

**PAYNES FIND GOLD LIMITED
(TO BE RENAMED “EUROPEAN LITHIUM LIMITED”)
ACN 141 450 624**

REPLACEMENT PROSPECTUS

For an offer of up to 112,500,000 Shares at an issue price of \$0.08 per Share, to raise up to \$9,000,000 (**Public Offer**).

This Prospectus is a re-compliance prospectus for the purposes of satisfying Chapters 1 and 2 of the ASX Listing Rules and to satisfy ASX requirements for re-listing following a change to the nature and scale of the Company’s activities.

This is a replacement prospectus dated 1 July 2016. This replacement prospectus replaces the original prospectus dated 21 June 2016 relating to the Securities of Paynes Find Gold Limited (to be renamed “European Lithium Limited”) (ACN 141 450 624).

The Prospectus also contains the following additional offers of Securities:

- (a) an offer of up to 250,000,000 Shares to the EL Shareholders (**EL Offer**); and
- (b) an offer of up to 31,250,000 Shares and 200,000,000 Adviser Options to EverBlu Capital Pty Ltd (or its nominees) (**EverBlu Capital Offer**).

Completion of the Offers is conditional upon satisfaction of the Conditions, which are detailed further in Section 2.4 of the Prospectus. No Securities will be issued pursuant to this Prospectus until such time as the Conditions are satisfied.

IMPORTANT INFORMATION

This is an important document that should be read in its entirety. If you do not understand it you should consult your professional advisers without delay. **The Securities offered by this Prospectus should be considered highly speculative.**

Lead Manager to the Public Offer:

EverBlu Capital Pty Ltd

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1. CORPORATE DIRECTORY

Current Directors

Mr Paul Lloyd
(*Non-Executive Chairman*)

Mr Malcolm Day
(*Non-Executive Director*)

Mr David Holden
(*Non-Executive Director*)

Proposed Director and Senior Management

Mr Antony Sage
(*Chairman elect*)

Dr Steve Kesler
(*Proposed Chief Executive Officer*)

Company Secretary

Mr Paul Lloyd

ASX Code

PNE

Proposed ASX Code

EUR

Investigating Accountant and Auditor

HLB Mann Judd

Level 4, 130 Stirling Street
Perth WA 6000

Independent Geologist

AI Maynard & Associates Pty Ltd
Consulting Geologists

9/280 Hay Street
Subiaco WA 6008

Registered Office

Ground Floor, Suite 1
437 Roberts Road
Subiaco WA 6008

Ph: +61 8 9481 3992
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Share Registry*

Advanced Share Registry

110 Stirling Hwy
Nedlands WA 6009

PO Box 1156
Nedlands WA 6009

Ph: +61 8 9389 8033
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Australian Solicitors

Steinepreis Paganin
Lawyers and Consultants

Level 4, The Read Buildings
16 Milligan Street
Perth WA 6000

Austrian Solicitors

DLA Piper Weiss-Tessbach
Rechtsanwalte Gmbh

Schottenring 14
1010 Vienna Austria

Lead Manager

EverBlu Capital Pty Ltd

Level 39
88 Phillip Street
SYDNEY NSW 2000

* This entity has not been involved in the preparation of this Prospectus and has not consented to being named in this Prospectus. Its name is included for information purposes only.

2. IMPORTANT NOTICE

2.1 General

This replacement prospectus is dated 1 July 2016 and was lodged with the ASIC on that date. The ASIC and its officers take no responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

No Securities may be issued on the basis of this Prospectus later than 13 months after the date of the prospectus lodged with the ASIC on 21 June 2016.

No person is authorised to give information or to make any representation in connection with this Prospectus, which is not contained in the Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with this Prospectus.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on, and observe any of these restrictions. Failure to comply with these restrictions may violate securities laws. Applicants who are resident in countries other than Australia should consult their professional advisers as to whether any governmental or other consents are required or whether any other formalities need to be considered and followed.

This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer. No action has been taken to register or qualify the Shares or the Offers or to otherwise permit a public offering of the Shares in any jurisdiction outside Australia.

It is important that you read this Prospectus in its entirety and seek professional advice where necessary. The Shares the subject of this Prospectus should be considered highly speculative.

2.2 Change in nature and scale of activities and re-compliance with Chapters 1 and 2 of the ASX Listing Rules

At the General Meeting to be held on or about 25 July 2016, the Company will seek Shareholder approval for a change in nature and scale of its activities.

ASX requires the Company to re-comply with Chapters 1 and 2 of the ASX Listing Rules. This Prospectus is a re-compliance prospectus for the purposes of satisfying Chapters 1 and 2 of the ASX Listing Rules and to satisfy the ASX requirements for re-admission to the Official List following a change in nature and scale of the Company's activities.

The Company's Securities are currently suspended from trading on the ASX and will not be reinstated until ASX approves the Company's re-compliance with the admission requirements of Chapters 1 and 2 of the ASX Listing Rules.

There is a risk that the Company may not be able to meet the requirements of ASX for re-admission to the Official List. In the event the Conditions are not satisfied or the Company does not receive conditional approval for re-admission to the Official List then the Company will not proceed with the Offers and will repay all application monies received.

2.3 Investment Advice

The Prospectus does not provide investment advice and has been prepared without taking into account your financial objectives, financial situation or particular needs (including financial or taxation issues). You should seek professional investment advice before subscribing for Securities under this Prospectus.

2.4 Conditional Offers

The Offers are conditional on:

- (a) raising the Minimum Subscription under the Public Offer;
- (b) the Term Sheet becoming unconditional;
- (c) Shareholders approving the Essential Resolutions required to implement the Transaction and the Offers; and
- (d) the Company receiving conditional approval for re-quotations of the Company's Shares on the ASX on terms reasonably acceptable to the Company.

Accordingly, the Offers under this Prospectus are effectively inter-conditional on the successful completion of each other part of the Transaction.

In the event that those events do not occur, the Offers will not proceed and no Securities will be issued pursuant to this Prospectus. If this occurs, Applicants will be refunded their application monies (without interest).

2.5 Forwarding-looking statements

This Prospectus contains forward-looking statements that are identified by words such as 'may', 'could', 'believes', 'estimates', 'targets', 'expects', or 'intends' and other similar words that involve risks and uncertainties. These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this Prospectus, are expected to take place.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, the Directors and management. We cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

We have no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this prospectus, except where required by law. These forward looking statements are subject to various risk factors that could cause our actual results to differ materially from the results expressed or anticipated in these statements. These risk factors are set out in Section 9.

2.6 Privacy Statement

By completing and returning an Application Form you will be providing personal information directly or indirectly to the Company. The share registry and related bodies corporate, agents, contractors and third party service providers of the foregoing (Collecting Parties). The Collecting Parties collect, hold and will use that information to assess your Application, service your needs as a Shareholder and to facilitate distribution payments and corporate communications to you as a Shareholder.

By submitting an Application Form, you authorise the Company to disclose any personal information contained in your Application Form (Personal Information) to the Collecting Parties where necessary, for any purpose in connection with an Offer, including processing your acceptance of an Offer and complying with the applicable law, the ASX Listing Rules, the ASX Settlement Operating Rules and any requirements imposed by any Public Authority.

If you do not provide the information required in the Application Form, the Company may not be able to accept or process your acceptance of an Offer.

If the Offers are successfully completed, your Personal Information may also be used from time to time and disclosed to persons inspecting the register of Shareholders including bidders for your securities in the context of takeovers, Public Authorities, authorised securities brokers, print service providers, mail houses and the Share Registry.

Any disclosure of Personal Information made for the above purposes will be on a confidential basis and in accordance with the Privacy Act 1988 (Cth) and all other legal requirements. If obliged to do so by law or the Public Authority, Personal Information collected from you will be passed on to third parties strictly in accordance with legal requirements. Once your Personal Information is no longer required, it will be destroyed or re-identified. As at the date of the Prospectus, the Company does not anticipate that the Personal Information will be disclosed to any overseas recipient.

Subject to certain exemptions under the law, you may have access to Personal Information that the Collecting Parties hold about you and seek correction of such information. Access and correction requests and any other queries regarding this privacy statement must be made in writing to the Share Registry at the address set out in the Corporate Directory in Section 1. A fee may be charged for access.

2.7 Web Site - Electronic Prospectus

A copy of this Prospectus can be downloaded from the website of the Company at <http://www.paynesfindgold.com>. If you are accessing the electronic version of this Prospectus for the purpose of making an investment in the Company, you must be an Australian resident and must only access this Prospectus from within Australia.

The Corporations Act prohibits any person passing onto another person an Application Form unless it is attached to a hard copy of this Prospectus or it accompanies the complete and unaltered version of this Prospectus. You may obtain a hard copy of this Prospectus free of charge by contacting the Company.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic

Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

2.8 Defined Terms

Unless the contrary intention appears or the context otherwise requires words and phrases contained in this Prospectus have the same meaning and interpretation as given in the Corporations Act and capitalised terms have the meaning given in the Glossary in Section 18.

2.9 Time

All references to time in this Prospectus are references to Australian Western Standard Time.

2.10 Risks

You should read this document in its entirety and, if in any doubt, consult your professional advisers before deciding whether to apply for Securities. There are risks associated with an investment in the Company and the Shares offered under this Prospectus must be regarded as a speculative investment. The Shares offered under this Prospectus carry no guarantee with respect to return on capital investment, payment of dividends or the future value of the Shares. Refer to Section 5C for the key risks and Section 9 for details relating to other risk factors associated with an investment in the Company.

2.11 Photographs and Diagrams

Photographs used in this Prospectus that do not have descriptions are for illustration only and should not be interpreted to mean that any person endorses the Prospectus or its contents or that the assets shown in them are owned by the Company. Diagrams used in this Prospectus are illustrative only and may not be drawn to scale.

2.12 Enquiries

If you are in any doubt as to how to deal with any of the matters raised in this Prospectus, you should consult with your broker or legal, financial or other professional adviser without delay. Should you have any questions about the Offers or how to accept the Offers please call the Company Secretary, Mr Paul Lloyd on +61 (8) 9481 3992.

3. INDICATIVE TIMETABLE

An indicative timetable of events relating to the Transaction is outlined below. The timetable is indicative only and is subject to change without notice. The Company reserves the right to extend the Closing Date or close the Offers early without notice.

Event	*Date
Lodgement of prospectus with ASIC	Tuesday, 21 June 2016
Opening date for the Public Offer, EL Offer and EverBlu Capital Offer	Tuesday, 21 June 2016
Lodgement of replacement prospectus with ASIC	Friday, 1 July 2016
General Meeting to approve Acquisition	Monday, 25 July 2016
Closing Dates of the Offers	Tuesday, 26 July 2016
Issue of Shares under the Public Offer and Adviser Securities under the EverBlu Capital Offer	Friday, 5 August 2016
**Settlement of the Acquisition / Issue of Shares under the EL Offer	Friday, 5 August 2016
Dispatch of Holding Statements	Tuesday, 9 August 2016
Re-compliance with Chapters 1 & 2 of the ASX Listing Rules	Week beginning 8 August 2016
Re-quotation of Shares (including Shares issued under the Public Offer) on ASX	Week beginning 22 August 2016

**The above dates are indicative only and may change without notice. The Company reserves the right to extend the Closing Dates or close the Offers early without prior notice. The Company also reserves the right not to proceed with any of the Offers at any time before the issue of Shares to Applicants.*

***The above stated date for Settlement of the Acquisition is only a good faith estimate by the Directors and may have to be extended.*

4. CHAIRMAN'S LETTER

Dear Investor

The Board of Directors of Paynes Find Gold Limited (to be renamed "European Lithium Limited") (**Company**) are pleased to present you with this Prospectus and the opportunity to increase your existing shareholding or to become a new shareholder in the Company as it transitions from its historic focus of gold exploration and investment in the minerals exploration and development sector to a mixed minerals exploration company focussing primarily on lithium through its proposed acquisition of 100% ownership of European Lithium AT (Investments) Limited (**ELA**).

As announced on 11 May 2016, the Company has entered into the Term Sheet to acquire 100% ownership of ELA. ELA is the ultimate 100% owner of ECM Lithium AT GmbH which is the 100% owner and holder of the Wolfsberg Lithium Project in Austria.

Under the Term Sheet, the Company will issue Shares to the EL Shareholders as part consideration for the acquisition of ELA. A summary of the Term Sheet and other material agreements to the Acquisition are outlined in Section 15 of this Prospectus.

Under this Prospectus, the Company is seeking to raise up to \$9,000,000 through the issue of up to 112,500,000 Shares at a price of \$0.08 per Share, to fund drilling and assaying, mine evaluation and other costs associated with the Project.

The Company will seek Shareholder approval for the acquisition of ELA (including the resulting change to the nature and scale of the Company's activities and the issue of Shares to the EL Shareholders), and the issue of Shares under the Public Offer, EL Offer and EverBlu Capital Offer at the General Meeting.

I commend the Company and its new direction to you and encourage you to consider the Public Offer.

Investors should be aware of the potential risks inherent in this investment which are fully detailed in this Prospectus. Before making your decision to invest, I ask that you carefully read this Prospectus and seek professional advice if required.

Yours sincerely

Paul Lloyd
Chairman
PAYNES FIND GOLD LIMITED

5. INVESTMENT OVERVIEW

This Section is a summary only and not intended to provide full information for investors intending to apply for Shares offered pursuant to this Prospectus. This Prospectus should be read and considered in its entirety.

Item	Summary	Further information
A. Company		
Who is the issuer of the Prospectus?	Paynes Find Gold Limited ACN 141 450 624 (the Company) (to be renamed "European Lithium Limited").	
Who is the Company and what does it do?	<p>The Company was incorporated on 10 March 2010 and was admitted to the Official List of ASX on 2 December 2010.</p> <p>The primary business of the Company has been gold exploration.</p> <p>As announced on 11 May 2016, the Company has executed the Term Sheet to acquire 100% of the issued shares in European Lithium AT (Investments) Limited (Company Number 1629395), subject to satisfaction of a number of conditions precedent outlined in Section 15.1(e) from the shareholders of European Lithium Limited (Company Number 1629378). ELA is the ultimate 100% owner of ECM Lithium AT GmbH, a subsidiary entity of EL and the 100% owner and holder of the Wolfsberg Lithium Project in Austria.</p> <p>A summary of the Project is set out in Section 6.5 of this Prospectus and more detailed information is included in the Independent Geologist's Report in Section 12 of and the Solicitor's Report on Title in Section 13.</p>	Section 6.1
What is the Company's current strategy?	<p>The Company is proposing to acquire 100% ownership of ELA pursuant to the Term Sheet entered into with EL.</p> <p>As noted above, ELA is the ultimate 100% owner of ECM Lithium AT GmbH, the 100% owner and holder of the Project.</p> <p>Following reinstatement to quotation of the Company's Shares on ASX, the Company's primary focus will be to further develop the Project by completing additional drilling with the aim of increasing the known JORC resource, commencing metallurgical test work and other work to enable a bankable feasibility study to be completed.</p>	Sections 5, 6.4, and 8

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<p>What are the Company's key existing assets?</p>	<p>The Company's key asset is the Paynes Find Gold project (Paynes Find Gold Project) which will be retained by the Company with minimum expenditure commitments satisfied so that the tenements remain in good standing.</p> <p>The Paynes Find Gold Project will be subjected to a detailed review by the incoming management team with opportunities to develop and/or joint venture being encouraged.</p>	<p>Sections 5 and 6</p>
<p>What is the Public Offer?</p>	<p>The Company is offering up to 112,500,000 Shares to the public at an issue price of \$0.08 each to raise up to \$9,000,000 (before costs of the Offers). The minimum subscription is \$6,000,000.</p>	<p>Section 7.1</p>
<p>What is the EL Offer?</p>	<p>The Company is offering up to 250,000,000 Shares to the EL Shareholders in consideration for the acquisition of all the shares in ELA, pursuant to the Term Sheet.</p>	<p>Sections 5 and 7</p>
<p>What is the EverBlu Capital Offer?</p>	<p>The EverBlu Capital Offer comprises an issue of up to 31,250,000 Shares and 200,000,000 Adviser Options to EverBlu Capital (or its nominees) in consideration for acting as Lead Manager in relation to the Public Offer.</p>	<p>Section 7.3</p>
<p>What are the Conditions of the Public Offer?</p>	<p>The Public Offer is conditional upon the following events occurring:</p> <ul style="list-style-type: none"> (a) The Company raising the Minimum Subscription amount of the Public Offer, being \$6,000,000; (b) the Term Sheet becoming unconditional; (c) Shareholders approving the Essential Resolutions at the General Meeting; and (d) The Company receiving from ASX written confirmation that ASX will reinstate the Company's Shares to quotation on the ASX and terminate the suspension of the Company's Shares from quotation, subject to the satisfaction of such terms and conditions as are prescribed by ASX or the Listing Rules. <p>If any of these conditions are not satisfied then the Company will not proceed with the Public Offer and the Company will repay all application monies received. If the Company does not proceed with the Public Offer, it will not proceed with the other Offers under this Prospectus.</p>	<p>Section 7.1</p>
<p>Why is the Public Offer being conducted?</p>	<p>The purposes of the Public Offer are to:</p> <ul style="list-style-type: none"> (a) meet the requirement that the Company re-complies with ASX's admission 	<p>Section 7.1</p>

	<p>requirements in accordance with Chapters 1 and 2 of the Listing Rules;</p> <p>(b) provide funding for the continued development of the Project, including drilling and assaying and mine evaluation;</p> <p>(c) provide funding for working capital and administration expenditure; and</p> <p>(d) meet the expenses of the Offers.</p>	
B. The Acquisition of ELA		
What is the Acquisition?	The Acquisition is the Company's proposed acquisition of 100% ownership of ELA pursuant to the Term Sheet.	Section 6.2 and 15.1
What are the key terms of the Acquisition under the Term Sheet?	<p>The keys terms of the Acquisition are as follows:</p> <p>(a) (Conditions Precedent) the outstanding conditions precedent which must be satisfied (or waived) prior to PNE completing the Transaction include:</p> <p>(a) PNE obtaining all necessary regulatory and shareholder approvals required by the Corporations Act 2001 (Cth) and the ASX Listing Rules in relation to the Acquisition;</p> <p>(b) ELA providing all statutory and regulatory approvals and any other third party consents or waivers necessary or desirable, to complete the Acquisition;</p> <p>(c) PNE not incurring expenses in excess of \$25,000 between the date of the Term Sheet being executed and completion of the Acquisition other than expenses in the normal course of business, related to the acquisition of ELA or expenses incurred with the prior written consent of EL;</p> <p>(d) PNE preparing a full form prospectus, lodging the prospectus with the ASIC and the ASX and raising the minimum subscription (\$6,000,000) under the prospectus;</p> <p>(e) PNE having a minimum of \$5,000,000 in the bank at the</p>	Section 6.7 and 15.1

	<p>time of completion of the Acquisition and obtaining conditional approval to be quoted on the ASX and for the Consideration Shares to be admitted to the ASX (subject to ASX imposed escrow restrictions) subject to standard conditions, acceptable to PNE;</p> <p>(f) all loans payable, including any interest and associated fees owing, by EL and debts owed to major shareholders and directors by ELA will be converted to shares in ELA prior to the Acquisition completing,</p> <p>on or before 5.00pm (WST) 31 August 2016 or such other date as agreed in writing between the parties;</p> <p>(b) (Name Change) As part of the acquisition, the Company will seek the approval of shareholders to change its name to "European Lithium Limited" to more accurately reflect the proposed future operations of the Company.</p> <p>(c) (Change of Board and New CEO) At completion of the Acquisition, two existing directors of PNE, shall resign and EL shall nominate two new directors to the board, being Mr Antony Sage and a second director to be advised prior to Settlement, to take effect from Settlement.</p> <p>Dr Steve Kesler will also be appointed as Chief Executive Office of PNE following completion of the Acquisition, on terms and conditions to be agreed with PNE.</p>	
<p>What is the consideration for the Acquisition?</p>	<p>(a) (Cash Consideration) Within 5 business days of execution of the Term Sheet, the Company advanced EL a first advance of \$200,000 (First Advance).</p> <p>Within 5 business days of satisfactory completion of due diligence by the Company on ELA, the Company paid ELA a second advance of \$550,000 for immediate drilling requirements on the Project (Second Advance).</p> <p>At Settlement PNE will pay ELA a third advance of \$1,500,000 as a payment for reimbursement of expenditure in developing the Project (Third Advance).</p>	

	<p>(b) (Share Consideration) At Settlement, the consideration to be issued to the EL Shareholders (or their nominees) will be:</p> <ul style="list-style-type: none"> (a) 187,500,000 fully paid ordinary shares in the capital of PNE (Share Consideration Tranche 1); and (b) 62,500,000 Shares upon ELA (which, for the purpose of the following provisions means any company in the new ELA group post-Acquisition) upgrading the JORC resource for the Project to a minimum of 4,500,000 tonnes inferred resource at 1.3% Li₂O (Share Consideration Tranche 2), <p>(together the Consideration Shares).</p>	
<p>How were the terms of the Acquisition agreed?</p>	<p>The Acquisition was negotiated on an arm's length basis, and the Company is satisfied that the terms of the Acquisition are the best it was able to negotiate with EL.</p> <p>The Company notes the statement of financial position of ELA) as at 30 April 2016 stating its net assets at \$16,189,970.</p> <p>In determining whether the consideration was appropriate, and accordingly whether the Company should make the Acquisition, the Company considered the following factors:</p> <ul style="list-style-type: none"> (a) the Wolfsberg Lithium Project is an advanced lithium project with a JORC Inferred resource and a development timetable in place; (b) ELA has a credible, experienced technical and management team (see Sections 10.3 and 10.4 for details of management profiles); and (c) the Acquisition and Public Offer will result in a larger market capitalisation and enhanced Shareholder base and may encourage new investors in the Company because the Company is pursuing a new strategic direction. <p>This improvement in the attractiveness of an investment in the Company may lead to an increased liquidity of Shares and greater trading depth than previously experienced by Shareholders prior to the announcement of the Acquisition.</p>	

	The Board is of the view that proceeding with the Acquisition is in the best interests of the Company for the reasons set out above.	
What approvals are being sought at the General Meeting?	<p>At the General Meeting, the Company will seek shareholder approval for, amongst other things, the following resolutions:</p> <ul style="list-style-type: none"> (a) the change in nature and scale of the activities of the Company as a result of the Acquisition; (b) authority to issue the Consideration Shares to the EL Shareholders (or nominees); (c) the issue of Shares under the Public Offer; (d) the appointment of the EL's proposed directors to the Board; (e) the change of the Company's name to 'European Lithium Limited'; (f) the issue of Adviser Securities to EverBlu Capital (or its nominees) in accordance with the Lead Manager Mandate; and (g) the issue of Shares under the Public Offer to current Director Malcolm Day (or his nominees). 	Section 6.7
Why is the Company required to re-comply with Chapters 1 and 2 of the ASX Listing Rules?	<p>At the Company's General Meeting, the Company will seek Shareholder approval for, amongst other things, a change in the nature and scale of the Company's activities as a result of the Acquisition. To give effect to these changes, the ASX requires the Company to re-comply with Chapters 1 and 2 of the ASX Listing Rules. The Prospectus is issued to assist the Company to re-comply with these requirements.</p> <p>The Company is currently suspended from trading and will not be reinstated until the Company has satisfied the conditions to the Offers, including re-compliance with Chapters 1 and 2 of the Listing Rules.</p> <p>There is a risk that the Company may not be able to meet the requirements for re-quotations on ASX. In the event the conditions are not satisfied or the Company does not receive approval for re-quotations on ASX, then the Company will not proceed with the Offers and it will repay all application monies received (without interest).</p>	Section 2.4
Who is ELA?	<p>As noted above, ELA is the ultimate 100% owner of ECM Lithium AT GmbH, a subsidiary entity of EL and the 100% owner and holder of the Project.</p> <p>The corporate structure of the Company following completion of the Acquisition is set out</p>	Sections 6.4, 8 and 13

	<p>in Section 6.4. Further details on ELA are also set out in the Solicitor’s Report on Title in Section 13.</p>	
<p>What is the Project?</p>	<p>ELA is the ultimate 100% owner of ECM Lithium AT GmbH, a subsidiary entity of EL and the 100% owner and holder of the Wolfsberg Lithium Project in Austria.</p> <p>The Project is located in Carinthia, 270 km south of Vienna, Austria and 20 km east of Wolfsberg.</p> <p>The Project is strategically placed for European manufacturers using lithium, whilst by-product production of feldspar, quartz and mica may enhance the Project materially, subject to further metallurgical testing to determine the by-product qualities and market values.</p> <p>Further details on ELA and the Project are also set out in the Solicitor’s Report on Title in Section 13.</p>	<p>Sections 6.4, 12 and 13</p>
<p>What are the advantages of the Acquisition?</p>	<p>The Directors and Proposed Director are of the view that an investment in the Company provides the following non-exclusive list of key advantages:</p> <ul style="list-style-type: none"> (a) the Acquisition represents an attractive investment opportunity for the Company to change its business focus to that of a to a mixed minerals exploration company focussing primarily on lithium; (b) the Acquisition of ELA will enable the Company to tap into the established nature of the ELA business; (c) the Term Sheet requires the Company to complete a capital raising of not less than \$6,000,000 which will provide the Company with sufficient funds for the activities set out in Section 7.7; (d) the potential increase in market capitalisation of the Company following Settlement and the associated Capital Raising may lead to increased coverage from investment analysts, access to improved equity capital market opportunities and increased liquidity which are not currently present; (e) the appointment of Mr Antony Sage as Chairman and Dr Steve Kesler as Chief Executive Officer provides the Company with extensive experience in resource project development and wide project execution experience. 	

