EUROPEAN LITHIUM LIMITED
ABN 45 141 450 624

Annual Report

For the Year Ended 30 June 2018

DIRECTORS
Antony Sage - Non-Executive Chairman
Malcolm Day - Non-Executive Director
Stefan Müller - Non-Executive Director

COMPANY SECRETARY
Melissa Chapman

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STOCK EXCHANGES
Australian Securities Exchange
ASX Code: EUR

Frankfurt Stock Exchange
FRA Code: PF8

Vienna Stock Exchange
VSE Code: ELI

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CONTENTS

DIRECTORS' REPORT

Your directors present their report on European Lithium Limited (**Company** or **EUR**) for the financial year ended 30 June 2018.

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
Malcolm Day	Non-Executive Director
Stefan Müller	Non-Executive Director (appointed 20 October 2017)
Paul Lloyd	Non-Executive Director (resigned 20 October 2017)

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

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 $749,798 for the financial year (2017: $8,008,363 net loss).

5. DIVIDENDS PAID OR RECOMMENDED

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

6. SIGNIFICANT CHANGES IN STATE OF AFFAIRS

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

7. EVENTS SINCE THE END OF THE FINANCIAL YEAR

On 2 July 2018, the Company announced that its 100% subsidiary, ECM Lithium AT GmbH (ECM), is among a consortium of 17 entities comprised of research institutes and technology development organisations, specialised SMEs and three European Li-mineral miners (of which ECM is one) to have passed the first evaluation stage for funding from the EU Research and Innovation programme, Horizon 2020.

On 5 July 2018, the Company announced that it had agreed to settle the remaining cash consideration payable of $80,000 in relation to the sale of its Paynes Find Project through the issue of 7,000,000 shares in Cervantes Corporate Limited (ASX: CVS) at a deemed issue price of 1.14c each. The Company has also been issued one free attaching unquoted option for every two shares issued which are exercisable at 1.5 cents each on or before 30 June 2020.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect 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 2018.

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

Prefeasibility Study (PFS)

The PFS work was completed at the end of Q2/2018 and published on 05 April 2018 at the ASX. All figures reported in this report are based on the PFS.

Exploration

The 2017 surface drill program was undertaken by a single contractor, VA Erzberg GmbH. The drilling was performed using Atlas Copco (Mustang A66CBT) drill rig (**Figure 1**). The program comprised four holes designed to verify the extension to depth of the pegmatite veins identified by Minerex, and three holes to obtain more information on the extension of the pegmatite veins into Zone 2, the southern limb of the anticline.

Figure 1: Atlas Copco (Mustang A66CBT) at Drilling Borehole Number P15-1.

Drillholes were pre-collared using percussion drilling through the fractured zones to stabilise the drillhole, and to prevent collapse of its walls. An overview map indicating the drillhole locations is provided below as **Figure 1**.

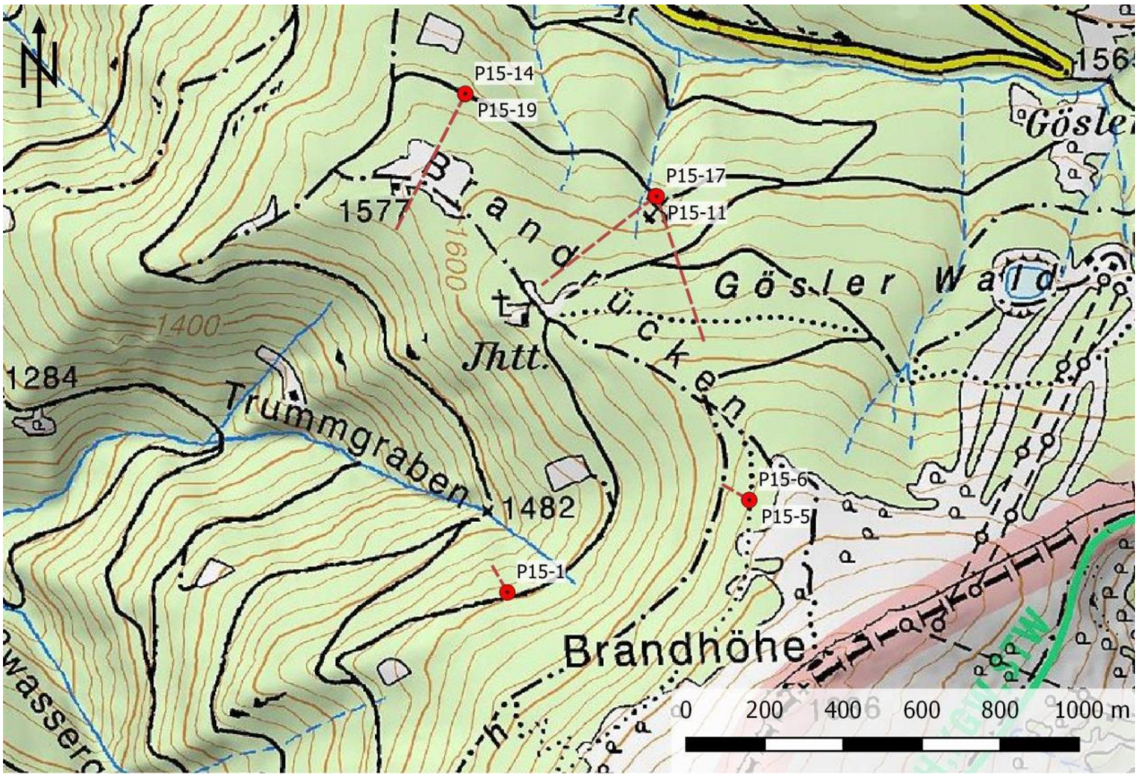

Figure 2: Topographic Map with Borehole Collar Positions for the 2017 Drilling Campaign

Site surveys were conducted by an external licensed Surveyor, using a total station instrument Leica 1,600 with standard accuracies of ±2 mm per kilometre. All coordinates were reported within the Austrian National Grid - MGI / Austria GK Central – EPSG: 31255. The survey results, indicating drillhole orientation, final depth, and core recovery are documented in **Table 1** below.

Table 1: Drill Collar Position and Information for the 2017 Drilling Programme

Hole ID	East	North	RL	Dip	Azimuth	Depth	Core Recovery %
P15-1	126,198.87	5,189,199.38	1,583.49	-60	330	150.2	86.9%
P15-5	126,815.12	5,189,434.44	1,763.07	-60	300	153.1	97.4%
P15-6	126,815.12	5,189,434.44	1,763.07	-90	0	200.5	98.2%
P15-11	126,576.31	5,190,208.25	1,573.83	-45	232	515.9	96.9%
P15-14	126,091.57	5,190,468.43	1,547.69	-38	207	492.2	93.1%
P15-17	126,579.57	5,190,207.84	1,573.38	-40	162	524.4	96.7%
P15-19	126,092.04	5,190,469.37	1,547.64	-57	207	540.3	97.4%

The total length of the seven drill holes was 2,576.6 m.

Drillhole deviation surveys were undertaken by Fugro Austria GmbH. The surveys were undertaken using a Mount Sopris winch, and two different probe models (MDEV - Magnetic Deviation and GDEV - Gyroscope Deviation). The data for these surveys was 5 m intervals for all holes drilled.

As at 31 March 2018, Ore Reserves **Table 2** reported for the Wolfsberg project in accordance with the JORC Code are 7,435 kt grading 0.71% Li_2O with a content of 52.9 kt Li_2O of Proven and Probable Mineral Reserve Categories.

SRK confirms that the Mineral Resources and Ore Reserves are reported in accordance with the terms and definitions of the JORC Code (2012) and for which the following apply:

- The Competent Person with overall responsibility for reporting of Mineral Reserves is Mr Jurgen Fuykschot, MSc, MAUSIMM, CP, and a Principal Consultant (Mining Engineering) with SRK. Mr Fuykschot has 20 years' experience and undertook a site visit to the Mineral Assets during January 2017 and May 2018;
- Mineral Resources reported in **Table 2** are inclusive of all Mineral Resources modified for reporting of Ore Reserves;

- The reserve includes dilution and recovery and was estimated using an underground mining cost of 45 USD/t ore and the technical and economic parameters presented in Section 14 of the Report;
- Underground ore sorting is used to increase the grade of the Run of Mine material feeding the concentrator;
- The underground stoping cut-off grade was calculated at 0.3% Li_2O and the development cut-off grade at 0.2% Li_2O based on split-firing the ore headings. The cut-off grade is used to determine at what point material being mined will generate a profit after paying for the mining, processing, transportation and G&A costs.

Table 2: Ore Reserve Statement

	Tonnes	**Grade**	**Content**
	kt	**% Li_2O**	**kt Li_2O**
Proven Reserves	4,319	0.69	29.7
Probable Reserves	3,116	0.75	23.2
Proven and Probable Total	**7,435**	**0.72**	**52.9**

The mineralisation wireframes (excluding the minor veins in zones 1-4 and 12) have been extended by ECM to a depth of 1,100 m above sea level (masl) to determine additional resources and exploration targets, as shown in **Figure 3** with the estimations presented in **Table 3**. Four holes were drilled in 2017 to confirm the extension at an Inferred level. A 33 hole programme has been developed by ECM with the assistance of SRK to enable the Inferred Resource to be converted to at least Indicated category.

The additional mineralised material located at the deeper levels is either classified as an Inferred Resource or unclassified and therefore unsuitable for Ore Reserve classification. However, this material can be used to determine the upside potential of the project and the requirements for further conversion from Inferred to Indicated.

