred Resource in Zone 1

This resource is derived from drilling only on the northern side of an anticline. Surface sampling of pegmatite boulders and limited scout drilling in 2012 on the southern side of the anticline (Zone 2) demonstrated the presence of lithium bearing pegmatites. The geological interpretation of the structure is that the pegmatites were intruded into the host rocks and that there was a later folding event that created the anticline. It is believed that the southern limb of the anticline has the potential to mirror the resource of the northern limb. A nine hole drilling programme is planned for the southern limb. Figure 3 shows the planned drill holes on the southern limb in relation to the identified veins and underground workings in the northern limb.

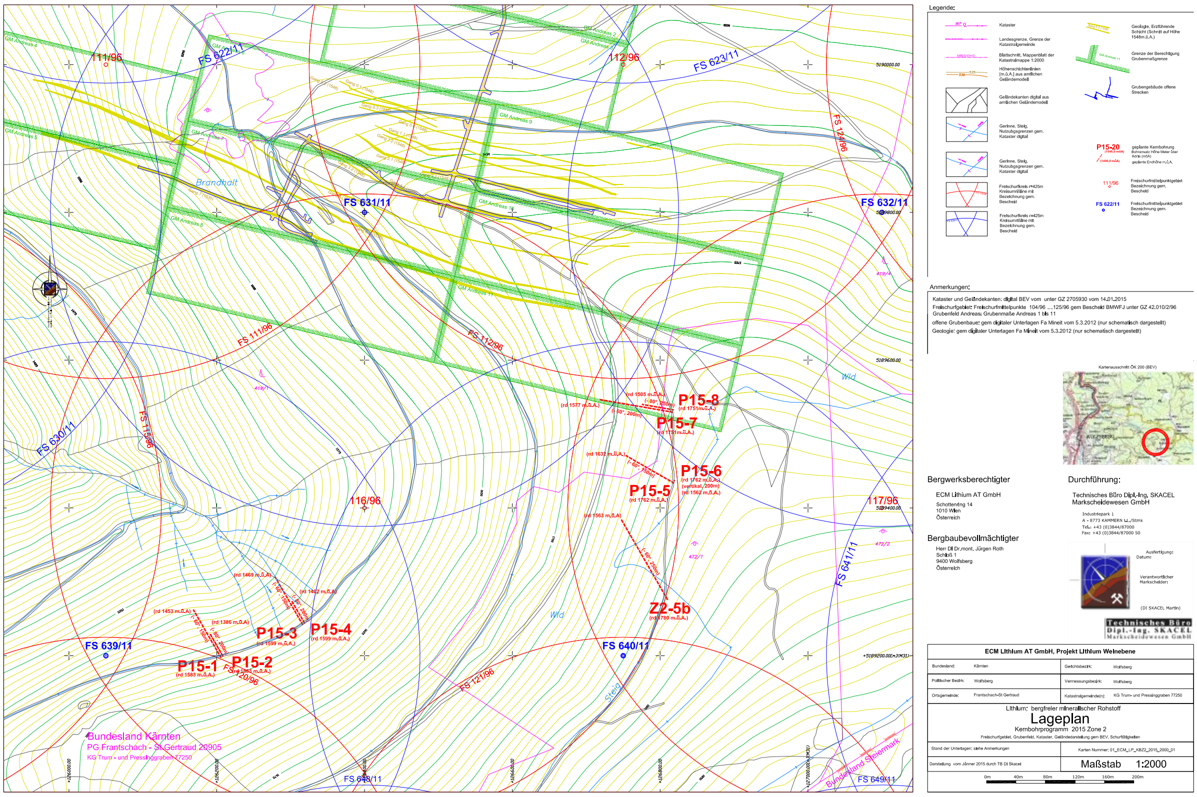

Figure 3: Plan view of Zone 2 exploration area with drill hole locations in relation to known Zone 1 veins

Three drill holes have been completed. P15-1 was drilled to 150 metres but did not intersect pegmatites. Drill hole P15-5 was drilled to 150 metres and P15-6 was drilled to 200 metres and both intersected wide and high lithium grade pegmatites in amphibolite as shown in Table 3. These drill results were reported to the ASX on 28 June 2017 and show pegmatite intersections to the full depth of the drill holes which indicates that deeper drilling is warranted as well as completing the drill holes along strike as planned.

Drill Hole ID	Composite From (m)	Composite To (m)	Composite width (m)	Measured Dip Angle (°)	True Thickness (m)	Composited %Li2O	Composite Mineralized (m)	Mineralized %Li2O
P15-5	22.7	23.4	0.70	40	0.54	1.16	0.54	1.16
P15-5	47.6	48.4	0.8	40	0.61	1.87	0.61	1.87
P15-5	70.96	73.83	2.87	30	2.49	1.76	2.27	1.92
P15-5	132.35	136.38	4.03	35	3.38	1.45	3.38	1.45
P15-6	70.08	71.43	1.35	65	0.57	1.22	0.57	1.22
P15-6	83.84	88.77	4.93	53	2.97	1.23	2.38	1.52
P15-6	100.68	101.48	0.8	55	0.46	0.51	0.46	0.51
P15-6	106.65	117.4	10.75	60	5.38	0.82	3.88	1.1
P15-6	143.3	143.86	0.56	65	0.24	0.6	0.24	0.6
P15-6	167.7	169.01	1.31	60	0.66	0.41	0.66	0.41
P15-6	186.7	197.2	10.5	60	5.25	0.98	3.99	1.26

Table 3: Composite true widths and lithium assays highlighting results of most interest

The resource has potential to be further increased in Zone 1 (the northern limb of the anticline) by drilling to extend the identified AHP veins deeper and by drilling along strike of the newly discovered AHP intersections which are to the north west of the known AHP veins. Results from the initial drilling in Zone 2 (the southern limb of the anticline) confirm the potential of this area to mirror the resources of Zone 1. Figure 4 illustrates the exploration targets for potential expansion of the resource.

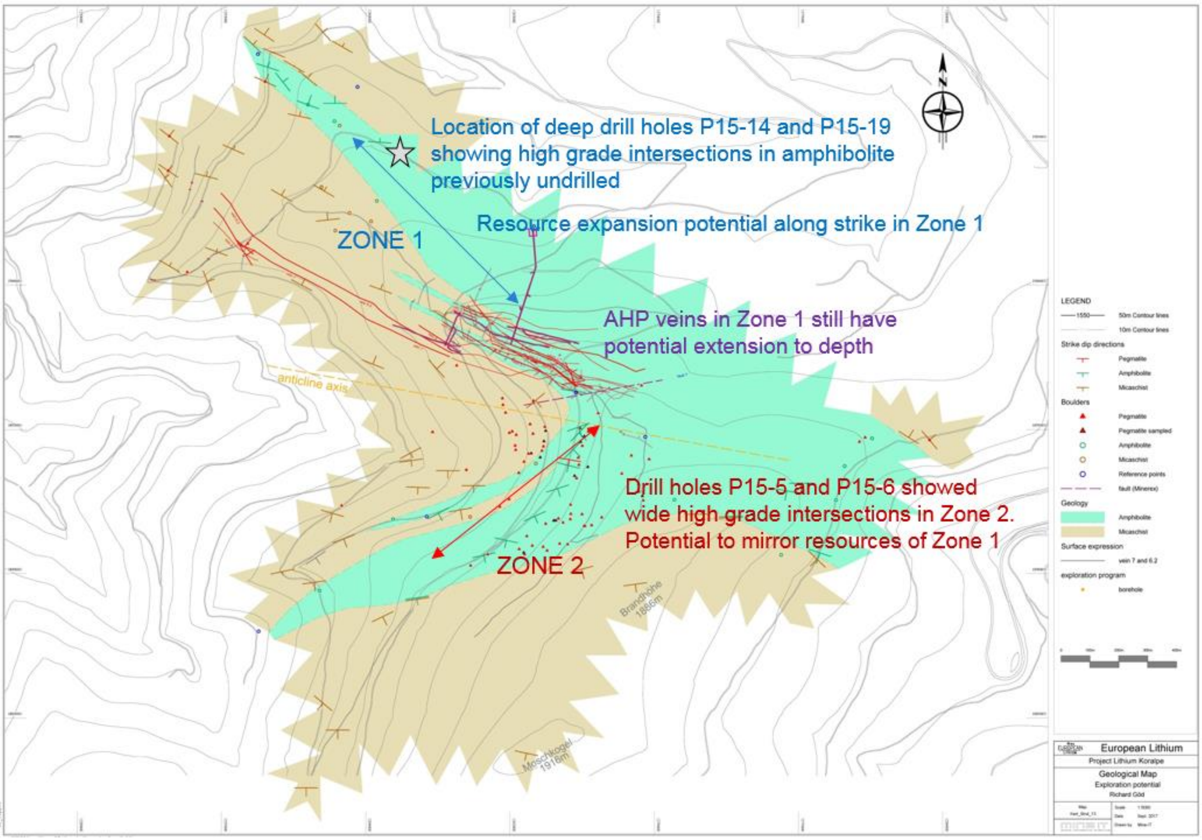

Figure 4: Schematic view of Zone 1 showing underground development and major identified veins and exploration targets for resource expansion

Land Access

There was a dispute between the landowner and the Company's subsidiary in Austria, ECM Lithium AT GmbH (ECM) regarding the 2011 waiver agreement whereby Glock Gut und- Forstverwaltung GmbH (Glock Gut) waived any right to object to the development of an underground mine on its property. Both parties agreed to arbitration and the hearing was held on 14 February 2017.

A temporary settlement agreement (effective 9 November 2016) was reached with the landowner whereby access for drilling was allowed until 30 June 2017 with the Company continuing to make compensation payments of €2,000/month for use of forest roads and providing a bank guarantee for €150,000 in respect of any unrepaired damage to property. This sum has since been recovered.

The arbitral tribunal ruled on 26 June 2017 in favour of ECM and that the 2011 waiver agreement which grants ECM the right to accede to and use of Glock Gut property to be valid and in force. Furthermore, the arbitral tribunal held that said agreement entitles ECM to full access to and usage of Glock Gut property to carry out all mining activities as well as ancillary activities related hereto and the award is immediately enforceable.