<p>What are the disadvantages of the Acquisition?</p>	<p>The Directors and Proposed Director are of the view that an investment in the Company may provide the following non-exclusive list of disadvantages:</p> <ul style="list-style-type: none"> (a) the Company will be changing the nature and scale of its activities to primarily be a mixed minerals exploration company focussing primarily on lithium, which may not be consistent with the objectives of all Shareholders; (b) the Acquisition will result in the Capital Raising, the issue of Consideration Shares and Adviser Securities will have a dilutionary effect on the holdings of Shareholders; (c) in connection with the Acquisition, the Company has been required to engage a number of advisers, lawyers and experts to facilitate and report on the Acquisition, which represent sunk, but necessary costs to the Company; and (d) there are additional risk factors associated with the change in nature of the Company's activities resulting from the Acquisition. Some of the key risks are summarised in Section C below. 	
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C. Key Risks

<p>Conditional Acquisition and Offers</p>	<p>Prospective investors should be aware that subscribing for Securities in the Company involves a number of risks and uncertainties. The risk factors set out in this Section and Section 9 and other risks applicable to all listed securities, may affect the value of the Securities in the future. Accordingly, an investment in the Company must be considered highly speculative. This Section summarises the key risks that apply to an investment in the Company. Investors should refer to Section 9 for a summary of other risks.</p> <p>As part of the Company's change in the nature and scale of its activities, the ASX will require the Company to re-comply with Chapters 1 and 2 of the ASX Listing Rules. This Prospectus is issued to assist the Company to re-comply with these requirements.</p> <p>The Securities are currently suspended from trading and will not be reinstated until the Company has satisfied the Public Offer Conditions, including re-compliance with Chapters 1 and 2 of the Listing Rules and any further conditions which ASX may impose for reinstatement to quotation.</p>	<p>Sections 6.2 and 6.7</p>
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	<p>There is a risk that the Company may not be able to meet the requirements for re-quotation on ASX. In the event the conditions are not satisfied or the Company does not receive conditional approval for re-quotation on the ASX, then the Company will not proceed with the Offers and it will repay all application monies received (without interest).</p>	
<p>Access Risk</p>	<p>The Solicitor’s Report on Title included in Section 13 notes that Glock Gut- und Forstverwaltung GmbH is the owner of the property where ECM AT’s exploration and mining licenses are situated.</p> <p>Glock Gut- und Forstverwaltung GmbH and the previous owner of the Project entered into an agreement on 15 April 2011 regulating the use of the land and the landlord thereby stipulated a waiver of all rights to raise objections in civil and administrative procedure against mining activities. In the course of transferring its mining licenses to ECM AT, the former owner assigned the agreement with Glock Gut- und Forstverwaltung GmbH to ECM AT.</p> <p>The Solicitor’s Report on Title included in Section 13 states that ECM AT received a letter from Glock Gut- und Forstverwaltung GmbH’s lawyers on 7 June 2016 regarding the use of the property and the access to the mine whereby it is suggested that there is no valid agreement regarding the use of the property for the year 2016 and no agreement regarding the respective compensations. The letter also states that unless there is an agreement about the use of the property and the compensation payments, the use of the real property and access are prohibited. ECM AT is currently working to resolve the land access matter with Glock Gut- und Forstverwaltung GmbH.</p> <p>There is a risk that ECM AT’s access to the property will be impeded if this matter is not resolved. There is no other access to property where ECM AT’s exploration and mining licenses are situated. The Company has been advised that ELA has resolved land access matters similar to this previously.</p>	<p>Section 13</p>
<p>Dilution Risk</p>	<p>On completion of the Acquisition and all issues of Shares and Options pursuant to the Transaction (assuming the Minimum Subscription under the Capital Raising, issue of all Consideration Shares and no exercise of Options) existing Shareholders will be significantly diluted. In this scenario, existing Shareholders will retain approximately 17.14% of the issued capital of the Company, with the EL Shareholders holding 58.14%, EverBlu</p>	

	<p>Capital holding 7.28% and investors under the Public Offer holding 17.44% of the Shares on issue. If subsequently the Adviser Options are exercised the interests of the existing Shareholders will be further diluted.</p> <p>There is also a risk that the interests of Shareholders will be further diluted as a result of future capital raisings required in order to fund the development of the ELA business.</p>	
Liquidity Risk	<p>On Settlement, the Company proposes to issue the Consideration Shares and Adviser Securities.</p> <p>The Directors understand that ASX will treat the Consideration Shares and Adviser Securities as restricted securities in accordance with Chapter 9 of the ASX Listing Rules.</p> <p>This could be considered an increased liquidity risk as a large portion of issued capital may not be able to be traded freely for a period of time.</p>	
Contractual Risk	<p>Pursuant to the Term Sheet, Settlement is subject to the fulfilment of certain conditions precedent, as identified in Section 15.1(e).</p> <p>The ability of the Company to achieve its stated objectives will depend on the performance by the parties of their obligations under the Term Sheet. If any party defaults in the performance of their obligations, it may be necessary for the Company to approach a court to seek a legal remedy, which can be costly.</p>	
Early stages of operations	<p>ELA's operations are at an early stage of development and success will depend on the Company's ability to implement their strategy and generate cash flow from its lithium projects. There can be no guarantee that the Company can or will be able, or that it will be commercially advantageous for the Company, to develop the Project. The Company will not generate any material income until its excavation, processing and production facilities have been developed and have successfully commenced operating.</p>	
Laws and regulations	<p>Following Settlement, the Company's subsidiaries will be subject to laws in various jurisdictions, including the British Virgin Islands (where ELA is registered) and Austria (where ELA's wholly-owned subsidiary ECM Lithium AT GmbH and holder of the Project is located). Existing and future legislation, regulation and actions could cause additional expense, capital expenditure and restrictions and delays in the activities of the Company, the extent of which cannot be predicted. No assurance can be given that new laws, rules and regulations will not be enacted or existing laws, rules and regulations will not be</p>	

		<p>applied in a manner which could limit or curtail certain of the Company's activities or services.</p>	
<p>Going concern risk for ELA</p>		<p>Appendix 1 of the Investigating Accountant's Report in Section 11 sets out the extracts of audited historical financial information of ELA for the years ended 30 June 2013, 2014 and 2015, and for the half-year ended 31 December 2015. The Investigating Accountant's Report notes that the auditor's reports for each of these periods contained an emphasis of matter paragraph in relation to going concern. The auditor's report for ELA provides that:</p> <p><i>The ability of the parent company and consolidated entity to continue as going concerns is subject to the continuing support of the ultimate parent entity, European Lithium Limited and/or the transaction with Paynes Find Gold Limited progressing and being ratified by shareholders and statutory authorities. In the event that the ultimate parent entity, European Lithium Limited, does not provide funding, the transaction with Paynes Find Gold Limited does not proceed, or the Board is not successful in recapitalising the parent and consolidated entity and in raising further funds, the company and its subsidiary may not be able to meet their liabilities as they fall due and the realisable value of the company's and its subsidiary's assets may be significantly less than book values.</i></p>	
<p>Further Costs</p>	<p>Exploration</p>	<p>The exploration costs of the Company are based on certain assumptions with respect to the method and timing of exploration. By their nature, these estimates and assumptions are subject to significant uncertainties and, accordingly, the actual costs may materially differ from these estimates and assumptions. Accordingly, no assurance can be given that the cost estimates and the underlying assumptions will be realised in practice, which may materially and adversely affect the Company's viability.</p>	
<p>Reserve and Resource Estimates</p>		<p>No assurance can be given that any estimated reserves and resources that are estimated by the Company will be recovered or that they will be recovered at the rates estimated. Mineral and reserve and resource estimates are based on limited sampling, and, consequently, are uncertain because the samples may not be representative. Mineral and reserve and resource estimates may require revision (either up or down) based on actual production experience. Any future reserve and/or resource figures will be estimates and there can be no assurance that the minerals are present, will be recovered or that it can be brought into profitable production.</p>	

	<p>Furthermore, a decline in the market price for natural resources that the Company may discover or invest in could render reserves containing relatively lower grades of these resources uneconomic to recover and may ultimately result in a restatement of reserves.</p>	
Operational Risk	<p>The operations of the Company may be affected by various factors, including failure to locate or identify mineral deposits, failure to achieve predicted grades in exploration and mining, operational and technical difficulties encountered in mining, difficulties in commissioning and operating plant and equipment, mechanical failure or plant breakdown, unanticipated metallurgical problems which may affect extraction costs, adverse weather conditions, industrial and environmental accidents, industrial disputes and unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment.</p> <p>No assurances can be given that the Company will achieve commercial viability through the successful exploration and/or mining of its tenement interests. Until the Company is able to realise value from its projects, it is likely to incur ongoing operating losses.</p>	
Commodity price volatility and exchange rate risks	<p>If the Company achieves success leading to mineral production, the revenue it will derive through the sale of commodities exposes the potential income of the Company to commodity price and exchange rate risks. Commodity prices fluctuate and are affected by many factors beyond the control of the Company. Such factors include supply and demand fluctuations for precious and base metals, technological advancements, forward selling activities and other macro-economic factors.</p> <p>Furthermore, international prices of various commodities are denominated in United States dollars, whereas the income and expenditure of the Company are and will be taken into account in Euros and Australian currency, exposing the Company to the fluctuations and volatility of the rate of exchange between the United States dollar, Euro and the Australian dollar as determined in international markets.</p>	
<p>D. Proposed use of funds and other key terms of the Offers</p>		
What is the proposed use of funds raised under the Public Offer?	<p>The funds raised under the Public Offer are proposed to be used (over the first year following re-instatement to quotation of the Company's</p>	Section 7.7

	<p>Shares) to fund the following key business activities:</p> <ul style="list-style-type: none"> (a) drilling and assaying; (b) metallurgical test work; (c) subject to the Maximum Subscription being raised, mine evaluation; (d) subject to the Maximum Subscription being raised, other project costs, such as work to enable a preliminary feasibility study to be completed; (e) previously incurred project expenditure; (f) expenses associated with the Acquisition and Capital Raising; (g) administration costs; and (h) working capital. 	
<p>Will the Company be adequately funded after completion of the Public Offer?</p>	<p>The Directors and Proposed Director are satisfied that on completion of the Public Offer, the Company will have sufficient working capital to carry out its objectives as stated in this Prospectus.</p> <p>The funding for the Company’s short to medium term activities will be generated from a combination of the money raised under the Offers and existing cash reserves.</p> <p>As with any budget, intervening events and new circumstances have the potential to affect the manner in which the funds are ultimately applied. The Board reserves the right to alter the way funds are applied on this basis.</p> <p>Actual expenditure may differ significantly from the above estimates due to a change in market conditions, the development of new opportunities and other factors (including the risk factors outlined in Section 9).</p> <p>It should be noted that the Company may not be self-funding through its own operational cash flow over the short to medium term referred to above. Accordingly, the Company may require additional capital beyond this point, which will likely involve the use of additional debt or equity funding.</p>	<p>Section 7.8</p>
<p>What rights and liabilities attach to the Shares being offered in the Public Offer?</p>	<p>All Shares issued under the Public Offer will rank equally in all respects with existing Shares on issue. The rights and liabilities attaching to the Shares are described in Section 16.2.</p>	<p>Section 16.2</p>

What are the terms and conditions of the Adviser Options?	The Adviser Options have an exercise price of \$0.10 each and an expiry date of 30 June 2020. The full terms and conditions of the Adviser Options are described in Section 16.3	Section 16.3
Is the Public Offer underwritten?	No, the Public Offer is not underwritten.	
Will the Shares issued under the Offers be quoted?	The Company will apply for quotation of the Shares under the Public Offer on the ASX within seven days of the date of this Prospectus. Completion of the Offers is conditional on, amongst other matters, ASX approving this application within 3 months from the date of this Prospectus, or such period as varied by the ASIC.	Section 7.4
What are the tax implications of investing in Securities under the Offers?	The tax consequences of any investment in Securities will depend upon your particular circumstances. Prospective investors should obtain their own tax advice before deciding to invest.	Section 7.8
What is the Company's dividend policy?	The Company does not expect to pay dividends in the near future as its focus will be primarily on using cash reserves to further develop the Project. Any future determination as to the payment of dividends by the Company will be at the discretion of the Directors and will depend upon matters such as the availability of distributable earnings, the operating results and financial condition of the Company, future capital requirements and general business and other factors considered relevant to the Directors. No assurances are given in relation to the payment of dividends, or that any dividends may attach franking credits.	Section 8.8
How do I apply for Shares under the Public Offer?	Applications for Shares under the Public Offer must be made by completing a Public Offer Application Form and must be accompanied by a cheque in Australian dollars (or an electronic transfer to the bank account advised by the Company) for the full amount of the application being \$0.08 per Share. Cheques must be made payable to "Paynes Find Gold Limited – Share Offer Account" and should be crossed "not negotiable" so that the form and cleared funds are received no later than the relevant Closing Date.	Section 7.3
How do I apply for Shares under the EL Offer?	The EL Offer is an offer to EL Shareholders only. Only the EL Shareholders may accept the EL Offer. The Company will only provide EL	Section 7.3

	Shareholder Application Forms to the persons entitled to participate in the EL Offer.	
How do I apply for Adviser Securities under the EverBlu Capital Offer?	<p>The EverBlu Capital Offer is an offer to EverBlu Capital or its nominees only.</p> <p>Only EverBlu Capital or its nominees may accept the EverBlu Capital Offer. A personalised EverBlu Offer Application Form will be issued to EverBlu Capital or its nominees together with a copy of the Prospectus. The Company will only provide the EverBlu Offer Application Form to EverBlu Capital or its nominees.</p>	Section 7.3
When will I receive confirmation that my application has been successful?	It is anticipated that holding statements will be sent to successful Applicants by post on or about the dispatch date noted in the indicative timetable set out in Section 3.	Section 7.5
What is the minimum investment size under the Public Offer?	Applications under the Public Offer must be for a minimum of \$2,000 worth of shares (25,000 Shares).	Section 7.2
Is there any brokerage, commissions or duty payable by applicants?	No brokerage, commission or duty is payable by Applicants on the acquisition of Securities under the Offers.	Section 7.12
How can I find out more about the Prospectus or the Offers?	Questions relating to the Offers can be directed to the Company on +61 (8) 9481 3992.	Sections 1, 2.7 and 2.12
E. Board and Management		
Who are the Directors of the Company?	<p>The existing Directors of the Company are:</p> <ul style="list-style-type: none"> • Mr Paul Lloyd • Mr Malcolm Day • Mr David Holden <p>Upon Settlement of the Acquisition, the composition of the Board will change with the resignation of Messrs Day and Holden and the appointment of Mr Antony Sage and one addition director to be advised by EL prior to Settlement. The Board will then comprise:</p> <ul style="list-style-type: none"> • Mr Paul Lloyd • Mr Antony Sage; and • one further director to be advised by EL prior to Settlement. 	Sections 10.1 and 10.3
Who are the key management?	Following Settlement of the Acquisition, the key management will include Dr Steve Kesler who will	Section 8.5

	be appointed as Chief Executive Office of PNE following Settlement.	
What are the significant interests of Directors and Proposed Director?	<p>The interests of Directors and Proposed Director are detailed in Section 10.</p> <p>The security holdings of the Directors and Proposed Director are set out in Section 10.4.</p> <p>Section 10.7 sets out details of the related party agreements with the Company from which the Directors and Proposed Director may benefit.</p>	Section 10
Are there any relationships between the Company and parties involved in the Acquisition or Offers that are relevant to investors?	Proposed Director Mr Antony Sage is also a director of EL and ELA. Proposed CEO, Dr Steve Kesler, is Chief Executive Officer and director of EL and a director of ELA. Mr Sage and Dr Kesler are both shareholders of EL.	Section 10.4
F. Miscellaneous		
What material contracts are the Company and EL a party to?	<p>The material contracts of the Company and ELA (including its wholly owned subsidiary ECM AT) are:</p> <ol style="list-style-type: none"> 1. Term Sheet between PNE and EL; 2. Lead Manager Mandate with EverBlu Capital; 3. Royalty Agreement (ECM AT); 4. Support Services Agreement (ECM AT); 5. Framework Consultancy Agreements (ECM AT); 6. Agreement regarding Exploration Program (ECM AT) 7. Non-Executive Director's Appointment Letter; 8. Chief Executive Officer's Services Agreement; 9. Consultancy Agreement for Non-Executive Chairman; and 10. Deeds of Indemnity, Insurance and Access. 	Section 15
What is the financial position of the Company and ELA post completion of the Offers and the Acquisition?	<p>The Company is currently listed on the ASX and its financial history, including its 2013, 2014 and 2015 Annual Reports are available on its website (http://www.paynesfindgold.com).</p> <p>ELA was incorporated on 28 January 2011.</p> <p>Further financial information regarding the Company and ELA is considered in the</p>	Section 11

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	Investigating Accountant's Report in Section 11.	
Will any of the Securities be subject to escrow?	<p>Subject to the Company re-complying with Chapters 1 and 2 of the ASX Listing Rules and the Company's Shares being reinstated to trading on ASX, certain Shares and Options in the Company will be classified by ASX as restricted securities and will be required to be held in escrow for up to 24 months from the date of reinstatement.</p> <p>EL acknowledges that some or all of their Consideration Shares are expected to be escrowed in accordance with ASX requirements and will seek execution by the EL Shareholders of such form of restriction agreement as is required.</p> <p>No Shares issued under the Public Offer are expected to be subject to escrow.</p> <p>All the Adviser Securities are expected to be subject to escrow.</p>	Section 8.11

6. TRANSACTION OVERVIEW

6.1 The Company

The Company was incorporated on 10 March 2010 and was admitted to the official list of the ASX on 2 December 2010. The Company is a Perth, Western Australian based gold exploration company.

The Company's principle activity has been the exploration and development of the Paynes Find Gold Project.

For the past 24 months, the Company has been evaluating projects both in Australia and overseas that have the potential to deliver strong future growth for Shareholders. Subject to Shareholder approval being obtained for the Acquisition summarised in Section 6.2 below, it is the current intention of the Board retain the Paynes Find Gold Project with minimum expenditure commitments satisfied so that the tenements remain in good standing. The Board will encourage and review offers to joint venture or outright purchase of the Paynes Find Gold Project from interested parties.

6.2 The Acquisition

As announced on 11 May 2016, the Company has executed the Term Sheet to acquire 100% ownership of ELA, subject to satisfaction of a number of conditions precedent outlined in Section 15.1(e). ELA is the ultimate 100% owner of ECM Lithium AT GmbH, the 100% owner and holder of the Wolfsberg Lithium Project in Austria.

The distribution of the Consideration Shares to the EL Shareholders will take place either by way of EL undertaking a dividend in specie or a redemption of the EL Shareholders' shares in EL.

If the dividend in specie is conducted, the directors of EL will need to pass a resolution to declare a dividend to be satisfied in the form of a dividend in specie of a contractual right to receive a pro rata proportion of the Consideration Shares. The directors of EL, in order to declare a dividend, would need to be satisfied that the statutory solvency test is passed in accordance with EL's Memorandum and Articles of Association and British Virgin Island law.

A redemption of shares will involve the redemption (and cancellation) of the shares in EL in accordance with EL's Memorandum and Articles of Association, with the redemption to be paid by EL directing the Company to issue to the relevant member that portion of Consideration Shares attributable to that member.

Upon Settlement, the Company will focus on developing the business of ELA in line with its business model and strategy. A more detailed summary of the proposed business of the Company following Settlement is set out in Section 8.

6.3 Key Investment highlights

The Directors and Proposed Director are of the view that an investment in the Company provides the following non-exclusive list of key highlights.

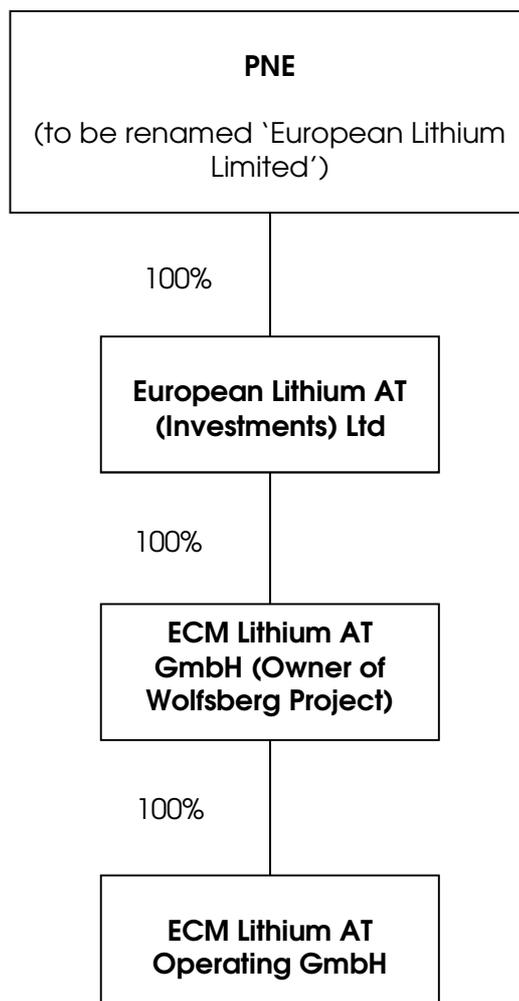
- (a) the Acquisition represents an attractive investment opportunity for the Company to change its business focus to that of a mixed minerals exploration company focussing primarily on lithium;

- (b) the Acquisition of ELA will enable the Company to tap into the established nature of the ELA business;
- (c) the Term Sheet requires the Company to complete a capital raising of not less than \$6,000,000 which will provide the Company with sufficient funds for the activities set out in Section 7.7;
- (d) the potential increase in market capitalisation of the Company following Settlement and the associated Capital Raising may lead to increased coverage from investment analysts, access to improved equity capital market opportunities and increased liquidity which are not currently present; and
- (e) the appointment of Mr Antony Sage as Chairman and Dr Steve Kesler as Chief Executive Officer provides the Company with extensive experience in resource project development and wide project execution experience.

6.4 About ELA

As noted above, ELA is the ultimate 100% owner of ECM Lithium AT GmbH, a subsidiary entity of EL and the 100% owner and holder of the Project.

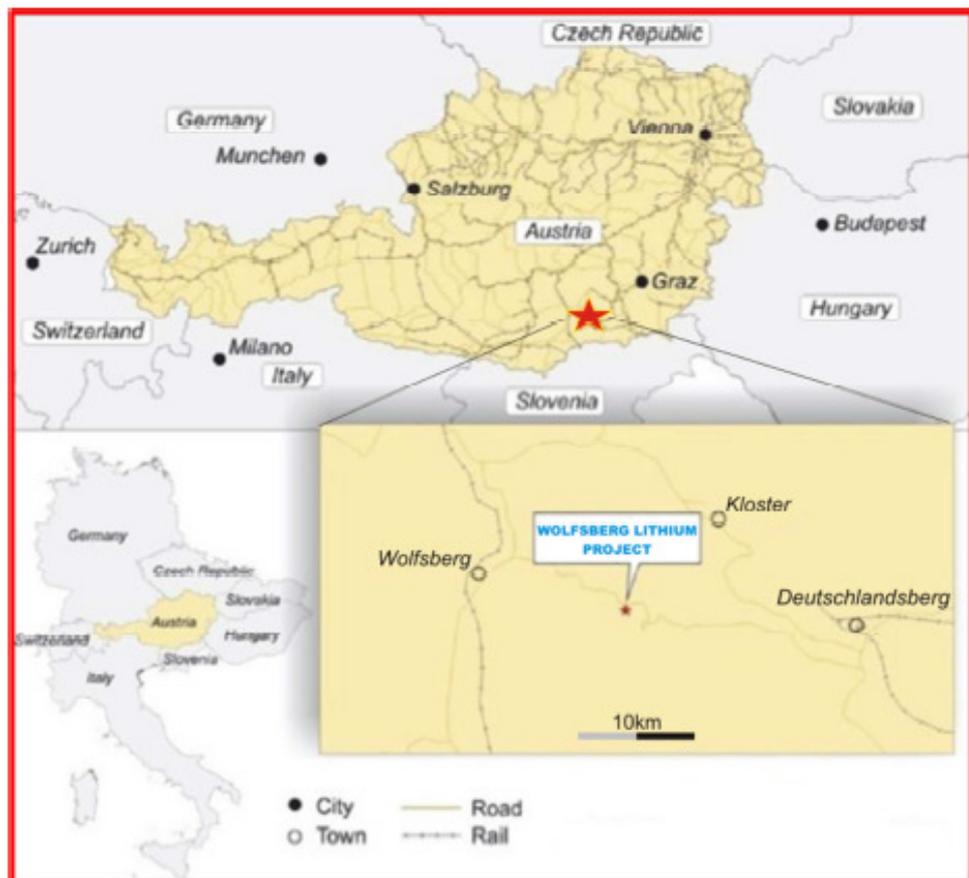
The corporate structure of the Company following completion of the Acquisition is set out below:



6.5 Project Background

(a) Location

The Project is located in Carinthia, 270 km south of Vienna, Austria and 20 km east of Wolfsberg, an industrial town, with established infrastructure, including access to the European motorway and railway network. The main industry in the area is forestry and a pulp and paper mill is in operation nearby. The Project is strategically placed for European manufacturers using lithium, whilst by-product production of feldspar, quartz and mica may enhance the Project materially, subject to further metallurgical testing to determine the by-product qualities and market values.



(b) History

The Project was discovered by Minorex, an Austrian government company, in 1981. Following extensive exploration, technical and commercial studies, a pre-feasibility study was completed in 1987. This study concluded that the Project did not meet investment criteria due to the then lower lithium prices and the 54 per cent revaluation of the Austrian Schilling to the US dollar during the time of the pre-feasibility study to September 1987. In 1988 therefore the Austrian Government decided not to develop the Project and Minorex was closed.

In 1988, the Project was transferred to Bleiberg Bergwerksunion (BBU), an Austrian government owned lead-zinc miner. However, in 1991 BBU was closed by the Austrian government and the Project was sold to Kärntner Montanindustrie GmbH (KMI), a private mining company that mines micaceous hematite in Carinthia and, with its mines in Morocco, is

the market leading supplier of that product. KMI carried out the work specified by the Austrian mining authorities required to maintain the mine and mining licence in good order.

Following a number of changes of ownership the Project was acquired by EL in September 2011 for 9.7 million euros plus 20 per cent VAT. At that time EL was a wholly owned subsidiary of Belgian based, Exchange Minerals Group (**Exchange**). On 2 December 2011, 80% of the ordinary shares of the EL then on issue were transferred from Exchange to "EastCoast Minerals N.L." (ACN 000 738 885) (ASX Code: ECM) a company then listed on the ASX (**ECM**).



ECM was renamed "Global Strategic Metals Ltd" (**GSZ**). On 7 July 2014, GSZ held a general meeting, whereby GSZ obtained the approval of its shareholders for the company to delist and to be removed from the official list of the ASX on 15 August 2014. On 30 July 2014, GSZ announced it planned to undertake a corporate restructure to effect the separation of its lithium and silver businesses (namely, its subsidiaries European Lithium Ltd (formerly named European Lithium AT Holding Ltd) and its subsidiaries being European Lithium AT (Investments) Ltd, ECM Lithium AT GmbH and ECM Lithium AT Operating GmbH. The demerger was approved by shareholders at a general meeting held on 25 September 2014. The demerger was effected via a pro-rata in-specie distribution of 80% of shares in European Lithium Limited to GSZ's shareholders on 13 October 2014. On 13 October 2014, GSZ shareholders (now EL Shareholders) all received 1 share in European Lithium Limited, for every share that they held in GSZ.