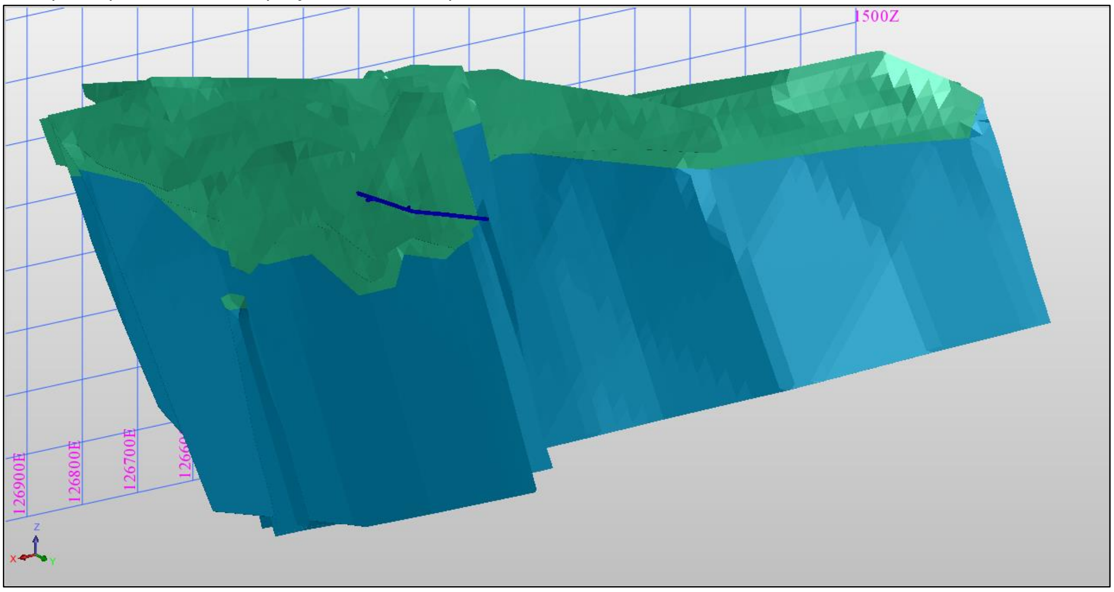

Figure 3: Inferred Resources at Depth

Table 3: Estimation of Inferred Tonnages at Depth

	In situ (Contained Mineralisation)						**Modified (RoM)**	
Zone	**Volume**	**Thickness**	**Tonnes**	**Grade**	**Mined Width**	**Dilution**	**Tonnes**	**Grade**
	m³	**m**	**t**	**% Li_2O**	**m**	**t**	**Tonnes**	**% Li_2O**
5	299,657	1.18	809,074	1.13	2	1.69	1,371,313	0.67
6	388,402	1.82	1,042,686	0.72	2	1.44	1,509,647	0.50
7	246,517	1.43	665,595	1.51	2	1.56	1,037,956	0.97
8	149,813	0.98	404,494	1.32	2	2.04	825,499	0.65
9	258,081	1.48	696,819	1.62	2	1.54	1,073,477	1.05
10	95,312	0.77	257,343	1.30	2	2.60	668,424	0.50
11	156,313	0.79	422,044	1.15	2	2.53	1,068,467	0.45
13	647,190	1.39	1,747,412	1.08	2	1.58	2,753,117	0.69
14	1,036,358	2.45	2,798,167	1.13	3	1.33	3,711,854	0.85
Total	**3,277,643**		**8,843,634**	**1.15**			**14,019,754**	**0.73**

To determine the upside potential of the project and the viability of converting the Inferred Resource and unclassified material to Indicated status, the mineable tonnages down to 1,100 masl have been calculated based on the minimum width parameters. SRK has only converted the main veins to allow for resource conversion losses caused by variation in ore thickness and grade and to have greater confidence in the amount and grade of the available material. **Table 4** presents the modified tonnes and grades. For this study, SRK has assumed that a crown pillar with a thickness of 25 m would be sufficient; however, this will have to be confirmed in any further studies.

Table 4: Estimation of Mineable Material at Depth by Host Rock

	In-Situ (Mineralisation)		Development		Stoping		Total (RoM)	
Hostrock	**Tonnage**	**Grade**	**Tonnes**	**Grade**	**Tonnage**	**Grade**	**Tonnage**	**Grade**
	t	**% Li_2O**	**t**	**% Li_2O**	**t**	**% Li_2O**	**t**	**% Li_2O**
AHP	2,171,489	1.40	843,404	0.30	2,458,819	0.88	3,302,223	0.73
MHP	4,545,579	1.11	1,247,605	0.37	4,564,269	0.78	5,811,874	0.69
Total	**6,717,068**	**1.21**	**2,091,009**	**0.34**	**7,023,088**	**0.81**	**9,114,097**	**0.71**

The LoM based on the Measured and Indicated Resources, expanded with the Inferred and unclassified material is nineteen years, with the tonnes and grade profile as shown in **Figure 4**. The expanded schedule is based on a total production of around 800 ktpa.

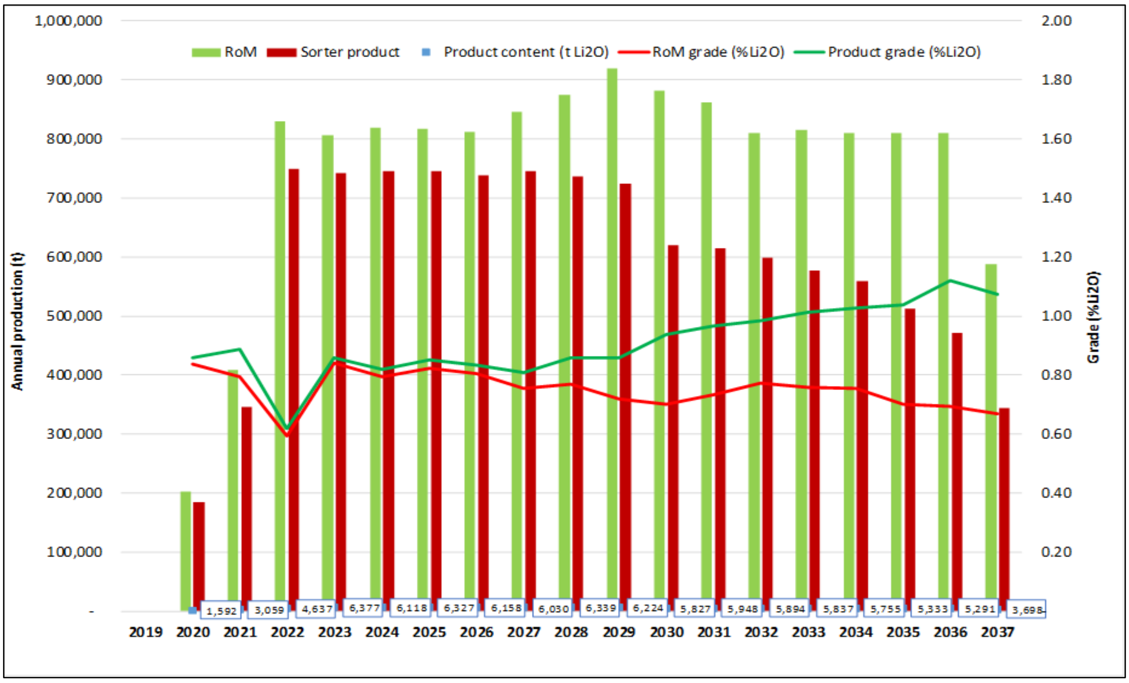

Figure 4: Production Profile based

Further works will be required during the DFS to determine the technical viability of the extended schedule, such as the creation of a detailed design and schedule. Increase in the LoM is expected, based on conversion of the Inferred and unclassified material at depth, which should also allow an increase in the production rate to around 800 ktpa RoM and improve project economics.

In January 2018 GeoUnterweissacher and Mine-it (both consultants to ECM) completed the lithological model for Zones 1 and SRK Consulting (UK)) assisted ECM to develop a 33 drill hole programme totalling 11,330 metres intended to convert the Inferred Resource in Zone 1 to Measured and Indicated Resource as reported on 03 July 2017 to the ASX. Completion of this programme will allow the larger resource to be used for the DFS and support a higher production rate than used for the PFS which was restricted to the current Measured and Indicated Resource of 6.3 million tonnes at 1.17% Li_2O. The programme was submitted to the Mining Authority at the end of February 2018 for approval. The approval decree for the shallow drill holes was received from the Mining Authority on 07 May 2018.

A tender process for the programme commenced in March 2018 and the Company received four quotations from pre-qualified drilling contractors addressing the scope of work. The preferred contractor was selected based on a pre-defined selection criteria.

The drilling programme in Zone 2 that commenced in 2017 was restarted in January 2018 and completed by the end of March 2018. An additional five holes were drilled totalling 1,338 metres. The results were released to the ASX on 27 April 2018. These showed that multiple lithium bearing pegmatite veins had been intersected with widths and lithium grades similar to those of Zone 1. It is thought that Zone 2 has the potential to mirror the resource of Zone 1. Twelve drill holes have been completed in Zone 2 between the 2012 and 2017/2018 programmes. The Company will continue to use the drill hole data for the purposes of updating the lithological model for Zone 2. Plans for a next phase drilling programme to increase the resource in Zone 2 are underway.

Land Access

Despite the ruling of the arbitrational tribunal from 26 June 2017 in favour of ECM and that the waiver agreement from 15 April 2011 which grants ECM the right to accede to and use of Glock Gut property to be valid and in force, the landowner obstructed ECM temporarily accessing the area for drilling work. Based on the ruling from 26 June 2017, ECM executed its rights successfully through the district court in Villach and the drilling commenced on time in January 2018 and was concluded without further obstruction by the landowner.

On 6 February 2018 the landowner filed a termination of the waiver agreement from 15 April 2011, which constitutes an improper action in accordance with the waiver agreement and the 2017 ruling of the arbitral tribunal and is now subject to a further arbitration expected to be closed in favour of ECM in Q3/2018.

Metallurgy

Dorfner Anzaplan, a leading independent consultant in lithium and industrial minerals, was engaged to carry out the metallurgical optimisation test work. 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).

Hydrometallurgical test work by Dorfner Anzaplan showed that the flotation concentrate can be processed to battery grade lithium carbonate (>99.9% Li2CO3) 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.

Simplified flow sheets are presented in **Figure 5** to **Figure 7**. These flow sheets are indicative of the process. The crushing and sorting facility can operate independent from the concentrator. The concentrator has distinct areas i.e.: Milling & Reflux classification, Attritioning & Wet magnetic separation, Mica Floatation, Spodumene Flotation, By-product Flotation, Feldspar Cleaning, Quartz Cleaning, Tails Disposal, Air & water Services and Reagents.