Metallurgy

Dorfner Anzaplan, a leading independent consultant in lithium and industrial minerals, was engaged to carry out the metallurgical optimisation testwork. The initial programme investigated the applicability of sensor based sorting to reject waste dilution from the ore feed to the concentrator. This was carried out at the TOMRA sorting facility in Hamburg, Germany using the bulk samples of AHP and MHP mined in 2013. This work demonstrated that laser sorting was effective and virtually all waste could be rejected from the size fractions suitable for sorting (-70 + 8mm).

The AHP is coarsely crystallised and testwork into the applicability of dense media separation (DMS) to recover an early spodumene concentrate was carried out at Metsolve, Vancouver, Canada. This showed that a relatively high grade spodumene concentrate (5.3% Li_2O) could be obtained by DMS with magnetic separation to remove residual amphibolite. The laser sorting and DMS testwork was reported to the ASX on 9 February 2017. The concentrate was tested by a leading European glass-ceramic producer who considered it suitable as feed for their production process.

Dorfner Anzaplan undertook further testwork on AHP and MHP to recover a 6.2% Li_2O spodumene concentrate. This was reported to the ASX on 26 June 2016. An optimised flowsheet was developed that included the following process steps – crushing and laser sorting of Run of Mine ore, crushing and grinding of the sorter accept and bypassed material, magnetic separation to remove iron bearing impurities, mica flotation and then spodumene flotation. The spodumene flotation tailings then undergo feldspar flotation to obtain a feldspar concentrate and a quartz concentrate from those tailings. The feldspar quality is in the range for high quality glass and ceramic and the quartz concentrate had very low iron and is suitable for all major glass applications. 32.2% of the run of mine fed to the processing plant was recovered as high quality feldspar and quartz which can provide a significant by-product credit against the lithium production cost.

The lithium recovery from sorting/spodumene flotation was 79% compared to 75.4% from sorting/DMS/spodumene flotation. Capital reduction from the use of DMS may not outweigh the loss in recovery. This will be confirmed in the pre-feasibility study which will use the sorting/spodumene flotation flowsheet as the base case.

Hydrometallurgical testwork by Dorfner Anzaplan showed that the flotation concentrate can be processed to battery grade lithium carbonate (>99.9% Li_2CO_3) by the conventional acid roast process which is currently the only commercial scale proven technology. The lithium carbonate can then be transformed to battery grade lithium hydroxide (>56.5% LiOH) by reaction with lime followed by crystallisation and drying to the monohydrate. The recovery of lithium from spodumene concentrate to lithium carbonate was 86.8% and to lithium hydroxide was 82.6%. This work was reported to the ASX after period closing date on 27 July 2017.

Mining

SRK Consulting (UK) Limited (SRK) was engaged to develop to Scoping Study level an appropriate mining concept based on the Measured and Indicated resource and geological model and the use of ore sorting as part of the metallurgical process. This was reported to the ASX on 27 April 2017.

Long hole open stoping was selected as the preferred method for low cost mining at Wolfsberg. A standard stope shape of 75 metres along strike and 25 metre sub-levels for the width of the vein using a minimum mining width of 1.2 metres. 4 metre rib and sill pillars would be left for support whilst a 25 metre crown pillar is also provided. Mined out stopes would be partially backfilled with waste from mining and from the concentrator. For the average vein width of 1.4 metres a dilution of 57% is expected. The use of low operating cost ore sorting to reject this waste dilution is essential to the project. 72.7% (4.47 million tonnes) of the Measured and Indicated lithium resource is converted to mineable mineralised tonnages.

The existing adit to surface will be used as the primary method of access to underground workings with a decline spiral upwards and downwards from the adit access. Access drives intersect the veins at each 25 metre sub level. The stopes are aligned along the strike of the orebody. From the access drives a production drive is driven to the extremity of the veins at each sub-level and extraction of ore would commence along strike from the extremities retreating towards the central access drives. Trackless equipment is used for decline and orebody development, production and haulage activities. The decline and haulageways are 5m x 5m sufficient to accommodate 30 tonne underground trucks. A visualisation of the mine development is shown in Figure 5 looking from the north depicting the main decline spiral (black), access drives on each sub-level (light green) and production drives (purple).

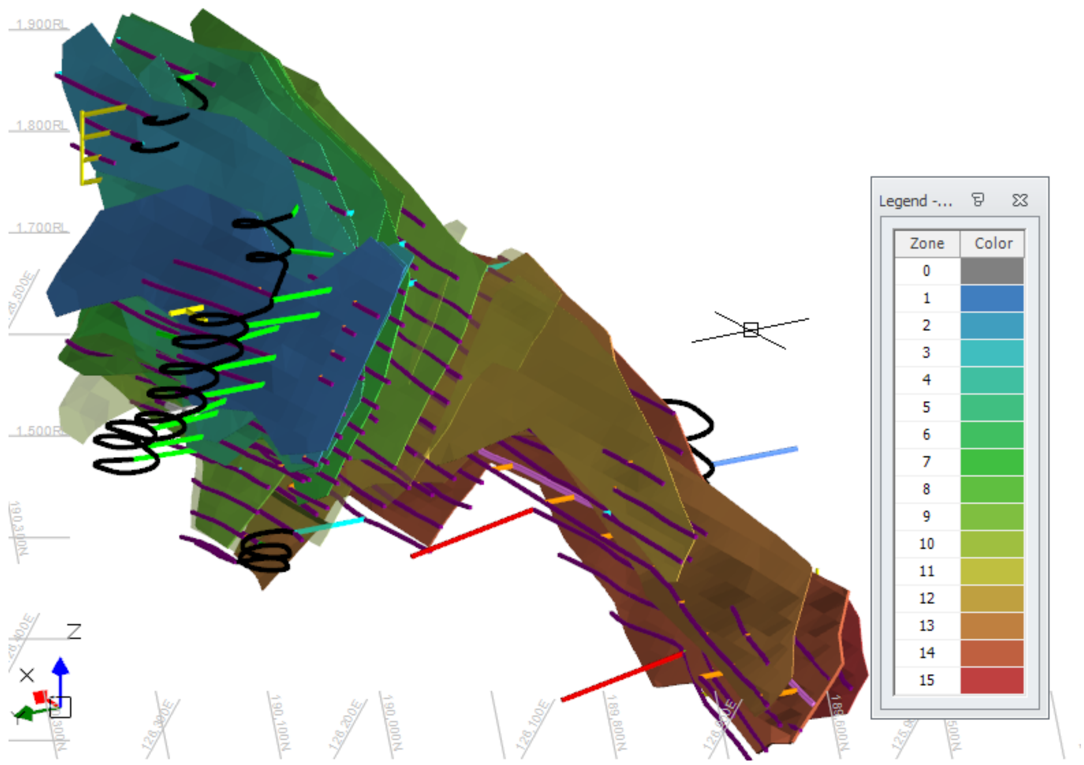

Figure 5: Isometric view of mine development and mineralisation

A technical and economic model was developed between SRK and the Company. This envisages processing of the mined ore to produce a flotation spodumene concentrate for conversion to battery grade lithium carbonate and hydroxide. The current Measured and Indicated resource allows a production level of about 50,000 tonnes/year spodumene concentrate which is converted to 7,121 tonnes/year lithium carbonate for 13 years. Mining averages about 600,000 tpa including dilution which results after ore sorting to just under 400,000 tpa mill feed at an average grade of 0.98% Li_2O.

A preliminary estimate of operating and capital costs was made. Mining costs are the major part (two-thirds) of operating cost as can be expected of vein underground mining. By-product credits are an important offset to production costs and the preliminary estimate results in a lithium carbonate cost net of by-product credits of US$5,001/tonne.

The capital cost is estimated at US$179 million and based on a lithium carbonate price of US$10,500/tonne results in a preliminary pre-tax NPV8 of US$125 million. This evaluation does not include the benefit of any capital reduction resulting from Austrian/EC support that is under discussion.

The SRK study also considered an upside scenario if the Inferred resources and exploration target material were converted to Indicated resource following further drilling. SRK considered that a mining rate of about 800,000tpa should be possible from the Wolfsberg deposit. An additional 5.6 million tonnes mineable mineralised material would allow the project life to increase to 23 years with an increase in lithium carbonate production to about 11,000 tpa in full production years and a reduction in lithium carbonate operating cost to US$4,573/tonne.

SRK concluded that based on this preliminary study the Wolfsberg Lithium Project is technically and economically viable based on the current Measured and Indicated resources.

Environmental and Permitting

Environmental base line studies commenced with characterisation of habitats. The project area is not in a protected wilderness or water area but in a commercial forest. A preliminary assessment of environmental issues was received on 12 April 2017 from the local environmental consultants, Umwelt Büro. Increase in road traffic was considered the major environmental concern. Base line studies were interrupted by access issues from the landowner. These were resolved following the successful arbitration and base line studies recommenced post-closing date on 7 August 2017.

The permitting regime applicable to the project has been reviewed by legal consultants. Depending on the disturbed area the project may either fall within the responsibility of the Carinthian Government or the Mining Authority (Federal). A screening to determine the applicable regime will be carried out when the project footprint is better established.

Marketing

A marketing study to initially assess the market in Europe for Wolfsberg spodumene concentrate has been undertaken. The market potential is limited by the iron content of the concentrate at 0.7% Fe_2O_3 which is too high for the quality glass and ceramic producers. It can be used by glass-ceramic producers but within a blend rather than replacement of currently imported low iron spodumene concentrate.

The iron content is not of concern if the spodumene concentrate is converted to lithium carbonate as it is removed in the process. China is the only country that is commercially converting spodumene concentrate to lithium carbonate but has insufficient domestic supply of spodumene. It is therefore aggressively seeking spodumene supply contracts.