In September 2014, in consideration for the termination of a prior participation rights agreement, ECM Lithium AT (Holdings) Limited and ECM Lithium AT GmbH entered into a royalty agreement with Exchange under which ECM Lithium AT GmbH is obliged to pay to Exchange a royalty of 1.50 euros per dry tonne of 'all mineral product' sold.

(c) **Historical Exploration**

Minerex completed exploration work that comprised initial surface geology mapping along with 9,940m³ of surface trenches and a diamond drilling program totalling 12,012m collared from surface. In 1985 an underground exploration program was undertaken including development of a decline from the surface from the northern side of Brandrucken Mountain through the amphibole schist to provide access to the pegmatite veins. Crosscutting drifts were driven along strike of selected veins to provide access for mapping and sampling and an additional decline was driven to access the veins in the mica schist. In all 1,389m of underground development was mined. A diamond drilling campaign of 4,715m was undertaken from underground to effectively infill the surface drilling to about 50m intervals in the eastern part of Zone 1.

Following the acquisition of the Project, EL undertook exploration drilling in 2012 on the southern flank of the anticline which confirmed the structural interpretation and presence of lithium bearing pegmatite veins.

EL expended a further 1.83 million euros on exploration and development including drilling, a scoping study and the extraction of two 500 tonne bulk samples in October 2013.

Mining was undertaken in 2013 to collect 500 tonne bulk samples from the two ore types for metallurgical testing. The Minerex drilling data was utilised to develop a three dimensional resource model for use in mine planning.



6.6 Suspension & Re-admission to ASX

As PNE is currently a gold exploration company, the Acquisition, if successfully completed, will represent a significant change in the nature and scale of PNE's operations to a mixed minerals exploration company focussing primarily on lithium.

This change in the nature and scale of PNE's activities will require;

- (a) the approval of Shareholders, and
- (b) the Company to re-comply with the admission requirements set out in Chapters 1 and 2 of the ASX Listing Rules.

Some of the key requirements of Chapters 1 and 2 of the Listing Rules are:

- (a) the Company must satisfy the shareholder spread requirements relating to the minimum number of Shareholders and the minimum value of the shareholdings of those Shareholders;
- (b) the Company must satisfy the "assets test" as set out in the ASX Listing Rule 1.3; and
- (c) the issue price of the Shares must be at least 20 cents and the exercise price of the Options must be at least 20 cents (**20 Cent Requirement**).

The Company's Shares are currently suspended. Applicants should be aware that the ASX will not readmit or admit any Shares to Official Quotation until PNE re-complies with Chapters 1 and 2 of the Listing Rules and is re-admitted by ASX to the Official List. In the event that PNE does not receive conditional approval for re-admission to the Official List, PNE will not proceed with the Offers and will repay all application monies received by it in connection with this Prospectus (without interest).

If Shareholder approval to change the nature and scale of the Company's activities is not obtained, the Company's securities are likely to remain suspended from trading on ASX.

On 3 June 2016, the ASX granted the Company a waiver from the 20 Cent Requirements to enable the Company to issue Shares under the Public Offer at not less than 2 cents each and to have Options on issue with an exercise price of less than 20 cents. This waiver is subject to Shareholders approving the Company undertaking the Public Offer at not less than 2 cents and Shareholders approving the exercise price of the Adviser Options.

6.7 Shareholder Approval of Essential Resolutions

PNE has called the General Meeting primarily for the purpose of seeking the approval of Shareholders to a number of resolutions required to implement the Acquisition.

It is a condition to completion of the Offers under this Prospectus, as well as the Acquisition, that each of the following resolutions is approved by Shareholders;

- (a) As the Company is currently a gold exploration company, the Acquisition, if successfully completed, will represent a significant change in the nature or scale of the Company's operations to a mixed minerals exploration company focussing primarily on lithium, for which Shareholder approval is required under ASX Listing Rule 11.1.2 (Resolution 1).
- (b) Issue to the EL Shareholders up to 250,000,000 Consideration Shares (consisting of 187,500,000 Tranche 1 Consideration Shares and 62,500,000 Tranche 2 Consideration Shares) in consideration for the acquisition of 100% of the issued capital in ELA in accordance with the Term Sheet (Resolution 2).

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- (c) As noted above, the Company will need to re-comply with Chapters 1 and 2 of the ASX Listing Rules and, to achieve this, must successfully undertake a capital raising by issuing not less than 75,000,000 Shares at \$0.08 per Share to raise at least \$6,000,000 (**Minimum Subscription**) and up to 112,500,000 Shares at \$0.08 per Share to raise up to \$9,000,000 (**Maximum Subscription**) via a prospectus (**Capital Raising**) (Resolution 3).
 - (d) As nominated by an existing Shareholder, the appointment of a proposed director to the Board, Mr Antony Sage (Resolution 4).
 - (e) The change of the Company's name to "European Lithium Limited" with effect from Settlement (Resolution 5).
 - (f) The issue of up to 31,250,000 Shares (consisting of 23,437,500 Shares and 7,812,500 Shares to be issued on the same terms as the Tranche 2 Consideration Shares) and 200,000,000 Adviser Options to EverBlu Capital Pty Ltd) in consideration for services associated with the Acquisition (Resolution 6).
 - (g) Current Director, Malcolm Day, wishes to participate in the Capital Raising by subscribing for up to 2,500,000 Shares at \$0.08 per Share (Resolution 7).

(each an Essential Resolution – Resolutions 1 to 7 of the Notice of Meeting).

If any of the Essential Resolutions are not approved by Shareholders the Acquisition (including the Offers under the Prospectus will not be completed).

6.8 Change of Name

It is proposed that, subject to Shareholder approval being obtained the Company will change its name to European Lithium Limited on Settlement of the Acquisition which in PNE's opinion will be better suited to PNE's new strategic direction.

An overview of the Company's business following the Settlement is set out in Section 8.

7. DETAILS OF THE OFFERS

7.1 The Offers

PNE is inviting applications under the Public Offer for up to 112,500,000 Shares at an issue price of \$0.08 per Share to raise up to \$9,000,000.

All Shares issued under this Prospectus will be fully paid and will rank equally with all other Shares then currently on issue.

The Prospectus also contains the following additional offers of Securities:

- (a) an offer of up to 250,000,000 Shares to the EL Shareholders; and
- (b) an offer of up to 31,250,000 Shares and 200,000,000 Adviser Options to EverBlu Capital.

7.2 Minimum subscription

The minimum subscription in respect of the Public Offer is \$6,000,000.

If the minimum subscription has not been raised within four months after the date of this Prospectus, the Company will either repay the application monies to Applicants or issue a supplementary or replacement prospectus to allow Applicants one month to withdraw their Application and be repaid their application money. No interest will be paid on this money.

7.3 Applications

Public Offer

Applications for Shares under the Public Offer must be made by completing a Public Offer Application Form and must be accompanied by a cheque in Australian dollars (or an electronic transfer to the bank account advised by the Company) for the full amount of the application being \$0.08 per Share. Cheques must be made payable to "***Paynes Find Gold Limited – Share Offer Account***" and should be crossed "not negotiable" so that the form and cleared funds are received no later than the relevant Closing Date.

Applications for Shares must be for a minimum of 25,000 Shares and payment for the Shares must be made in full at the issue price of \$0.08 per Share.

EL Offer

The EL Offer is an offer to EL Shareholders only.

Only the EL Shareholders or their nominees may accept the EL Offer. The Company will only provide EL Shareholder Application forms to the persons entitled to participate in the EL Offer.

EverBlu Capital Offer

The EverBlu Capital Offer is to EverBlu Capital only.

Only EverBlu Capital or its nominees may accept the EverBlu Capital Offer. A personalized EverBlu Offer Application Form will be issued to EverBlu Capital, together with a copy of the Prospectus. The Company will only provide EverBlu

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Application forms to the persons entitled to participate in the EverBlu Capital Offer.

7.4 ASX listing

Application for Official Quotation by ASX of the Shares offered pursuant to this Prospectus will be made within 7 days after the date of this Prospectus.

If the Shares are not admitted to Official Quotation by ASX before the expiration of 3 months after the date of issue of this Prospectus, or such period as varied by the ASIC, the Company will not issue any Shares and will repay all application monies for the Shares within the time prescribed under the Corporations Act, without interest.

The fact that ASX may grant Official Quotation to the Shares is not to be taken in any way as an indication of the merits of the Company or the Shares now offered for subscription.

7.5 Issue

Subject to the minimum subscription to the Public Offer being obtained, the Term Sheet becoming unconditional, Shareholders approving the Essential Resolutions required to implement the Transaction and the Offers and ASX granting conditional approval for re-quotation on the ASX, the issue of Securities offered by this Prospectus will take place as soon as practicable after the Closing Dates.

Pending the issue of the Shares or payment of refunds pursuant to this Prospectus, all application monies will be held by the Company in trust for the Applicants in a separate bank account as required by the Corporations Act. The Company, however, will be entitled to retain all interest that accrues on the bank account and each Applicant waives the right to claim interest.

Holding statements for Shares issued to the issuer sponsored subregister and confirmation of issue for Clearing House Electronic Subregister System (CHES) holders will be mailed to Applicants being issued Shares pursuant to the Offers as soon as practicable after their issue.

7.6 Foreign Jurisdictions

This document does not constitute an offer of in any jurisdiction in which it would be unlawful. In particular, this document may not be distributed to any person, and the New may not be offered or sold, in any country outside Australia except to the extent permitted below.

(a) **Canada (Ontario province)**

This document constitutes an offering of Shares only in the Province of Ontario (the **Province**) and to those persons to whom they may be lawfully distributed in the Province, and only by persons permitted to sell such Shares. This document is not, and under no circumstances is to be construed as, an advertisement or a public offering of securities in the Province. This document may only be distributed in the Province to persons that are "accredited investors" within the meaning of NI 45-106 – *Prospectus and Registration Exemptions*, of the Canadian Securities Administrators.

No securities commission or similar authority in the Province has reviewed or in any way passed upon this document, the merits of the Shares or the offering of Shares and any representation to the contrary is an offence.

No prospectus has been, or will be, filed in the Province with respect to the offering of Shares or the resale of such securities. Any person in the Province lawfully participating in the offer will not receive the information, legal rights or protections that would be afforded had a prospectus been filed and receipted by the securities regulator in the Province. Furthermore, any resale of the Shares in the Province must be made in accordance with applicable Canadian securities laws which may require resales to be made in accordance with exemptions from dealer registration and prospectus requirements. These resale restrictions may in some circumstances apply to resales of the Shares outside Canada and, as a result, Canadian purchasers should seek legal advice prior to any resale of the Shares.

The Company as well as its directors and officers may be located outside Canada and, as a result, it may not be possible for purchasers to effect service of process within Canada upon the Company or its directors or officers. All or a substantial portion of the assets of the Company and such persons may be located outside Canada and, as a result, it may not be possible to satisfy a judgment against the Company or such persons in Canada or to enforce a judgment obtained in Canadian courts against the Company or such persons outside Canada.

Any financial information contained in this document has been prepared in accordance with Australian Accounting Standards and also comply with International Financial Reporting Standards and interpretations issued by the International Accounting Standards Board. Unless stated otherwise, all dollar amounts contained in this document are in Australian dollars.

Statutory rights of action for damages and rescission

The following is a summary of the statutory rights of rescission or to damages, or both, available to purchasers in Ontario. In Ontario, every purchaser of the Shares purchased pursuant to this document (other than (a) a "Canadian financial institution" or a "Schedule III bank" (each as defined in NI 45-106), (b) the Business Development Bank of Canada or (c) a subsidiary of any person referred to in (a) or (b) above, if the person owns all the voting securities of the subsidiary, except the voting securities required by law to be owned by the directors of that subsidiary) shall have a statutory right of action for damages and/or rescission against the Company if this document or any amendment thereto contains a misrepresentation. If a purchaser elects to exercise the right of action for rescission, the purchaser will have no right of action for damages against the Company. This right of action for rescission or damages is in addition to and without derogation from any other right the purchaser may have at law. In particular, Section 130.1 of the Securities Act (Ontario) provides that, if this document contains a misrepresentation, a purchaser who purchases the

Shares during the period of distribution shall be deemed to have relied on the misrepresentation if it was a misrepresentation at the time of purchase and has a right of action for damages or, alternatively, may elect to exercise a right of rescission against the Company, provided that (a) the Company will not be liable if it proves that the purchaser purchased the Shares with knowledge of the misrepresentation; (b) in an action for damages, the Company is not liable for all or any portion of the damages that the Company proves does not represent the depreciation in value of the Shares as a result of the misrepresentation relied upon; and (c) in

no case shall the amount recoverable exceed the price at which the Shares were offered.

Section 138 of the *Securities Act* (Ontario) provides that no action shall be commenced to enforce these rights more than (a) in the case of any action for rescission, 180 days after the date of the transaction that gave rise to the cause of action or (b) in the case of any action, other than an action for rescission, the earlier of (i) 180 days after the purchaser first had knowledge of the fact giving rise to the cause of action or (ii) three years after the date of the transaction that gave rise to the cause of action. These rights are in addition to and not in derogation from any other right the purchaser may have.

Certain Canadian income tax considerations

Prospective purchasers of the Shares should consult their own tax adviser with respect to any taxes payable in connection with the acquisition, holding or disposition of the Shares as any discussion of taxation related matters in this document is not a comprehensive description and there are a number of substantive Canadian tax compliance requirements for investors.

(b) **British Virgin Islands**

The Shares may not be offered in the British Virgin Islands unless the Company or any person offering the Shares on its behalf is licensed to carry on business in the British Virgin Islands. The Company is not licensed to carry on business in the British Virgin Islands. The securities may be offered to British Virgin Islands business companies from outside the British Virgin Islands without restriction.

(c) **European Economic Area - Austria, Germany and Malta**

The information in this document has been prepared on the basis that all offers of Shares will be made pursuant to an exemption under the Directive 2003/71/EC (**Prospectus Directive**), as amended and implemented in Member States of the European Economic Area (each, a **Relevant Member State**), from the requirement to produce a prospectus for offers of securities.

An offer to the public of Shares has not been made, and may not be made, in a Relevant Member State except pursuant to one of the following exemptions under the Prospectus Directive as implemented in that Relevant Member State:

- (i) to any legal entity that is authorised or regulated to operate in the financial markets or whose main business is to invest in financial instruments;
- (ii) to any legal entity that satisfies two of the following three criteria: (i) balance sheet total of at least €20,000,000; (ii) annual net turnover of at least €40,000,000 and (iii) own funds of at least €2,000,000 (as shown on its last annual unconsolidated or consolidated financial statements);
- (iii) to any person or entity who has requested to be treated as a professional client in accordance with the EU Markets in Financial Instruments Directive (Directive 2004/39/EC, "MiFID");

- (iv) to any person or entity who is recognised as an eligible counterparty in accordance with Article 24 of the MiFID;
- (v) to fewer than 150 natural or legal persons (other than qualified investors within the meaning of Article 2(1)(e) of the Prospectus Directive) subject to obtaining the prior consent of the Company or any underwriter for any such offer; or
- (vi) in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of Shares shall result in a requirement for the publication by the Company of a prospectus pursuant to Article 3 of the Prospectus Directive.

(d) **Hong Kong**

WARNING: The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

(e) **Jersey**

No offer or invitation to subscribe for shares may be made to the public in Jersey.

(f) **Lebanon**

This document does not, and is not intended to, constitute an invitation or an offer of securities in Lebanon and accordingly should not be construed as a collective investment scheme by means of the Central Bank of Lebanon Law No. 706 dated December 9, 2005. The offering has not been licensed for offering in Lebanon by the Central Council of the Central Bank in Lebanon or any other relevant Lebanese government agency. This document is not, and under no circumstances is to be construed as, an advertisement or a public offering of securities in Lebanon and it has not been reviewed or approved by the capital market authority in Lebanon or any other regulatory authority, nor has any such regulatory authority passed upon or endorsed the merits of this offering or the accuracy or adequacy of this document.

(g) **New Zealand**

You are being offered ordinary shares in Paynes Find Gold Limited.

New Zealand law normally requires people who offer financial products to give information to investors before they invest. This requires those offering financial products to have disclosed information that is important for investors to make an investment decision.

The usual rules do not apply to this offer because it is a small offer. As a result, you may not be given all the information usually required. You will also have fewer other legal protections from this investment.

Ask questions, read all documents carefully, and seek independent financial advice before committing yourself.

(h) **Serbia**

An offer to the public of Shares has not been made, and may not be made, in Serbia. This document is issued on a confidential basis to fewer than 100 persons or legal entities in Serbia and may not be distributed, published or reproduced, in whole or in part, nor may its contents be disclosed by recipients to any other person in Serbia.

Neither this document nor any other offering or marketing material relating to the Shares have been or will be filed with or approved by any Serbian regulatory authority.

(i) **Switzerland**

The Shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange (**SIX**) or on any other stock exchange or regulated trading facility in Switzerland. This document has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the Shares may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this document nor any other offering or marketing material relating to the Shares have been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of Securities will not be supervised by, the Swiss Financial Market Supervisory Authority (**FINMA**).

This document is personal to the recipient only and not for general circulation in Switzerland.

(j) **United Kingdom**

Neither the information in this document nor any other document relating to the offer has been delivered for approval to the Financial Services Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended (**FSMA**)) has been published or is intended to be published in respect of the Shares.

This document is issued on a confidential basis to fewer than 150 persons (other than "qualified investors" (within the meaning of section 86(7) of FSMA)) in the United Kingdom, and the Shares may not be offered or sold in the United Kingdom by means of this document, any accompanying letter or any other document, except in circumstances which do not require the publication of a prospectus pursuant to section 86(1) FSMA. This document should not be distributed, published or reproduced, in whole or in part, nor may its contents be disclosed by recipients to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 FSMA) received in connection with the issue or sale of the Shares has only been communicated or caused to be communicated and will only be communicated or caused to be

communicated in the United Kingdom in circumstances in which section 21(1) FSMA does not apply to the Company.

In the United Kingdom, this document is being distributed only to, and is directed at, persons (i) who fall within Article 43 (members or creditors of certain bodies corporate) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005, as amended, or (ii) to whom it may otherwise be lawfully communicated (together "relevant persons"). The investment to which this document relates is available only to, and any invitation, offer or agreement to purchase will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

7.7 Use of Funds

PNE intends to apply funds raised from the Offers, together with existing cash reserves following re-admission to the Official List of the ASX (for the purpose of satisfying ASX's requirements for re-listing following a significant change to the nature and scale of the Company's activities) as follows:

Funds available	Minimum Capital Raising (\$6,000,000) (\$)	Percentage of Funds (%)	Maximum Capital Raising (\$9,000,000) (\$)	Percentage of Funds (%)
Existing cash reserves of the Company	750,000	11.11	750,000	7.69
Funds raised from the Capital Raising	6,000,000	88.89	9,000,000	92.31
TOTAL	6,750,000	100.00	9,750,000	100.00
Drilling – Zone 1 ¹	1,021,000	15.13	1,021,000	10.47
Drilling – Zone 2 ¹	533,000	7.90	533,000	5.47
Other exploration costs ¹	129,000	1.91	129,000	1.32
Geology and Supervision	545,000	8.07	545,000	5.59
Assaying	39,000	0.57	39,000	0.40
Metallurgical test work	200,000	2.96	415,000	4.26
Preliminary feasibility study Mine design and environmental studies	-	-	1,827,000	18.74

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Funds available	Minimum Capital Raising (\$6,000,000) (\$)	Percentage of Funds (%)	Maximum Capital Raising (\$9,000,000) (\$)	Percentage of Funds (%)
Previously incurred project expenditure ²	1,737,000	25.73	1,737,000	17.82
Expenses associated with the Acquisition and Capital Raising ³	555,000	8.22	740,000	7.59
Administration ⁴	1,628,000	24.12	1,627,000	16.69
Working capital ⁵	363,000	5.39	1,137,000	11.65
TOTAL	6,750,000	100	9,750,000	100

Notes

1. Consisting of drilling of Zone 1 and Zone 2 plus other exploration costs detailed in the Independent Geologist's Report in Section 12.
2. Relates to previously incurred expenditure to advance the project to its current stage.
3. Refer to Section 16.7 for further details.
4. Administration includes office rental, insurance and general costs of operating an ASX-listed mineral exploration Company.
5. Working capital includes the general costs associated with the management and operation of the business including administration expenses, salaries, directors' fees, rent and other associated costs.

Where more than the minimum subscription but less than the full subscription is raised the additional funds, after the increase in costs of the Offers, are intended to be allocated on a pro-rata basis to the other categories listed in the use of funds table.

The above table is a statement of current intentions as of the date of lodgement of this Prospectus with the ASIC. As with any budget, intervening events and new circumstances have the potential to affect the ultimate way funds will be applied. The Board reserves the right to alter the way funds are applied on this basis. It should be noted that the Company may not be self-funding through its own operational cash flow over the short to medium term referred to above. Accordingly, the Company may require additional capital beyond this point, which will likely involve the use of additional debt or equity funding.

Actual expenditure may differ significantly from the above estimates due to a change in market conditions, the development of new opportunities and other factors (including the risk factors outlined in Section 9).

The Board believes that the funds raised from the Public Offer combined with existing funds will provide the Company with sufficient working capital at anticipated expenditure levels to achieve its objectives set out in this Prospectus.

7.8 Taxation

The acquisition and disposal of Shares will have tax consequences which will differ depending on the individual financial affairs of each investor.

It is not possible to provide a comprehensive summary of the possible taxation position of all potential Applicants. As such, all potential investors in the Company are urged to obtain independent financial advice about the consequences of acquiring Shares from a taxation viewpoint and generally.

To the maximum extent permitted by law, the Company its officers and each of their respective advisers accept no liability and responsibility with respect to the taxation consequences of subscribing for Shares under this Prospectus.

7.9 Clearing House Electronic Sub-Register System and Issuer Sponsorship

PNE participates in the Clearing House Electronic Sub-Register System (CHES), ASX Settlement Pty Ltd a wholly owned subsidiary of ASX operates CHES. Investors who do not wish to participate through CHES will be issuer sponsored by PNE. Electronic sub-registers mean that PNE will not be issuing certificates to investors. Instead investors will be provided with holding statements (similar to a bank account statement) that sets out the number of Shares issued to them under this Prospectus.

Electronic sub-registers also mean ownership of Shares can be transferred without having to rely upon paper documentation. Further, monthly statements will be provided to holders if there have been any changes in their security holding in the Company during the preceding month. Shareholders may request a holding statement at any other time, however a charge may be made for such additional statements.

7.10 Underwriting

The Public Offer is not underwritten.

7.11 Lead Manager fees

The Company has engaged EverBlu Capital Pty Ltd to act as Lead Manager to the Public Offer.

In summary, EverBlu Capital (or its nominees) will receive:

- (a) cash fees of \$10,000 per month;
- (b) cash fees of up to \$540,000 after completion of the Public Offer (assuming the Maximum Subscription is raised); and
- (c) up to 31,250,000 Shares and up to 200,000,000 Adviser Options.

The fees payable to EverBlu Capital are described in detail below.

The Company has agreed to pay EverBlu Capital a retainer of \$10,000 per month for a minimum 12 month period commencing from 15 June 2016.

In relation to acting as Lead Manager to the Public Offer, the Company has agreed to pay EverBlu Capital a fee of 1% of the gross amount raised under the Public Offer (excluding GST) as a management fee and 5% of the funds raised by EverBlu Capital under the Public Offer (excluding GST). If the Minimum Subscription

is raised, EverBlu Capital will be paid \$360,000 and if the Maximum Subscription is raised EverBlu Capital will be paid \$540,000.

The Company has also agreed to issue the following Securities to EverBlu Capital (or its nominees):

- (d) up to 31,250,000 Shares; and
- (e) up to 200,000,000 Adviser Options.

These Securities are the subject of the EverBlu Capital Offer under this Prospectus. All of these Securities will be restricted for 24 months from the date quotation of the Company's Shares re-commences.

The Shares referred to above have been valued for accounting purposes only (under the applicable accounting standards) at a value of \$0.08 each based on the price at which shares under the Public Offer are being offered. As set out in the Investigating Accountant's Report in Section 11, for accounting purposes 23,437,500 of the 31,250,000 Shares proposed to be issued to EverBlu Capital have been factored in the pro forma Statement of Financial Position included in the Investigating Accountant's Report at a total value of \$1,875,000. The Investigating Accountant has not factored a value in the pro forma Statement of Financial Position included in the Investigating Accountant's Report for the remaining 7,812,500 Shares proposed to be issued to EverBlu Capital as there is no certainty that the milestone relating to the issue of Share Consideration Tranche 2 will be achieved.

The Adviser Options are unlisted options exercisable at \$0.10 each on or before 30 June 2020. These Adviser Options have been valued for accounting purposes only (under the applicable accounting standards) by the Investigating Accountant at a value of \$0.022 each using the Black - Scholes methodology and this value has been incorporated into the pro forma Statement of Financial Position included in the Investigating Accountant's Report in Section 11.

Refer to Section 15.2 for a summary of the Lead Manager Mandate.

7.12 Commissions payable

The Company reserves the right to pay a commission of 5% (exclusive of goods and services tax) of amounts subscribed through any licensed securities dealers or Australian Financial Services Licensees in respect of any valid applications lodged and accepted by the Company and bearing the stamp of the licensed securities dealer or Australian financial services licensee. Payments will be subject to the receipt of a proper tax invoice from the licensed securities dealer or Australian Financial Services Licensees.

8. COMPANY OVERVIEW

8.1 Business Overview

As detailed in Section 6.1, the Company has previously focused on gold exploration and activities associated with the development of the Paynes Find Gold Project. As announced to the ASX on 11 May 2016, the Company entered into a Term Sheet to acquire 100% of the issued capital of ELA from the EL Shareholders. A summary of the Term Sheet is set out in 15.1.

8.2 Future Direction of PNE

If the Acquisition of ELA is approved by Shareholders, it is the intention of the Board upon completion of the Acquisition to develop the Company into a mixed minerals exploration company focussing primarily on lithium.

The Paynes Find Gold Project will be retained by the Company with minimum expenditure commitments satisfied so that the tenements remain in good standing.

The Paynes Find Gold Project will be subjected to a detailed review by the incoming management team with opportunities to develop and/or joint venture being encouraged.