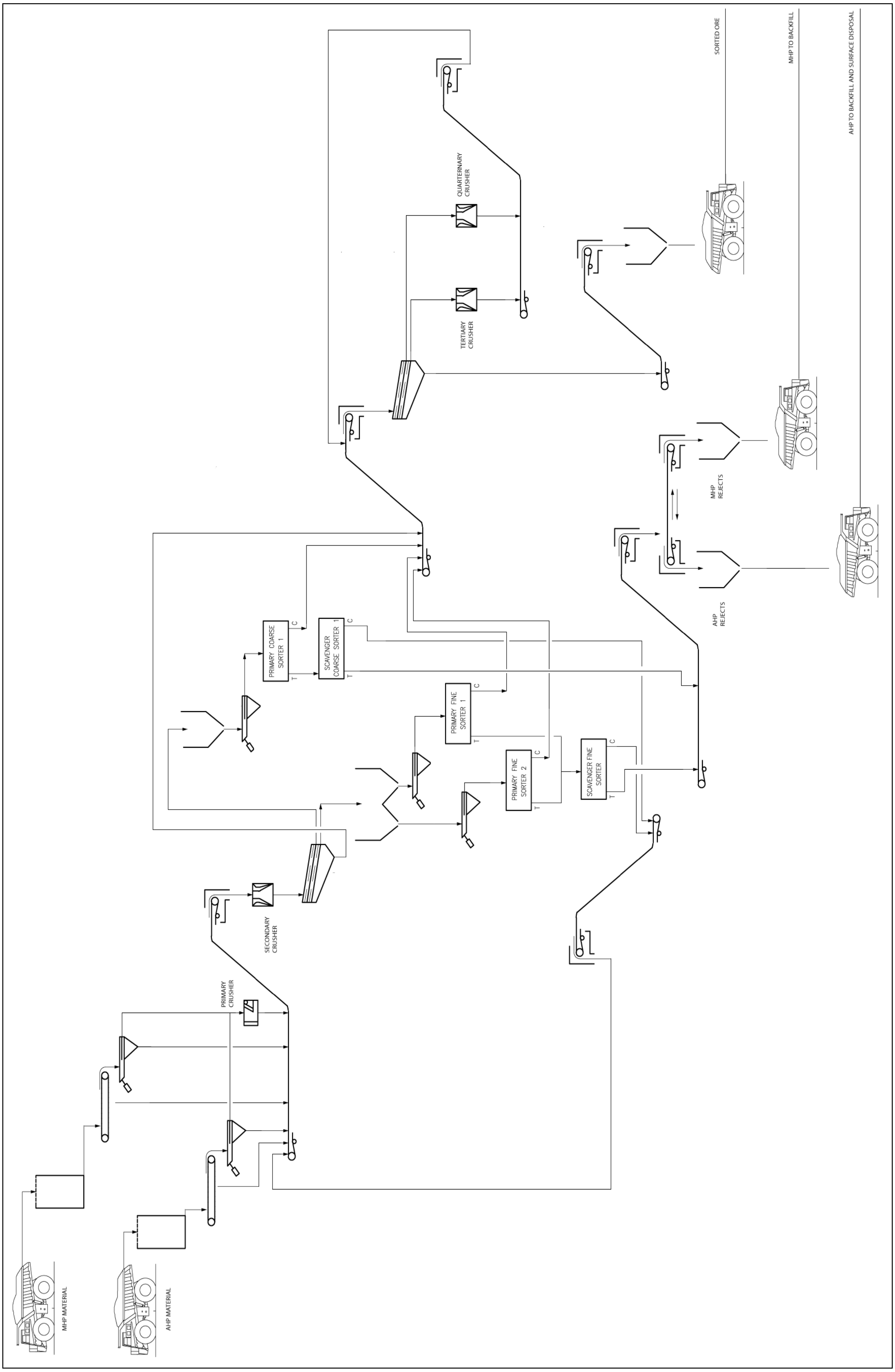

Figure 5: Crushing and Sorting Plant

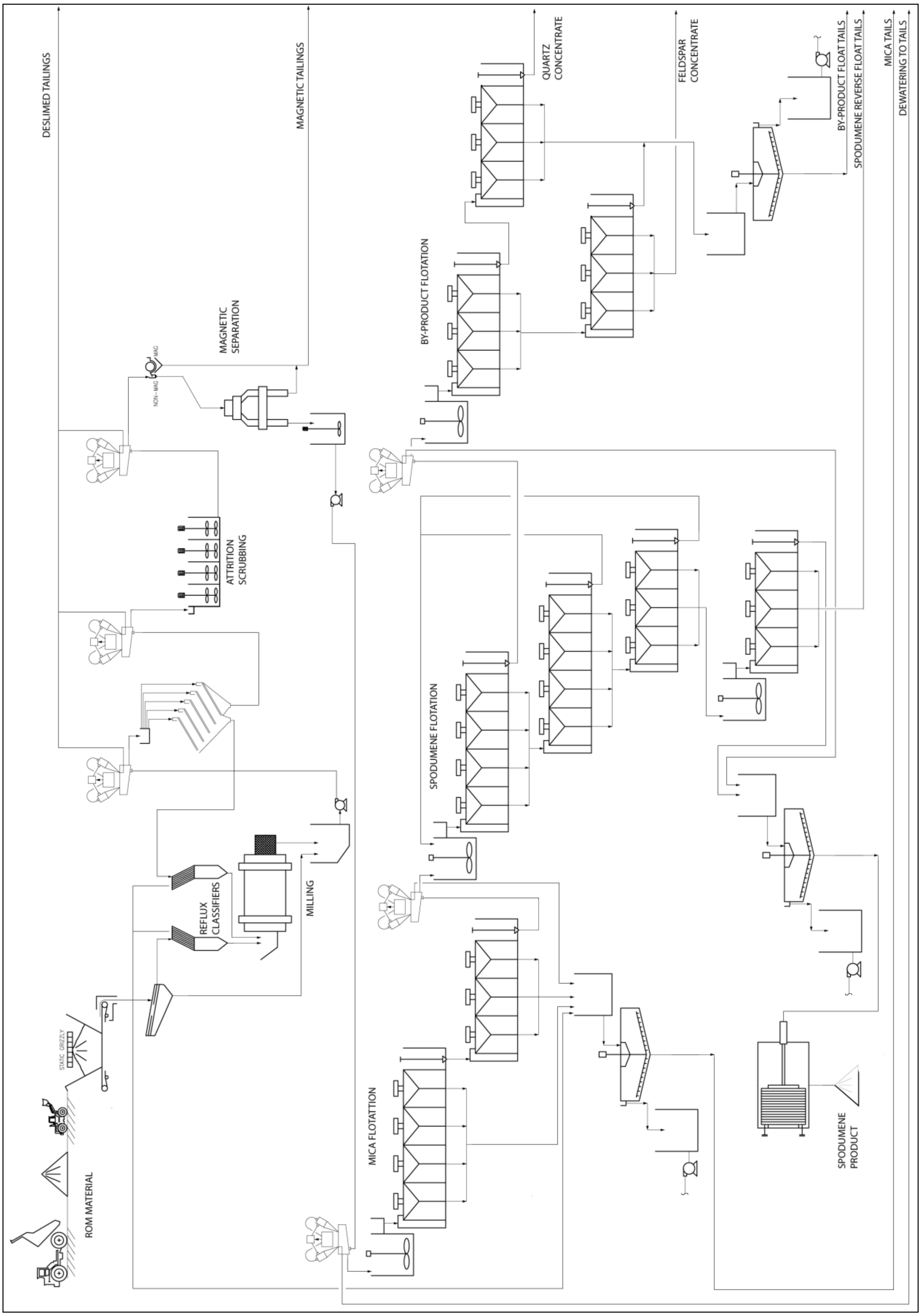

Figure 6: Milling and Flotation

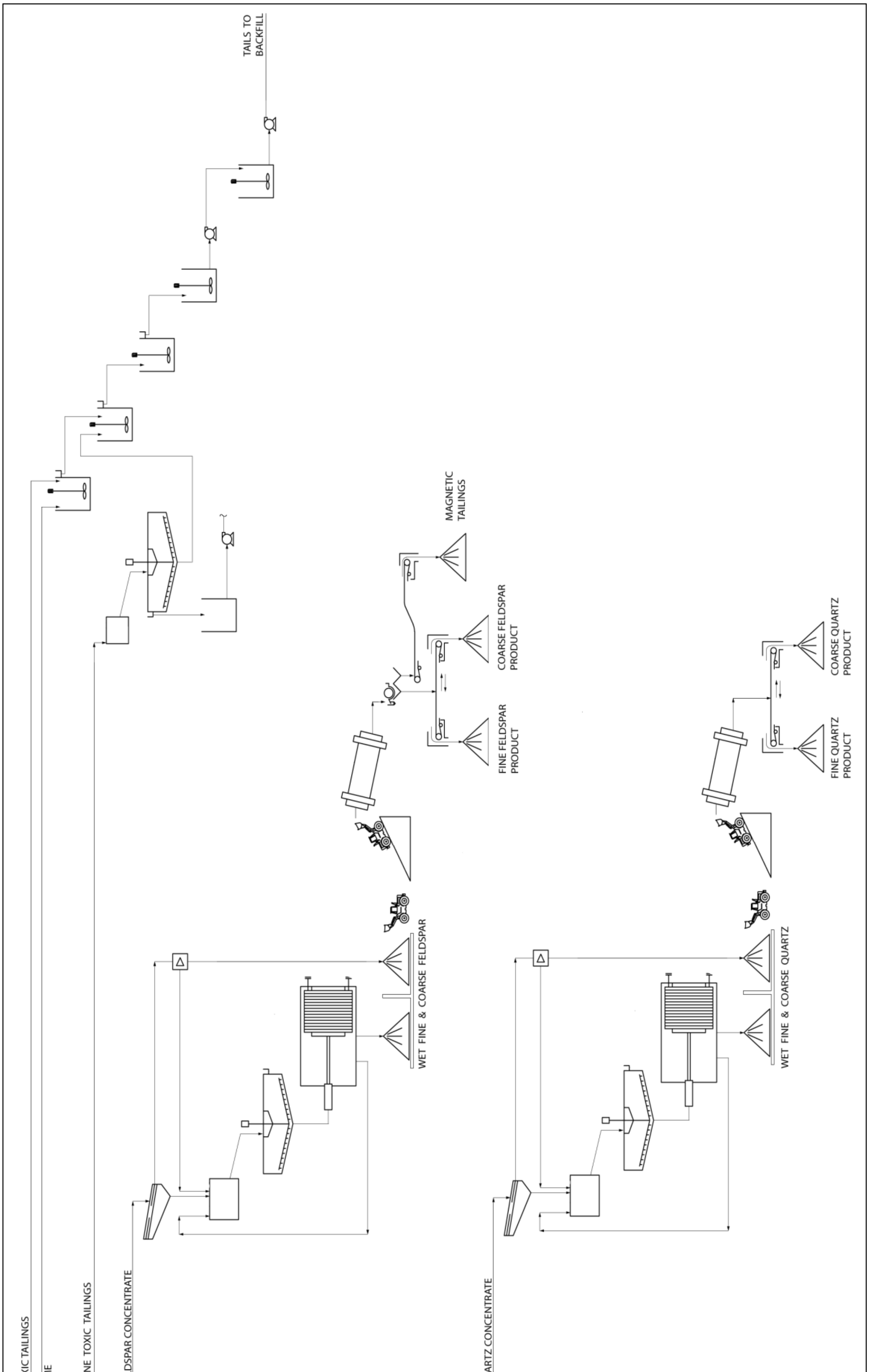

Figure 7: By-Product Cleaning and Tailings Disposal

Mining

SRK Consulting (UK) Limited (SRK) was engaged to finalise to PFS level the mining concept based on the Measured and Indicated Resource and geological model and the use of ore sorting as part of the metallurgical process.