The Company announced to the ASX on 15 May 2017 that it had entered into an agreement with Shandong Ruifu Lithium Co, Ltd (Shandong) for the offtake of up to 50,000 tpa spodumene concentrates from Wolfsberg pursuant to a binding term sheet. The term sheet provided for a formal Off-take Agreement to be entered into within 90 days of its signing. Post-closing date the Company and Shandong agreed to extend the timeframe by 60 days from 15 August 2017 to negotiate off-take terms and enter into a formal agreement.

The market dynamics have been changing rapidly in Europe. There is concern with the impact of particular NO^2 emissions from diesel engines on public health in cities. Government policies are increasingly directed to reducing use of carbon fuels and promoting use of renewables. This has resulted in the European motor manufacturers committing to accelerate production of EV's. Lithium ion batteries are the preferred choice for both EV's and the increasing use for energy storage from renewables.

Until now all lithium ion batteries for this use have been imported from Asia. However from late 2016 a number of major lithium battery production facilities have been announced in Europe. These include Samsung SDI in Hungary, LG Chem in Poland, Daimler in Germany and Northvolt in Sweden. Tesla is also actively looking for a site in Europe for their next gigafactory. Discussions are in progress with a number of potential off-takers in Europe for lithium carbonate and lithium hydroxide.

The outlook for lithium demand is increasing rapidly with consumption expected to increase strongly from about 200,000 tonnes LCE in 2016. Roskill presented a paper in May 2017 to the Lithium Supply and Markets Conference in Montreal that postulated (Figure 6) consumption of 1 million tpa LCE within 10 years. due to accelearating EV take-up. Rechargeable batteries would then account for 85% of lithium demand.

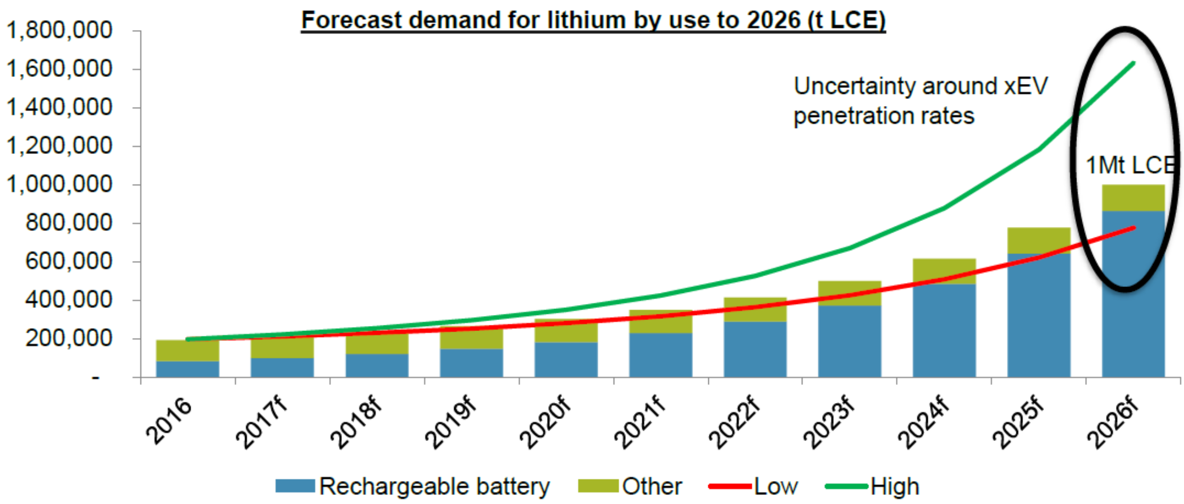

Figure 6: Roskill forecast demand for lithium use to 2026 (t LCE)

At present there is no production of lithium carbonate/lithium hydroxide in Europe for the coming battery plants. This creates a strategic position for the Company to be at the base of an integrated lithium supply chain in Europe from mine to conversion plant to battery production and into EV's and energy storage.

Discussions have been held with Carinthian, Austrian Federal and EC officials on the importance of this new industry in Europe and availability of support funding for the Wolfsberg Lithium Project. These discussions have been positive and will be continued when funding requirements are better pinned down following completion of the pre-feasibility study.

Pre-feasibilty study

A scope of work was drawn up for the pre-feasibility study and a request for services issued to a number of consultants. Three qualified proposals were received which are being evaluated. An award will be made when full funding is completed.

Paynes Find Gold Project

On 22 December 2016 a Binding Terms Sheet (**Terms Sheet**) with Cervantes Gold Pty Ltd (**Purchaser**), a wholly owned subsidiary of Cervantes Corporation Limited (ASX:CVS) (**CVS**), was executed to sell 100% of the right, title and interest in the Paynes Find gold project located 420km Northeast of Perth, Western Australia (the **Transaction**).

Consideration for the Transaction consists of cash and share capital in CVS as follows:

a) $500,000 to be satisfied through the issue of 25,000,000 shares in CVS, at a deemed issue price of 2 cents each, on completion of the Transaction; and
b) $500,000 in cash payable in milestone instalment.

Completion of the Transaction is dependent on the Purchaser completing due diligence, receipt of all necessary shareholder, regulatory and third-party approvals by the Company, the Purchaser and CVS, and a formal agreement being entered into.

Corporate

Acquisition

On 9 September 2016, the Company completed the legal acquisition of European Lithium AT (Investments) Ltd. Under the terms of AASB 3 "Business Combinations", European Lithium AT (Investments) Ltd was deemed to be the accounting acquirer in the business combination. The transaction has therefore been accounted for as a reverse acquisition.
Accordingly, the consolidated financial statements have been prepared as a continuation of the business and operations of European Lithium AT (Investments) Ltd, as the deemed acquirer, and has accounted for the acquisition of European Lithium Limited (formerly Paynes Find Gold Limited) from 9 September 2016. The comparative information for the Group presented in the financial statements is that of European Lithium AT (Investments) Ltd. Refer to Note 17 for further details of the business combination.

On 9 September 2016, all conditions precedent to the acquisition of 100% of the issued capital of European Lithium AT (Investments) Ltd (Company number 1629395) (the **Acquisition** or **Transaction**) were satisfied and the Company completed the Acquisition.

In accordance with the binding term sheet, the Company issued 187,500,000 fully paid ordinary shares (**Shares**) pro-rata to the shareholders of European Lithium Limited (Company number 1629378) (ELL Shareholders) by way of part consideration for the Acquisition (**Tranche 1 Consideration Shares**). Of these Shares 129,304,772 Shares are escrowed until 9 September 2017 and 53,046,615 are escrowed until 20 September 2018.

Following the upgraded resource announcement in November 2016, and in line with the terms of the sale, the Company issued a further 62,500,000 Shares pro-rata to the ELL Shareholders on 23 December 2016 (**Tranche 2 Consideration Shares**). Of these Shares 43,101,591 Shares are escrowed till 9 September 2017 and 17,682,205 are escrowed till 20 September 2018. A further 7,812,500 Shares were issued to the Company's Corporate Advisor (or nominees) in respect of fees payable upon issue of the Tranche 2 Consideration Shares. The Shares issued to the Corporate Advisor are escrowed until 20 September 2018.

Change in Name

On 20 September 2016, the Company changed its name from Paynes Find Gold Limited to European Lithium Limited and was readmitted to quotation on the ASX with its shares now trading under the ASX ticker code "EUR".

Capital Raisings

On 9 September 2016, the Company completed a capital raising of $6.232m (before associated costs) resulting in the issue of 77,902,500 ordinary fully paid shares in the Company with a further 23,437,500 Shares issued to the Company's Corporate Advisor. The Shares issued to the Corporate Advisor are escrowed until 20 September 2018.

In June 2017, the Company completed a placement of 23,630,146 fully paid ordinary shares at $0.045 per share to raise funds of $784k (before costs) and settle certain creditors of the company of approximately $279k (**Placement**). The Company also issued 10,192,852 options as part of the Placement which are exercisable at $0.05 (5 cents) on or before 31 March 2020.

Change in Directors and Company Secretary

On 9 September 2016, Mr David Holden resigned as Non-Executive Director and Mr Antony Sage was appointed Non-Executive Chairman. On the same date, Mr Steve Kesler was appointed as Chief Executive Officer (**CEO**). On 19 September 2016, Mr Paul Lloyd resigned as Company Secretary/Chief Financial Officer and Ms Amy Fink was appointed. On 24 February 2017, Ms Amy Fink resigned as Company Secretary and Ms Melissa Chapman was appointed.

Shandong Terms Sheet

On 15 May 2017, the Company announced that it had entered into an agreement with Shandong RuiFu Lithium Co., Ltd (Shandong) for the off-take of spodumene concentrates from Wolfsberg (Off-take Agreement) pursuant to a binding term sheet (Term Sheet).

Dual Listing

On 21 October 2016, the Company dual listed on the Frankfurt Stock Exchange to increase exposure to European investors. European investors can trade the Company's ordinary shares in Euros in their own time zone under the stock ticker "PF8" (ISIN: AU000000EUR7).

Competent Persons Statement

The information in this report pertaining to the Wolfsberg Lithium Project, and to which this statement is attached, relates to Project Development and Metallurgical Studies and is based on and fairly represents information and supporting documentation provided by the Company and its Consultants and summarized by Dr Steve Kesler who is a Qualified Person and is a Fellow of the Institute of Materials, Minerals and Mining and a Charted Engineer with over 40 years' experience in the mining and resource development industry. Dr Kesler 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". Dr Kesler 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 progress on project development and metallurgical results under the 2012 edition of the Australasian Code for the Reporting of Results, Minerals Resources and Ore reserves (JORC code 2012).