8.3 The Objectives

The Company's main objectives on completion of the Offers are:

- to upgrade the existing JORC compliant resource after completion of additional exploration drilling; and
- advance the development of the Project via the completion of metallurgical test work, and other work to enable a bankable feasibility Study to be completed.

8.4 Business Model

The Company's business model following Settlement will relate to the expenditure of funds on the Wolfsberg Lithium Project. The Company's aim will be to add value to the Project via its development. Development of the Project may increase the market capitalisation of the Company and therefore potentially improve shareholder wealth.

The expenditure incurred by the Company will assist in developing the Project in the following ways:

- Increase the existing JORC compliant resource after the completion of additional drilling and other exploration activities.
- Complete metallurgical test work on the 1,000,000 tonnes of trial mining already extracted from the underground development.
- Complete studies that will assist with defining the optimum project configuration and the finalisation of a definitive feasibility study that may advance the date on a decision to mine.

8.5 Who is on the board and in senior management of the Company?

The Company comprises a highly skilled and successful team of professionals that are committed to adding value for shareholders.

(a) Board

Refer to Section 10.2 for the biography of the Proposed Director, Antony Sage.

(b) Management

Dr Steve Kesler (proposed Chief Executive Officer)

Dr Kesler has more than 35 years' experience in the mining sector with both major and junior mining companies. Dr Kesler has experience in all phases of the mining industry from exploration through to managing operations in multiple commodities notably uranium, copper, nickel, zinc, coal/lignite, gold/silver and iron ore. He has lived and worked professionally for mining companies in Namibia, South Africa, Chile, Philippines, UK, USA, Canada and Colombia.

Dr Kesler has considerable public company board and company leadership experience including previous roles as CEO and director for TSX and AIM listed Greystar Resources, President of Mining for URS Corporation (NYSE), Executive Director at Billiton Plc which was listed on the Main Market and JSE prior to the takeover by BHP, CEO and director at Pacific Nickel Limited (ASX), CEO at Minera Doña Ines de Collahuasi Ltda (Chile), General Manager and director of Rossing Uranium Limited in Namibia and vice president of business development for Minera Escondida Ltda in Chile.

Dr Kesler holds a B.Sc (Mining Engineering) and Ph.D. (Mineral Technology) from Imperial College and the Advanced Management Programme from Templeton College, University of Oxford and is a Chartered Engineer and Fellow of the Institution of Materials, Minerals and Mining.

8.6 Funding

The funding for PNE for the objectives stated under this Prospectus following re-admission to the Official List of the ASX will be met by the Public Offer (see Section 7.3 for further details).

As and when further funds are required, either for existing or future developments, PNE will consider both raising additional capital from the issue of securities and/or from debt funding.

8.7 Financial Information

(a) Historical financial information

ELA is currently an unlisted private company. Details of the financial operating history of ELA over the past three financial years and the half year ended 31 December 2015 have been reviewed in the Investigating Accountant's Report in Section 11.

The Investigating Accountant's Report contained in Section 11 sets out:

- (i) the reviewed Statement of Financial Position of PNE as at 30 April 2016;
- (ii) the reviewed Statement of Financial Position of ELA as at 30 April 2016; and
- (iii) the reviewed pro-forma Statement of Financial Position of PNE (after Settlement of the Acquisition) as at 30 April 2016.

Investors are urged to read the Investigating Accountant's Report in Section 11 in full.

The financial statements for PNE for its financial year ended 30 June 2015, and the half-year ended 31 December 2015, which includes the notes to the financial statements can be found on PNE's ASX announcement platform on www.asx.com.au.

(b) **No Forecasts**

The Directors have considered the matters set out in ASIC Regulatory Guide 170 and believe that they do not have a reasonable basis to forecast future earnings on the basis that the operations of PNE and ELA are inherently uncertain. Any forecast or projection information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast or projection.

8.8 Dividend Policy

It is anticipated that, post-Settlement, PNE will focus on developing the business of ELA in line with its business model and strategy. PNE does not expect to declare any dividends during this period.

Any future determination as to the payment of dividends by PNE will be at the discretion of the Board and will depend on the availability of distributable earnings and operating results and financial condition of PNE, future capital requirements and general business and other factors considered relevant by the Board. No assurance in relation to the payment of dividends or franking credits attaching to dividends can be given by PNE.

8.9 Capital Structure

The capital structure of PNE following completion of the Offers and all related matters (assuming full subscription under the Public Offer) is expected to be as follows:

Description	Shares (Minimum Subscription)	Shares (Maximum Subscription)	Options (Minimum or Maximum Subscription)
Current issued capital	73,044,750	73,044,750	8,000,000 ¹
Shares to be issued under the Public Offer	75,000,000	112,500,000	Nil

Securities to be issued pursuant to the Acquisition	Tranche 1 Consideration Shares	187,500,000	187,500,000	Nil
	Tranche 2 Consideration Shares	62,500,000	62,500,000	Nil
Securities to be issued to EverBlu Capital (or its nominees)		31,250,000 ²	31,250,000 ²	200,000,000 ³
Shares to be issued to Malcolm Day in payment of outstanding fees		666,666	666,666	Nil
Total post-Settlement⁴		429,961,416	467,461,416	208,000,000

Notes:

- 8,000,000 Options exercisable at \$0.125 on or before 27 February 2020.
- Fee payable to EverBlu Capital, calculated at 12.5% of the value of the Consideration Shares (applying an estimated price of \$0.08 per Share). 24,437,500 of these Shares will be issued at Settlement and 7,812,500 of these Shares will be issued in accordance with the terms of the Tranche 2 Consideration Shares.
- Fee payable to EverBlu Capital, being 200,000,000 Adviser Option exercisable at \$0.10 on or before 30 June 2020 and on the terms and conditions set out in Section 16.3.
- Assuming no Options are exercised.

8.10 Substantial Shareholders

As at the date of this Prospectus the following shareholders hold 5% or more of the total number of Shares on issue.

Shareholder	Shares	%
Delecta Limited	11,000,000	15.06%

On completion of the Offers (assuming Minimum Subscription under the Public Offer and issue of all of the Shares under the EL Offer and EverBlu Capital Offer), the following shareholders are expected to hold 5% or more of the total number of Shares on issue.

Shareholder	Shares	%
Dempsey Resources Pty Ltd ¹	65,483,919	15.23%
Exchange Minerals Ltd	52,130,001	12.12%
EverBlu Capital Pty Ltd (or its nominees)	31,250,000	7.28%

Notes:

- A wholly-owned subsidiary of Cape Lambert Resources Ltd

8.11 Restricted Securities

Subject to the Company re-complying with Chapters 1 and 2 of the ASX Listing Rules and completing the Offers, certain Securities on issue (including the Consideration Shares) may be classified by ASX as restricted securities and will be required to be held in escrow for up to 24 months from the date of Official Quotation.

During the period in which these Securities are prohibited from being transferred trading in Shares may be less liquid which may impact on the ability of a Shareholder to dispose of his or her Shares in a timely manner.

The Company will announce to the ASX full details (quantity and duration) of the Shares required to be held in escrow prior to the Company's Shares being reinstated to trading on ASX (which reinstatement is subject to ASX's discretion and approval).

8.12 Top 20 Shareholders

PNE will announce to the ASX details of its Top 20 shareholders following completion of the Offers and prior to the Shares re-commencing trading on ASX.

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9. RISK FACTORS

An investment in the Securities offered under this Prospectus should be considered speculative because of the nature of the Company's business. In addition to the key risks set out in Section 5C, this Section identifies other areas of risk associated with an investment in the Company, but should not be taken as an exhaustive list of the risk factors to which the Company and its Shareholders are exposed. Some of these risks can be mitigated by the use of safeguards and appropriate systems and controls, but some are outside the control of the Company and cannot be mitigated. Accordingly, an investment in the Company carries no guarantee with respect to the payment of dividends, return of capital or price at which securities will trade. Potential investors should read the entire Prospectus and consult their professional advisers before deciding whether to apply for Shares.

(a) **Risks relating to the Re-Quotation of Shares on ASX**

The Acquisition constitutes a significant change in the nature and scale of the Company's activities and the Company needs to re-comply with Chapters 1 and 2 of the ASX Listing Rules as if it were seeking admission to the official list of ASX. There is a risk that the Company may not be able to meet the requirements of the ASX for re-quotation of its Shares on the ASX. Should this occur, the Shares will not be able to be traded on the ASX until such time as those requirements can be met, if at all. Shareholders may be prevented from trading their Shares should the Company be suspended until such time as it does re-comply with the ASX Listing Rules.

(b) **Risks in respect of ELA's current operations**

(i) **Risks associated with operations in Austria**

(A) **Government regulation and political risk**

ELA's operating activities are subject to laws and regulations governing expropriation of property, health and worker safety, employment standards, waste disposal, protection of the environment, mine development, land and water use, prospecting, mineral production, exports, taxes, labour standards, occupational health standards, toxic wastes, the protection of endangered and protected species and other matters. While ELA believes that it is in substantial compliance with all material current laws and regulations affecting its activities, future changes in applicable laws, regulations, agreements or changes in their enforcement or regulatory interpretation could result in changes in legal requirements or in the terms of existing permits and agreements applicable to the Company or its subsidiaries or its properties, which could have a material adverse impact on ELA's current operations or planned development projects. Where required, obtaining necessary permits and licences can be a complex, time consuming process and the Company cannot be sure whether any necessary permits will be obtainable on acceptable terms, in a timely manner or at all. The costs and delays associated with obtaining necessary permits and complying with

these permits and applicable laws and regulations could stop or materially delay or restrict the Company or its subsidiaries from proceeding with any future exploration or development of its properties. Any failure to comply with applicable laws and regulations or permits, even if inadvertent, could result in interruption or closure of exploration, development or mining operations or material fines, penalties or other liabilities.

(B) **Permits**

The Company's operations are subject to receiving and maintaining licences and permits from appropriate governmental authorities. There is no assurance that delays will not occur in connection with obtaining all necessary renewals of licences/permits from the existing operations, additional licences/permits for any possible future changes to operations, or additional permits associated with new legislation. Prior to any development on any of its properties, subsidiaries of the Company must receive licences/permits from appropriate Governmental authorities. There is no certainty that ECM AT will continue to hold all licences/permits necessary to develop or continue operating at any particular property.

(C) **Governmental regulation of the mining industry**

The activities of ELA are subject to various laws governing prospecting, development, production, taxes, labour standards and occupational health, mine safety, toxic substances and other matters. Mining and exploration activities are also subject to various laws and regulations relating to the protection of the environment. Although ELA believes that its activities are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner that could limit or curtail production or development of the Company's properties. Amendments to current laws and regulations governing the operations and activities of the Company or more stringent implementation thereof could have a material adverse effect on the Company's business, financial condition and results of operations. Failure to comply strictly with applicable laws, regulations and local practices relating to mineral right application and tenure, could result in loss, reduction or expropriation of entitlements, or the imposition of additional local or foreign parties as joint venture partners with carried or other interests. The occurrence of these various factors and uncertainties cannot be accurately predicted and could have an adverse effect on the Company's operations or profitability.

(ii) **Exploration risks**

Mining exploration and development is a high risk undertaking. The success of the Company depends on the delineation of economically minable reserves and resources, access to required development capital, movement in the price of commodities, securing and maintaining title to the Company's exploration and mining tenements and obtaining all consents and approvals necessary for the conduct of its exploration activities. Exploration of EL AT's existing licences may be unsuccessful, resulting in a reduction of the value of those licences, diminution in the cash reserves of the Company. The exploration costs of the Company are based on certain assumptions with respect to the method and timing of exploration. By their nature, these estimates and assumptions are subject to significant uncertainties and, accordingly, the actual costs may materially differ from these estimates and assumptions. Accordingly, no assurance can be given that cost estimates and underlying assumptions will be realised in practice, which may materially and adversely affect the Company's viability.

(iii) **Environmental**

The operations and proposed activities of the Company are subject to laws and regulations concerning the environment. As with most exploration projects and mining operations, the Company's activities are expected to have an impact on the environment, particularly if advanced exploration or mine development proceeds. It is the Company's intention to conduct its activities to the highest standard of environmental obligation, including compliance with all environmental laws.

Mining operations have inherent risks and liabilities associated with safety and damage to the environment and the disposal of waste products occurring as a result of mineral exploration and production. The occurrence of any such safety or environmental incident could delay production or increase production costs. Events, such as unpredictable rainfall or bushfires may impact on the Company's ongoing compliance with environmental legislation, regulations and licences. Significant liabilities could be imposed on the Company for damages, clean-up costs or penalties in the event of certain discharges into the environment, environmental damage caused by previous operations or non-compliance with environmental laws or regulations.

The disposal of mining and process waste and mine water discharge are under constant legislative scrutiny and regulation. There is a risk that environmental laws and regulations become more onerous making the Company's operations more expensive.

Approvals are required for land clearing and for ground disturbing activities. Delays in obtaining such approvals can result in the delay to anticipated exploration programmes or mining activities.

(iv) **Mine development**

Possible future development of a mining operation at any of the Company's projects is dependent on a number of factors including, but not limited to, the acquisition and/or delineation of economically recoverable mineralisation, favourable geological conditions, receiving the necessary approvals from all relevant authorities and parties, seasonal weather patterns, unanticipated technical and operational difficulties encountered in extraction and production activities, mechanical failure of operating plant and equipment, shortages or increases in the price of consumables, spare parts and plant and equipment, cost overruns, access to the required level of funding and contracting risk from third parties providing essential services.

If the Company commences production, its operations may be disrupted by a variety of risks and hazards which are beyond its control, including environmental hazards, industrial accidents, technical failures, labour disputes, unusual or unexpected rock formations, flooding and extended interruptions due to inclement of hazardous weather conditions and fires, explosions or accidents. No assurance can be given that the Company will achieve commercial viability through the development or mining of its projects and treatment of ore.

(v) **Insurance risks**

There are significant exploration and operating risks associated with exploring for lithium, including adverse weather conditions, environmental risks and fire, all of which can result in injury to persons as well as damage to or destruction of the extraction plant, equipment, production facilities and other property. In addition, the Company's subsidiaries will be subject to liability for environmental risks such as pollution and abuse of the environment. The occurrences of a significant event against which the Company is not fully insured could have a material adverse effect on its operations and financial performance. In addition, in the future some or all of the Company's insurance coverage may become unavailable or prohibitively expensive.

(vi) **Commodity price volatility and exchange rate risks**

If the Company achieves success leading to mineral production, the revenue it will derive through the sale of commodities exposes the potential income of the Company to commodity price and exchange rate risks. Commodity prices fluctuate and are affected by many factors beyond the control of the Company. Such factors include supply and demand fluctuations for precious and base metals, technological advancements, forward selling activities and other macro-economic factors.

Furthermore, international prices of various commodities are denominated in United States dollars, whereas the income and expenditure of the Company are and will be taken into account in Australian currency, exposing the Company to the fluctuations and volatility of the rate of exchange between the United States

dollar and the Australian dollar as determined in international markets.

(c) **General Risks**

(i) **Risk of High Volume of Share Sales**

If Settlement occurs, the Company will have issued a significant number of new securities to various parties. Some of the EL Shareholders and others that receive Shares as a result of the Acquisition or the Capital Raising may not intend to continue to hold those Shares and may wish to sell them on ASX (subject to any applicable escrow period). There is a risk that an increase in the amount of people wanting to sell Shares may adversely impact on the market price of the Company's Shares.

There can be no assurance that there will be, or continue to be, an active market for Shares or that the price of Shares will increase. As a result, Shareholders may, upon selling their Shares, receive a market price for their securities that is less than the price of Shares offered pursuant to the Capital Raising.

(ii) **Trading Price of Shares**

The Company's operating results, economic and financial prospects and other factors will affect the trading price of the Shares. In addition, the price of Shares is subject to varied and often unpredictable influences on the market for equities, including, but not limited to general economic conditions including, inflation rates and interest rates, variations in the general market for listed stocks, changes to government policy, legislation or regulation, industrial disputes, general operational and business risks and hedging or arbitrage trading activity that may develop involving the Shares.

In particular, the share prices for many companies have been and may in the future be highly volatile, which in many cases may reflect a diverse range of non-company specific influences such as global hostilities and tensions relating to certain unstable regions of the world, acts of terrorism and the general state of the global economy. No assurances can be made that the Company's market performance will not be adversely affected by any such market fluctuations or factors.

(iii) **Additional Requirements for Capital**

The capital requirements of the Company depend on numerous factors. Depending on the ability of the Company to generate income from its operations, the Company may require further financing in addition to amounts raised under the Capital Raising. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations.

(iv) **Litigation Risks**

The Company is exposed to possible litigation risks including contractual disputes, occupational health and safety claims and employee claims. Further, the Company may be involved in disputes with other parties in the future which may result in litigation. Any such claim or dispute if proven, may impact adversely on the Company's operations, financial performance and financial position. Neither the Company nor ELA is currently engaged in any litigation.

(v) **Economic Risks**

General economic conditions, movements in interest and inflation rates may have an adverse effect on the Company's activities, as well as on its ability to fund those activities.

Further, share market conditions may affect the value of the Company's securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

- (A) general economic outlook;
- (B) interest rates and inflation rates;
- (C) currency fluctuations;
- (D) changes in investor sentiment toward particular market sectors (such as the exploration industry or the lithium sector within that industry);
- (E) the demand for, and supply of, capital; and
- (F) terrorism or other hostilities.

(vi) **Force Majeure**

The Company, now or in the future may be adversely affected by risks outside the control of the Company including labour unrest, civil disorder, war, subversive activities or sabotage, extreme weather conditions, fires, floods, explosions or other catastrophes, epidemics or quarantine restrictions.

(vii) **Acquisitions**

As part of its business strategy, the Company may make acquisitions of, or significant investments in, companies, assets or projects complementary to the Company's existing operations. Any such future transactions are accompanied by the risks commonly encountered in making acquisitions of companies, assets and projects, such as integrating cultures and systems of operation, relocation of operations, short term strain on working capital requirements, achieving the short term operational goals and retaining key staff and customer and supplier relationships.

(d) **Investment Speculative**

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above may, in the future, materially affect the financial performance of the Company and the value of the Company's securities.

10. BOARD, MANAGEMENT INTERESTS

10.1 Directors

As at the date of this Prospectus the Board comprises of:

- (a) Mr Paul Lloyd: Non-Executive Chairman, Company Secretary;
- (b) Mr Malcolm Day: Non-Executive Director; and
- (c) Mr David Holden: Non-Executive Director.

It is proposed that upon Settlement of the Acquisition:

- (d) Mr Antony Sage and one additional director to be advised by EL prior to Settlement will be appointed to the Board of the Company; and
- (e) Mr Malcolm Day and Mr David Holden will be resigning as Directors.

10.2 Proposed Director

The profiles of each of the Proposed Director is set out below:

Antony Sage

Mr Sage has in excess of 30 years' experience in the fields of corporate advisory services, funds management and capital raising. Mr Sage is based in Western Australia and has been involved in the management and financing of listed mining and exploration companies for the last 19 years. Mr Sage has operated in Argentina, Brazil, Peru, Romania, Russia, Sierra Leone, Guinea, Cote d'Ivoire, Congo, South Africa, Indonesia, China and Australia. Mr Sage is currently Chairman of ASX-listed Australian companies, Cape Lambert Resources Ltd (which was AIM Company of the year in 2008), Cauldron Energy Ltd and Fe Ltd.

In addition, it is proposed that Dr Steve Kesler be appointed as Chief Executive Officer of PNE following completion of the Acquisition, on terms and conditions to be agreed with PNE. Dr Kesler's qualifications and experience are set out in Section 8.5.

10.3 Current Directors

The profiles of each of the current Directors are set out below:

Mr Paul Lloyd

Mr Lloyd holds a Bachelor of Business and a Chartered Accountant with over 25 years commercial 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.

Mr Malcolm Day

Mr Day holds a Bachelor of Applied Science in Surveying and Mapping.

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 ten years, 6 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 3 years conducting mining and exploration surveys in remote Western Australia. Mr Day is a Member of the Australian Institute of Company Directors. Mr Day is the Managing Director of ASX listed entity Delecta Limited (ASX Code: DLC).

It is proposed that Mr Day will resign upon Settlement.

Mr David Holden

Mr Holden holds a Bachelor of Science degree in Geology from Otago University, New Zealand, a Masters in Business Administration and a Masters in Management giving him a broad base of managerial skills to compliment the years of experience. Mr Holden is a member of the Australian Institute of Geoscientists.

Mr Holden's career spans over 25 years in the minerals industry from the coal mines in New Zealand to deep underground gold mines in South Africa. Over his career, Mr Holden has held a number of senior management roles including Supervising Geologist, Chief Geologist and Technical Director for a number of public companies including Prosperity Resources Ltd (ASX listed) Quadrant Australia (ASX listed), Avonlea Minerals Ltd (ASX listed) and IGC Resources Inc. (TSX listed) (resigned 2009). Mr Holden was intimately involved in the multimillion ounce discoveries of gold at Mt Todd in the Northern Territory and the Nimary Mine in Western Australia.

In 1997 Mr Holden founded a geological consulting service company, Ravensgate which specialises in expert's reports, resource estimations, valuations and exploration management, and in 2005 started Shackleton Capital Pty Ltd, advising listed companies on both corporate and technical matters relating to project acquisition or initial public offering.

In 2007 Mr Holden founded Atomic Resources Ltd (ASX listed) a solid energy company that is currently developing major coal assets in Tanzania.

It is proposed that Mr Holden will resign upon Settlement.

10.4 Personal Interests of Directors and Proposed Director in Securities

Directors are not required under PNE's Constitution to hold any Shares to be eligible to act as a director. As at the date of this Prospectus, the Directors have relevant interests in Securities as set out in the table below:

Existing Directors	Shares	Options
Mr Paul Lloyd	Nil	6,000,000 ¹
Mr Malcolm Day	11,208,062 ²	2,000,000 ¹
Mr David Holden	Nil	Nil

Notes

- Options exercisable at \$0.125 each on or before 27 February 2020.
- 11,000,000 Shares held by Delecta Limited, a company that Mr Day is a director of and 208,062 Shares are held by Goldshore Investments Pty Ltd ATF The Goldshore Trust and the M R Day Superfund, a company that Mr Day is a director of.

No Proposed Director has a relevant interest in any Securities as at the date of the Prospectus.

Details of the Directors' and Proposed Director's relevant interest in the Securities of the Company upon completion of the Offers and the Acquisition are set out in the table below.

Existing Directors	Shares	Options
Mr Paul Lloyd	Nil	6,000,000
Mr Malcolm Day ^{1, 2, 3}	14,374,728	2,000,000
Mr David Holden ³	Nil	Nil

Notes

- Includes 666,666 Shares that the Company has agreed, subject to obtaining Shareholder approval, to issue to Malcolm Day (or his nominee). Mr Day has not drawn any cash from the Company for payment of directors fees owing to him (or entities controlled by him) since February 2015 in order to preserve the cash reserves of the Company. Subject to Shareholder approval at the general Meeting, it is proposed that the outstanding directors fees owed to Mr Day be paid to Mr Day in the form of Shares issued at a deemed issue price of \$0.08 per Share.
- 11,000,000 Shares held by Delecta Limited, a company that Mr Day is a director of and 208,062 Shares are held by Goldshore Investments Pty Ltd ATF The Goldshore Trust and the M R Day Superfund, a company that Mr Day is a director of. Subject to Shareholder approval, Mr Day will take up 2,500,000 Shares in the Public Offer up to a total value of \$200,000. Refer to Section 10.5 below.
- It is proposed that Messrs Day and Holden will retire as Directors with effect from Settlement.

Proposed Director	Shares	Options
Mr Antony Sage	5,145,379	Nil

Notes

- This assumes that the Share Consideration Tranche 1 and Share Consideration Tranche 2 is issued at Settlement.
- These Shares will be held by Mr Sage ATF Okewood Pty Ltd.

10.5 Participation in the Public Offer

Malcolm Day, a current Director, wishes to subscribe for up to 2,500,000 Shares under the Public Offer. The Company will seek Shareholder approval for Mr Day (or his nominee's) participation in the Public Offer at the General Meeting.

10.6 Remuneration

PNE's constitution provides that the remuneration of non-executive directors will not be more than the aggregate fixed sum determined by a general meeting.

The Constitution provides that the aggregate remuneration for non-executive directors may be varied by ordinary resolution of the shareholders in general meeting. The remuneration of any executive Director that may be appointed to the Board will be fixed by the Board and may be paid by way of fixed salary or consultancy fee.

Proposed Non-Executive Director Remuneration

The proposed fees for Antony Sage on an annualised basis is as follows:

Director	Position	Proposed Remuneration for 2016/2017 Financial Year
Mr Antony Sage	Non-Executive Chairman	\$120,000 (ex GST)

Directors' Remuneration

Details of the Directors remuneration in the previous two completed financial years and the current financial year are set out in the table below.

Existing Directors	Remuneration for Year Ending 30/6/2014	Remuneration for Year Ending 30/6/2015	Remuneration for Year Ending 30/6/2016
Paul Lloyd	\$90,000	\$120,000	\$175,000
Malcolm Day	\$36,667	\$36,667	\$36,667
David Holden	\$17,875 ¹	\$44,600	\$46,250

Notes

1. Remuneration accrued from 15 January 2014.
2. It is proposed that Messrs Day and Holden will resign as Directors with effect from Settlement.

10.7 Agreement with Directors

The agreements the Company has entered into with Directors and Proposed Directors are contained in Section 15. Mr Antony Sage has an interest in the Term Sheet in his capacity as an EL Shareholder.

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29 June 2016

The Directors
Paynes Find Gold Limited
Suite 1, 437 Roberts Road
SUBIACO WA 6008

Dear Sirs

INVESTIGATING ACCOUNTANT'S REPORT

Introduction

This Investigating Accountant's Report ("Report") has been prepared for inclusion in a replacement prospectus to be dated on or about 1 July 2016 ("Prospectus") for the issue by Paynes Find Gold Limited ("PNE" or the "Company") of up to 112,500,000 ordinary shares at an issue price of \$0.08 each to raise \$9,000,000 before the expenses of the issue ("Offer"). The minimum subscription under the Offer is \$6,000,000. The Prospectus also contains offers of the following:

- (a) An offer of up to 250,000,000 fully paid ordinary shares in PNE to the shareholders of European Lithium Limited ("EL"); and
- (b) An offer of up to 31,250,000 fully paid ordinary shares in PNE and 200,000,000 Adviser Options to EverBlu Capital Pty Ltd (or its nominees).

This Report has been included in the Prospectus to assist potential investors and their financial advisers to make an assessment of the financial position and performance of PNE.