Long hole open stoping has been 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 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 haulage ways are 5m x 5m sufficient to accommodate 30 tonne underground trucks. A visualisation of the mine development is shown in **Figure 8** looking from the north depicting the main decline spiral (black), access drives on each sub-level (light green) and production drives (purple).

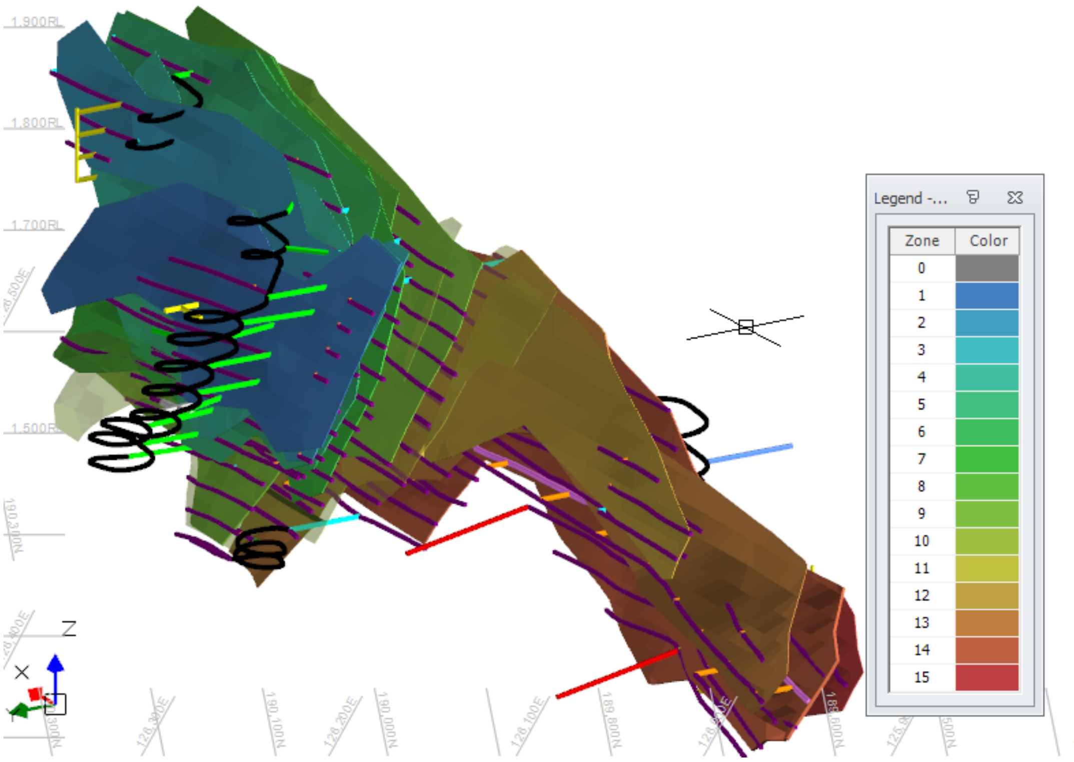

Figure 8: Isometric view of mine development and mineralisation

For the PFS a technical/economical model has been developed. The mine design and production scheduling was carried out with a mining rate about 650,000 tpa. During the work it became apparent that with only a little increase in capital equipment (USD1.13 million) and through improved scheduling the mining rate could be increased to about 720,000 tpa. This allows the Measured and Indicated resource to be mined in ten years rather than twelve bringing forward lithium hydroxide production into what are forecast to be higher price years whilst also eliminating fixed costs for the final two years. The capital cost of the process plant was scaled up from the base case for a 20% increase in throughput by a factor of 0.7 to allow that infrastructure elements would not need to be scaled. The cost of lithium hydroxide decreases in the accelerated case to USD8,296/tonne gross and USD6,561/tonne after by product credits (
Table 6). Pre-tax NPV_8 increases to USD339.41 million and IRR to 25.6%. After-tax NPV_8 increases to USD202.4 million and IRR to 18.7%, as shown below in **Table 5**.

Table 5: Financial Results for the Accelerated Case

Financial Results	Unit	Pre-tax	After-tax
NPV_8	M USD	339.4	202.4
IRR	%	25.6	18.7

Table 6: Production Evaluation Summary for the Accelerated Case

Item	Unit	Base Case
Mined ROM	tonnes	7,435,386
Concentrator Feed	tonnes	4,923,659
Concentrator Feed Grade	% Li_2O	1.03
Li_2O Recovery ROM to spodumene concentrate	%	75.8
Spodumene Concentrate produced (6% Li_2O)	tonnes	668,120
Feldspar produced	tonnes	1,365,574
Quartz produced	tonnes	849,447
Lithium Hydroxide produced	tonnes	101,287
Mine life after 2 year development	years	10
Capex	'000 US$	423,615
Revenue (after transport)	'000 US$	1,910,606
Gross Operating Cost	'000 US$	840,258
By-product credits	'000 US$	155,677
Net Operating Cost	'000US$	684,581
Lithium Hydroxide Cost (Gross)	US$/tonne	8,296
Lithium Hydroxide Cost (after by-product credits)	US$/tonne	6,561

This clearly demonstrates that the economics of the project can be improved by increasing the production rate on the existing infrastructure. A preliminary mining schedule has been developed that further increases mine production to about 800,000 tpa. To put this into effect will require converting Inferred and Exploration Target material into Indicated category through further drilling. A programme for this is currently being permitted so that additional resources will be available for the DFS which should allow the NPV of the project to be further increased.

Environmental and Permitting

Environmental base line studies completed 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).

Marketing

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.

Approximately 90 percent of lithium ion batteries for this use have been imported from Asia. 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 9**) consumption of 1 million tpa LCE within 10 years. due to accelerating EV take-up. Rechargeable batteries would then account for 85% of lithium demand.

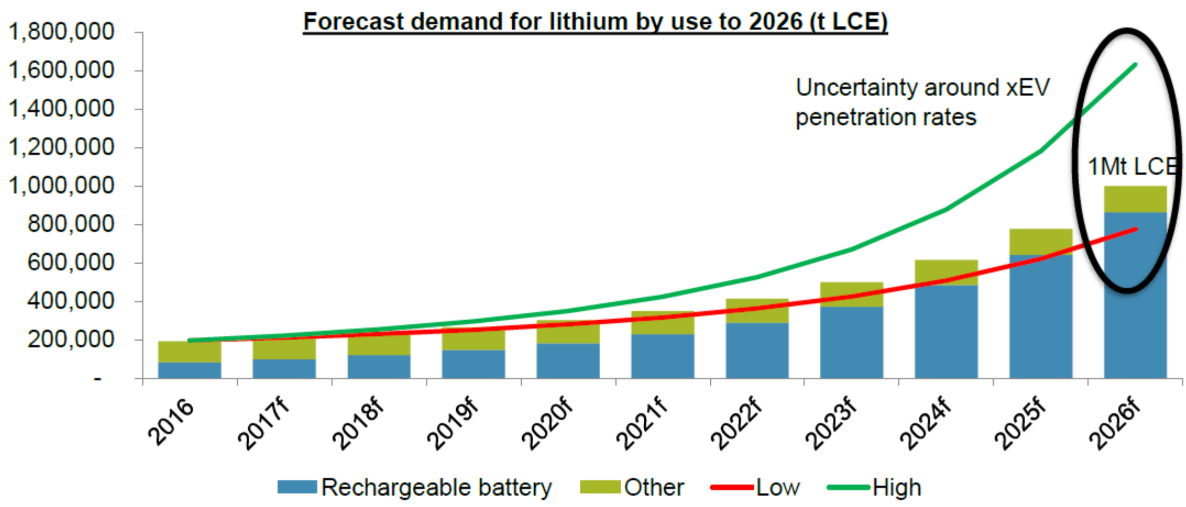

Figure 9: Roskill forecast demand for lithium use to 2026 (t LCE)

At present there is no production of lithium carbonate/lithium hydroxide in Europe for the upcoming 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 the Carinthian government, the Austrian Federal government, EC officials as well as the European Battery Alliance on the availability of support and subsidies for the Wolfsberg Lithium Project. These discussions have been positive and will be continued.

Marketing Activities

Mine visit days were held to provide institutional and retail investors, potential partners, representatives from various economic institutions as well as representatives from politics and media with the opportunity to see the potential value creation of European Lithium's undertakings at first hand.

Following the mine visit days, several news articles have been initiated in order to increase awareness, including local newspapers such as Kärnten Kronen Zeitung, ORF Kärnten and Unterkärntner Nachrichten as well as on a national level with Die Presse and Kurier. Furthermore, advertising has been undertaken with Benchmark Minerals to position the Company as the first potential lithium producer in Europe to supply the growing demand for battery-grade lithium.

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.

On 21 December 2017 the Company announced that the sale had completed.

On 3 April 2018 the Company announced that in relation to the deferred cash consideration receivable (being $230,000), the parties had agreed to amend the payment terms as follows:

- $75,000 on or before 31 March 2018;
- $75,000 on or before 31 May 2018; and
- $80,000 on or before 30 June 2018.

Corporate

Change in Directors and Chief Executive Officer

On 20 October 2017, Mr Paul Lloyd resigned as Non-Executive Director and Mr Stefan Müller was appointed Non-Executive Director.

On 4 May 2018, Dr Steve Kesler resigned as Chief Executive Officer and Mr Dietrich Wanke was appointed as Chief Executive Officer.

Capital Raisings and Movements

On 11 August 2017, the Company issued 3,722,222 unlisted options with an exercise price of $0.05 expiring on 31 March 2020 to investors and creditors pursuant to the placement of shares on 8 June 2017, 15 June 2017 and 3 July 2017.

On 9 September 2017, the Company released 172,406,363 fully paid ordinary shares from voluntary escrow.

On 13 October 2017 and 17 October 2017, the Company completed a placement of 45,980,000 fully paid ordinary shares at $0.05 per share to raise cash funds of $2,132,500 (before costs) and settle certain creditors of the company of approximately $166,500.

On 20 October 2017, the Company issued 20,000 shares to raise funds of $1,000 pursuant to a cleansing prospectus.