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 20 years.	
Interest in shares and options in the Company	5,145,379 shares (Shares are owned by Okewood Pty Ltd, a company in which Mr Sage has a relevant interest)	
Directorships of listed companies held within the last 3 years	Cape Lambert Resources Ltd	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 August 2015
	[1] Company was delisted August 2014 [2] Listed on the National Stock Exchange of Australia [3] Company was delisted August 2015	
Mr Paul Lloyd	Non-Executive Director (resigned as Non-Executive Chairman 9 September 2016, appointed Non-Executive Director 9 September 2016) Company secretary (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 of listed companies held within the last 3 years	Firestrike Resources Limited	Resigned 18 April 2016
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	13,708,062 shares (1,708,062 shares are owned by 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, 1,000,000 shares are owned by Hollywood Marketing (WA) Pty Ltd of which Mr Day is a director and 11,000,000 shares are owned by Delecta Limited, a company of which Mr Day is a director). 2,000,000 unlisted options exercisable at 12.5 cents on or before 27 February 2020.	
Directorships of listed companies held within the last 3 years	Delecta Limited	1999 to Present

Ms Melissa Chapman	Company secretary (appointed 24 February 2017)
Qualifications	Bachelor of Commerce (Accounting & Finance). Ms Chapman is a member of CPA Australia and has completed a Graduate Diploma of Corporate Governance with the Governance Institute of Australia
Experience	Ms Chapman has 15 years of experience in the accounting profession. She has worked in Australia and the United Kingdom for both listed and private companies.

12. REMUNERATION REPORT (Audited)

This report details the nature and amount of remuneration for each key management person of European Lithium Limited in accordance with the requirements of the *Corporations Act 2001* and its regulations. The information provided in this remuneration 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 the Company 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 EUR 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 2017, 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.

Voting and comments made at the Company's 2016 Annual General Meeting

The Company's remuneration report for the 2016 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 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 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.

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 (**KMP**) of the Company are the directors and Company Secretary being:

Antony Sage	Non-Executive Chairman (appointed 9 September 2016)
Malcolm Day	Non-Executive Director

Paul Lloyd	Non-Executive Director (resigned as Non-Executive Chairman and Company Secretary 9 September 2016, appointed Non-Executive Director 9 September 2016)
Melissa Chapman	Company Secretary (appointed 24 February 2017)

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

		Short-term Benefits – Salary & Fees ($)	Long-term Benefits – Options ($)	Post Employment Benefits – Superannuation ($)	Total ($)	% of Remuneration Linked to Performance (%)
Antony Sage [1]	2017	100,000	-	-	100,000	Nil
	2016	-	-	-	-	Nil
Paul Lloyd [2]	2017	136,500	-	-	136,500	Nil
	2016	174,500	-	-	174,500	Nil
Malcolm Day	2017	46,000	-	-	46,000	Nil
	2016	43,333	-	-	43,333	Nil
David Holden [3]	2017	8,400	-	-	8,400	Nil
	2016	48,100	-	-	48,100	Nil
Melissa Chapman [4]	2017	28,800	-	-	28,800	Nil
	2016	-	-	-	-	Nil
Amy Fink [5]	2017	83,461	-	7,929	91,390	Nil
	2016	-	-	-	-	Nil
Total	**2017**	**403,161**	**-**	**7,929**	**411,090**	**Nil**
	2016	**265,933**	**-**	**-**	**265,933**	Nil

[1] Antony Sage was appointed 9 September 2016
[2] Paul Lloyd resigned as Non-Executive Chairman and Company Secretary 9 September 2016, appointed Non-Executive Director 9 September 2016
[3] David Holden resigned 9 September 2016
[4] Melissa Chapman was appointed 24 February 2017 with fees recharged from Cape Lambert Resources Limited
[5] Amy Fink was appointed 19 September 2017 and resigned 24 February 2017

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 EUR to increase goal congruence between directors and shareholders. There were no options granted to directors during the years ended 30 June 2017 or 30 June 2016.

Shares Issued on Exercise of Compensation Options

No compensation options lapsed and no options were exercised during the years ended 30 June 2017 or 30 June 2016.

D Equity Instrument Disclosures Relating to Key Management Personnel

Shareholdings

30 June 2017

Name	Balance at 1-Jul-16	Rights Issue Take Up	Share Capital Reconstruction	On-Market Purchase / (Sale)	Balance at Appointment / (Resignation)	Balance at 30-Jun-17
Antony Sage	-	-	-	-	5,145,379	5,145,379
Paul Lloyd	-	-	-	-	-	-
Malcolm Day	11,208,062	-	-	2,500,000	-	13,708,062
David Holden	-	-	-	-	-	-
Total	11,208,062	-	-	2,500,000	5,145,379	18,853,441

30 June 2016

Name	Balance at 1-Jul-15	Rights Issue Take Up	Share Capital Reconstruction	On-Market Purchase / (Sale)	Balance at Appointment / (Resignation)	Balance at 30-Jun-16
Paul Lloyd	-	-	-	-	-	-
Malcolm Day	7,066,201	4,141,861	-	-	-	11,208,062
David Holden	-	-	-	-	-	-
Total	**7,066,201**	**4,141,861**	**-**	**-**	**-**	**11,208,062**

Options

30 June 2017

Name	Balance at 1-Jul-16	Granted as Remuneration	Expired Options	On-Market Purchase / (Sale)	Balance at Appointment / (Resignation)	Balance at 30-Jun-17
Antony Sage	-	-	-	-	-	-
Paul Lloyd	6,000,000	-	-	-	-	6,000,000
Malcolm Day	2,000,000	-	-	-	-	2,000,000
David Holden	-	-	-	-	-	-
Total	**8,000,000**	**-**	**-**	**-**	**-**	**8,000,000**

30 June 2016

Name	Balance at 1-Jul-15	Granted as Remuneration	Expired Options	On-Market Purchase / (Sale)	Balance at Appointment / (Resignation)	Balance at 30-Jun-16
Paul Lloyd	6,000,000	-	-	-	-	6,000,000
Malcolm Day	2,000,000	-	-	-	-	2,000,000
David Holden	-	-	-	-	-	-
Total	**8,000,000**	**-**	**-**	**-**	**-**	**8,000,000**

E Other Related Party Transactions

Sales and Purchases between Related Parties

Balances between the Company and its subsidiaries which are related parties of the Company have been eliminated on consolidation and are not disclosed in this note. Details of percentage of ordinary shares held in subsidiaries are disclosed in Note 21 to the financial statements.

Note 21 provides information about the group's structure including the details of the subsidiaries and the holding company. The following table provides the total amount of transactions and outstanding balances that have been entered into with related parties for the relevant year.

		Sales to Related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
Director related entities					
Cape Lambert Resources Limited	2017	-	217,971	-	15,409
Cape Lambert Resources Limited	2016	-	-	-	-

Mr Sage is a Director of Cape Lambert Resources Limited. Sales to and purchases from director related entities are for the reimbursement of employee, consultancy, occupancy and other costs.

Financial Assets

At 30 June 2017, Cauldron Energy Limited (Cauldron) (ASX: CXU) held 8,944,910 shares in the Company (2016: nil) with a market value of $393,576. The movement during the year in shares held includes Cauldron's participation in two separate placements to acquire 3,472,222 shares in EUR for $200,000 consideration. Mr Antony Sage is a director of Cauldron.

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 Antony Sage

- Term of Agreement – The agreement commenced on 9 September 2016 following the Company's acquisition of European Lithium AT (Investments) Limited. The agreement is ongoing unless terminated in accordance with the consultancy agreement.
- Remuneration of $120,000 per annum payable monthly.

Non-Executive Director – 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. A new agreement commenced on 15 June 2016 for the position of Non-Executive Director. This agreement is ongoing unless 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 (until 9 September 2016) and $48,000 per annum to act as Non-Executive Director (from 9 September 2016) plus additional fees for specific work completed. Fees are payable monthly to Mr Paul Lloyd or his nominee.

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 (until 30 September 2017) and $48,000 per annum (from 1 October 2017), payable monthly to Mr Malcolm Day or his nominee.

----------------- End of 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	Status	Exercise Price	Number of Options
27/02/2020	Unlisted	12.5 cents	8,000,000
30/06/2020	Unlisted	10.0 cents	200,000,000
31/03/2020	Unlisted	5.0 cents	13,915,073

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 years ended 30 June 2017 or 30 June 2016 or since the end of the financial year. During the year, no options expired or were cancelled.

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	
	Number eligible to attend	**Number attended**
Antony Sage	9	9
Paul Lloyd	10	10
Malcolm Day	10	10
David Holden	1	1

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. NON-AUDIT SERVICES

During the year ended 30 June 2017, no fees were paid or payable for non-audit services provided by the entity's auditors, HLB Mann Judd (30 June 2016 fees of $20,000 were paid or payable for non-audit services provided by the entity's auditors, HLB Mann Judd).

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. AUDITOR INDEPENDENCE

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the Directors of the Company with an Independence Declaration in relation to the audit of the annual report. This Independence Declaration is set out on page 20 and forms part of this Directors' report for the year ended 30 June 2017.

18. 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:

Tony Sage
Chairman
5 September 2017

Accountants | Business and Financial Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of European Lithium Limited for the year ended 30 June 2017, 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.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

L Di Giallonardo
Partner

Perth, Western Australia
5 September 2017

HLB Mann Judd (WA Partnership) ABN 22 193 232 714
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In March 2014, the ASX Corporate Governance Council released a third edition of the ASX Corporate Governance Council's Principles and Recommendations (**ASX Principles**).