Structure of Report

This Report has been divided into the following sections:

1. Background information;
2. Scope of Report;
3. Financial information;
4. Subsequent events;
5. Statements; and
6. Declaration.

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1. Background Information

PNE was registered on 10 March 2010 and was admitted to the Official List of ASX on 2 December 2010.

Historically, PNE has been an exploration company which has most recently focussed its strategic and exploration efforts on the Paynes Find Gold Prospect in Western Australia. Details of the most recent work completed by the Company on this Prospect are included in the Company's Quarterly Activities Report and Appendix 5B for the quarter ended 31 March 2016 as lodged with the Australian Securities Exchange on 27 April 2016.

At a general meeting of shareholders of the Company to be held on or about 26 July 2016 ("General Meeting"), resolutions giving effect to the following will be put to shareholders:

1. A change in nature and scale of activities via the acquisition of 100% of the issued shares in European Lithium AT (Investments) Limited ("ELA"), a company registered in the British Virgin Islands which owns 100% of the issued capital of ECM Lithium AT GmbH, a company registered in Austria which owns the Wolfsberg Lithium Project in Austria ("Project"). Full details of ELA and the Project are contained in the Notice of General Meeting relating to the General Meeting and Sections 12 and 13 of the Prospectus.
2. The issue of shares to EL shareholders in consideration for the acquisition of 100% of the issued shares in ELA, as follows:
 - 250,000,000 fully paid ordinary shares in the capital of PNE to the EL shareholders. These shares comprise the following:
 - Tranche 1 Consideration Shares - 187,500,000 fully paid ordinary shares in the capital of PNE; and
 - Tranche 2 Consideration Shares - 62,500,000 fully paid shares in the capital of PNE upon ELA (which for the purposes of this provision means any company in the new ELA group post-Acquisition) upgrading the JORC resource for the Project as reported in the Competent Person Report of the "Pathfinder" prepared by ELA to a minimum of 4,500,000 tonnes inferred resource at 1.3% Li₂O.
3. A capital raising, being the Offer.
4. The appointment of Mr Antony Sage as a director of the Company.
5. A change in the Company's name to European Lithium Limited (upon settlement of the Acquisition in accordance with the terms of the Term Sheet).
6. The issue of shares and options in PNE to EverBlu Capital Pty Ltd (or its nominees) as follows:
 - 23,437,500 fully paid shares in the capital of PNE;

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- 7,812,500 fully paid shares in the capital of PNE to be issued on the same terms as the Tranche 2 Consideration Shares; and
 - 200,000,000 Adviser Options, being options to subscribe for fully paid ordinary shares in the capital of PNE at an exercise price of \$0.10 per option by the exercise date, being 30 June 2020.
7. The issue of up to 2,500,000 fully paid ordinary shares in PNE to Mr Malcolm Day (or his nominee) arising from Mr Day's participation in the capital raising. Mr Day is currently a director of PNE.
8. The issue of up to 666,666 fully paid shares in PNE to Mr Malcolm Day (or his nominee) in payment of outstanding director's fees payable to Mr Day (or entities controlled by him) since February 2015.

Resolutions 1-7 are inter-dependent and are also dependent on the passing of Resolution 8. Resolution 8 is not dependent on the passing of any of Resolutions 1-7.

Issued share capital

As at the date of this Report, the issued share capital of the Company is 73,044,750 ordinary fully paid shares. The following table summarises share capital movements since 30 June 2014:

Date		Number issued	Issue price	\$
30/06/2014	Balance	403,150,600		15,073,593
28/08/2014	Rights issue	312,650,280	\$0.001 ²	312,650
29/10/2014	Rights issue shortfall	195,226,220	\$0.001 ²	195,226
	Capital raising costs	-		(113,044)
		911,027,100		15,468,425
30/01/2015	Share consolidation ¹	(892,806,618)		-
		18,220,482		15,468,425
02/06/2015	Issue of shares post-consolidation	500,000	\$0.005	25,000
30/06/2015	Balance	18,720,482		15,493,425
08/07/2015	Rights issue	4,907,938	\$0.005	245,397
02/09/2015	Issue of shares	5,789,480	\$0.005	289,471
	Capital raising costs	-		(3,580)
25/02/2016	Issue of shares	2,118,563	\$0.004	84,743
27/03/2016	Issue of shares	27,299,337	\$0.004	1,091,973
04/04/2016	Issue of shares	14,208,950	\$0.004	568,358
30/04/2016	Capital raising costs	-		(104,484)
30/04/2016	Balance	73,044,750		17,665,303

¹ At a general meeting held on 30 January 2015, shareholders approved a consolidation of the Company's issued capital on the basis that every 50 shares were consolidated into one share.

² The equivalent price of \$0.05 after the consolidation of capital noted above.

Options on issue

As at the date of this Report, the Company has on issue 8,000,000 options exercisable at \$0.125 on or before 27 February 2020.

The Company's main objectives on completion of the Offer are set out in the Company Overview in Section 8 of the Prospectus.

2. *Scope of Report*

You have requested HLB Mann Judd ("HLB") to prepare this Report presenting the following information:

- a) the historical reviewed financial information of the Company, comprising the historical Statement of Financial Position as at 31 December 2015 and the historical Statement of Comprehensive Income and Statement of Changes in Equity for the half-year then ended as set out in Appendix 1 to this Report;
- b) the historical unaudited financial information of ELA, comprising the historical Statement of Financial Position as at 30 April 2016 and the historical Statement of Comprehensive Income and Statement of Changes in Equity for the four months then ended as set out in Appendix 1 to this Report; and
- c) the proforma financial information of the Company, comprising the proforma Statement of Financial Position as at 30 April 2016 and the proforma Statement of Comprehensive Income and Statement of Changes in Equity for the four months then ended. This information is presented under the following two scenarios:
 - \$6,000,000 capital raising (minimum), and
 - \$9,000,000 capital raising (maximum).

For accounting purposes, the acquisition of ELA by the Company has the features of a reverse acquisition under Australian Accounting Standard AASB 3 "*Business Combinations*", notwithstanding that PNE is the legal parent of the group. At acquisition date the net assets of ELA are recorded at their book value and the net assets of the Company are recorded at fair value.

Consequently the historical financial information presented in this Report is the historical financial information of ELA as at 30 April 2016 which has been reviewed by us.

The proforma financial information presented in this Report is the historical financial information of ELA for the four months ended 30 April 2016, assuming that the acquisition of ELA by the Company and the other proposed transactions set out in Section 3(c) of this Report had been completed as at that date.

For completeness, extracts of audited historical financial information of ELA for the years ended 30 June 2013, 2014 and 2015, and for the half-year ended 31 December 2015 have been set out in Appendix 2. The auditor's reports for each of these periods contained an emphasis of matter paragraph in relation to going concern.

The Directors have prepared and are responsible for the historical and proforma financial information. We disclaim any responsibility for any reliance on this Report or on the financial

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information to which it relates for any purposes other than that for which it was prepared. This Report should be read in conjunction with the full Prospectus.

We performed a review of the historical audited financial information of the Company as at and for the year ended 31 December 2015, the unaudited financial information of the Company as at and for the four months ended 30 April 2016 and the proforma financial information of the Company as at and for the four months ended 30 April 2016 in order to ensure consistency in the application of applicable Accounting Standards and other mandatory professional reporting requirements.

Our review of the historical financial information and the proforma financial information of the Company was carried out in accordance with Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information* and included such enquiries and procedures which we considered necessary for the purposes of this Report. The review procedures undertaken by HLB in our role as Investigating Accountants were substantially less in scope than that of an audit examination conducted in accordance with generally accepted auditing standards. Our review was limited primarily to an examination of the historical financial information and the proforma information, analytical review procedures and discussions with senior management. A review of this nature provides less assurance than an audit and, accordingly, this Report does not express an audit opinion on the historical financial information and proforma financial information included in this Report or elsewhere in the Prospectus.

Our engagement did not involve updating or re-issuing any previously issued audit report or review report on any financial information used as a source of the financial information.

In relation to the information presented in this Report:

- a) support by another person, corporation or an unrelated entity has not been assumed;
- b) the amounts shown in respect of assets do not purport to be the amounts that would have been realised if the assets were sold at the date of this Report; and
- c) the going concern basis of accounting has been adopted.

3. Financial Information

Set out in Appendix 1 (attached) are:

- a) The Statement of Financial Position of the Company as at 31 December 2015, and the Statement of Comprehensive Income and Statement of Changes in Equity for the half-year then ended (reviewed).
- b) The Statement of Financial Position of ELA as at 30 April 2016, and the Statement of Comprehensive Income and Statement of Changes in Equity for the four months then ended (unaudited).

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c) The proforma Statement of Financial Position of the Company as at 30 April 2016, and the proforma Statement of Comprehensive Income and proforma Statement of Changes in Equity for the four months then ended as they would appear after incorporating the following actual or proposed significant events and transactions by the Company subsequent to 30 April 2016:

- (i) the issue by the Company pursuant to the Prospectus of a minimum of 75,000,000 ordinary shares issued at a price of \$0.08 each, raising \$6,000,000; and a maximum of 112,500,000 ordinary shares issued at \$0.08 each, raising \$9,000,000;
- (ii) the write off to the issued capital account of the estimated costs of the Offer being an estimated \$555,000 (based on the minimum amount raised); and \$740,000 if the maximum amount is raised;
- (iii) the acquisition of 100% of the issued capital of ELA ("Acquisition") for the following consideration:
 - Payment to ELA and EL of advances totalling \$750,000, being \$200,000 which was paid to EL after execution of the Term Sheet and \$550,000 which was paid to ELA on satisfactory completion of due diligence. At settlement of the Acquisition, PNE will pay ELA a third advance of \$1,500,000 as a payment for reimbursement of expenditure in developing the Project. As the proforma balances presented represent the consolidated financial position of the consolidated group, these advances between companies in the consolidated group are eliminated on consolidation;
 - The issue of Tranche 1 Consideration Shares, being 187,500,000 fully paid ordinary shares in the capital of PNE; and
 - The issue of Tranche 2 Consideration Shares, being 62,500,000 fully paid shares in the capital of PNE upon ELA (which for the purposes of this provision means any company in the new ELA group post-Acquisition) upgrading the JORC resource for the Project as reported in the Competent Person Report of the "Pathfinder" prepared by ELA to a minimum of 4,500,000 tonnes inferred resource at 1.3% Li₂O **We have not factored the issue of these shares into the proforma workings as there is no certainty that this milestone will be achieved.**

For accounting purposes (and for the purposes of the proforma adjustments), the acquisition of ELA by the Company has the features of a reverse acquisition under Australian Accounting Standard AASB 3 "*Business Combinations*", notwithstanding that PNE is the legal parent of the group. At acquisition date the net assets of ELA are recorded at their book value and the net assets of the Company are recorded at fair value. The proforma financial information presented in this Report is the historical financial information of ELA for the four months ended 30 April 2016, assuming that the acquisition of ELA by the Company and the other proposed transactions set out in Section 3(c) of this Report had been completed as at that date;

- (iv) the payment of \$250,000 in due diligence costs associated with the Acquisition which has been expensed to profit and loss;

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(v) The issue of shares and options in PNE to EverBlu Capital Pty Ltd (or its nominees) as follows:

- 23,437,500 fully paid shares in the capital of PNE;
- The issue of 7,812,500 fully paid shares in the capital of PNE to be issued on the same terms as the Tranche 2 Consideration Shares. **We have not factored the issue of these shares into the proforma workings as there is no certainty that the milestone relating to the issue of the Tranche 2 Consideration Shares will be achieved;** and
- 200,000,000 Adviser Options, being options to subscribe for fully paid ordinary shares in the capital of PNE at an exercise price of \$0.10 per option by the exercise date, being 30 June 2020. These options have been valued using a Black & Scholes Option Pricing Model at \$0.022 per option and the resultant value of \$4,444,071 has been expensed to profit and loss; and

(vi) the issue of 666,666 fully paid ordinary shares in PNE to Mr Malcolm Day (or his nominee) in payment of outstanding director's fees payable to Mr Day (or entities controlled by him) since February 2015.

d) Notes to the historical financial information and proforma financial information.

4. *Subsequent Events*

In our opinion, there have been no material items, transactions or events subsequent to 30 April 2016 not otherwise disclosed in the Prospectus that have come to our attention during the course of our review that would require comment in, or adjustment to, the content of this Report or which would cause such information included in this Report to be misleading.

5. *Statements*

Based on our review, which was not an audit, we have not become aware of any matter that causes us to believe that:

- a) the historical reviewed financial information of PNE as at 31 December 2015 as set out in Appendix 1 of this Report, does not present fairly the financial position of the Company as at that date in accordance with the measurement and recognition requirements (but not all of the disclosure requirements) of applicable Accounting Standards and other mandatory reporting requirements in Australia and its performance as represented by its results of its operations for the year then ended;
- b) the historical unaudited financial information of ELA as at 30 April 2016 as set out in Appendix 1 of this Report, does not present fairly the financial position of the Company as at that date in accordance with the measurement and recognition requirements (but not all of the disclosure requirements) of applicable Accounting Standards and other mandatory reporting requirements in Australia and its performance as represented by its results of its operations for the four months then ended; and

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- c) the proforma financial information of PNE as at 30 April 2016 as set out in Appendix 1 of this Report, does not present fairly the financial position of the Company as at that date in accordance with the measurement and recognition requirements (but not all of the disclosure requirements) of applicable Accounting Standards and other mandatory reporting requirements in Australia and its performance as represented by its results of its operations for the four months then ended. As noted in Section 2 of this Report, the proforma financial information presented in this Report is the historical financial information of ELA for the four months ended 30 April 2016, assuming that the acquisition of ELA by the Company and the other proposed transactions set out in Section 3(c) of this Report had been completed as at that date.

6. Declaration

- a) HLB will be paid its usual professional fees based on time involvement, for the preparation of this Report and review of the financial information, at our normal professional rates (expected to be \$20,000).
- b) Apart from the aforementioned fees, neither HLB, nor any of its associates will receive any other benefits, either directly or indirectly, for or in connection with the preparation of this Report.
- c) Neither HLB, nor any of its employees or associated persons has any interest in Paynes Find Gold Limited or the promotion of the Company. HLB is the appointed auditor of the Company.
- d) Unless specifically referred to in this Report, or elsewhere in the Prospectus, HLB was not involved in the preparation of any other part of the Prospectus and did not cause the issue of any other part of the Prospectus. Accordingly, HLB makes no representations or warranties as to the completeness or accuracy of the information contained in any other part of the Prospectus.
- e) HLB has consented to the inclusion of this Report in the Prospectus in the form and context in which it appears. The inclusion of this Report should not be taken as an endorsement of the Company or a recommendation by HLB of any participation in the Company by an intending subscriber.

Yours faithfully
HLB MANN JUDD



L DI GIALONARDO
Partner

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APPENDIX 1

PAYNES FIND GOLD LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 APRIL 2016

	PNE Reviewed Half-Year ended 31/12/15 ⁽ⁱ⁾ \$A	ELA Unaudited 4 months ended 30/04/16 ⁽ⁱⁱ⁾ \$A	Proforma \$6M raising ⁽ⁱⁱⁱ⁾ \$A	Proforma \$9M raising ⁽ⁱⁱⁱ⁾ \$A
Interest received	1,319	108	108	108
Reversal of liability balances	59,869	-	-	-
Forgiveness of related party loans payable	-	19,803,898	19,803,898	19,803,898
Administrative expenses	-	(4,271)	(4,271)	(4,271)
Consulting and professional services	-	(30,296)	(30,296)	(30,296)
Depreciation	-	(5,764)	(5,764)	(5,764)
Other expenses	(162,017)	(37,360)	(37,360)	(37,360)
Write-off of related party loans receivable	-	(1,307,724)	(1,307,724)	(1,307,724)
Listing fee expense on acquisition of ELA	-	-	(4,250,812)	(4,250,812)
Share based payments	-	-	(6,319,071)	(6,319,071)
Impairment of exploration expenses	(45,511)	-	-	-
Due diligence costs expensed	(15,322)	-	(250,000)	(250,000)
Profit/(loss) from ordinary activities	(161,662)	18,418,591	7,598,708	7,598,708
Income tax expense	-	-	-	-
Profit/(loss) from ordinary activities after taxation	(161,662)	18,418,591	7,598,708	7,598,708
Other comprehensive income				
Other comprehensive income – exchange differences on translation of foreign operations	-	12,400	12,400	12,400
Other comprehensive income, net of tax	-	12,400	12,400	12,400
Total comprehensive income/(loss)	(161,662)	18,430,991	7,611,108	7,611,108

- (i) The reviewed Statement of Comprehensive Income of PNE for the half-year ended 31 December 2015 has been presented for completeness only.
- (ii) This represents the unaudited Statement of Comprehensive Income of ELA for the 4 months ended 30 April 2016.
- (iii) The proforma financial information is based on a continuation of the ELA Statement of Comprehensive Income for the 4 months ended 30 April 2016, together with the proforma adjustments noted in Section 3(c) of this Report, using the reverse acquisition principles explained in Section 2 of this Report.

This statement should be read in conjunction with the accompanying notes.

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PAYNES FIND GOLD LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 30 APRIL 2016

	Notes	PNE Reviewed 31/12/15 ⁽ⁱ⁾ \$A	ELA Unaudited 30/04/16 ⁽ⁱⁱ⁾ \$A	Proforma \$6M Raising ⁽ⁱⁱⁱ⁾ \$A	Proforma \$9M Raising ⁽ⁱⁱⁱ⁾ \$A
Current assets					
Cash and cash equivalents	2	200,452	26,966	6,829,046	9,644,046
Receivables		80,551	32,814	115,225	115,225
Total current assets		281,003	59,780	6,944,271	9,759,271
Non-current assets					
Property, plant and equipment		-	1,152	1,152	1,152
Exploration and evaluation expenditure	3	-	17,793,203	17,793,203	17,793,203
Restricted cash		-	29,552	29,552	29,552
Total non-current assets		-	17,823,907	17,823,907	17,823,907
Total assets		281,003	17,883,687	24,768,178	27,583,178
Current liabilities					
Trade and other payables	4	115,281	1,693,716	1,737,106	1,737,106
Total current liabilities		115,281	1,693,716	1,737,106	1,737,106
Non-current liabilities					
Related party loans	5	-	-	-	-
Total non-current liabilities		-	-	-	-
Total liabilities		115,281	1,693,716	1,737,106	1,737,106
Net assets		165,722	16,189,971	23,031,072	25,846,072
Equity					
Issued capital	6	16,024,713	46,834	13,263,747	16,078,747
Share based payments reserve	7	2,280,954	-	4,444,071	4,444,071
Foreign currency translation reserve		-	12,400	12,400	12,400
Retained earnings/(accumulated losses)		(18,139,945)	16,130,737	5,310,854	5,310,854
Total equity		165,722	16,189,971	23,031,072	25,846,072

(i) The reviewed Statement of Financial Position of PNE as at 31 December 2015 has been presented for completeness only.

(ii) This represents the unaudited Statement of Financial Position of ELA as at 30 April 2016.

(iii) The proforma financial information is based on a continuation of the ELA Statement of Financial Position as at 30 April 2016, together with the proforma adjustments noted in Section 3(c) of this Report, using the reverse acquisition principles explained in Section 2 of this Report.

This statement should be read in conjunction with the accompanying notes.

PAYNES FIND GOLD LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 APRIL 2016

	Issued capital \$A	Reserves \$A	Retained earnings/ (accumulated losses) \$A	Total \$A
Reviewed Historical - PNE⁽ⁱ⁾				
Balance at 1 July 2015	15,738,822	2,280,954	(17,978,283)	(41,493)
Loss for the half-year	-	-	(161,662)	(161,662)
Shares issued during the half-year	289,471	-	-	289,471
Share issue costs	(3,580)	-	-	(3,580)
Balance at 31 December 2015	16,024,713	2,280,954	(18,139,945)	165,722
Reviewed Historical - ELA⁽ⁱⁱ⁾				
Balance at 1 January 2016	46,834	-	(2,287,854)	(2,241,020)
Profit for the year	-	-	18,418,591	18,418,591
Exchange differences on translation of foreign operations	-	12,400	-	12,400
Balance at 30 April 2016	46,834	12,400	16,130,737	16,189,971
Reviewed Proforma				
Shares issued pursuant to Prospectus	6,000,000	-	-	6,000,000
Share issue costs	(555,000)	-	-	(555,000)
Shares issued to Corporate Adviser	1,875,000	-	(1,875,000)	-
Options issued to Corporate Adviser	-	4,444,071	(4,444,071)	-
Due diligence costs expensed	-	-	(250,000)	(250,000)
Issue of shares to director in payment of accrued director's fees	53,333	-	-	53,333
Listing fee on acquisition of ELA	-	-	(4,250,812)	(4,250,812)
Shares issued as part of reverse acquisition, at fair value of PNE	5,843,580	-	-	5,843,580
Proforma total - 30 April 2016 (Minimum)	13,263,747	4,456,471	5,310,854	23,031,072

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	Issued capital \$A	Reserves \$A	Retained earnings/ (accumulated losses) \$A	Total \$A
Additional shares issued pursuant to Prospectus	3,000,000	-	-	3,000,000
Additional share issue costs	(185,000)	-	-	(185,000)
Proforma total - 30 April 2016 (Maximum)	16,078,747	4,456,471	5,310,854	25,846,072

- (i) The reviewed Statement of Changes in Equity of PNE for the half-year ended 31 December 2015 has been presented for completeness only.
- (ii) This represents the unaudited Statement of Changes in Equity of ELA for the 4 months ended 30 April 2016. The proforma financial information is based on a continuation of the ELA Statement of Changes in Equity for the 4 months ended 30 April 2016, together with the proforma adjustments noted in Section 3(c) of this Report, using the reverse acquisition principles explained in Section 2 of this Report.

This statement should be read in conjunction with the accompanying notes.

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**PAYNES FIND GOLD LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 APRIL 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies which have been adopted in the preparation of the historical and proforma financial information reported under Australian Equivalents to International Financial Reporting Standards ("AIFRS") are shown below.

(a) Basis of preparation

The financial statements have been prepared in accordance with the measurement requirements (but not all of the disclosure requirements) of applicable Accounting Standards and other mandatory professional reporting requirements in Australia using the accrual basis of accounting, including the historical cost convention.

Compliance with IFRS

The financial information complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ("AIFRS"). Compliance with AIFRS ensures that the financial information, comprising the financial statements and notes thereto, comply with measurement requirements but not all of the disclosure requirements of International Financial Reporting Standards.

Historical cost convention

These financial statements have been prepared under the historical cost convention.

(b) Cash and Cash Equivalents

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

(c) 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 uncollectable 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.

(d) Exploration and Evaluation Expenditure

The Group recognises expenditure as exploration and evaluation assets when it determines that those assets will be successful in finding specific mineral resources. Expenditure included in the initial measurement of exploration and evaluation assets and which are classified as intangible

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assets relate to the acquisition of rights to explore, topographical, geological, geochemical and geophysical studies, exploratory drilling, trenching, sampling and activities to evaluate the technical feasibility and commercial viability of extracting a mineral resource. Capitalisation of pre-production expenditure ceases when the mining property is capable of commercial production.

Exploration and evaluation assets are recorded and held at cost.

Exploration and evaluation assets are assessed for impairment annually or when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount. The assessment is carried out by allocating exploration and evaluation assets to cash generating units, which are based on specific projects or geographical areas.

Whenever the exploration for and evaluation of mineral resources in cash generating units does not lead to the discovery of commercially viable quantities of mineral resources and the Group has decided to discontinue such activities of that unit, the associated expenditures are written off to the statement of profit or loss and other comprehensive income.

Where projects have advanced to the stage that directors have made a decision to mine, they are classified as development properties. When further development expenditure is incurred in respect of a development property, such expenditure is carried forward as part of the cost of that development property only when substantial future economic benefits are established. Otherwise such expenditure is classified as part of production or written off where production has not commenced.

(e) Property, Plant and Equipment

Each class of property, plant and equipment is stated at cost less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the item.

Depreciation is calculated on a diminishing value basis over the estimated useful life of the assets.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, with the effect of any changes recognised on a prospective basis.

(f) 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 Group 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 reporting 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 Group commits to purchase the asset.

(g) 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.

(h) Impairment of assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group 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

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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.

(i) 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.

(j) Trade 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.

(k) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of GST, except when the GST incurred on the purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable. 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. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(l) Provisions and Employee Leave Benefits

Provisions are recognised when the Group 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. Where 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.

(m) 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 Group. 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 Group will obtain ownership of the asset or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

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

(n) 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 Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

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(o) Contributed Equity

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.

Where any group company purchases the Group's equity instruments, for example as the result of a share buy-back, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of Paynes Find Gold Limited as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of Paynes Find Gold Limited.

(p) Share-based payment transactions

The Group provides benefits to employees (including senior executives) and service providers of the Group in the form of share-based payments, whereby employees and service providers render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of these equity-settled transactions with employees and service providers is measured by reference to the fair value of the equity instruments at the date at which they are granted.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Paynes Find Gold Limited (market conditions) if applicable.

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

The Statement of Comprehensive Income charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

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(i) Cash settled transactions:

The Group also provides benefits to employees in the form of cash-settled share-based payments, whereby employees render services in exchange for cash, the amounts of which are determined by reference to movements in the price of the shares of Paynes Find Gold Limited.

The cost of cash-settled transactions is measured initially at fair value at the grant date using the Black & Scholes option pricing model taking into account the terms and conditions upon which the instruments were granted. This fair value is expensed over the period until vesting with recognition of a corresponding liability. The liability is re-measured to fair value at each balance date up to and including the settlement date with changes in fair value recognised in profit or loss.

(q) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group 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 carrying amount.

(r) 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 income 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 income tax liability arises from the initial recognition of assets or 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:

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- 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.

(s) Principles of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (collectively referred to as "the Group"). Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements listed above.

When the Company has less than a majority of the voting rights of an investee, it has the power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether the Company's voting rights are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties, rights arising from other contractual arrangements; and

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- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholder meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the controlling interest having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members are eliminated in full on consolidation.

(t) Foreign currency translation

Both the functional and presentation currency of Paynes Find Gold Limited and its subsidiaries is Australian dollars. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. For the purposes of the historical unaudited financial information of ELA for the four months ended 30 April 2016 and the proforma financial information of PNE for the four months ended 30 April 2016, the functional and presentation currency of ELA has been changed from Euro to Australian dollars.

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance date.

All exchange differences in the consolidated financial report are taken to profit or loss with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in profit or loss.