On 29 November 2017, the Company issued 1,711,111 fully paid ordinary shares and 855,555 options with an exercise price of $0.05 per share expiring on 31 March 2020 in lieu of outstanding directors fees as approved at the annual general meeting of shareholders held on 29 November 2017.

On 29 November 2017, 1 December 2017, 4 December 2017 and 11 December 2017, the Company issued 12,376,184 fully paid ordinary shares following the conversion of options with an exercise price of $0.05 expiring on 31 March 2020 into shares.

On 1 December 2017, 4 December 2017 and 15 December 2017, the Company issued 5,000,000 fully paid ordinary shares following the conversion of options with an exercise price of $0.125 expiring on 27 February 2020 into shares.

On 11 December 2017, the Company completed a placement of 22,222,220 fully paid ordinary shares at $0.225 per share to raise cash funds of $5,000,000 (before costs). On the same day, the Company issued 5,555,556 options to shareholders who participated in the placement and 3,150,000 options to facilitators of the placement which are exercisable at $0.25 on or before 31 May 2019. A further 11,250,000 facilitator options pursuant to the placement will be issued to Directors Tony Sage (2,500,000), Stefan Müller (6,250,000) and Malcolm Day (2,500,000) upon receipt of shareholder approval.

On 21 March 2018, the Company issued 1,000,000 fully paid ordinary shares following the conversion of options with an exercise price of $0.125 expiring on 27 February 2020 into shares.

Dual Listing

On 5 October 2017, the Company announced that it had been admitted to the Vienna Stock Exchange (**VSE**). Trading on the VSE commenced on 9 October 2017.

Change in Constitution

On 29 November 2017, the Company adopted a new constitution following the passing of a special resolution at the annual general meeting of shareholders held on 29 November 2017.

Suspension and Reinstatement of Trading

On 7 July 2017, the Company's securities were 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.

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 summarised by Dietrich Wanke who is a Qualified Person and is a Member of the Australian Institution of Mining and Metallurgy (AusIMM) since 2006 with about 30 years' experience in the mining and resource development industry. Dietrich Wanke 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". Dietrich Wanke 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	
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	7,154,379 shares (6,245,379 shares are owned by Okewood Pty Ltd and 909,000 shares are owned by EGAS Superannuation Fund, in both of 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
	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[1]	January 2006 to Present
	Kupang Resources Limited[2]	September 2010 to August 2015
	[1] Listed on the National Stock Exchange of Australia	
	[2] Company was delisted August 2015	
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	14,496,951 shares (2,008,062 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, 1,488,889 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. 244,444 unlisted options exercisable at 5 cents on or before 31 March 2020.	
Directorships of listed companies held within the last 3 years	Delecta Limited	1999 to Present
Mr Stefan Müller	Non-Executive Director (appointed 20 October 2017)	
Qualifications	Executive Program, INSEAD	
Experience	Mr. Müller has extensive financial markets and investment banking knowledge and experience built over his 25-year career. Mr. Müller is CEO and founder of DGWA Deutsche Gesellschaft für Wertpapieranalyse GmbH, a boutique European investment	

	and financial markets consulting firm for national and international SMEs based in Frankfurt, Germany. Mr. Müller began his career at Dresdner Bank AG as senior vice president of global equity trading. He held senior positions with Equinet AG, Bankhaus Sal Oppenheim (largest European private bank at that time) as Head of global proprietary trading and managing partner at Proprietary Partners AG, a Swiss based hedge fund advisory company.	
Interest in shares and options in the Company	650,000 shares	
Directorships of listed companies held within the last 3 years	Cape Lambert Resources Limited Jadar Lithium Limited	January 2018 to Present July 2018 to Present
Mr Paul Lloyd	Non-Executive Director (resigned 20 October 2017)	
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 at resignation	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
Ms Melissa Chapman	Company Secretary	
Qualifications	Bachelor of Commerce (Accounting & Finance). Ms Chapman is a member of CPA Australia, has completed a Graduate Diploma of Corporate Governance with the Governance Institute of Australia and has completed the company directors course with the Australian Institute of Company Directors.	
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 2018, 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 2017 Annual General Meeting

The Company's remuneration report for the 2017 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
Malcolm Day	Non-Executive Director
Stefan Müller	Non-Executive Director (appointed 20 October 2017)
Paul Lloyd	Non-Executive Director (resigned 20 October 2017)
Melissa Chapman	Company Secretary

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	2018	180,000[6]	-	-	180,000	Nil
	2017	100,000	-	-	100,000	Nil
Malcolm Day	2018	48,000[7]	-	-	48,000	Nil
	2017	46,000	-	-	46,000	Nil
Stefan Müller [1]	2018	16,666	-	-	16,666	Nil
	2017	-	-	-	-	Nil
Paul Lloyd [2]	2018	14,700[8]	-	-	14,700	Nil
	2017	136,500	-	-	136,500	Nil
David Holden [3]	2018	-	-	-	-	Nil
	2017	8,400	-	-	8,400	Nil
Melissa Chapman [4]	2018	32,000	-	-	32,000	Nil
	2017	28,800	-	-	28,800	Nil
Amy Fink [5]	2018	12,952	-	1,230	14,182	Nil
	2017	83,461	-	7,929	91,390	Nil
Total	**2018**	**304,318**	**-**	**1,230**	**305,548**	**Nil**
	2017	**403,161**	**-**	**7,929**	**411,090**	**Nil**

[1] Stefan Müller was appointed 20 October 2017. During the year, Frankfurt Capital Market Consulting also received fees in relation to the Vienna Stock Exchange listing and finder fees and commission in respect to the October and December Placements. Frankfurt Capital Market Consulting is a subsidiary of Deutsche Gesellschaft Fur Wertpapieranalyse GmBh (DGWA), which is controlled by Mr Muller.
[2] Paul Lloyd resigned 20 October 2017.
[3] David Holden resigned 9 September 2016.
[4] Melissa Chapman was appointed 24 February 2017 with fees recharged from Cape Lambert Resources Limited. Company secretarial services are provided through Bellatrix Corporate Pty Ltd. Fees charged by Bellatrix are on an arms-length basis.
[5] Amy Fink resigned 24 February 2017. The 2018 payment relates to the payment of annual leave.

[6] Included in this amount is a $60,000 fee, as agreed, for the successful planning and execution of the EUR roadshow and subsequent placement. $33,000 of Mr Sage's director fees was settled in shares and options, as approved at the 2017 AGM. See D(a) below.
[7] $22,000 of Mr Day's director fees was settled in shares and options, as approved at the 2017 AGM. See D(a) below.
[8] $22,000 of Mr Lloyd's director fees was settled in shares and options, as approved at the 2017 AGM. See D(a) below.

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 increase goal congruence between directors and shareholders.

On 11 December 2017, the Company issued 3,150,000 options to facilitators of the December placement which are exercisable at $0.25 on or before 31 May 2019. A further 11,250,000 facilitator options pursuant to the placement will be issued to Directors Tony Sage (2,500,000), Stefan Müller (6,250,000) and Malcolm Day (2,500,000) upon receipt of shareholder approval.

Shares Issued on Exercise of Compensation Options

No compensation options lapsed nor were exercised during the years ended 30 June 2018 or 30 June 2017.

D Equity Instrument Disclosures Relating to Key Management Personnel

Shareholdings

30 June 2018

Name	Balance at 1-Jul-17	Rights Issue / Options Exercise	Shares Issued to Settle Director Fees	Purchase / (Sale)	Balance at Appointment / (Resignation)	Balance at 30-Jun-18
Antony Sage	5,145,379	366,667[1]	733,333[1]	909,000	-	7,154,379
Malcolm Day	13,708,062	-	488,889[2]	300,000	-	14,496,951
Stefan Müller	-	-	-	650,000	-	650,000
Paul Lloyd	-	6,000,000	-[3]	-	(6,000,000)	-
Total	**18,853,441**	**6,366,667**	**1,222,222**	**1,859,000**	**(6,000,000)**	**22,301,330**

[1] 733,333 shares were issued in lieu of outstanding director fees of $33,000 as approved at the 2017 AGM. See D(a) below.
[2] 488,889 shares were issued in lieu of outstanding director fees of $22,000 as approved at the 2017 AGM (see D(a) below) plus a total of 300,000 were purchased on market.
[3] 488,889 shares were issued to Mr Lloyd on 29 November 2017 following his resignation in lieu of outstanding director fees of $22,000 as approved at the 2017 AGM. See D(a) below.

30 June 2017

Name	Balance at 1-Jul-16	Rights Issue / Options Exercise	Shares Issued to Settle Director Fees	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**

Options

30 June 2018

Name	Balance at 1-Jul-17	Options Issued to Settle Director Fees	Exercised Options	Purchase / (Sale)	Balance at Appointment / (Resignation)	Balance at 30-Jun-18
Antony Sage	-	366,667[1]	(366,667)	-	-	-
Malcolm Day	2,000,000	244,444[2]	-	-	-	2,244,444
Stefan Müller	-	-	-	-	-	-
Paul Lloyd	6,000,000	-[3]	-	-	(6,000,000)	-
Total	**8,000,000**	**611,111**	**(366,667)**	**-**	**(6,000,000)**	**2,244,444**

[1] 366,667 options issued in lieu of outstanding director fees, as approved at the 2017 AGM were exercised in full for shares during the year. See D(a) below.
[2] 244,444 options issued in lieu of outstanding director fees of $22,000 as approved at the 2017 AGM. See D(a) below.
[3] 244,444 options were issued to Mr Lloyd on 29 November 2017 following his resignation in lieu of outstanding director fees of $22,000 as approved at the 2017 AGM. See D(a) below.

30 June 2017

Name	Balance at 1-Jul-16	Options Issued to Settle Director Fees	Exercised Options	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**

(a) Details relating to the issue of shares and options to directors to extinguish a liability for outstanding directors' fees

The Company issued shares and options during the year to directors to extinguish a liability owing to those directors for unpaid directors' fees. The issue of these shares and options was approved at the Company's 2017 AGM. Full details of the shares and options were contained in the Notice of AGM dated 19 October 2017. As at the date of the 2017 AGM (29 November 2017), the value of these shares and options were as follows:

Shares

The Company's share price on 29 November 2017 was $0.15, therefore the value of the shares issued to directors as part consideration for extinguishing the liability for their directors' fees was as follows:

	No. of shares	Value per share at grant date	Fair value at grant date
A Sage	733,333	$0.15	$110,000
M Day	488,889	$0.15	$73,333
P Lloyd	488,889	$0.15	$73,333

Options

	Number of Options	Grant date	Expiry Date	Exercise Price	Value per option at grant date	Total fair value	Vesting date
A Sage	366,667	29 Nov 2017	31 Mar 2020	$0.05	$0.1127	$41,323	29 Nov 2017
M Day	244,444	29 Nov 2017	31 Mar 2020	$0.05	$0.1127	$27,549	29 Nov 2017
P Lloyd	244,444	29 Nov 2017	31 Mar 2020	$0.05	$0.1127	$27,549	29 Nov 2017

The fair value of the equity-settled share options granted was 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, as follows:

	Assumption
Dividend yield	0.00%
Expected volatility	86%
Risk-free interest rate	2.09%
Expected life of options	2.33 years
Exercise price	$0.05
Grant date share price (date of AGM)	$0.15

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 22 to the financial statements.