The Company's Corporate Governance Statement for the year ended 30 June 2017 (which reports against these ASX Principles) may be accessed from the Company's website at www.europeanlithium.com.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 $	2016 $
Continuing operations			
Revenue and other income	4	790,705	20,193,003
Employee benefits expense	5	(315,124)	-
Depreciation and amortisation expense	10	(688)	(7,052)
Finance costs	5	(10,893)	(2,691)
Impairment of deferred exploration and evaluation expenditure	11	(127,132)	(989,126)
Consulting fees		(596,163)	(8,043)
Travel expenses		(226,201)	-
Regulatory and compliance costs		(381,828)	(22,847)
Transaction cost relating to the reverse acquisition by the accounting acquirer, European Lithium AT (Investments) Ltd of the Company	17	(4,925,229)	-
Other expenses	5	(2,215,810)	(52,593)
(Loss)/Profit before income tax		**(8,008,363)**	**19,110,651**
Income tax expense	7	-	-
(Loss)/Profit after tax from continuing operations		**(8,008,363)**	**19,110,651**
Other comprehensive income, net of income tax			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		902,507	(481,627)
Other comprehensive income for the period, net of income tax		**902,507**	**(481,627)**
Total comprehensive loss for the year		**(7,105,856)**	**18,629,024**
(Loss)/Earnings per share for the year			
Basic (loss)/earnings per share (cents per share)	16	(2.02)	(7.64)
Diluted (loss)/earnings per share (cents per share)	16	(2.02)	(7.64)

The above Consolidated Statement of Comprehensive Income is to be read in conjunction with the Notes to the Financial Statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017

	Note	2017 $	2016 $
ASSETS			
Current Assets			
Cash and cash equivalents	8	549,855	344,286
Trade and other receivables	9	330,765	81,938
Restricted cash and other deposits	12	199,233	-
Total Current Assets		**1,079,853**	**426,224**
Non-Current Assets			
Property, plant and equipment	10	6,150	-
Deferred exploration and evaluation expenditure	11	21,532,875	17,072,463
Restricted cash and other deposits	12	252,298	29,504
Total Non-Current Assets		**21,791,323**	**17,101,967**
TOTAL ASSETS		**22,871,176**	**17,528,191**
LIABILITIES			
Current Liabilities			
Trade and other payables	13	523,484	337,836
Borrowings		-	671,400
Total Current Liabilities		**523,484**	**1,009,236**
TOTAL LIABILITIES		**523,484**	**1,009,236**
NET ASSETS		**22,347,692**	**16,518,955**
EQUITY			
Issued capital	14	8,771,321	46,834
Reserves	15	4,634,653	(477,960)
Accumulated losses		8,941,718	16,950,081
TOTAL EQUITY		**22,347,692**	**16,518,955**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2017

	Attributable to equity holders				
	Issued Capital $	**Accumulated Losses $**	**Share Based Payments Reserve $**	**Foreign Currency Translation Reserve $**	**Total Equity $**
At 1 July 2015	**46,834**	**(2,160,570)**	**-**	**3,667**	**(2,110,069)**
Profit for the year	-	19,110,651	-	-	19,110,651
Foreign currency exchange differences arising on translation from functional currency to presentation currency	-	-	-	(481,627)	(481,627)
Total comprehensive income/(loss) for the year	**-**	**19,110,651**	**-**	**(481,627)**	**18,629,024**
At 30 June 2016	**46,834**	**16,950,081**	**-**	**(477,960)**	**16,518,955**
Loss for the year	-	(8,008,363)	-	-	(8,008,363)
Foreign currency exchange differences arising on translation from functional currency to presentation currency	-	-	-	902,507	902,507
Total comprehensive income/(loss) for the year	**-**	**(8,008,363)**	**-**	**902,507**	**(7,105,856)**
Shares issued pursuant to prospectus	6,232,200	-	-	-	6,232,200
Shares and options issued to corporate advisor as share issue costs	2,500,000	-	4,210,106	-	6,710,106
Share issue costs – shares and options issued to corporate advisor	(6,710,106)	-	-	-	(6,710,106)
Shares issued to historic creditors	95,257	-	-	-	95,257
Deemed consideration of reverse acquisition	5,843,580	-	-	-	5,843,580
Shares issued pursuant to placement	1,063,357	-	-	-	1,063,357
Share issue costs – cash	(299,801)	-	-	-	(299,801)
At 30 June 2017	**8,771,321**	**8,941,718**	**4,210,106**	**424,547**	**22,347,692**

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017	2016
		$	$
Cash flows from operating activities			
Payments to suppliers and employees		(2,922,853)	(37,127)
Payments for exploration		(3,575,108)	-
Finance costs		(10,893)	-
Increase in restricted cash balances		(422,027)	-
Interest received		14,144	107
VAT Refund		-	63,346
Net cash provided by/(used in) operating activities	19	**(6,916,737)**	**26,326**
Cash flows from investing activities			
Proceeds from the sale of exploration tenements		70,000	(409,405)
Payment for property, plant and equipment		(6,838)	-
Cash acquired on acquisition of accounting subsidiary	17	343,642	-
Net cash provided by/(used in) investing activities		**406,804**	**(409,405)**
Cash flows from financing activities			
Proceeds from capital raisings		7,016,675	-
Payment for share issue costs		(299,801)	-
Repayment of loans and borrowings		-	(37,463)
Transfer to subsidiaries		-	754,759
Net cash provided by financing activities		**6,716,874**	**717,296**
Net increase in cash and cash equivalents		206,941	334,217
Cash and cash equivalents at beginning of year		344,286	16,591
Effects on exchange rate fluctuations on cash held		(1,372)	(6,522)
Cash and cash equivalents at end of year	8	**549,855**	**344,286**

The above Consolidated 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**) and the controlled entities (the **Group**) for the year ended 30 June 2017 was authorised for issue in accordance with a resolution of the directors on 5 September 2017.

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.

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.

As at 30 June 2017, the Group had cash and cash equivalents of $549,855 (30 June 2016: $344,286) and net assets of $22,347,692 (30 June 2016: $16,518,955).

At the date of this report, the directors are satisfied there are reasonable grounds to believe that the Group will be able to continue its planned operations and the Group will be able to meet its obligations as and when they fall due because the directors are confident that the Group will be able to realise certain of its assets or seek alternative sources of funding if required. Should the Group not achieve the matters set out above, there is a material uncertainty that may cast significant doubt whether the Group would continue as a going concern and therefore whether it would realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The consolidated financial statements do not include any adjustment relating to the recoverability or classification of recorded asset amounts or to the amounts or classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

c) Application of new and revised accounting standards

Changes in accounting policies on initial application of Accounting Standards
The accounting policies adopted are consistent with those of the previous financial year. From 1 July 2016, the Group has adopted all the standards and interpretations mandatory for annual periods beginning on or after 1 July 2016. Adoption of these standards and interpretations did not have any effect on the statements of financial position or performance of the Group. The Group has not elected to early adopt any new standards or amendments.

New accounting standards and interpretations not yet adopted
Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2017 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

Title of Standard	Nature of Change	Impact	Mandatory Application Date / Date of Adoption by the Group
AASB 9 Financial Instruments	AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement. Except for certain trade receivables, an entity initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Debt instruments are subsequently measured at fair value through profit or loss (FVTPL), amortised cost, or fair value through other comprehensive	This standard is not expected to have a material impact on the Group's financial statements	Mandatory for financial years commencing on or after 1 January 2018, but available for early adoption.

	income (FVOCI), on the basis of their contractual cash flows and the business model under which the debt instruments are held. There is a fair value option (FVO) that allows financial assets on initial recognition to be designated as FVTPL if that eliminates or significantly reduces an accounting mismatch. Equity instruments are generally measured at FVTPL. However, entities have an irrevocable option on an instrument-by-instrument basis to present changes in the fair value of non-trading instruments in other comprehensive income (OCI) without subsequent reclassification to profit or loss. For financial liabilities designated as FVTPL using the FVO, the amount of change in the fair value of such financial liabilities that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation in OCI of the fair value change in respect of the liability's credit risk would create or enlarge an accounting mismatch in profit or loss. All other AASB 139 classification and measurement requirements for financial liabilities have been carried forward into AASB9, including the embedded derivative separation rules and the criteria for using the FVO. The incurred credit loss model in AASB 139 has been replaced with an expected credit loss model in AASB 9. The requirements for hedge accounting have been amended to more closely align hedge accounting with risk management, establish a more principle-based approach to hedge accounting and address inconsistencies in the hedge accounting model in AASB 139. The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.	and disclosures.	Expected date of adoption by the group: 1 January 2018.
AASB 15 Revenue from Contracts with Customers	The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers revenue arising from the sale of goods and the rendering of services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.	This standard is not expected to have a material impact on the Group's financial statements and disclosures.	Mandatory for financial years commencing on or after 1 January 2018, but available for early adoption Expected date of adoption by the group: 1 January 2018.
AASB 16 (issued February 2016) *Leases*	AASB 16 eliminates the operating and finance lease classifications for lessees currently accounted for under AASB 117 Leases. It instead requires an entity to bring most leases into its statement of financial position in a similar way to how existing finance leases are treated under AASB117. An entity will be required to recognise a lease liability and a right of use asset in its statement of financial position for most leases. There are some optional exemptions for leases with a period of 12 months or less and for low value leases. Lessor accounting remains largely unchanged from AASB 117.	The Group is still assessing the potential impact of the adoption of this standard.	Mandatory for financial years commencing on or after 1 January 2019, but available for early adoption Expected date of adoption by the group: 1 January 2019.

There are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

d) Principles of consolidation

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. A list of controlled entities is contained in Note 21 to the financial statements.

All inter-group balances and transactions between entities in the Group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the Parent Entity.

e) 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 2017 because the Directors do not believe that it is appropriate to regard realisations of future income tax benefits as probable.

f) 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.

g) 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.

h) 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.

i) 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.

j) 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.

k) 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.

l) 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.

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.

m) 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.

n) 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 Consolidated Statement of Comprehensive Income on a straight-line basis over the lease term.

o) 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.

p) 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.

q) 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.

r) 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.

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.

s) 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.

t) 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.

u) 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.

v) Comparatives

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

3. SEGMENT INFORMATION

AASB 8 Operating Segments requires operating segments to be identified on the basis of internal reports that are regularly reviewed by the Chief Operating Decision Maker (**CODM**) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. In the case of the Group the CODM are the executive management team and all information reported to the CODM is based on the consolidated results of the Group as one operating segment, as the Group's activities relate to mineral exploration.

Accordingly, the Group has only one reportable segment and the results are the same as the Group results.

a) Information by geographical region

The analysis of the location of non-current assets is as follows:

	2017 $	2016 $
Australia	-	-
Austria	21,990,556	17,101,967
	21,990,556	17,101,967

b) Revenue by geographical region

	2017 $	2016 $
Australia	84,490	-
Austria	706,215	21,791,323
	790,705	21,791,323

4. REVENUE AND OTHER INCOME FROM CONTINUING OPERATIONS

	2017 $	2016 $
Interest revenue	14,144	109
Realised foreign exchange	21,125	-
Forgiveness of related party loans	673,146[1]	20,192,894[2]
Proceeds from the sale of Paynes Find Gold Project	70,000	-
Profit on sale of motor vehicle	12,290	-
	790,705	20,193,003

[1] A loan payable by European Lithium AT (Investments) Ltd to European Lithium Ltd, BVI of €450,000 (A$673,146) was forgiven during the current period. The balance of this loan as at 30 June 2016 was €450,000 (A$671,400).