Tax charges and credits attributable to exchange differences on those borrowings are also recognised in equity.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

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Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

As stated above, for the purposes of the historical unaudited financial information of ELA for the four months ended 30 April 2016, the functional currency of ELA and its subsidiaries has been changed to Australian dollars.

As at the balance date the assets and liabilities of ELA and its subsidiaries are translated into the presentation currency of PNE at the rate of exchange ruling at the balance date and income and expense items are translated at the average exchange rate for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used.

The exchange differences arising on the translation are taken directly to a separate component of equity, being recognised in the foreign currency translation reserve.

(u) Reverse acquisition accounting

The acquisition of ELA by the Company has the features of a reverse acquisition under Australian Accounting Standard AASB 3 "*Business Combinations*", notwithstanding the Company being the legal parent of the group. Consequently the historical financial information presented in this Report for the four months ended 30 April 2016 is the historical financial information of ELA. For completeness, the historical financial information of ELA for the years ended 30 June 2013, 2014 and 2015 as well as the half-year ended 31 December 2015 has also been disclosed.

The legal structure of the Group subsequent to the acquisition of ELA will be that the Company will remain as the legal parent entity. However, the principles of reverse acquisition accounting are applicable where the owners of the acquired entity (in this case, ELA) obtain control of the acquiring entity (in this case, the Company) as a result of the businesses' combination.

Under reverse acquisition accounting, the consolidated financial statements are issued under the name of the legal parent (the Company) but are a continuation of the financial statements of the legal subsidiary (ELA), with the assets and liabilities of the legal subsidiary being recognised and measured at their pre-combination carrying amounts rather than their fair values.

(v) Critical accounting judgements and key sources of estimation uncertainty

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:

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Share based payment transactions

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

Deferred taxation

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

(w) Proforma transactions

The proforma Statement of Financial Position of the Company as at 30 April 2016, and the proforma Statement of Comprehensive Income and proforma Statement of Changes in Equity for the four months then ended as they would appear after incorporating the following actual or proposed significant events and transactions by the Company subsequent to 30 April 2016:

- (i) the issue by the Company pursuant to the Prospectus of a minimum of 75,000,000 ordinary shares issued at a price of \$0.08 each, raising \$6,000,000; and a maximum of 112,500,000 ordinary shares issued at \$0.08 each, raising \$9,000,000;
- (ii) the write off to the issued capital account of the estimated costs of the Offer being an estimated \$555,000 (based on the minimum amount raised); and \$740,000 if the maximum amount is raised;
- (iii) the acquisition of 100% of the issued capital of ELA for the following consideration:
 - Payment to ELA and EL of advances totalling \$750,000, being \$200,000 which was paid to EL after execution of the Term Sheet and \$550,000 which was paid to ELA on satisfactory completion of due diligence. At settlement of the Acquisition, PNE will pay ELA a third advance of \$1,500,000 as a payment for reimbursement of expenditure in developing the Project. As the proforma balances presented represent the consolidated financial position of the consolidated group, these advances between companies in the consolidated group are eliminated on consolidation;
 - The issue of Tranche 1 Consideration Shares, being 187,500,000 fully paid ordinary shares in the capital of PNE; and
 - The issue of Tranche 2 Consideration Shares, being 62,500,000 fully paid shares in the capital of PNE upon ELA (which for the purposes of this provision means any company in the new ELA group post-Acquisition) upgrading the JORC resource for the Project to a minimum of 4,500,000 tonnes inferred resource at 1.3% Li₂O **We have not factored the issue of these shares into the proforma workings as there is no certainty that this milestone will be achieved.**

For accounting purposes (and for the purposes of the proforma adjustments), the acquisition of ELA by the Company has the features of a reverse acquisition under

Australian Accounting Standard AASB 3 "*Business Combinations*", notwithstanding that PNE is the legal parent of the group. At acquisition date the net assets of ELA are recorded at their book value and the net assets of the Company are recorded at fair value. The proforma financial information presented in this Report is the historical financial information of ELA for the four months ended 30 April 2016, assuming that the acquisition of ELA by the Company and the other proposed transactions set out in Section 3(c) of this Report had been completed as at that date;

- (iv) the payment of \$250,000 in due diligence costs associated with the Acquisition which has been expensed to profit and loss;
- (v) The issue of shares and options in PNE to EverBlu Capital Pty Ltd (or its nominees) as follows:
- 23,437,500 fully paid shares in the capital of PNE;
 - The issue of 7,812,500 fully paid shares in the capital of PNE to be issued on the same terms as the Tranche 2 Consideration Shares. **We have not factored the issue of these shares into the proforma workings as there is no certainty that the milestone relating to the issue of the Tranche 2 Consideration Shares will be achieved;** and
 - 200,000,000 Adviser Options, being options to subscribe for fully paid ordinary shares in the capital of PNE at an exercise price of \$0.10 per option by the exercise date, being 30 June 2020. These options have been valued using a Black & Scholes Option Pricing Model at \$0.022 per option and the resultant value of \$4,444,071 has been expensed to profit and loss; and
- (vi) the issue of 666,666 fully paid ordinary shares in PNE to Mr Malcolm Day (or his nominee) in payment of outstanding director's fees payable to Mr Day (or entities controlled by him) since February 2015.

2. CASH AND CASH EQUIVALENTS

	PNE Reviewed 31/12/15 \$A	ELA Unaudited 30/04/16 \$A	Proforma \$6M raising \$A	Proforma \$9M raising \$A
Balance	200,452	26,966	26,966	26,966
Cash balance of PNE at 30 April 2016	-	-	1,607,080	1,607,080
Due diligence costs	-	-	(250,000)	(250,000)
Proceeds from shares issued pursuant to this Prospectus	-	-	6,000,000	9,000,000
Share issue costs	-	-	(555,000)	(740,000)
	200,452	26,966	6,829,046	9,644,046

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3. EXPLORATION AND EVALUATION EXPENDITURE

	PNE Reviewed 31/12/15 \$A	ELA unaudited 30/04/16 \$A	Proforma \$6M raising \$A	Proforma \$9M raising \$A
Balance	-	17,793,203	17,793,203	17,793,203
	-	17,793,203	17,793,203	17,793,203

These costs relate to carried forward expenditure on the Wolfsberg Lithium Project.

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

4. TRADE AND OTHER PAYABLES

	PNE Reviewed 31/12/15 \$A	ELA Unaudited 30/04/16 \$A	Proforma \$6M raising \$A	Proforma \$9M raising \$A
Balance	115,281	1,693,716	1,737,106	1,737,106
	115,281	1,693,716	1,737,106	1,737,106

5. RELATED PARTY LOANS

	PNE Reviewed 31/12/15 \$A	ELA Unaudited 30/04/16 \$A	Proforma \$6M raising \$A	Proforma \$9M raising \$A
Balance	-	19,803,898	19,803,898	19,803,898
Less: Forgiveness of loans	-	(19,803,898)	(19,803,898)	(19,803,898)
	-	-	-	-

These related party loans were forgiven during the period ended 30 April 2016.

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6. ISSUED CAPITAL

	PNE Reviewed 31/12/15 \$A	ELA Unaudited 30/04/16 \$A	Proforma \$6M raising \$A	Proforma \$9M raising \$A
Balance	16,024,713	46,834	46,834	46,834
Share issued pursuant to Prospectus	-	-	6,000,000	9,000,000
Share issue costs	-	-	(555,000)	(740,000)
Shares issued to Corporate Adviser	-	-	1,875,000	1,875,000
Shares issued to director in payment of accrued director's fees	-	-	53,333	53,333
Shares issued as part of reverse acquisition, at fair value of PNE	-	-	5,843,580	5,843,580
	16,024,713	46,834	13,263,747	16,078,747

	\$6M raising		\$9M raising	
	Number	\$	Number	\$
Balance at 30 April 2016	73,044,750	46,434	73,044,750	46,434
Proforma adjustments:				
Shares issued to acquire ELA	187,500,000	5,843,580	187,500,000	5,843,580
Shares issued pursuant to this Prospectus	75,000,000	6,000,000	112,500,000	9,000,000
Shares issued to Corporate Adviser	23,437,500	1,875,000	23,437,500	1,875,000
Shares issued to director in payment of accrued director's fees	666,666	53,333	666,666	53,333
Share issue costs	-	(555,000)	-	(740,000)
Proforma totals	359,648,916	13,263,347	397,148,916	16,078,347

7. SHARE BASED PAYMENTS RESERVE

	PNE Reviewed 31/12/15 \$A	ELA Unaudited 30/04/16 \$A	Proforma \$6M raising \$A	Proforma \$9M raising \$A
Balance at 30 April 2016	2,280,954	-	-	-
Issue of options to Corporate Adviser	-	-	4,444,071	4,444,071
	<u>2,280,954</u>	<u>-</u>	<u>4,444,071</u>	<u>4,444,071</u>

The fair value of the equity-settled share options to be granted to the Corporate Adviser is estimated as at the date of grant using the Black & Scholes option pricing model taking into account the terms and conditions upon which the options are to be granted.

Expected volatility (%)	57.2%
Risk-free interest rate (%)	1.76%
Expected life of options	Exercisable on or before 30/06/20
Exercise price (cents)	\$0.10
Grant date share price (assumed as the issue price of shares under this Prospectus)	\$0.08

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.

8. CONTINGENCIES AND COMMITMENTS

There are no contingent liabilities of expenditure commitments at the date of this Report. Details of planned use of funds are outlined in Section 7.8 of the Prospectus.

9. RELATED PARTY TRANSACTIONS

Details of Directors' and Proposed Directors' interests in the Company's issued capital and transactions with the Company are included in Section 10 of the Prospectus.

APPENDIX 2

**EUROPEAN LITHIUM AT (INVESTMENTS) LIMITED
HISTORICAL FINANCIAL INFORMATION**

Set out below is summarised financial information of European Lithium AT (Investments) Limited. This information has been extracted from the audited financial statements of the company for the years ended 30 June 2013, 2014 and 2015 and the half-year ended 31 December 2015.

The auditor's reports for each of these periods contained an emphasis of matter paragraph in relation to going concern.

**EUROPEAN LITHIUM AT (INVESTMENTS) LIMITED
STATEMENT OF FINANCIAL POSITION**

	Audited 30/06/13 €	Audited 30/06/14 €	Audited 30/06/15 €	Audited 31/12/15 €
Current assets				
Cash and cash equivalents	18,484	23,826	2,335	8,785
Receivables	17,735	18,543	26,155	13,440
Prepayments	925	925	941	-
Total current assets	37,144	43,294	29,431	22,225
Non-current assets				
Property, plant and equipment	13,885	9,257	4,628	2,314
Exploration and evaluation expenditure	10,849,174	11,534,798	11,781,723	11,863,936
Restricted cash	19,699	19,975	19,775	19,775
Total non-current assets	10,882,758	11,564,030	11,806,126	11,886,025
Total assets	10,919,902	11,607,324	11,835,557	11,908,250
Current liabilities				
Trade and other payables	251,962	145,316	120,020	220,790
Total current liabilities	251,962	145,316	120,020	220,790
Non-current liabilities				
Related party loans	11,830,401	12,807,347	13,171,862	13,191,790
Total non-current liabilities	11,830,401	12,807,347	13,171,862	13,191,790
Total liabilities	12,082,363	12,952,663	13,291,882	13,412,580
Net liabilities	(1,162,461)	(1,345,339)	(1,456,325)	(1,504,330)
Equity				
Issued capital	35,000	35,000	35,000	35,000
Accumulated losses	(1,197,461)	(1,380,339)	(1,491,325)	(1,539,330)
Total deficiency	(1,162,461)	(1,345,339)	(1,456,325)	(1,504,330)

The above should be read in conjunction with the notes outlines in Appendix 1.

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EUROPEAN LITHIUM AT (INVESTMENTS) LIMITED
STATEMENT OF COMPREHENSIVE INCOME

	Audited Year ended 30/06/13 €	Audited Year ended 30/06/14 €	Audited Year ended 30/06/15 €	Audited Half-year ended 31/12/15 €
Interest received	166	72	159	72
Administrative expenses	(8,862)	(5,225)	(3,730)	(1,870)
Consulting and professional services	24,159	(42,464)	(45,288)	(18,894)
Depreciation	(4,628)	(4,628)	(4,629)	(2,314)
Finance costs	-	(122,259)	(2,442)	-
Occupancy costs	(7,852)	(20)	-	-
IPO costs ¹	-	-	(53,444)	-
Travel expense	(4,475)	(2,744)	-	-
Other expenses	(273,203)	(5,610)	(1,612)	(24,999)
Loss from ordinary activities	(274,695)	(182,878)	(110,986)	(48,005)
Income tax expense	-	-	-	-
Loss from ordinary activities after taxation	(274,695)	(182,878)	(110,986)	(48,005)
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss	-	-	-	-
Total comprehensive loss	(274,695)	(182,878)	(110,986)	(48,005)

¹ During the year ended 30 June 2015, legal fees were paid in relation to the proposed IPO of the company which did not eventuate.

The above should be read in conjunction with the notes outlines in Appendix 1.

EUROPEAN LITHIUM AT (INVESTMENTS) LIMITED
STATEMENT OF CASH FLOWS

	Audited Year ended 30/06/13 €	Audited Year ended 30/06/14 €	Audited Year ended 30/06/15 €	Audited Half-year ended 31/12/15 €
CASH FLOWS FROM OPERATING ACTIVITIES				
Payments to suppliers and employees	(64,838)	(85,387)	(70,051)	(4,534)
Interest received	4,769	43	159	72
Other - VAT refund	73,015	108,800	45,804	36,021
	<u>12,946</u>	<u>23,456</u>	<u>(24,088)</u>	<u>31,559</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Expenditure on exploration interests	(319,200)	(892,689)	(237,018)	-
	<u>(319,200)</u>	<u>(892,689)</u>	<u>(237,018)</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayments of loans and borrowings	(1,029,583)	-	-	(25,109)
Proceeds from loans and borrowings	1,259,277	874,575	239,615	-
	<u>229,694</u>	<u>874,575</u>	<u>239,615</u>	<u>(25,109)</u>
Net increase/(decrease) in cash held	(76,560)	5,342	(21,491)	6,450
Cash at the beginning of the period	95,044	18,484	23,826	2,335
Cash at the end of the period	<u>18,484</u>	<u>23,826</u>	<u>2,335</u>	<u>8,785</u>

The above should be read in conjunction with the notes outlines in Appendix 1.

**EUROPEAN LITHIUM AT (INVESTMENTS) LIMITED
STATEMENT OF CHANGES IN EQUITY**

	Issued capital €	Accumulated losses €	Total €
Balance at 1 July 2012	35,000	(922,766)	(887,766)
Loss for the year	-	(274,695)	(274,695)
Balance at 30 June 2013	35,000	(1,197,461)	(1,162,461)
Balance at 30 June 2013	35,000	(1,197,461)	(1,162,461)
Loss for the year	-	(182,878)	(182,878)
Balance at 30 June 2014	35,000	(1,380,339)	(1,345,339)
Balance at 30 June 2014	35,000	(1,380,339)	(1,345,339)
Loss for the year	-	(110,986)	(110,986)
Balance at 30 June 2015	35,000	(1,491,325)	(1,456,325)
Balance at 30 June 2015	35,000	(1,491,325)	(1,456,325)
Loss for the half-year	-	(48,005)	(48,005)
Balance at 31 December 2015	35,000	(1,539,330)	(1,504,330)

The above should be read in conjunction with the notes outlines in Appendix 1.

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Australian & International Exploration & Evaluation of Mineral Properties

AN INDEPENDENT GEOLOGICAL
REPORT ON THE

Wolfsberg Lithium Project

In The Province of Carinthia, Austria

FOR A PUBLIC OFFERING OF SECURITIES

Prepared for

Paynes Find Gold Limited

Prepared by:

A.J. Maynard

BAppSc(Geol), MAIG, MAusIMM

Date:

16th June, 2016

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Paynes Find Gold Ltd – Wolfsberg Lithium Project

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16th June, 2016

Wolfsberg Lithium Project, Weinebene, Carinthia, Austria

Executive Summary

Background

On 9 May 2016 the Directors of Paynes Find Gold Limited (“PNE”) commissioned Al Maynard and Associates (“AM&A”) to prepare an independent geological report (“IGR”) to be presented on the Wolfsberg Lithium Project to be included in a Replacement Prospectus to be issued by PNE to raise between up to A\$9 million by the issue of up to 112,500,000 shares at A\$0.08 per share as part of the Company’s re-compliance with Chapters 1 and 2 of the ASX Listing Rules.

PNE and European Lithium Limited (“Euro”) have signed a Binding Term Sheet in which PNE offers to acquire from 100% ownership of European Lithium AT (Investments) Limited, which is the ultimate 100% owner of ECM Lithium AT GmbH, a subsidiary entity of Euro and 100% owner and holder of the Wolfsberg Lithium Project in Austria.

In preparing this IGR, AM&A has observed the guidelines of the Australian Securities Exchange (“ASX”) and the Guidelines for Assessment and Valuation of Mineral Assets and Mineral Securities for Independent Expert reports (the VALMIN Code) which is binding on members of the Australasian Institute of Mining and Metallurgy (“AusIMM”) and the Australian Institute of Geoscientists (“AIG”).

The resource estimates have been prepared using the guidelines of the Australian JORC Code (2012).

The Wolfsberg Lithium Project is located 20 km from Wolfsberg, in the community of St Gertraud, Austria (Figure 1) and consists of 11 granted Mining Licences and 54 granted exploration licences, Table 1.

The original 22 exploration licences, tenement numbers 1-22 in Table 1 below, were prolonged for another five years by decree of the Mining Authority on 22nd September, 2014 with new licence expiry dates of 31 December 2019.

Another 32 exploration licences, tenement numbers 23-54 in Table 1 below, were granted by the Mining Authority on 20th October, 2011. These 32 licences overlap the original 22 licences in order to ‘secure’ the licence pattern as extra security as it prevents the very small chance of a third party attempting to file for a mining licence on the property.

Paynes Find Gold Ltd – Wolfsberg Lithium Project

Tenement Number	Exploration Licence Centroid ID	Holder	Interest (%)	Status	Licence Expiry Date	Licence Area (Hectares)
1	104/96	ECM Lithium AT GmbH	100	Exploration	31/12/2019	56.7*
2	105/96	ECM Lithium AT GmbH	100	Exploration	31/12/2019	56.7*
3	106/96	ECM Lithium AT GmbH	100	Exploration	31/12/2019	56.7*
4	107/96	ECM Lithium AT GmbH	100	Exploration	31/12/2019	56.7*
5	108/96	ECM Lithium AT GmbH	100	Exploration	31/12/2019	56.7*
6	109/96	ECM Lithium AT GmbH	100	Exploration	31/12/2019	56.7*
7	110/96	ECM Lithium AT GmbH	100	Exploration	31/12/2019	56.7*
8	111/96	ECM Lithium AT GmbH	100	Exploration	31/12/2019	56.7*
9	112/96	ECM Lithium AT GmbH	100	Exploration	31/12/2019	56.7*
10	113/96	ECM Lithium AT GmbH	100	Exploration	31/12/2019	56.7*
11	114/96	ECM Lithium AT GmbH	100	Exploration	31/12/2019	56.7*
12	115/96	ECM Lithium AT GmbH	100	Exploration	31/12/2019	56.7*
13	116/96	ECM Lithium AT GmbH	100	Exploration	31/12/2019	56.7*
14	117/96	ECM Lithium AT GmbH	100	Exploration	31/12/2019	56.7*
15	118/96	ECM Lithium AT GmbH	100	Exploration	31/12/2019	56.7*
16	119/96	ECM Lithium AT GmbH	100	Exploration	31/12/2019	56.7*
17	120/96	ECM Lithium AT GmbH	100	Exploration	31/12/2019	56.7*
18	121/96	ECM Lithium AT GmbH	100	Exploration	31/12/2019	56.7*
19	122/96	ECM Lithium AT GmbH	100	Exploration	31/12/2019	56.7*
20	123/96	ECM Lithium AT GmbH	100	Exploration	31/12/2019	56.7*
21	124/96	ECM Lithium AT GmbH	100	Exploration	31/12/2019	56.7*
22	125/96	ECM Lithium AT GmbH	100	Exploration	31/12/2019	56.7*
23	370/11(611/11)	ECM Lithium AT GmbH	100	Exploration	31/12/2019	56.7*
24	371/11(612/11)	ECM Lithium AT GmbH	100	Exploration	31/12/2019	56.7*
25	372/11(613/11)	ECM Lithium AT GmbH	100	Exploration	31/12/2019	56.7*
26	373/11(614/11)	ECM Lithium AT GmbH	100	Exploration	31/12/2019	56.7*
27	374/11(615/11)	ECM Lithium AT GmbH	100	Exploration	31/12/2019	56.7*
28	375/11(616/11)	ECM Lithium AT GmbH	100	Exploration	31/12/2019	56.7*
29	378/11(619/11)	ECM Lithium AT GmbH	100	Exploration	31/12/2019	56.7*
30	379/11(620/11)	ECM Lithium AT GmbH	100	Exploration	31/12/2019	56.7*
31	380/11(621/11)	ECM Lithium AT GmbH	100	Exploration	31/12/2019	56.7*
32	381/11(622/11)	ECM Lithium AT GmbH	100	Exploration	31/12/2019	56.7*
33	382/11(623/11)	ECM Lithium AT GmbH	100	Exploration	31/12/2019	56.7*
34	383/11(624/11)	ECM Lithium AT GmbH	100	Exploration	31/12/2019	56.7*
35	384/11(625/11)	ECM lithium AT GmbH	100	Exploration	31/12/2019	56.7*
36	386/11(627/11)	ECM Lithium AT GmbH	100	Exploration	31/12/2019	56.7*
37	387/11(628/11)	ECM Lithium AT GmbH	100	Exploration	31/12/2019	56.7*
38	388/11(629/11)	ECM Lithium AT GmbH	100	Exploration	31/12/2019	56.7*

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39	389/11(630/11)	ECM Lithium AT GmbH	100	Exploration	31/12/2019	56.7*
40	390/11(631/11)	ECM Lithium AT GmbH	100	Exploration	31/12/2019	56.7*
41	391/11(632/11)	ECM Lithium AT GmbH	100	Exploration	31/12/2019	56.7*
42	392/11(633/11)	ECM Lithium AT GmbH	100	Exploration	31/12/2019	56.7*
43	394/11(636/11)	ECM Lithium AT GmbH	100	Exploration	31/12/2019	56.7*
44	395/11(637/11)	ECM Lithium AT GmbH	100	Exploration	31/12/2019	56.7*
45	396/11(638/11)	ECM Lithium AT GmbH	100	Exploration	31/12/2019	56.7*
46	397/11(639/11)	ECM Lithium AT GmbH	100	Exploration	31/12/2019	56.7*
47	398/11(640/11)	ECM Lithium AT GmbH	100	Exploration	31/12/2019	56.7*
48	400/11(645/11)	ECM Lithium AT GmbH	100	Exploration	31/12/2019	56.7*
49	401/11(646/11)	ECM Lithium AT GmbH	100	Exploration	31/12/2019	56.7*
50	402/11(647/11)	ECM Lithium AT GmbH	100	Exploration	31/12/2019	56.7*
51	403/11(648/11)	ECM Lithium AT GmbH	100	Exploration	31/12/2019	56.7*
52	408/11(648/11)	ECM Lithium AT GmbH	100	Exploration	31/12/2019	56.7*
53	409/11(641/11)	ECM Lithium AT GmbH	100	Exploration	31/12/2019	56.7*
54	412/11(649/11)	ECM Lithium AT GmbH	100	Exploration	31/12/2019	56.7*
55	Andreas 1	ECM Lithium AT GmbH	100	Mining	Indefinite**	4.8***
56	Andreas 2	ECM Lithium AT GmbH	100	Mining	Indefinite**	4.8***
57	Andreas 3	ECM Lithium AT GmbH	100	Mining	Indefinite**	4.8***
58	Andreas 4	ECM Lithium AT GmbH	100	Mining	Indefinite**	4.8***
59	Andreas 5	ECM Lithium AT GmbH	100	Mining	Indefinite**	4.8***
60	Andreas 6	ECM Lithium AT GmbH	100	Mining	Indefinite**	4.8***
61	Andreas 7	ECM Lithium AT GmbH	100	Mining	Indefinite**	4.8***
62	Andreas 8	ECM Lithium AT GmbH	100	Mining	Indefinite**	4.8***
63	Andreas 9	ECM Lithium AT GmbH	100	Mining	Indefinite**	4.8***
64	Andreas 10	ECM Lithium AT GmbH	100	Mining	Indefinite**	4.8***
65	Andreas 11	ECM Lithium AT GmbH	100	Mining	Indefinite**	4.8***

Table 1: Summary of Assets.

*Exploration Licences overlap each other, **Mining licences are granted indefinitely providing annual work commitments are met ***Mining Licences overlap Exploration Licences (see description in Tenure section of this report).

The project is close to supporting infrastructure, roads, rail and cities. Other mining activities are already established in the area. This project has a strategic location for mining and supply of lithium to European markets.

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Figure 1: Location of the Wolfsberg Lithium Project, Austria.

Trial mining of the project was completed in the 1980s. The project has a consolidated land holding of exploration licences with associated mining permits and a significant potential exploration upside exists with the mineralisation remaining open in all directions.

Mine-It/Miller estimated a JORC Code (2004) resource supported by:

- 35 surface trench excavations with 200 samples,
- 78 surface diamond drill holes for 12,012 metres,
- 34 underground diamond drill holes for 4,715 metres,
- 1,389m of decline and underground mine development with channel sampling of the pegmatite dykes –and 1,607 assays

Although the Mine-It/Miller resource classifications were considered valid under JORC Code (2004) guidelines AM&A does not consider they are valid under JORC Code (2012) guidelines. Due to the lack of original source

documentation on the drilling methods and core recoveries, procedures followed when sampling the diamond core and QA/QC procedures followed during the core sampling and chemical analyses, AM&A revised the Mine-It/Miller JORC Code (2004) “Measured” resource to JORC Code (2012) “Inferred” (as further outlined in this report).

The deposit known as Zone 1 has been drilled down dip to a maximum depth of 450 metres. Lithium (“Li”) bearing pegmatite veins up to 5.5 m wide were intersected and the ore body remains open along strike to the northwest and down dip. In addition, there is an exploration target known as Zone 2 which has been demonstrated to be the southern limb of an anticline of which the northern limb, Zone 1, has been the focus of all the exploration to date.

Exploration work completed to date includes geological mapping, structural mapping and interpretation, geochemical soil surveys, pitting, trenching, drilling, development of an underground access decline and drives along selected veins, underground trial mining and excavation of two 500t bulk samples from each of the two ore types.