Note 22 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	2018	161	201,824	161	30,030
Cape Lambert Resources Limited	2017	-	217,971	-	15,409
Okewood Pty Ltd	2018	-	60,000	-	-
Okewood Pty Ltd	2017	-	-	-	-
Deutsche Gesellschaft Für Wertpapieranalyse GmbH	2018	-	132,351	-	-
Deutsche Gesellschaft Für Wertpapieranalyse GmbH	2017	-	-	-	-
Frankfurt Capital Market Consulting (FCM)	2018	-	267,554	-	-
Frankfurt Capital Market Consulting (FCM)	2017	-	-	-	-

Mr Antony 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.

During the year ended 30 June 2018, Okewood Pty Ltd (Okewood) received fees in relation to the December placement. Okewood is an entity controlled by Tony Sage.

During the year ended 30 June 2018, Deutsche Gesellschaft Für Wertpapieranalyse GmbH (**DGWA**) provided investor relation consulting services to the Company. Mr Stefan Müller is a director of DGWA.

During the year ended 30 June 2018, Frankfurt Capital Market Consulting received fees in relation to the Vienna stock exchange listing and finder fees and commission in respect to the October and December placements. Frankfurt Capital Market Consulting is a subsidiary of DGWA.

Financial Assets

At 30 June 2018, Cauldron Energy Limited (Cauldron) (ASX: CXU) held 8,144,910 shares in the Company (2017: 8,944,910) with a market value of $1,710,431 (2017: $393,576). 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 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.

Non-Executive Director – Mr Stefan Müller

- Term of Agreement – The agreement commenced on 20 October 2017 and is ongoing (subject to the provisions of the Corporations Act).
- Remuneration of $24,000 per annum payable monthly.

----------------- 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	2,000,000
30/06/2020	Unlisted	10.0 cents	200,000,000
31/03/2020	Unlisted	5.0 cents	2,394,444
31/05/2020	Unlisted	25.0 cents	8,705,556

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

Options exercised during the year ended 30 June 2018 are as follows (2017: nil):

- On 29 November 2017 6,554,888 unlisted options were exercised by shareholders at $0.05 per share.
- On 1 December 2017 941,667 unlisted options were exercised by shareholders at $0.05 per share.
- On 4 December 2017 462,963 unlisted options were exercised by shareholders at $0.05 per share.
- On 1 December 2017 1,000,000 unlisted options were exercised by shareholders at $0.125 per share.
- On 4 December 2017 2,000,000 unlisted options were exercised by shareholders at $0.125 per share.
- On 11 December 2017 4,416,666 unlisted options were exercised by shareholders at $0.05 per share.
- On 15 December 2017 2,000,000 unlisted options were exercised by shareholders at $0.125 per share.
- On 21 March 2018 1,000,000 unlisted options were exercised by shareholders at $0.125 per share.

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

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	4	4
Malcolm Day	4	4
Stefan Müller	4	4
Paul Lloyd	-	-

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 2018, no fees were paid or payable for non-audit services provided by the entity's auditors, HLB Mann Judd (30 June 2017: nil).

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 financial report. This Independence Declaration is set out on page 25 and forms part of this Directors' report for the year ended 30 June 2018.

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
26 July 2018

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 2018, 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
26 July 2018

HLB Mann Judd (WA Partnership) ABN 22 193 232 714

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

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 2018 (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 2018

	Note	2018 $	2017 $
Continuing operations			
Revenue and other income	4	691,713	790,705
Employee benefits expense	5	(213,548)	(315,124)
Depreciation and amortisation expense	10	(2,508)	(688)
Finance costs	5	(8,285)	(10,893)
Impairment of deferred exploration and evaluation expenditure	11	(33,672)	(127,132)
Consulting fees		(481,272)	(596,163)
Travel expenses		(268,015)	(226,201)
Regulatory and compliance costs		(178,464)	(381,828)
Transaction cost relating to the reverse acquisition by the accounting acquirer, European Lithium AT (Investments) Ltd of the Company	18	-	(4,925,229)
Other expenses	5	(255,747)	(2,215,810)
Loss before income tax		**(749,798)**	**(8,008,363)**
Income tax expense	7	-	-
Loss after tax from continuing operations		**(749,798)**	**(8,008,363)**
Other comprehensive income, net of income tax			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		1,060,734	902,507
Other comprehensive income for the period, net of income tax		**1,060,734**	**902,507**
Total comprehensive income (loss) for the year		**310,936**	**(7,105,856)**
Loss per share for the year			
Basic loss per share (cents per share)	17	(0.15)	(2.02)
Diluted loss per share (cents per share)	17	(0.15)	(2.02)

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 2018

	Note	2018 $	2017 $
ASSETS			
Current Assets			
Cash and cash equivalents	8	3,258,892	549,855
Trade and other receivables	9	599,840	330,765
Restricted cash and other deposits	12	-	199,233
Total Current Assets		**3,858,732**	**1,079,853**
Non-Current Assets			
Property, plant and equipment	10	4,880	6,150
Deferred exploration and evaluation expenditure	11	27,465,305	21,532,875
Restricted cash and other deposits	12	30,935	252,298
Financial assets	13	225,000	-
Total Non-Current Assets		**27,726,120**	**21,791,323**
TOTAL ASSETS		**31,584,852**	**22,871,176**
LIABILITIES			
Current Liabilities			
Trade and other payables	14	656,789	523,484
Total Current Liabilities		**656,789**	**523,484**
TOTAL LIABILITIES		**656,789**	**523,484**
NET ASSETS		**30,928,063**	**22,347,692**
EQUITY			
Issued capital	15	16,711,098	8,771,321
Reserves	16	6,025,045	4,634,653
Retained earnings		8,191,920	8,941,718
TOTAL EQUITY		**30,928,063**	**22,347,692**

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 2018

	Issued Capital $	Retained Earnings $	Share Based Payments Reserve $	Foreign Currency Translation Reserve $	Total Equity $
	Attributable to equity holders				
At 1 July 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**
Loss for the year	-	(749,798)	-	-	(749,798)
Foreign currency exchange differences arising on translation from functional currency to presentation currency	-	-	-	1,060,734	1,060,734
Total comprehensive income/(loss) for the year	**-**	**(749,798)**	**-**	**1,060,734**	**310,936**
Issue of shares - Placement - Cash	7,132,500	-	-	-	7,132,500
Issue of shares - Placement - Creditor Settlements	166,500	-	-	-	166,500
Issue of shares - Cleansing Prospectus	1,000	-	-	-	1,000
Issue of shares - Directors in lieu of fees	77,000	-	-	-	77,000
Issue of shares - Conversion of Options	1,368,809	-	-	-	1,368,809
Share issue costs - Cash	(476,374)	-	-	-	(476,374)
Share issue costs – options issued to corporate advisor	(329,658)	-	-	-	(329,658)
Options issued to corporate advisor as share issue costs	-	-	329,658	-	329,658
At 30 June 2018	**16,711,098**	**8,191,920**	**4,539,764**	**1,485,281**	**30,928,063**

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 2018

	Note	2018 $	2017 $
Cash flows from operating activities			
Payments to suppliers and employees		(1,557,730)	(2,922,853)
Payments for exploration		(4,279,180)	(3,575,108)
Finance costs		(8,285)	(10,893)
Decrease/(Increase) in restricted cash balances		221,362	(422,027)
Interest received		32,275	14,144
VAT refund		140,234	-
Net cash (used in) operating activities	20	**(5,451,324)**	**(6,916,737)**
Cash flows from investing activities			
Proceeds from the sale of exploration tenements		430,000	70,000
Payment for property, plant and equipment		-	(6,838)
Cash acquired on acquisition of accounting subsidiary	18	-	343,642
Net cash provided by investing activities		**430,000**	**406,804**
Cash flows from financing activities			
Proceeds from capital raisings		8,502,309	7,016,675
Payment for share issue costs		(781,033)	(299,801)
Net cash provided by financing activities		**7,721,276**	**6,716,874**
Net increase in cash and cash equivalents		2,699,952	206,941
Cash and cash equivalents at beginning of year		549,855	344,286
Effects on exchange rate fluctuations on cash held		9,085	(1,372)
Cash and cash equivalents at end of year	8	**3,258,892**	**549,855**

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 its controlled entities (the **Group**) for the year ended 30 June 2018 was authorised for issue in accordance with a resolution of the directors on 26 July 2018.

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.

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 2017, the Group has adopted all the standards and interpretations mandatory for annual periods beginning on or after 1 July 2017. 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 2018 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 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	This standard is not expected to have a material impact on the Group's financial statements and disclosures.	1 July 2018

	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.		
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. Date of adoption by the group: 1 January 2018.
AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions	This Standard amends AASB 2 *Share-based Payment*, clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for: - The effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments - Share-based payment transactions with a net settlement feature for withholding tax obligations - A modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. Based on the Company's initial assessment, there will be no significant change from the current measurement of the Company's financial instrument.	This standard is not expected to have a material impact on the Group's financial statements and disclosures.	1 July 2018
Interpretation 23 Uncertainty over Income Tax Treatments	The Interpretation clarifies the application of the recognition and measurement criteria in AASB 12 *Income Taxes* when there is uncertainty over income tax treatments. The Interpretation specifically addresses the following: - Whether an entity considers uncertain tax treatments separately - The assumptions an entity makes about the examination of tax treatments by taxation authorities - How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates	This standard is not expected to have a material impact on the Group's financial statements and disclosures.	1 July 2019

	How an entity considers changes in facts and circumstances.		
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.	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 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 22 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 2018 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 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 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.