[2] Forgiveness of loans payable by European Lithium AT (Investments) Ltd, ECM Lithium AT Operating GmbH and ECM Lithium AT GmbH to European Lithium Ltd, BVI of €13,252,073.

5. EXPENSES FROM CONTINUING OPERATIONS

	2017 $	2016 $
Employee benefits expenses		
Directors' remuneration & consulting	(223,734)	-
Employee costs	(91,390)	-
	(315,124)	-
Finance expenses		
Bank fees	(10,893)	(2,691)
	(10,893)	(2,691)
Other expenses		
Assignment of historic project costs to European Lithium AT (Investments) Ltd [1]	(1,123,386)	-
Pre-acquisition advances [2]	(750,000)	-
Other administrative expenses	(342,424)	(52,593)
	(2,215,810)	(52,593)

[1] As part of the terms of the acquisition, European Lithium AT (Investments) Ltd (EL AT) assumed approximately $1,500,000 of historic creditors, related to expenditure in developing the Wolfsberg Project, from European Lithium Ltd, BVI. Management have since been able to negotiate repayment terms with certain creditors agreeing to a reduced settlement amount paid in either cash or a combination of cash and shares in the Company. As at 30 June 2017, the balance of historic creditors has been reduced to $1,123,386, which was paid during the year.

[2] As per the terms of the acquisition, advances of $200,000 and $550,000 were made by the Company, pre-acquisition.

6. AUDITORS' REMUNERATION

	2017 $	2016 $
Amounts paid or payable to:		
HLB Mann Judd		
Auditing services	26,500	28,500
Other services	-	20,000
	26,500	48,500

7. INCOME TAX

	2017 $	2016 $
Major components of income tax expense for the year are:		
Income statement		
Current income tax charge/(benefit)	-	-
Statement of changes in equity		
Income tax expense reported in equity	-	-

A reconciliation of income tax expense/(benefit) applicable to accounting profit/(loss) before income as at the statutory income tax rate to income tax expense/(benefit) at the Company's effective income tax rate for the year is as follows:

	2017 $	2016 $
Loss from ordinary activities before income tax expense	(8,008,363)	19,110,651
Prima facie tax benefit on loss from ordinary activities at 27.5% (2016: 30%)	(2,202,300)	-
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-deductible expenses	1,882,564	-
Tax rate differential	118,077	(878,370)
Other	63,099	-
Current year DTA's (non-tax losses) not recognised	138,560	878,370
	-	-

Unrecognised deferred tax assets have not been recognised in respect of the following items:

	2017 $	2016 $
Unrecognised temporary differences		
Deferred tax assets (at 27.5%) (2016: 30%)		
Accrued expenses	3,575	-
Capital raising costs	115,484	-
Carry forward tax losses – revenue	3,296,007	878,370
Carry forward tax losses – capital	1,270,065	-
	4,685,131	878,370
Deferred tax liabilities (at 27.5%) (2016: 30%)		
Exploration	-	-
Net unrecognised deferred tax asset/(liability)	4,685,131	878,370

Potential future income tax benefits arising from tax losses have not been brought to account at 30 June 2017 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

	2017 $	2016 $
Cash at bank and in hand	549,855	344,286
	549,855	344,286

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

9. TRADE AND OTHER RECEIVABLES

	2017 $	2016 $
Trade and other receivables	20,051	51
Security deposit	5,885	-
GST / VAT receivable	295,328	81,887
Prepayments	9,501	-
	330,765	81,938

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

10. PROPERTY, PLANT AND EQUIPMENT

	2017 $	2016 $
Cost	6,858	34,527
Accumulated depreciation	(708)	(34,527)
	6,150	-
Additions	6,858	-
Depreciation charge for the period	(688)	(7,052)
Foreign exchange	(20)	-
Carrying value at end of period	6,150	-

11. DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

	2017 $	2016 $
Balance at beginning of period	17,072,463	17,070,538
Expenditure incurred	3,575,108	493,544
Foreign exchange movement	1,012,436	497,507
Impairment	(127,132)	(989,126)
Balance at end of period	21,532,875	17,072,463

The recoupment of costs carried forward in relation to areas of interest in the exploration and evaluation phases is dependent upon the successful development and commercial exploitation or sale of the respective areas.

12. RESTRICTED CASH AND OTHER DEPOSITS

	2017 $	2016 $
Current		
Arbitration expenses due from Glock (i)	199,233	-
Non Current		
Term deposits	252,298	29,504

(i) During the year, the Company paid expenses in relation to the arbitration tribunal between its fully owned subsidiary ECM Lithium AT GmbH and Glock Gut-und Forstverwaltungs GmbH.

13. TRADE AND OTHER PAYABLES

	2017 $	2016 $
Trade payables	454,021	311,734
Sundry payables and accruals	69,463	26,102
	523,484	337,836

14. ISSUED CAPITAL

a) Ordinary shares

	2017 $	2016 $
Opening balance	46,834	46,834[1]
Issues during year	9,890,814	-
Deemed consideration of reverse takeover	5,843,580	-
Capital raising costs – shares and options issued to corporate advisor	(6,710,106)	-
Capital raising costs – cash	(299,801)	-
Total issued capital	8,771,321	46,834[1]

	2017 No of shares	2016 No of shares
Issued shares:		
Balance at beginning of financial year	100[1]	100[1]
Shares acquired on acquisition of legal parent	73,044,750	-
Shares eliminated in legal subsidiary on acquisition	(100)	-
Deemed consideration of reverse takeover	-	-
Shares issued:		
Capital raising – prospectus	77,902,500	-
Shares issued to corporate advisor	31,250,000[2]	-
To acquire European Lithium AT (Investments) Ltd (Tranche 1)	187,500,000	-
To acquire European Lithium AT (Investments) Ltd (Tranche 2)	62,500,000	-
Historical creditors	1,587,614	-
Capital raising - placement	17,433,109	-
Capital raising – conversion of creditors	6,197,037	-
Balance at end of period	457,415,010	100[1]

[1] The issued capital of European Lithium AT (Investments) Ltd is 100 ordinary shares with a carrying value of €35,000.

[2] Includes 7,812,500 fully paid ordinary shares that were issued to the Company's corporate advisor (or nominees) in respect of fees payable upon issue of the Tranche 2 Consideration Shares in respect of the European Lithium AT (Investment) Ltd acquisition. These shares are escrowed until 20 September 2018.

Terms and conditions of contributed equity

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

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

b) Options

At 30 June 2017, the unissued ordinary shares of the Company under option are as follows:

Date of Expiry	Status	Exercise Price	Number of Options
27/02/2020	Unlisted	12.5 cents	8,000,000
30/06/2020	Unlisted	10.0 cents	200,000,000
31/03/2020	Unlisted	5.0 cents	10,192,851
			218,192,851

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 2017 (2016: 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 following options were issued as share-based payments arrangements during the year:

	Number of Options	Grant date	Expiry Date	Exercise Price	Fair value at grant date	Vesting date
Options issued to corporate advisor	200,000,000	9 September 2016	30 June 2020	$0.10	$0.02	9 September 2016

There were no share options exercised during the year ended 30 June 2017 (2016: nil).

The fair value of the equity-settled share options granted is estimated as at the date of grant using the Black and Scholes model taking into account the terms and conditions upon which the options were granted.

	Assumption
Number options issued to corporate advisor	200,000,000
Dividend yield	0.00%
Expected volatility	57.19%
Risk-free interest rate	1.53%
Expected life of options	3.81 years
Exercise price	$0.10
Grant date share price	$0.08

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

15. RESERVES

	2017 $	2016 $
Share based payments reserve	4,210,106	-
Foreign currency translation reserve	424,547	(477,960)
	4,634,653	(477,960)
Share based payments reserve		
Balance at beginning of year	-	-
Issue of unlisted options	4,210,106	-
Balance at end of year	4,210,106	-
Foreign currency translation reserve		
Balance at beginning of year	(477,960)	3,667
Foreign currency exchange differences arising on translation of foreign operations	902,507	(481,627)
Balance at end of year	424,547	(477,960)

The foreign currency translation reserve is used to record exchange differences arising from the translation of financial statements of foreign subsidiaries.

The share based payment reserve records items recognised as expenses on valuation of employee share options and options issued to directors and consultants.

16. EARNINGS PER SHARE

	2017 $	2016 $
(Loss)/Profit used in the calculation of basic and dilutive (loss)/earnings per share	(8,008,363)	19,110,651

	2017 Cents per share	2016 Cents per share
Earnings per share:		
Basic (loss)/earnings per share (cents per share)	(2.02)	(7.64)
Diluted (loss)/earnings per share (cents per share)	(2.02)	(7.64)

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.

	2017 Number	2016 Number
Weighted average number of shares:	396,953,731	100

Under the principles of reverse acquisition accounting, the weighted average number of shares used in the calculation of basic and diluted earnings per share for the comparative period is the number of shares issued by the legal parent to acquire the results of the legal subsidiary for that period, even though the issue of the shares did not occur until the time of the reverse acquisition in the current period.

17. REVERSE ACQUISITION ACCOUNTING

On 9 September 2016, the Company completed the legal acquisition of European Lithium AT (Investments) Ltd. Under the terms of AASB 3 “Business Combinations”, European Lithium AT (Investments) Ltd was deemed to be the accounting acquirer in the business combination. The transaction has therefore been accounted for as a reverse acquisition.

The reverse acquisition is treated as an acquisition of assets and liabilities of Paynes Find Gold Limited (renamed European Lithium Limited) as at 9 September 2016.