In general, the exploration results have been very positive, identifying substantial resources of lithium mineralisation which European Lithium AT Investments Limited intends to further explore and evaluate with a view to delineating additional high grade commercially viable lithium resources.

It is the opinion of the Competent Person that with further exploration this project has the potential to host additional economic lithium resources and warrants further detailed exploration. Future exploration programs are expected to comprise a range of exploration techniques with a focus on trenching, geophysical surveys where applicable, (to provide further insight into local structural features that may have influenced control on mineralisation emplacement) and subsequent drilling and evaluation.

For the preparation of this report, the Company has made available all the relevant data it possesses including copies of publically available technical reports produced by third parties.

AM&A geologist Allen Maynard undertook site visits in conjunction with senior technical personnel to the project between 11th and 19th November, 2011 and again between 15th to 17th April, 2014, visiting and examining the mine workings as well as the potentially significant anomalous zones nearby in order to properly understand the local geology, operating conditions and to inspect, review and collate all the data including original geological reports and sample data, maps, drill core and any other documentation that may be relevant to the quality assurance of this IGR.

All data and reports (not deemed confidential) were provided to AM&A in preparation of the report and Euro and its directors have warranted to AM&A that full disclosure has been made of all material in their possession, and, that to the best of their knowledge this information is complete, accurate and true.

Qualifications of Competent Person

This IGR was written and prepared by Al Maynard and Associates Pty Ltd (“AM&A”) which is an independent geological consultancy, not a sole trader, established 25 years ago. Neither AM&A nor any of its directors, employees or associates have any material interest either direct, indirect or contingent in PNE nor in any of the mineral properties included in this report nor in any other asset of PNE nor has such an interest existed in the past. This report was prepared by AM&A strictly in the role of the Competent Person. Professional fees payable for the preparation of this report constitute the only commercial interest in PNE. Payment of fees is in no way contingent upon the conclusions of this report or the re-admission of PNE to ASX.

All data and information presented in this IGR was current and available up to and including 18 May, 2016.

Description of Resources and Reserves

Current resources have been defined with regard to the Wolfsberg Lithium Project. Accordingly, the Summary of Reserves and Resources by Status is provided below,

Table 2.

Category	Gross			Net attributable			Operator
	Tonnes (millions)	Grade Li ₂ O%	Contained Li ₂ O ('000 t)	Tonnes (millions)	Grade (Li ₂ O %)	Contained Li ₂ O ('000 t)	
Ore/Mineral reserves per asset	0			0			
Proved	0			0			
Probable	0			0			
Sub-total	0			0			
Mineral resources per asset							
Measured	0			0			
Indicated	0			0			
Inferred	3.7	1.5	55.5	3.7	1.5	55.5	ECM Lithium AT GmbH
Totals	3.7	1.5	55.5	3.7	1.5	55.5	ECM Lithium AT GmbH

Source: A. Maynard, 2014

Note: "Operator" is name of the company that operates the asset

"Gross" are 100% of the **reserves** and/or **resources** attributable to the licence whilst "Net attributable" are those attributable to project owner

Table 2: Summary of Reserves and Resources by Status.

Data Sources

The data contained in this report was sourced from published documents and papers, as outlined in the references and bibliography section at the end of the report. A.J Maynard conducted a field examination of the project during November, 2011 and April, 2014 and held discussions with personnel directly involved with the Wolfsberg Lithium operations.

Reliance on Other Experts

The qualified person (QP) preparing this technical report has relied on reports prepared by Mine-It (Dr Thomas Oberndorfer) regarding their resource estimates. The qualified person disclaims responsibility for the information not directly originated by his own work but accepts and relies upon the results provided by Mine-It after satisfying himself that the work meets expected industry standards.)

AM&A is responsible for this Report and has taken all reasonable care to ensure that the information contained in this Report is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

We hereby consent to the publication and use of this report by PNE, in both electronic and paper form, including the PNE website, in the form and context in which it appears.

AM&A is not aware of any material fact or material change with respect to the subject matter of this report that is not reflected within it, the omission to disclose which would make the report misleading.

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Property Description and Location

The Wolfsberg Project is located in Carinthia, the southernmost province of Austria approximately 20 km east of the town Wolfsberg and in the community of St Gertraud and approximately 270 km to the south-west of Austria's capital city Vienna Figure 1.

The names "Koralpe" and "Weinebene" have both been previously used for the deposit location.

Approximate geographic coordinates for the project area are 46° 50' 11"N latitude and 14° 59' 17"E longitude.

Tenure

In Austria, the legal basis for mining is the Mineralrohstoffgesetz of 1999 ("MinroG). Exploration for Free-for-Mining ("bergfreie") raw materials, including lithium, requires an Exploration Licence (Schurfberechtigung) which must be obtained from the Ministry for Industry and Labour ("Mining Authority"). This gives the holder the exclusive right to explore for "bergfreie" minerals. Each Exploration Licence is circular in shape with a radius of 425 metres (equivalent to an area of 0.567 km²). To define an exploration area with complete coverage of circular licences, the circles must overlap. To provide 100% coverage a "normal" pattern of circles is used in which three overlap at a common midpoint (Figure 2).

However, under Austrian law, it is possible for another organisation to apply and gain a mining licence for an area without the prior ownership of an exploration licence covering that same area. All the alternate company needs to do is demonstrate the feasibility of their mining project in order to purchase the mining licence. To counter this potential risk it is possible to employ a "secure pattern" of exploration licences in which six adjacent licences overlap at a central point. In this case the individual circles are too close together for a mining licence to be defined within the law.

An exploration licence also gives the holder the right to exclude the granting of a mining licence to others within a rectangle of 48,000m², the centroid of which is identical with the central point of the exploration licence circle. The right to a reservation field "Vorbehaltsfeld" (one per exploration licence) has to be claimed via the Mining Authority at the latest on the occasion of the in situ hearing for the grant of a mining licence to another party. All applications for a mining licence are reviewed, and all contravening rights are checked, by the Mining Authority at an oral hearing convened on site.

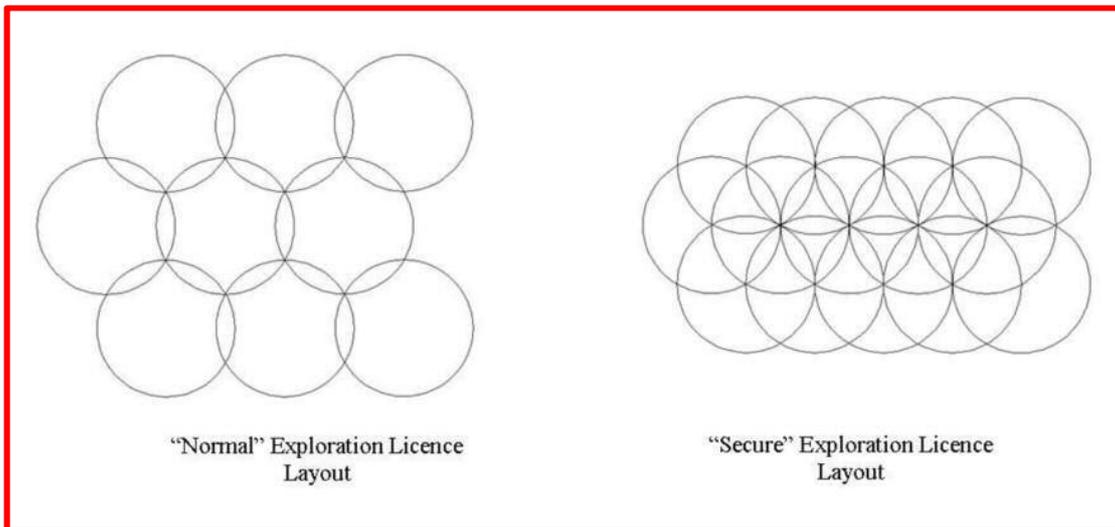


Figure 2: Exploration Licence Configuration.

Exploration Licences are granted for a five-year period. A precondition for undertaking exploration works is the submission of a works program to the Mining Authority. The exploration works have to be described in detail and a responsible person nominated with a permanent residence close to or on site to supervise the works and must be in permanent contact with the authorities. The works program has to be formally approved in writing by the Mining Authority. During each five-year period, the holder of an Exploration Licence is required to submit an annual exploration report on the performed works undertaken the previous year to the Mining Authority. The exploration licences can be renewed for a further 5 years term providing the exploration works reports have been approved for the preceding 5 years. Performing work in one licence is sufficient for the prolongation for up to 100 other exploration licences. There are no minimum expenditure requirements however there are annual Freischürfbühren or prospecting fees of €8.72 per licence payable to the Mining Authority.

Prior to the commencement of exploration, the holder of a licence must first obtain surface access permission from the landowner. If permission for access is not forthcoming, the licence holder may apply to the Mining Authority for compulsory admission to the property determined on a case-by-case basis.

Should a mineral deposit be defined and deemed to be economic, a Bergwerksberechtigung (Mining Licence) may be applied for. Mining licences entitle the holder to exclusively mine “bergfreie” minerals and entitle the holder to exclusive title to the ore mined. Additionally, the holder of a mining licence is entitled to acquire title to “grundeigene” minerals which are all those not listed in Sec 3 and 4 of MinroG, which includes feldspar and quartz, if they result from the mining of “bergfreie” minerals. “Grundeigene” minerals are normally mineral resources owned by the landowner. Mining Licences are granted for an indefinite period subject to meeting the requirements of the mining law and are registered into the Mining Register. An annual fee of €26.00 is payable to the Mining Authority for each Mining Licence. A maximum of 16 rectangular mining licences, each with a surface area of up to 48,000m², may be granted to a single applicant. If less than 16 mining licences have been granted the applicant may apply for additional licences at any stage. There are no depth restrictions on a mining licence.

The holder of a Mining Licence is entitled to access underground water for use in extraction and processing operations. A Mining Licence also entitles the holder to engage in the treatment of minerals, as well as the use of mining and other operational equipment. However, additional permits are required under the Mining Act at each stage of development. These include, but are not limited to, Construction Permit, Operating Permit, Operating Vehicle Permit and Installation Permit.

On granting of an Exploration or Mining Licence, the ownership of the minerals is allocated to the owner of the licence. For this reason, there are no royalty payments on “bergfreie” mineral production to either the Regional or Federal authorities. Both Exploration and Mining Licences are transferable to third parties.

Additional laws dealing with occupational health and safety and the protection of the environment are not administered under the Mining Act. The Occupational Health and Safety Act is administered by the Arbeitsinspektorat (Department of Labour) in Salzburg, whilst the protection of the environment is the responsibility of two departments, the Bezirkshauptmannschaft (local environmental authority, or the mayor) and the Landesregierung (the provincial government).

Under Federal and Provincial Law, the local administrative authority is responsible for permitting and annual reporting of environmental issues, as well as providing the conduit for information between Alpine and the provincial government. The provincial government is responsible for administering and enforcing the Environmental Act.

The project consists of 54 Exploration Licences (“Els”) covering a total non-overlapped area of 1,133 hectares with part of this same area covered by 11 Mining Licences for a total area of 52.8 hectares within the Els.

The original 22 exploration licences, Exploration Licence numbers 1-22 in Table 3 below, were prolonged for another five years by decree of the Mining Authority on 22nd September 2014 with new licence expiry dates of 31 December 2019. This was following submission of a report describing the exploration work undertaken in the previous 5 year term which fulfilled the requirement for prolongation of the licences.

Paynes Find Gold Ltd – Wolfsberg Lithium Project

The following 32 exploration licences, Exploration Licence numbers 23-54 in Table 3 below, were granted by the Mining Authority on 20th October 2011. These 32 licences overlap the original 22 licences in order to convert the 'normal' licence pattern to a 'secure' licence pattern as extra security as it prevents the very small chance of a third party attempting to file for a mining licence on the property.

Exploration Licence Number	Exploration Licence Centroid ID	Centroid East (GK M31)	Centroid North (GK M31)	Area (Hectares)	Date Granted	Date Expiry
1	104/96	124,300.00	5,190,600.00	56.7*	14/12/1992	31/12/2019
2	105/96	125,000.00	5,190,600.00	56.7*	14/12/1992	31/12/2019
3	106/96	125,700.00	5,190,600.00	56.7*	14/12/1992	31/12/2019
4	107/96	126,400.00	5,190,600.00	56.7*	14/12/1992	31/12/2019
5	108/96	123,950.00	5,190,000.00	56.7*	14/12/1992	31/12/2019
6	109/96	124,650.00	5,190,000.00	56.7*	14/12/1992	31/12/2019
7	110/96	125,350.00	5,190,000.00	56.7*	14/12/1992	31/12/2019
8	111/96	126,050.00	5,190,000.00	56.7*	14/12/1992	31/12/2019
9	112/96	126,750.00	5,190,000.00	56.7*	14/12/1992	31/12/2019
10	113/96	124,300.00	5,189,400.00	56.7*	14/12/1992	31/12/2019
11	114/96	125,000.00	5,189,400.00	56.7*	14/12/1992	31/12/2019
12	115/96	125,700.00	5,189,400.00	56.7*	14/12/1992	31/12/2019
13	116/96	126,400.00	5,189,400.00	56.7*	14/12/1992	31/12/2019
14	117/96	127,100.00	5,189,400.00	56.7*	14/12/1992	31/12/2019
15	118/96	124,650.00	5,188,800.00	56.7*	14/12/1992	31/12/2019
16	119/96	125,350.00	5,188,800.00	56.7*	14/12/1992	31/12/2019
17	120/96	126,050.00	5,188,800.00	56.7*	14/12/1992	31/12/2019
18	121/96	126,750.00	5,188,800.00	56.7*	14/12/1992	31/12/2019
19	122/96	127,100.00	5,190,600.00	56.7*	14/12/1992	31/12/2019
20	123/96	127,800.00	5,190,600.00	56.7*	14/12/1992	31/12/2019
21	124/96	127,450.00	5,190,000.00	56.7*	14/12/1992	31/12/2019
22	125/96	128,150.00	5,190,000.00	56.7*	14/12/1992	31/12/2019
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30	379/11(620/11)	124,650.00	5,190,400.00	56.7*	20/10/2011	31/12/2019
31	380/11(621/11)	125,350.00	5,190,400.00	56.7*	20/10/2011	31/12/2019
32	381/11(622/11)	126,050.00	5,190,400.00	56.7*	20/10/2011	31/12/2019
33	382/11(623/11)	126,750.00	5,190,400.00	56.7*	20/10/2011	31/12/2019
34	383/11(624/11)	127,450.00	5,190,400.00	56.7*	20/10/2011	31/12/2019
35	384/11(625/11)	128,150.00	5,190,400.00	56.7*	20/10/2011	31/12/2019

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36	386/11(627/11)	123,600.00	5,189,800.00	56.7*	20/10/2011	31/12/2019
37	387/11(628/11)	124,300.00	5,189,800.00	56.7*	20/10/2011	31/12/2019
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49	401/11(646/11)	125,000.00	5,188,600.00	56.7*	20/10/2011	31/12/2019
50	402/11(647/11)	125,700.00	5,188,600.00	56.7*	20/10/2011	31/12/2019
51	403/11(648/11)	126,400.00	5,188,600.00	56.7*	20/10/2011	31/12/2019
52	408/11(634/11)	-100,338.24	5,189,262.11	56.7*	20/11/2011	31/12/2019
53	409/11(641/11)	-101,410.30	5,188,702.69	56.7*	20/10/2011	31/12/2019
54	412/11(649/11)	-101,782.93	5,188,116.53	56.7*	20/10/2011	31/12/2019

Table 3: Coordinates for Wolfsberg Project Exploration Licences.

* These Exploration Licences overlap so the total non-overlapped area covered is 1,488 hectares of which 1,133 hectares is 'secure'.

Licence Name	Corner	Easting (GK M31)	Northing (GK M31)	Area (Hectares)	Date Granted
Andreas 1	1	126,424.34	5,190,354.04	4.8*	22/03/2011
	2	126,813.21	5,190,260.30		
	3	126,785.09	5,190,143.65		
	4	126,396.22	5,190,237.38		
Andreas 2	1	126,396.22	5,190,237.38	4.8*	22/03/2011
	2	126,785.09	5,190,143.65		
	3	126,756.97	5,190,026.99		
	4	126,368.10	5,190,120.72		
Andreas 3	1	126,368.10	5,190,120.72	4.8*	22/03/2011
	2	126,756.97	5,190,026.99		
	3	126,728.85	5,190,910.33		
	4	126,339.99	5,190,004.06		
Andreas 4	1	126,786.33	5,190,075.79	4.8*	22/03/2011
	2	126,175.20	5,190,982.06		
	3	126,147.08	5,190,865.40		
	4	126,758.21	5,190,959.13		
Andreas 5	1	126,758.21	5,190,959.13	4.8*	22/03/2011
	2	126,147.08	5,190,865.40		
	3	126,118.96	5,190,748.74		
	4	126,730.09	5,190,842.47		
Andreas 6	1	126,189.26	5,190,040.39	4.8*	22/03/2011
	2	126,578.12	5,189,946.66		
	3	126,555.00	5,189,830.00		
	4	126,161.14	5,189,923.73		
Andreas 7	1	126,161.14	5,189,923.73	4.8*	22/03/2011

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Paynes Find Gold Ltd – Wolfsberg Lithium Project

	2	126,555.00	5,189,830.00		
	3	126,521.88	5,189,713.34		
	4	126,133.02	5,189,807.07		
Andreas 8	1	126,133.02	5,189,807.07	4.8*	22/03/2011
	2	126,521.88	5,189,713.34		
	3	126,493.76	5,190,596.68		
	4	126,104.90	5,190,690.41		
Andreas 9	1	126,578.12	5,189,946.66	4.8*	22/03/2011
	2	126,966.98	5,189,852.93		
	3	126,938.86	5,189,736.27		
	4	126,555.00	5,189,830.00		
Andreas 10	1	126,555.00	5,189,830.00	4.8*	22/03/2011
	2	126,938.86	5,189,736.27		
	3	126,910.74	5,189,619.61		
	4	126,521.88	5,189,713.34		
Andreas 11	1	126,521.88	5,189,713.34	4.8*	22/03/2011
	2	126,910.74	5,189,619.61		
	3	126,882.62	5,189,502.95		
	4	126,493.76	5,189,596.68		

Table 4: Wolfsberg Mining Licences Coordinates.

* All these Mining Licences covering a total of 52.8 hectares overlap Exploration Licences.

NOTE: All coordinates in this report use the Austrian GK (Gauss-Krüger) datum with three reference strips (M31 used for the Wolfsberg project).

There is no expiry date on a mining licence provided the annual work requirement has been met. The bulk mine samples taken in 2013 fulfilled the mining requirements for that year. The company applied for an exemption from undertaking additional mining whilst technical studies are in progress and an exemption was extended for years 2016 and 2017 in a decree from the Mining Authority dated 3rd November 2015.

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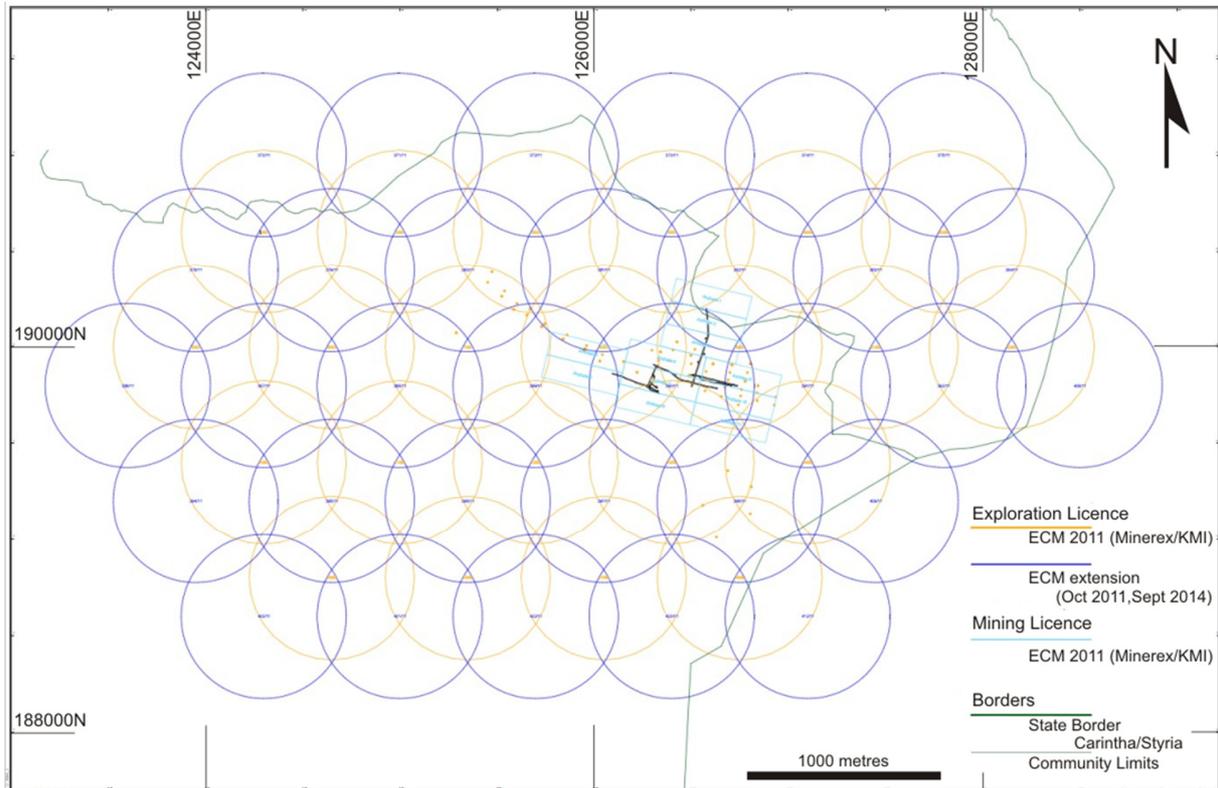


Figure 3: Exploration Licences and Mining Licences Location and Configuration.

Environmental Regulations

As with other advanced European industrialised nations, growing environmental awareness in Austria has acted as a catalyst for the enactment of new environmental laws creating an increasingly complex web of statutes and regulations that the industry must thoroughly understand in order to ensure full compliance with the law. Despite the fact that Austria has a long and varied history of mining, there is very little mining industry today and there is broad political consensus in favour of more stringent environmental regulations in Austria.

Environmental law in Austria is based on administrative law. Consequently the authorities of general administration (Behörden der allgemeinen staatlichen Verwaltung) are responsible for the administration of environmental laws, so enforcement and administration of environmental law follow general administrative proceedings rules. At the federal level, such authorities are the district authorities (Bezirksverwaltungsbehörden); the governors of the states (Landeshauptmann); and the Minister for Agriculture, Forestry, Environment and Water Management (Bundesminister für Landund Forstwirtschaft, Umwelt und Wasserwirtschaft). At the state level, the authorities of general administration are the district authorities (Bezirksverwaltungsbehörden) and the government of each state (Landesregierung).

Concerning environmental issues, two specialised agencies or authorities, apart from the general administrative organisation, are important: the Federal Environment Agency (Umweltbundesamt); and the independent panels of environmental review (Umweltsenat). The Federal Environment Agency is in charge of monitoring and documenting the environmental situation in Austria, whereas the independent environmental panels hear appeals for projects involving an environmental assessment.

In the last decade, Parliament has sought to ease the burden on public agencies by including private persons in administrative matters. The Environmental Management Act (Umweltmanagementgesetz) establishes an accreditation system for audits (Prüfer) of production facilities in respect of environmental matters.

Operators of production plants must deliver an environmental audit report every five years. Such reports may be written by auditors that may be chosen directly by the operator. Such auditors are allowed to issue environmental statements which act as a substitute for permits otherwise issued by administrative authorities regarding alteration to plants.

Auditors must be qualified and are subject to a strict supervisory system.

The Austrian environmental administrative authorities do not generally publish policies. Most of the important responsibilities for the enforcement of environmental laws lie with the nine states (Länder), where most laws are enforced by district authorities.

Labour Legislation

Austrian Labour Law consists of numerous legal provisions stipulated in many different laws regulating employment relationships. From a very general point of view labour law may be divided into law regarding provisions of employment contracts (individual labour law), industrial relations regulations (collective labour law), procedural labour law, and terms and conditions concerning health and safety at work.

Austrian Employment Legislation has traditionally drawn a distinction between waged (“Arbeiter”) and salaried (“Angestellte”) employees. Senior executives and members of managing boards traditionally have a special position in labour law. Certain restrictions and protective laws do not apply to them to the same extent as to non-executive employees. As far as statutory law is concerned, the distinction between salaried and waged employees has by now lost much of its significance. However, there remain differences between applicable social insurance systems, the election of works councils, membership of trade unions, severance payment regulations and the applicable notice period for each type of employee. Austria has a strong labour movement. The Austrian Trade Union Federation consists of about 1.5 million people, more than half of the waged and salaried workforce.

Taxation

Under Austrian law, a Company is subject to corporate income tax at a flat rate of 25% on income and capital gains, whether retained or distributed. This rate applies to resident companies with unlimited tax liability as well as non-resident companies subject to limited tax liability on their Austrian source income. The 25% rate has applied since 2005.

A minimum corporate income tax is levied on corporations subject to Austrian unlimited tax liability. The minimum tax due is as follows;

- €1,750 per year for limited liability companies
- €3,500 per year for joint stock companies
- €1,092 per year for newly incorporated companies for the first four quarters of incorporation.

There is no accumulated earnings tax levied in Austria. Income Tax levied on owners/shareholders may be deferred indefinitely by accumulating profits in a company. Local business tax was abolished with effect from 1 January 1994. Since that date there has been a local authority tax (community tax) on payroll.

Capital gains arising from the disposal of shares in an Austrian company are subject to 25% corporate income tax. Non-residents are subject to Austrian taxation only on certain Austrian source capital gains.

Royalties, Taxes and Fees

There is a royalty agreement between ECM Lithium AT GmbH and Exchange Minerals in which Exchange Minerals will receive a royalty of €1.50 per tonne of mineral product sold from the Wolfsberg tenements.

Adequacy of Tenure

The Mining Licences provide sufficient suitable areas to construct all the necessary mine infrastructure including mineral processing plant as well as waste rock and mineral processing tailings disposal.