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:

	2018 $	2017 $
Australia	225,000	-
Austria	27,501,120	21,791,323
	27,726,120	21,791,323

b) Revenue by geographical region

	2018 $	2017 $
Australia	687,749	84,490
Austria	3,964	706,215
	691,713	790,705

4. REVENUE AND OTHER INCOME

	2018 $	2017 $
Interest revenue	32,275	14,144
Realised foreign exchange	4,438	21,125
Forgiveness of related party loans [1]	-	673,146
Proceeds from the sale of Paynes Find Gold Project	655,000	70,000
Profit on sale of motor vehicle	-	12,290
	691,713	790,705

[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 previous period.

5. EXPENSES FROM CONTINUING OPERATIONS

	2018 $	2017 $
Employee benefits expenses		
Directors' remuneration & consulting	(199,366)	(223,734)
Employee costs	(14,182)	(91,390)
	(213,548)	(315,124)
Finance expenses		
Bank fees	(8,285)	(10,893)
	(8,285)	(10,893)
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	(255,747)	(342,424)
	(255,747)	(2,215,810)

[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

	2018 $	2017 $
Amounts paid or payable to:		
HLB Mann Judd		
Auditing services	24,000	26,500
Other services	-	-
	24,000	26,500

7. INCOME TAX

	2018 $	2017 $
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:

	2018 $	2017 $
Loss from ordinary activities before income tax expense	(749,798)	(8,008,363)
Prima facie tax benefit on loss from ordinary activities at 27.5% (2017: 27.5%)	(206,195)	(2,202,300)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-deductible expenses	334,272	1,882,564
Tax rate differential	(1,979)	118,077
Other	10,394	63,099
Current year DTA's (non-tax losses) not recognised	(136,492)	138,560
	-	-

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

	2018 $	2017 $
Unrecognised temporary differences		
Deferred tax assets (at 27.5%) (2017: 27.5%)		
Accrued expenses	783	3,575
Capital raising costs	41,504	115,484
Carry forward tax losses – revenue	3,268,757	3,296,007
Carry forward tax losses – capital	1,270,065	1,270,065
	4,581,109	4,685,131
Deferred tax liabilities (at 27.5%) (2017: 27.5%)		
Exploration	-	-
Net unrecognised deferred tax asset/(liability)	4,581,109	4,685,131

Potential future income tax benefits arising from tax losses have not been brought to account at 30 June 2018 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

	2018 $	2017 $
Cash at bank and in hand	3,258,892	549,855
	3,258,892	549,855

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

9. TRADE AND OTHER RECEIVABLES

	2018 $	2017 $
Trade and other receivables	254,233	20,051
Amounts due on sale of Paynes Find project	80,000	-
Security deposit	6,242	5,885
GST / VAT receivable	155,148	295,328
Prepayments	104,217	9,501
	599,840	330,765

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

	2018 $	2017 $
Cost	8,198	6,858
Accumulated depreciation	(3,318)	(708)
	4,880	6,150
Carrying value at beginning of period	6,150	-
Additions	925	6,858
Depreciation charge for the period	(2,508)	(688)
Foreign exchange	313	(20)
Carrying value at end of period	4,880	6,150

11. DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

	2018	2017
	$	$
Balance at beginning of period	21,532,875	17,072,463
Expenditure incurred	4,557,838	3,575,108
Foreign exchange movement	1,408,264	1,012,436
Impairment	(33,672)	(127,132)
Balance at end of period	27,465,305	21,532,875

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

	2018	2017
	$	$
Current		
Arbitration expenses due from Glock (i)	-	199,233
Non Current		
Term deposits	30,935	252,298

(i) During the previous year, the Company paid expenses in relation to the arbitration tribunal between its fully owned subsidiary ECM Lithium AT GmbH (ECM) and Glock Gut-und Forstverwaltungs GmbH (Glock). An agreement was made in 2011 which grants ECM the right to accede to and use of Glock's property. Glock has obstructed ECM in the performance of its work by denying access to the property claiming that the agreement was terminated. ECM applied for arbitration in this matter under a provision of the 2011 agreement. In the arbitral proceedings,the arbitral tribunal on 26 June 2017 ruled in favour of the claimant ECM which grants ECM the right to accede to and use Glock's property. During the arbitration process the Company was required to deposit Glock's costs and these are due to be recovered from Glock.

13. FINANCIAL ASSETS

	2018	2017
	$	$
Balance at beginning of period	-	-
Acquisition of equity securities (listed)	225,000	-
Gain/(loss) in fair value from revaluation	-	-
Financial assets at fair value through profit and loss at end of period	225,000	-

Financial assets comprise investments in the ordinary issued capital of various entities. There are no fixed returns or fixed maturity dates attached to these investments.

The fair value of listed investments is calculated with reference to current market prices at balance date. See note 21(h).

14. TRADE AND OTHER PAYABLES

	2018	2017
	$	$
Trade payables	491,941	454,021
Sundry payables and accruals	164,848	69,463
	656,789	523,484

15. ISSUED CAPITAL

a) Ordinary shares

	2018 $	2017 $
Opening balance	8,771,321	46,834
Issues during year	-	9,890,814
Deemed consideration of reverse takeover	-	5,843,580
Issue of shares - Placement - Cash	7,132,500	-
Issue of shares - Placement - Settlement of Creditors	166,500	-
Issue of shares - Cleansing Prospectus	1,000	-
Issue of shares - Directors in lieu of fees (as resolved at 2017 AGM)[3]	77,000	-
Issue of shares - Conversion of Options	1,368,809	-
Capital raising costs – shares and options issued to corporate advisor	(329,658)	(6,710,106)
Capital raising costs – cash	(476,374)	(299,801)
Total issued capital	16,711,098	8,771,321

	2018 No of shares	2017 No of shares
<u>Issued shares:</u>		
Balance at beginning of period	457,415,010	100[1]
Shares acquired on acquisition of legal parent	-	73,044,750
Shares eliminated in legal subsidiary on acquisition	-	(100)
Shares issued:		
Capital raising – prospectus	20,000	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	64,872,221	17,433,109
Capital raising – conversion of creditors	3,330,000	6,197,037
Shares issued to directors in lieu of fees (as resolved at 2017 AGM)[3]	1,711,111	-
Conversion of options	18,376,184	-
Balance at end of period	545,724,526	457,415,010

[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.
[3] See Note 15 d) for details of these shares issued.

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 2018, 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	2,000,000
30/06/2020	Unlisted	10.0 cents	200,000,000
31/03/2020	Unlisted	5.0 cents	2,394,444
31/05/2020	Unlisted	25.0 cents	8,705,556
			213,100,000

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

Shares issued on exercise of options

Options exercised during the year ended 30 June 2018 are as follows (2017: nil):

- On 29 November 2017 6,554,888 unlisted options were exercised by shareholders at $0.05 per share.
- On 1 December 2017 941,667 unlisted options were exercised by shareholders at $0.05 per share.
- On 1 December 2017 1,000,000 unlisted options were exercised by shareholders at $0.125 per share.
- On 4 December 2017 462,963 unlisted options were exercised by shareholders at $0.05 per share.
- On 4 December 2017 2,000,000 unlisted options were exercised by shareholders at $0.125 per share.
- On 11 December 2017 4,416,666 unlisted options were exercised by shareholders at $0.05 per share.
- On 15 December 2017 2,000,000 unlisted options were exercised by shareholders at $0.125 per share.
- On 21 March 2018 1,000,000 unlisted options were exercised by shareholders at $0.125 per share.

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 to corporate advisors:

	Number of Options	Grant date	Expiry Date	Exercise Price	Value per option at grant date	Total fair value	Vesting date
Options issued to corporate advisor	2,000,000	11 Aug 2017	31 Mar 2020	$0.05	$0.0198	$39,615	11 Aug 2017
Options issued to corporate advisor[1]	3,150,000	14 Dec 2017	31 May 2019	$0.25	$0.0921	$290,043	14 Dec 2017

[1] These options related to the December 2017 placement. The remaining 11,250,000 facilitator options pursuant to the December placement will be issued to Directors Tony Sage (2,500,000), Stefan Muller (6,250,000) and Malcolm Day (2,500,000) upon receipt of shareholder approval.

The fair value of the equity-settled share options granted was 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, as follows:

	Assumption	
Number of options issued to corporate advisor	2,000,000	3,150,000
Dividend yield	0.00%	0.00%
Expected volatility	81%	98%
Risk-free interest rate	1.77%	1.90%
Expected life of options	2.64 years	1.46 years
Exercise price	$0.05	$0.25
Grant date share price	$0.043	$0.22

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.

The Company also issued shares and options during the year to directors to extinguish a liability owing to those directors for unpaid directors' fees. The issue of these shares and options was approved at the Company's 2017 AGM. Full details of the shares and options were contained in the Notice of AGM dated 19 October 2017. As at the date of the 2017 AGM (29 November 2017), the value of these shares and options were as follows:

Shares

The Company's share price on 29 November 2017 was $0.15, therefore the value of the shares issued to directors as part consideration for extinguishing the liability for their directors' fees was as follows:

	No. of shares	Value per share at grant date	Fair value at grant date
A Sage	733,333	$0.15	$110,000
M Day	488,889	$0.15	$73,333
P Lloyd	488,889	$0.15	$73,333

Options

	Number of Options	Grant date	Expiry Date	Exercise Price	Value per option at grant date	Total fair value	Vesting date
A Sage	366,667	29 Nov 2017	31 Mar 2020	$0.05	$0.1127	$41,323	29 Nov 2017
M Day	244,444	29 Nov 2017	31 Mar 2020	$0.05	$0.1127	$27,549	29 Nov 2017
P Lloyd	244,444	29 Nov 2017	31 Mar 2020	$0.05	$0.1127	$27,549	29 Nov 2017

The fair value of the equity-settled share options granted was 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, as follows:

	Assumption
Dividend yield	0.00%
Expected volatility	86%
Risk-free interest rate	2.09%
Expected life of options	2.33 years
Exercise price	$0.05
Grant date share price (date of AGM)	$0.15

16. RESERVES

	2018 $	2017 $
Share based payments reserve	4,539,764	4,210,106
Foreign currency translation reserve	1,485,281	424,547
	6,025,045	4,634,653
Share based payments reserve		
Balance at beginning of year	4,210,106	-
Issue of unlisted options	329,658	4,210,106
Balance at end of year	4,539,764	4,210,106
Foreign currency translation reserve		
Balance at beginning of year	424,547	(477,960)
Foreign currency exchange differences arising on translation of foreign operations	1,060,734	902,507
Balance at end of year	1,485,281	424,547

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.