Net assets acquired	$
Cash and cash equivalents	343,642
Trade and other receivables	35,000
Advances to related companies	750,000
Trade and other payables	(210,291)
Value of asset acquisition as at 9 September 2016	**918,351**
Loss on acquisition of European Lithium AT (Investments) Ltd	
Deemed acquisition consideration	5,843,580
Less net assets acquired	(918,351)
Transaction cost of reverse acquisition on 9 September 2016	**4,925,229**

The consideration for the acquisition comprised the issue of 187,500,000 ordinary shares to the vendors, plus a further amount of deferred consideration in the form of the issue of 62,500,000 ordinary shares to the vendors upon upgrading the JORC resource for the Wolfsberg Lithium Project to a minimum of 4.5m tonnes inferred resource at 1.3% Li_2O (these shares were issued on 23 December 2016).

Impact of acquisition on the results of the Group

If the combination had taken place at the beginning of the year, the loss of the Group would have been $8,236,346 and revenue from continuing operations would have remained unchanged.

18. COMMITMENTS AND CONTINGENCIES

a) Exploration commitments

The Group has no minimum expenditure requirements in relation to its exploration and mining licences at its Wolfsberg Project other than minimal annual licence and mine safety fees.

b) Contingencies

The Company has provided bank guarantees to the value of €170,000 in respect of any unrepaired damage to property at the Wolfsberg project.

There has been no other change in contingent liabilities since the last annual reporting date.

19. CASH FLOW INFORMATION

	2017 $	2016 $
Reconciliation from net (loss)/profit after tax to net cash used in operations		
Net (loss)/profit	(8,008,363)	19,110,651
Non cash flows included in operating (loss)/profit:		
Forgiveness of related party loans	(673,146)	(20,192,894)
Exploration expenditure classified as operating	(3,575,108)	-
Other expenses	(268)	90,687
Impairment	127,132	989,126
Transaction costs relating to reverse acquisition	4,925,229	-
Depreciation	688	7,052
Changes in assets and liabilities:		
Pre-acquisition advances	750,000	-
Subsidiary cash acquired	343,642	-
Decrease / (increase) in trade and other receivables	(410,959)	-
(Decrease) / increase in trade and other payables	(395,584)	21,704
Net cash provided by/(used in) operating activities	(6,916,737)	26,326

20. 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:

2017	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	0.00%	549,855	-	-	-	549,855
Trade and other receivables	-	-	-	-	330,765	330,765
Restricted cash and other deposits	-	-	-	252,298	199,233	451,531
Total	-	549,855	-	252,298	529,998	1,332,151
Financial Liabilities						
Trade and other payables	-	-	-	-	523,484	523,484
Total	-	-	-	-	523,484	523,484
Net Financial Assets	-	549,855	-	-	(192,719)	357,136

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%	344,286	-	-	-	344,286
Trade and other receivables	-	-	-	-	81,938	81,938
Restricted cash and other deposits	-	-	-	-	-	-
Total		344,286	-	-	81,938	426,224
Financial Liabilities						
Trade and other payables	-	-	-	-	337,836	337,836
Total		-	-	-	337,836	337,836
Net Financial Assets		344,286	-	-	(255,898)	88,386

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 2017		30 June 2016	
	Weighted average interest rate %	Balance $	Weighted average interest rate %	Balance $
Financial assets				
Cash at bank	0.00%	549,855	1.29%	344,286
	0.00%	549,855	1.29%	344,286

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 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

		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	2017	523,484	-	-	-	-	523,484	523,484
	2016	337,836	-	-	-	-	337,836	337,836
Total	2017	523,484	-	-	-	-	523,484	523,484
	2016	337,836	-	-	-	-	337,836	337,836

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 Group operates internationally and is exposed to foreign exchange risk arising from commercial transactions. The Group converted assets and liabilities into the functional currency where balances were denominated in a currency other than the Australian dollar.

The Group also has transactional currency exposures. Such exposure arises from sales or purchases by an operating entity in currencies other than the functional currency.

Movement of 10% in the foreign currency exchange rates as at 30 June 2017 would not have a material impact on the consolidated loss or equity.

21. SUBSIDIARIES

	Country of Incorporation	Ownership Interest 2017 %	2016 %
European Lithium Limited	Australia	100	100
Subsidiaries			
ECM Lithium AT GmbH	Austria	100	-
ECM Lithium AT Operating GmbH	Austria	100	-
European Lithium AT (Investments) Ltd	British Virgin Islands	100	-

22. RELATED PARTY DISCLOSURE

a) Sales and Purchases between Related Parties

Balances between the Company and its subsidiaries which are related parties of the Company have been eliminated on consolidation and are not disclosed in this note. Details of percentage of ordinary shares held in subsidiaries are disclosed in Note 21 to the financial statements.

Note 21 provides information about the group's structure including the details of the subsidiaries and the holding company. The following table provides the total amount of transactions and outstanding balances that have been entered into with related parties for the relevant year.

		Sales to Related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
Director related entities					
Cape Lambert Resources Limited	2017	-	217,971	-	15,409
Cape Lambert Resources Limited	2016	-	-	-	-

Mr Sage is a Director of Cape Lambert Resources Limited. Sales to and purchases from director related entities are for the reimbursement of employee, consultancy, occupancy and other costs.

b) Financial Assets

At 30 June 2017, Cauldron Energy Limited (**Cauldron**) (ASX: CXU) held 8,944,910 shares in the Company (2016: nil) with a market value of $393,576. The movement during the year in shares held includes Cauldron's participation in two separate placements to acquire 3,472,222 shares in EUR for $200,000 consideration. Mr Antony Sage is a director of EUR.

23. KEY MANAGEMENT PERSONNEL DISCLOSURES

a) Key management personnel compensation

	2017 $	2016 $
Short-term employee benefits	403,161	265,933
Post-employment benefits	7,929	-
	411,090	265,933

Detailed remuneration disclosures are provided in the remuneration report.

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.

24. PARENT ENTITY FINANCIAL INFORMATION

a) Summary financial information

The individual financial statements of the parent entity show the following aggregate amounts:

	2017 $	2016 $
Statement of financial position		
Current assets	454,876	131,158
Total assets	4,588,033	802,558
Current liabilities	241,698	1,366,633
Total liabilities	241,698	1,366,633
Shareholders Equity		
Issued capital	20,273,790	3,950,170
Reserves	6,491,060	-
Retained earnings	(22,418,516)	(4,514,244)
Total equity / (deficit)	**4,346,334**	**(564,074)**
Net profit / (loss) for the year	(3,751,647)	19,550,240
Comprehensive income / (loss)	(3,751,647)	19,550,240

25. EVENTS AFTER THE REPORTING PERIOD

On 3 July 2017, the Company announced the increase in resource (inferred category) by 4.68 million which was an increase of 50% in contained Li_2O.

On 7 July 2017, EUR was suspended from official quotation in relation to cleansing notices issued on 8 June 2017, 15 June 2017 and 3 July 2017 relating to the issue of ordinary shares on 8, 15 and 30 June 2017 (**Shares**) which did not exempt the sellers of the Shares from their obligation to make disclosure pursuant to s707(3) of the Corporations Act 2001 because the Shares were not in a class of securities that was trading on the ASX and not suspended for more than a total of 5 days during the previous 12 month period. The Company prepared a short form cleansing prospectus which was lodged with ASIC on 10 July 2017. In addition, the Company lodged an application with the Federal Court of Australia seeking urgent declaratory relief and ancillary orders relating to the issue of securities and the subsequent offer for sale, or sale, by some of the subscribers to those securities. The Company sought orders declaring that any offer for sale or sale of the securities from the date of issue of the securities until 10 July 2017 was not invalid by reason of the sellers' failure to comply with s707(3) of the Corporations Act 2001. On 26 July 2017, the Company was granted the relevant court orders and was reinstated to trading on ASX at the open of market on 27 July 2017.

On 27 July 2017, the Company announced that an independent consulting engineer had confirmed production of battery grade lithium carbonate (>99.9% Li_2CO_3) and battery grade lithium hydroxide (>56.5% LiOH) from the spodumene concentrate.

On 11 August 2017, the Company issued 3,722,222 options exercisable at $0.05 each on or before 31 March 2020.

On 14 August 2017, the Company announced the extension of time frame for entering into a formal off-take agreement with Shandong RuiFu Lithium Co Ltd.

On 15 August 2017, the Company announced amended terms of the sale agreement with Cervantes Gold Pty Ltd for the sale of its Paynes Find Gold Project.

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 Group's financial position as at 30 June 2017 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 2017.

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

Dated 5 September 2017

____
Tony Sage
Chairman
Perth, Western Australia

HLB Mann Judd

Accountants | Business and Financial Advisers

INDEPENDENT AUDITOR'S REPORT

To the members of European Lithium Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of European Lithium Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Material uncertainty related to going concern

We draw attention to Note 2(b) in the financial report, which indicates the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

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Email: hlb@hlbwa.com.au | Website: www.hlb.com.au