17. LOSS PER SHARE

	2018 $	2017 $
Loss used in the calculation of basic and dilutive loss per share	(749,798)	(8,008,363)

	2018 Cents per share	2017 Cents per share
Loss per share:		
Basic loss per share (cents per share)	(0.15)	(2.02)
Diluted loss per share (cents per share)	(0.15)	(2.02)

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.

	2018 Number	2017 Number
Weighted average number of shares	513,458,750	396,953,731

18. 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 prior year, the loss of the Group in 2017 would have been $8,236,346 and revenue from continuing operations would have remained unchanged.

19. 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 €20,000 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.

20. CASH FLOW INFORMATION

	2018 $	2017 $
Reconciliation from net loss after tax to net cash used in operations		
Net loss	(749,798)	(8,008,363)
Non cash flows included in operating loss:		
Forgiveness of related party loans	-	(673,146)
Exploration expenditure classified as operating	(4,279,180)	(3,575,108)
Other expenses	11,986	(268)
Impairment	33,672	127,132
Transaction costs relating to reverse acquisition	-	4,925,229
Depreciation	2,508	688
Provision for annual leave	14,182	-
Shares issued to corporate advisor	(329,658)	-
Shares issued in settlement of creditors	(218,500)	-
Changes in assets and liabilities:		
Pre-acquisition advances	-	750,000
Subsidiary cash acquired	-	343,642
Decrease / (increase) in trade and other receivables	(70,196)	(410,959)
(Decrease) / increase in trade and other payables	133,660	(395,584)
Net cash (used in) operating activities	(5,451,324)	(6,916,737)

21. 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:

2018	Weighted average	Floating interest rate	Fixed interest maturing in ≤ 1 year	Fixed interest maturing in 1 - 5 years	Non-interest bearing	Total $
Financial Assets						
Cash and cash equivalents	0.00%	3,258,892	-	-	-	3,258,892
Trade and other receivables	-	-	-	-	599,840	599,840
Restricted cash & other deposits	-	-	-	30,935	-	30,935
Financial assets	-	-	-	-	225,000	225,000
Total	-	3,258,892	-	30,935	824,840	4,114,667
Financial Liabilities						
Trade and other payables	-	-	-	-	656,789	656,789
Total	-	-	-	-	656,789	656,789
Net Financial Assets	-	3,258,892	-	30,935	168,051	3,457,878

2017	Weighted average	Floating interest rate	Fixed interest maturing in ≤ 1 year	Fixed interest maturing in 1 - 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 & 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	-	252,298	6,514	808,667

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 2018		30 June 2017	
	Weighted average interest rate (%)	Balance $	Weighted average interest rate (%)	Balance $
Financial assets				
Cash at bank	0.00%	3,258,892	0.00%	549,855
	0.00%	3,258,892	0.00%	549,855

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 & other payables	2018	656,790	-	-	-	-	656,790	656,790
	2017	523,484	-	-	-	-	523,484	523,484
Total	**2018**	**656,790**	**-**	**-**	**-**	**-**	**656,790**	**656,790**
	2017	**523,484**	**-**	**-**	**-**	**-**	**523,484**	**523,484**

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.

h) Fair value measurement

The Group's financial assets comprise shares in Cervantes Corporate Limited, an ASX listed company. This investment is a Level 1 investment in the fair value hierarchy.

22. SUBSIDIARIES

	Country of Incorporation	Ownership Interest 2018 %	Ownership Interest 2017 %
European Lithium Limited	Australia	100	100
Subsidiaries			
ECM Lithium AT GmbH	Austria	100	100
ECM Lithium AT Operating GmbH	Austria	100	100
European Lithium AT (Investments) Ltd	British Virgin Islands	100	100

23. 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 22 to the financial statements.

Note 22 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	2018	161	201,824	161	30,030
Cape Lambert Resources Limited	2017	-	217,971	-	15,409
Okewood Pty Ltd	2018	-	60,000	-	-
Okewood Pty Ltd	2017	-	-	-	-
Deutsche Gesellschaft Für Wertpapieranalyse GmbH	2018	-	132,351	-	-
Deutsche Gesellschaft Für Wertpapieranalyse GmbH	2017	-	-	-	-
Frankfurt Capital Market Consulting (FCM)	2018	-	267,554	-	-
Frankfurt Capital Market Consulting (FCM)	2017	-	-	-	-

Mr Antony 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.

During the year ended 30 June 2018, Okewood Pty Ltd (Okewood) received fees in relation to the December placement. Okewood is an entity controlled by Tony Sage

During the year ended 30 June 2018, Deutsche Gesellschaft Für Wertpapieranalyse GmbH (**DGWA**) provided investor relation consulting services to the Company. Mr Stefan Muller is a director of DGWA.

During the year ended 30 June 2018, Frankfurt Capital Market Consulting received fees in relation to the Vienna stock exchange listing and finder fees and commission in respect to the October and December placements. Frankfurt Capital Market Consulting is a subsidiary of DGWA which is controlled by Stefan Muller.

b) Financial Assets

At 30 June 2018, Cauldron Energy Limited (**Cauldron**) (ASX: CXU) held 8,144,910 shares in the Company (2017: 8,944,910) with a market value of $1,710,431 (2017: $393,576). Mr Antony Sage is a director of Cauldron.

24. KEY MANAGEMENT PERSONNEL DISCLOSURES

a) Key management personnel compensation

	2018 $	2017 $
Short-term employee benefits	304,318	403,161
Post-employment benefits	1,230	7,929
	305,548	411,090

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.

25. PARENT ENTITY FINANCIAL INFORMATION

a) Summary financial information

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

	2018 $	2017 $
Statement of financial position		
Current assets	3,354,392	454,876
Total assets	12,023,947	4,588,032
Current liabilities	102,699	241,698
Total liabilities	102,699	241,698
Shareholders Equity		
Issued capital	28,213,567	20,273,790
Reserves	6,820,718	6,491,060
Accumulated losses	(23,113,035)	(22,418,516)
Total equity	**11,921,250**	**4,346,334**
Net loss for the year	(694,519)	(3,751,647)
Comprehensive loss	(694,519)	(3,751,647)

26. EVENTS AFTER THE REPORTING PERIOD

On 2 July 2018, the Company announced that its 100% subsidiary, ECM Lithium AT GmbH (ECM), is among a consortium of 17 entities comprised of research institutes and technology development organisations, specialised SMEs and three European Li-mineral miners (of which ECM is one) to have passed the first evaluation stage for funding from the EU Research and Innovation programme, Horizon 2020.

On 5 July 2018, the Company announced that it had agreed to settle the remaining cash consideration payable of $80,000 in relation to the sale of its Paynes Find Project through the issue of 7,000,000 shares in Cervantes Corporate Limited (ASX: CVS) at a deemed issue price of 1.14c each. The Company has also been issued one free attaching unquoted option for every two shares issued which are exercisable at 1.5 cents each on or before 30 June 2020.

No other matters or circumstances have arisen since the end of the financial year which significantly altered or may significantly alter the operations of the Company, the results of those operations or the state of affairs of the Company in financial years subsequent to 30 June 2018.

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 2018 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 2018.

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

Dated 26 July 2018

………………………………………………………..

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 2018, 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 2018 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.

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. We have determined the matter described below to be the key audit matter to be communicated in our report**.**

Key Audit Matter	How our audit addressed the key audit matter
Carrying amount of deferred exploration and evaluation expenditure (Refer Notes 2(r) and 11)	
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 deferred 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 deferred 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.

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 2018, 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.

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 2018.

In our opinion, the remuneration report of European Lithium Limited for the year ended 30 June 2018 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

Giallonardo.

HLB Mann Judd
Chartered Accountants

L Di Giallonardo
Partner

Perth, Western Australia
26 July 2018

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

Ordinary Share Capital
545,724,526 issued ordinary shares held by 1,842 shareholders carry one vote per share.

Options
200,000,000 unlisted options on issue, exercisable at $0.10 on or before 30 June 2020
2,000,000 unlisted Director options on issue, exercisable at $0.125 on or before 27 February 2020
2,394,444 unlisted options on issue, exercisable at $0.05 on or before 31 March 2020
8,705,556 unlisted operation on issue, exercisable at $0.25 on or before 31 May 2019

Options have no voting entitlements.

Distribution of shareholders as at 13 July 2018

(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	403	134,368
1,001 - 5,000	305	900,874
5,001 - 10,000	183	1,420,874
10,001 - 100,000	402	14,780,553
100,001 and over	154	528,487,857

(b) There were 522 holders holding less than a marketable parcel of ordinary shares 2,381.

Twenty largest shareholders as at 13 July 2018

		No. of ordinary shares held	% Held
1.	J P MORGAN NOMINEES AUSTRALIA LIMITED	222,400,717	40.75
2.	DEMPSEY RESOURCES PTY LTD	65,483,920	12.00
3.	EXCHANGE MINERALS LIMITED	41,138,140	7.54
4.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	22,901,074	4.20
5.	VENI VIDI VICI LTD	20,249,354	3.71
6.	MR STEVE BOGDAN KESLER	15,923,201	2.92
7.	EXCHANGE MINERALS LIMITED	13,798,581	2.53
8.	ANGLO MENDA PTY LTD	12,944,500	2.37
9.	DELECTA LIMITED	11,000,000	2.02
10.	PURE STEEL LIMITED	9,260,035	1.70
11.	CAULDRON ENERGY LTD	7,944,910	1.46
12.	AUSTRALIAN SHARE NOMINEES PTY LIMITED <AUSTRALASIAN HOLDINGS A/C>	6,987,500	1.28
13.	MR ANTONY WILLIAM PAUL SAGE <OKEWOOD PTY LTD>	6,245,379	1.14
14.	KARNTNER MONTANINDUSTRIE	5,411,499	0.99
15.	CITICORP NOMINEES PTY LIMITED	4,661,508	0.85
16.	AUSTRALIAN SHARE NOMINEES PTY LIMITED <AUSTRALASIAN HOLDINGS UNIT>	3,000,000	0.55
17.	MR ANDREW WILLIAM SPENCER <SPENCER SUPER FUND A/C>	2,771,561	0.51
18.	AVIESTA PTY LTD	2,300,000	0.42
19.	H R MOSER AND ASSOCIATES	2,222,222	0.41
20.	EXCHANGE MINERALS LTD	2,095,380	0.38
		478,739,481	**87.73**

Substantial shareholders as at 13 July 2018

	No. of ordinary shares held	% Held
J P MORGAN NOMINEES AUSTRALIA LIMITED	222,400,717	40.75
DEMPSEY RESOURCES PTY LTD	65,483,920	12.00
EXCHANGE MINERALS LIMITED	41,138,140	7.54

Tenement Reference	Location	Ownership Interest
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%