Key Audit Matter	How our audit addressed the key audit matter
Carrying amount of exploration and evaluation expenditure (Refer Note 2(r))	
In accordance with AASB 6 *Exploration for and Evaluation of Mineral Resources*, the Group capitalises all exploration and evaluation expenditure, including acquisition costs and subsequently applies the cost model after recognition. Our audit focussed on the Group's assessment of the carrying amount of the capitalised exploration and evaluation asset, as this is one of the most significant assets of the Group. We planned our work to address the audit risk that the capitalised expenditure might no longer meet the recognition criteria of the standard. In addition, we considered it necessary to assess whether facts and circumstances existed to suggest that the carrying amount of the exploration and evaluation asset may exceed its recoverable amount.	Our procedures included but were not limited to the following: ▪ We obtained an understanding of the key processes associated with management's review of the carrying values of each area of interest; ▪ We considered the Directors' assessment of potential indicators of impairment; ▪ We obtained evidence that the Group has current rights to tenure of its areas of interest; ▪ We examined the exploration budget for the year ending 30 June 2018 and discussed with management the nature of planned ongoing activities; ▪ We enquired with management, reviewed ASX announcements and reviewed minutes of Directors' meetings to ensure that the Group had not resolved to discontinue exploration and evaluation at any of its areas of interest; and ▪ We examined the disclosures made in the financial report.
Reverse acquisition accounting (Refer Note 17)	
During the year, the Group completed its acquisition of 100% of European Lithium AT (Investments) Ltd (EL AT). The acquisition resulted in the shareholders of EL AT obtaining control of the merged entity. In addition, the board of directors of the merged entity was restructured such that one of the Company's directors stepped down and was replaced by EL AT's nominee. The combination of these factors resulted in the acquisition transaction being treated as a reverse acquisition for accounting purposes. Consequently, the Company (legal parent) has been accounted for as the accounting subsidiary and EL AT (the legal subsidiary) has been accounted for as the accounting parent.	Our procedures included but were not limited to: ▪ We evaluated management's assessment that the appropriate accounting treatment for the transaction is as a reverse acquisition under accounting standards; ▪ We reviewed external reports obtained by the entity for the purposes of the transaction and critically reviewed the accounting treatment adopted. We assessed the process and methodology adopted by management's experts and the underlying assumptions; ▪ We evaluated the methodology and tested the mathematical accuracy of the calculations of the Group for the deemed accounting consideration; ▪ We corroborated the underlying information inputs, including the share prices and we checked the contractual agreements;

Accordingly, the consolidated financial statements of European Lithium Limited have been prepared as a continuation of the business and operations of European Lithium AT (Investments) Ltd. As the deemed acquirer, EL AT has accounted for the acquisition of the Company from 9 September 2016. We considered this transaction to be a key audit matter because of the degree of complexity involved in reverse acquisitions, the materiality of the matter to the users of the financial statements and the degree of audit effort directed to this area.	▪ We obtained the signed contractual agreements relating to the reverse acquisition and reviewed significant contract terms relevant to the accounting and disclosure in the financial statements; ▪ We reviewed the treatment of the reverse acquisition on consolidation and ensured the transaction had been accounted for correctly within the consolidated financial statements of the Group for the year ended 30 June 2017; ▪ We evaluated the capital and equity movements of both the legal acquirer, and the accounting acquirer, for accuracy by comparison to the terms of the arrangement and whether the Group's disclosures in respect of the reverse acquisition were reasonable and reflected the transaction terms; and ▪ We performed specific procedures on the opening balance sheet of the accounting subsidiary prepared as at the date of acquisition. We have specifically considered the recoverability of assets and the completeness of liabilities (including provisions for contractual commitments and for legal and other contingencies) to ensure that the opening balance sheet is appropriately stated.

Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors 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 preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

HLB Mann Judd

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2017.

In our opinion, the remuneration report of European Lithium Limited for the year ended 30 June 2017 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

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L Di Giallonardo
Partner

Perth, Western Australia
5 September 2017

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

Ordinary Share Capital
457,415,010 issued ordinary shares held by 1,397 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
13,915,073 unlisted options on issue, exercisable at $0.05 on or before 31 March 2020

Options have no voting entitlements.

Distribution of shareholders as at 25 August 2017

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

Range of Units	Total Number of Shareholders	No. of ordinary shares held
1 - 1,000	406	141,879
1,001 - 5,000	193	514,345
5,001 - 10,000	151	1,172,830
10,001 - 100,000	385	15,123,276
100,001 - 9,999,999,999	262	440,462,680

(b) There were 782 holders holding less than a marketable parcel of ordinary shares (11,904).

Twenty largest shareholders as at 25 August 2017

		No. of ordinary shares held	% Held
1.	DEMPSEY RESOURCES PTY LTD	65,483,920	14.32
2.	EXCHANGE MINERALS LIMITED	41,138,140	8.99
3.	JP MORGAN NOMINEES	32,653,862	7.14
4.	CEDARLAND CONSULTING LTD	15,460,238	3.38
5.	EXCHANGE MINERALS LIMITED	13,798,581	3.02
6.	ANGLO MENDA PTY LTD	12,944,500	2.83
7.	HR MOSER & ASSOCIATES	12,500,000	2.73
8.	KING DRAGON (FAR EAST) LTD	11,090,300	2.43
9.	DELECTA LIMITED	11,000,000	2.41
10.	PURE STEEL LIMITED	10,826,233	2.37
11.	SUBURBAN HOLDINGS PTY LIMITED	10,282,500	2.25
12.	DANIEL FOX-DAVIES	9,053,339	1.98
13.	CAULDRON ENERGY LTD	8,944,910	1.96
14.	EUROPEAN LITHIUM LTD	8,302,769	1.82
15.	AUSTRALIAN SHARE NOMINEES PTY LIMITED	6,987,500	1.53
16.	CITICORP NOMINEES PTY LIMITED	6,532,405	1.43
17.	ANDREW WILLIAM SPENCER	5,771,033	1.26
18.	KARNTNER MONTANINDUSTRIE	5,411,499	1.18
19.	ANTONY WILLIAM PAUL SAGE	5,145,379	1.12
20.	DANIEL FOX-DAVIES	4,329,199	0.95
		297,656,307	**65.07**

Substantial shareholders as at 25 August 2017

	No. of ordinary shares held	% Held
DEMPSEY RESOURCES PTY LTD	65,483,920	14.32
EXCHANGE MINERALS LIMITED	41,138,140	8.99

Tenement Reference	Location	Ownership Interest
M59/2	Paynes Find, WA	100%
M59/10	Paynes Find, WA	100%
M59/235	Paynes Find, WA	100%
M59/244	Paynes Find, WA	100%
M59/396	Paynes Find, WA	100%
M59/662	Paynes Find, WA	100%
M59/663	Paynes Find, WA	100%
P59/1907	Paynes Find, WA	100%
P59/1908	Paynes Find, WA	100%
P59/1909	Paynes Find, WA	100%
P59/1924	Paynes Find, WA	100%
P59/1941	Paynes Find, WA	100%
P59/1942	Paynes Find, WA	100%
P59/1956	Paynes Find, WA	100%
P59/1957	Paynes Find, WA	100%
P59/1958	Paynes Find, WA	100%
P59/1959	Paynes Find, WA	100%
P59/2101	Paynes Find, WA	100%
104/96	Wolfsberg Project, Austria	100%
105/96	Wolfsberg Project, Austria	100%
106/96	Wolfsberg Project, Austria	100%
107/96	Wolfsberg Project, Austria	100%
108/96	Wolfsberg Project, Austria	100%
109/96	Wolfsberg Project, Austria	100%
110/96	Wolfsberg Project, Austria	100%
111/96	Wolfsberg Project, Austria	100%
112/96	Wolfsberg Project, Austria	100%
113/96	Wolfsberg Project, Austria	100%
114/96	Wolfsberg Project, Austria	100%
115/96	Wolfsberg Project, Austria	100%
116/96	Wolfsberg Project, Austria	100%
117/96	Wolfsberg Project, Austria	100%
118/96	Wolfsberg Project, Austria	100%
119/96	Wolfsberg Project, Austria	100%
120/96	Wolfsberg Project, Austria	100%
121/96	Wolfsberg Project, Austria	100%
122/96	Wolfsberg Project, Austria	100%
123/96	Wolfsberg Project, Austria	100%
124/96	Wolfsberg Project, Austria	100%
125/96	Wolfsberg Project, Austria	100%
370/11(611/11)	Wolfsberg Project, Austria	100%
371/11(612/11)	Wolfsberg Project, Austria	100%
372/11(613/11)	Wolfsberg Project, Austria	100%
373/11(614/11)	Wolfsberg Project, Austria	100%
374/11(615/11)	Wolfsberg Project, Austria	100%
375/11(616/11)	Wolfsberg Project, Austria	100%
378/11(619/11)	Wolfsberg Project, Austria	100%
379/11(620/11)	Wolfsberg Project, Austria	100%
380/11(621/11)	Wolfsberg Project, Austria	100%
381/11(622/11)	Wolfsberg Project, Austria	100%
382/11(623/11)	Wolfsberg Project, Austria	100%
383/11(624/11)	Wolfsberg Project, Austria	100%
384/11(625/11)	Wolfsberg Project, Austria	100%
386/11(627/11)	Wolfsberg Project, Austria	100%
387/11(628/11)	Wolfsberg Project, Austria	100%
388/11(629/11)	Wolfsberg Project, Austria	100%
389/11(630/11)	Wolfsberg Project, Austria	100%
390/11(631/11)	Wolfsberg Project, Austria	100%
391/11(632/11)	Wolfsberg Project, Austria	100%
392/11(633/11)	Wolfsberg Project, Austria	100%
394/11(636/11)	Wolfsberg Project, Austria	100%
395/11(637/11)	Wolfsberg Project, Austria	100%
396/11(638/11)	Wolfsberg Project, Austria	100%

397/11(639/11)	Wolfsberg Project, Austria	100%
398/11(640/11)	Wolfsberg Project, Austria	100%
400/11(645/11)	Wolfsberg Project, Austria	100%
401/11(646/11)	Wolfsberg Project, Austria	100%
402/11(647/11)	Wolfsberg Project, Austria	100%
403/11(648/11)	Wolfsberg Project, Austria	100%
408/11(648/11)	Wolfsberg Project, Austria	100%
409/11(641/11)	Wolfsberg Project, Austria	100%
412/11(649/11)	Wolfsberg Project, Austria	100%
Andreas 1	Wolfsberg Project, Austria	100%
Andreas 2	Wolfsberg Project, Austria	100%
Andreas 3	Wolfsberg Project, Austria	100%
Andreas 4	Wolfsberg Project, Austria	100%
Andreas 5	Wolfsberg Project, Austria	100%
Andreas 6	Wolfsberg Project, Austria	100%
Andreas 7	Wolfsberg Project, Austria	100%
Andreas 8	Wolfsberg Project, Austria	100%
Andreas 9	Wolfsberg Project, Austria	100%
Andreas 10	Wolfsberg Project, Austria	100%
Andreas 11	Wolfsberg Project, Austria	100%