Since approximately 7% of the reported Measured and Indicated resource and 46% of the Inferred resource lies outside of the area covered by the Mining Licences, but still within the area covered by the Exploration licences, European Lithium AT Investments Limited, via its wholly owned subsidiary, ECM Lithium AT GmbH, will be applying for additional Mining Licences to cover all the known resource area.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

Accessibility

The nearest town, approximately 20 km west of the project area, is Wolfsberg situated within the Lavanttal Alps, west of the Koralpe range in the valley of the Lavant River, a left tributary of the Drava. In the northeast, the road up to the Packsattel mountain pass connects Wolfsberg with Voitsberg in Styria. Wolfsberg's municipal area of 279 km² and is the fourth largest in Austria.

Wolfsberg is linked to Vienna by rail and to surrounding cities and towns by a network of paved roads. The project area is linked to Wolfsberg to the west and Deutschlandsberg to the east by paved roads. Several paved and gravel roads cross the project area providing ready access all through the year to the mine adit as well as local farms and a ski resort.

Climate

Austria's climate is generally moderate and mild but varies from the Alpine region to the eastern plain. Summers can be hot and long with average summer temperatures that range from 20°C to 30°C. The average winter temperatures are around 0°C. Snowfalls on the mountains in spring and autumn are common.

The Carinthia region in which the mine is located has a continental climate, with hot and moderately wet summers and long harsh winters. In recent decades winters have been exceptionally arid.

The average amount of sunshine hours is the highest in Austria. In autumn and winter temperature inversions often dominate, characterized by still air with a dense fog and trapped pollution forming smog covering the frosty valleys, while mild sunny weather is recorded higher up in the foothills and mountains.

Klagenfurt, the capital of the federal state of Carinthia and approximately 45 km south-west from Wolfsberg, has a typical Continental climate -

Table 5, with a fair amount of fog throughout the autumn and winter.

The rather cold winters are, however, broken by occasional warmer periods due to foehn wind from the Karawanken mountains to the south. The average temperature from 1961 to 1990 is 7.1 °C, while the average temperature in 2005 was 9.3 °C.

The main exploration season is from May to October with mining possible all through the year.

Month	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
Record high °C	16.4	21.5	24	26.7	31.4	33.1	35.8	35.5	29.7	26.3	18.3	16.6	35.8
Average high °C	0.3	4.4	10.3	14.9	20.2	23.4	25.5	25.1	20.6	14.2	5.8	0.8	13.8
Daily mean °C	-4.0	-1.4	3.6	8.3	13.7	16.9	18.8	18.2	13.8	8.2	1.7	-2.7	7.9
Average low °C	-7.2	-5.4	-1.3	2.8	7.8	11.1	12.9	12.7	9	4.3	-1.0	-5.2	3.4
Record low °C	-25.1	-25.6	-19.1	-5.9	-2.2	1.9	3	3.4	-1.6	-8.9	-17.4	-21.8	-25.6
Precipitation mm	30.9	35.2	50.2	64.5	78.5	113.5	117.6	98.6	89.7	82.9	78.9	48.9	889.4
Snowfall cm	17.5	20.4	9.9	5.1	0.8	0	0	0	0	0.3	10.1	20	84.1
Avg. precipitation days (≥ 1.0 mm)	5.1	4.9	6.2	8	9.6	11.5	10.2	9.4	7.2	7.3	7.1	5.4	91.9
Avg. snowy days (≥ 1.0 cm)	23.1	18.5	8.2	1.1	0.2	0	0	0	0	0.1	5	15.9	72.1
Mean monthly sunshine hours	78.8	123	158.3	175.2	212.5	217.5	241.2	233	180.5	125.6	66	57.4	1,869

Table 5: Climate data for Klagenfurt (data sourced from Austrian Central Institute for Meteorology and Geodynamics).

Local Resources

Carinthia's main industries are tourism, electronics, engineering, forestry, and agriculture. The multinational corporations Philips and Siemens have large operations there.

The project area is readily accessible to sufficient skilled workers, electricity, water, communications and transport to meet the needs of a moderate sized underground mine with mineral processing plant.

Physiography

The Wolfsberg project is situated along a gently sloping mountain ridge called Brandrucken at an elevation between 1,450 and 1,750 metres above sea level. The area is part of a mountain chain called "Koralpe" that forms the border between Carinthia and the neighbouring Austrian province of Styria.

The Mining Licence is mainly covered by areas of pine forest with scattered cleared grazing areas. Immediately east of the Mining Licence are a series of cleared snow ski slopes.

Lithium – Uses and Marketing

According to Roskill Information Services Ltd., in 2012, the lithium market by volume totalled 150,200t lithium carbonate equivalent (LCE), with an estimated value of around US\$2.2B. There are eight main lithium products ranging from low-value technical-grade minerals through to high-value organolithium. The lithium for these products comes from either hard rock mines such as the type exemplified by the currently (non-producing) Wolfsberg project or from salt lake brines in various countries. 'Stormcrow' (independent industry analysts) estimated that the lithium market had grown to 182,90 t (LCE) of which battery consumption had grown to 35%.

Uses

Consumption of lithium has shown strong growth since the beginning of the millennium, increasing from just over 68,000t LCE in 2000 to 150,200t in 2012, an average annual growth rate of 6.8% per annum. Growth in consumption has been led by the rechargeable battery market, which accounted for 27% of the total lithium consumption in 2012, a more than ten-fold increase from the 4% market share it held in 2000.

The author does not have any information on the use or market for lithium after 2012.

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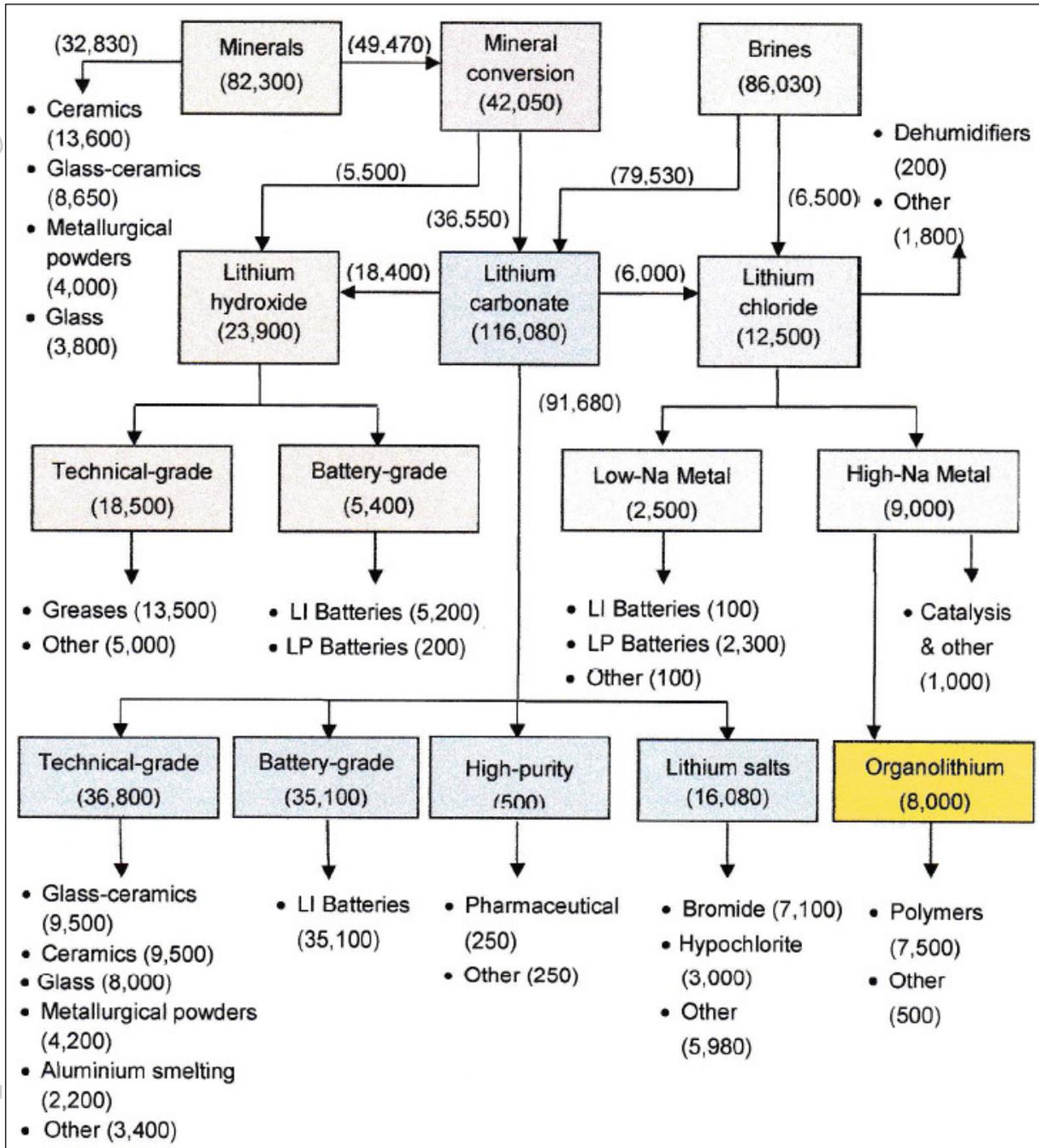


Figure 4: World Lithium Uses and Markets (Roskill Information Services Limited, 2013, www.roskill.com).

Demand for rechargeable lithium batteries has increased significantly because of rapid expansion in the portable consumer electronics sector. Almost all cellular phones and portable computers incorporate lithium rechargeable batteries because of their higher energy density and lighter weight than the common alternatives.

Lithium rechargeable batteries have also been gaining market share in other markets including power tools and electric bicycles and more recently extended to use in electric vehicles and large-scale energy storage systems.

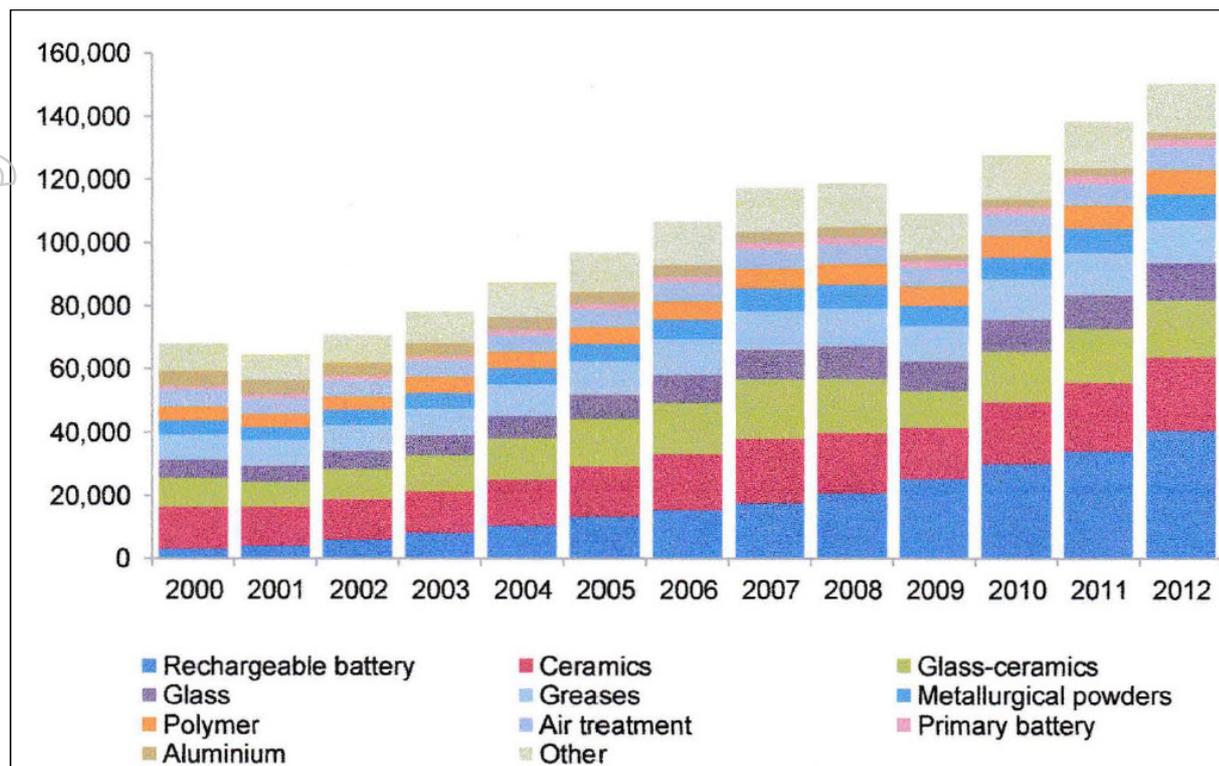


Figure 5: Consumption of Lithium by End Use (2000-2012) (Roskill Information Services Limited, 2013, www.roskill.com).

The majority of lithium is, however, consumed in the manufacture of lower value industrial and construction related products such as glass, ceramics, glass-ceramics, greases, metallurgical powders, polymers and aluminium accounting for 35% of total consumption in 2012. Other lithium products such as butyllithium, lithium bromide and lithium metal together account for the remaining 20% of lithium consumption by product.

Production

Production from lithium brines in Chile, Argentina, the USA and China collectively accounted for 51% of global lithium output in 2012. Hard rock lithium mineral production from Australia, accounted for 40.5% of global lithium output in 2012, with lesser amounts produced in China (3.7%) and Zimbabwe (3.2%).

The majority of lithium production is undertaken by the 'big four' companies: Talison Lithium in Australia, SQM in Chile, Rockwood Lithium in Chile and the USA, and FMC Lithium in Argentina. Together, these four companies produced 82.3% of global lithium output in 2012.

The author does not have any information on production after 2012.

History

Minerex, an Austrian government company, discovered the Wolfsberg lithium deposit in 1981. Following extensive technical and commercial studies it was decided in 1988 not to develop the project.

The project was then taken over by Bleiburger Berwerksunion ("BBU") a lead-zinc miner also operated by the Austrian Government. BBU abandoned their development plans three years later and all of the mineral tenements (Schurfrechte) as well as the underground infrastructure were sold to Karntner Montanindustrie GmbH ("KMI"). KMI continued to carry out all the necessary works and other requirements specified by the authorities to maintain the mine and its mining licence in good order.

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In 2011, ECM Lithium AT GmbH acquired the Wolfsberg project from KMI. ECM Lithium AT GmbH was beneficially owned by Global Strategic Metals (80%) and Exchange Minerals, a private company, (20%) through the BVI company ECM Lithium AT (Holdings) Ltd.

This company was renamed European Lithium Ltd, following a demerger of Global Strategic Metals' interest in the company through an in specie share distribution to shareholders.

Minerex Exploration

The Wolfsberg lithium project has been subject to extensive exploration by the original owners, Minerex-Explorationsgesellschaft GmbH (Minerex), between 1981 and 1987 concluding with a pre-feasibility study. This work included geological mapping, trenching and surface and underground diamond drilling programs.

The initial exploration work consisted of surface geology mapping along with approximately 9,940 m³ of surface trenches excavated to assist with the surface mapping and sampling as well as a diamond drilling program totalling 12,012 m collared from the surface.

During 1985 a detailed underground exploration program was undertaken including development of a decline from the surface to provide access to the pegmatite veins. Crosscutting drifts were then driven along strike of selected veins to provide access for mapping and sampling.

In all 1,389 m of underground decline development and other drives were mined.

A diamond drilling campaign was then undertaken from selected underground sites to in-fill the drill holes drilled from the surface and two experimental stopes were mined to evaluate cut and fill and long-hole sub-level stoping methods as well as to provide bulk samples for future metallurgical testing.

Geo-mechanical measurements of the sidewalls of the stopes were also taken as part of the mining trial.

Exploration Work	Parameters	Quantity
Exploration trenches (surface)	number / volume	35 / 9,940 m ³
Diamond core drilling (surface)	number / length	64 / 12,012 m
Decline drift from surface	length	417.6 m
Underground development between veins	length	119.2 m
Drifts following veins (along strike)	length	853.7 m
Diamond core drilling (underground)	number / length	37 / 4,715 m

Table 6: Summary of Exploration Work as Reported by Minerex.

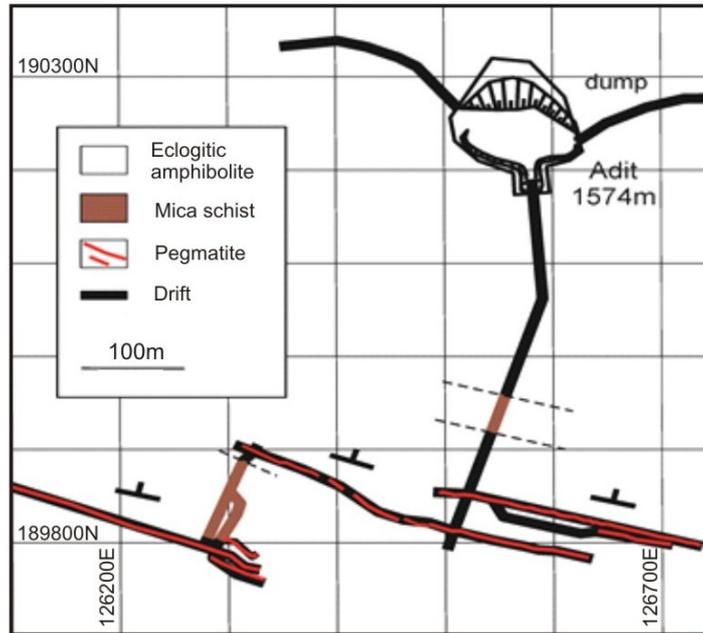


Figure 6: Underground Workings at Wolfsberg – Plan.



Figure 7: Photo of Underground Workings at Wolfsberg.

Minerex undertook mineral processing studies between 1982 and 1987 on selected samples from the Wolfsberg pegmatites at the Minerals Research Laboratory of the North Carolina State University College of

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Engineering (NCSU). This laboratory was chosen because the main focus of its research is the beneficiation of industrial minerals. NCSU's experience in industrial minerals is considered unmatched by any other university laboratory in the United States as it provides support to the large North Carolina industrial minerals sector, including the Kings Mountain spodumene mine.

As a result of the NCSU flotation and magnetic separation test work, spodumene concentrates with Li_2O grades >6% with spodumene recoveries of over 85% could be produced from both high grade and low grade ores contaminated with 10% amphibolite or 10% mica schist. Furthermore, ceramic grade feldspar could also be produced with feldspar recoveries of >90% at concentrate grades of >86% feldspar from both ore types. The recovered feldspar amounted to 28-32% of the head feed. Glass grade quartz concentrate was also produced from both ore types with recoveries ranging from 15-17% of the head feed achieved. A mica concentrate was also considered a possible by-product using screening after milling.

Spodumene concentrates were then tested at the Versuchsanstalt fur Chemie der Hoheren Bundeslehr und Versuchsanstalt fur Chemische Industrie laboratory in Vienna for conversion to lithium carbonate. A 96% Li_2CO_3 product was produced at a 93% recovery from a 6% Li_2O spodumene concentrate.

Rock mechanics studies were carried out by the Montanuniversitat Leoben.

Underground mining studies, including trial mining, were also undertaken by Boliden, an international mining company, and they concluded that both long hole open stoping and cut-and-fill mining were suitable mining methods.

Austroplan (Austrian Engineering Company Ltd), a consulting group within the Government OEIAG, was engaged by Minerex to prepare a Feasibility Study on the project. Austroplan recognised that the work was not as detailed as would normally be expected for a feasibility study and it should be considered a pre-feasibility study.

Minerex did not proceed with the project which was then transferred to BBU and then acquired by KMI in 1991.

KMI engaged Mine-It, a mine planning consultancy in Leoben, to re-evaluate the resource and prepare a 3D digital model of the resource to better utilised in mine planning.

Unfortunately, with the passing of the project to BBU and the abandonment of that company, the original drill core was not maintained and some of the original source data was misplaced or lost. Mine-It produced a first Technical Report on the Resource Estimation of the Koralpe (Wolfsberg) project in July, 2010 addressing dyke locations, geometry and tonnages but not grade. KMI submitted an application for a Mining Licence on the basis of the Mine-It/Miller earlier JORC 2004 resource calculation. This was granted by the Mining Authority who considered the resource within the drilled area conformed to category R-1A-E, the highest category within the Austrian classification system ONORME G1050 and is broadly equivalent to the Measured resource of the JORC Code.

ECM Lithium AT GmbH acquired the Wolfsberg project from KMI in 2011 and with an ultimate Australian owner, East Coast Minerals NL later to be renamed Global Strategic Metals NL, and listed on ASX required the resource to be reported to JORC Code reporting standards.

The only mine production from the project is from the Minerex exploration and trial mining test development of approximately 1,389 linear metres of 4 m x 4 m underground development (incline and horizontal drives) and the two 500 tonne bulk metallurgical samples currently stockpiled at the KMI warehouse nearby.

Geological Setting

Regional Geology

The geology of Austria is greatly influenced by the collision of the African tectonic Plate with the Eurasian continent over the last 150 million years ("Ma"). This collision resulted in the strata of the ancient Tethys Ocean being folded and thrust northwards on top of each other and over the northern Bohemian Massif basement. The Austria region is characterised by the uplifted Alpine Orogenic Belt (the European Alps) which now forms a

spine-like ridge stretching from east to west across central Europe, rising to heights of over 4,000 m. Three broad geotectonic divisions are recognised in Austria as follows:

1. The north of the country is dominated by the Bohemian Massif, part of the Hercynian orogenic belt comprised of Pre-Cambrian medium to high grade metamorphosed gneisses, intruded by Variscan granites (380 - 300 Ma).
2. The majority of the country is built up by the Eastern Alps, a mountain range composed of pre-alpine, mainly Palaeozoic, slightly to medium grade metamorphosed metasediments and Triassic to Cretaceous limestones called the Southern and Northern Calcareous Alps. The internal tectonic structure of the Eastern Alps is characterised by different thrust nappes.
3. The remainder of Austria's geology is made up by Tertiary basins filled with Tertiary sediments, e.g. the Viennese and Pannonian Basins.

The Austrian Alps

The Alpine Belt consists of three main geological zones forming thrust sheets (nappes) that have been stacked on top of each other and the crystalline basement, Figure 8.

- The oldest of these units is the Helvetic nappe which is composed of detached crystalline basement and metamorphic and igneous rocks that were metamorphosed during the Variscan Orogeny (~390-310 Ma). These rocks are found as thin slivers along a corridor running from Salzburg to Wien, adjacent to the Alpine Front faults bounding the Molasse basin.
- The Penninic nappe has been thrust over the Helvetic nappe and is composed of ophiolitic sequences and deep marine sediments that have been metamorphosed to phyllite, schist and amphibolites.
- The Austroalpine nappe structurally overlies the other two nappes and covers the largest part of Austria and consists of schists, gneiss, granite, limestone and other volcano sedimentary rocks.

There are a number of "windows" in the upper thrust nappe that expose Penninic and Helvetic lithologies below. These include the Engadin and Tauern windows. The Tauern window covers an area of ~1,200 km² stretching from Innsbruck, eastwards to the Rotguldner area. It is at the eastern end of this Tauern window that the Wolfsberg mine is located.

The Project is located within the Koralpe, a NS-trending mountain ridge about 25 km in length forming part of the eastern Alpine crystalline basement.

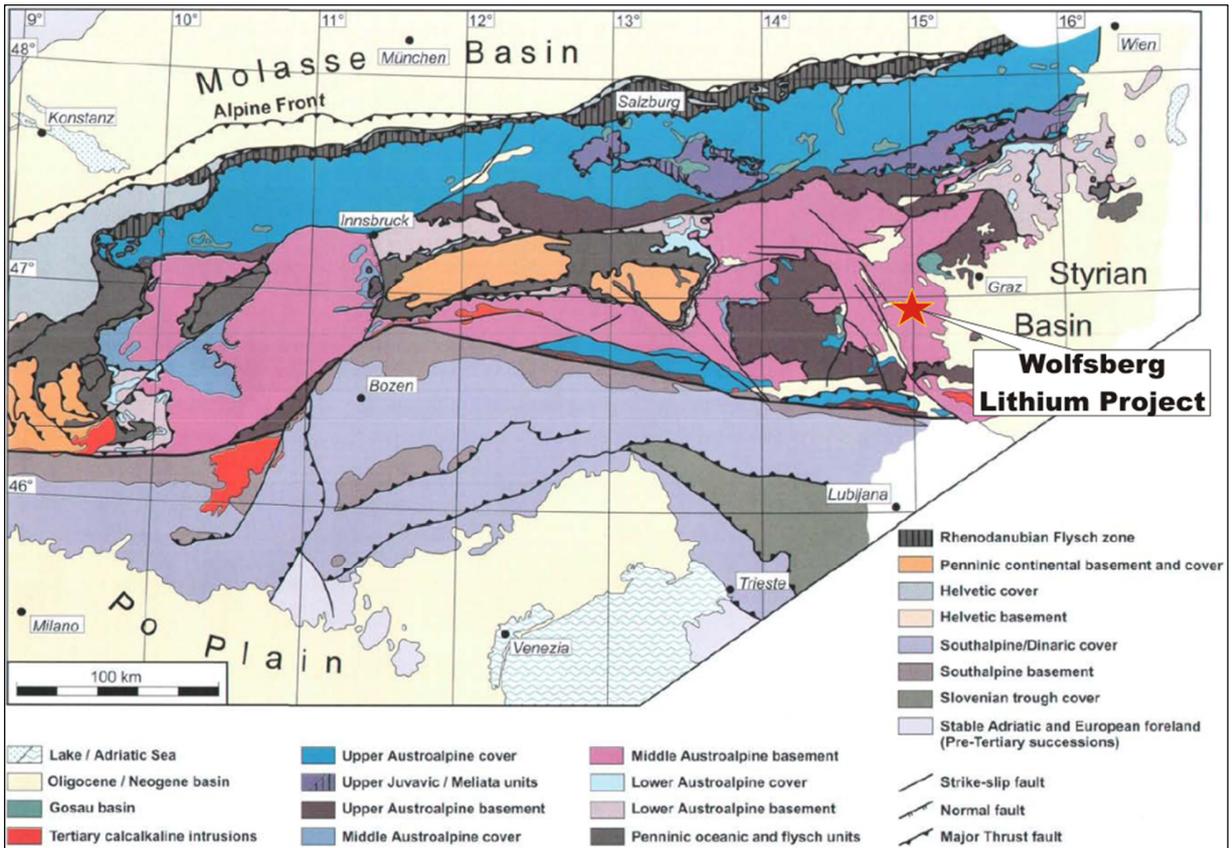


Figure 8: Geological map of Austrian Region (from Neubauer and Hock, 1999).

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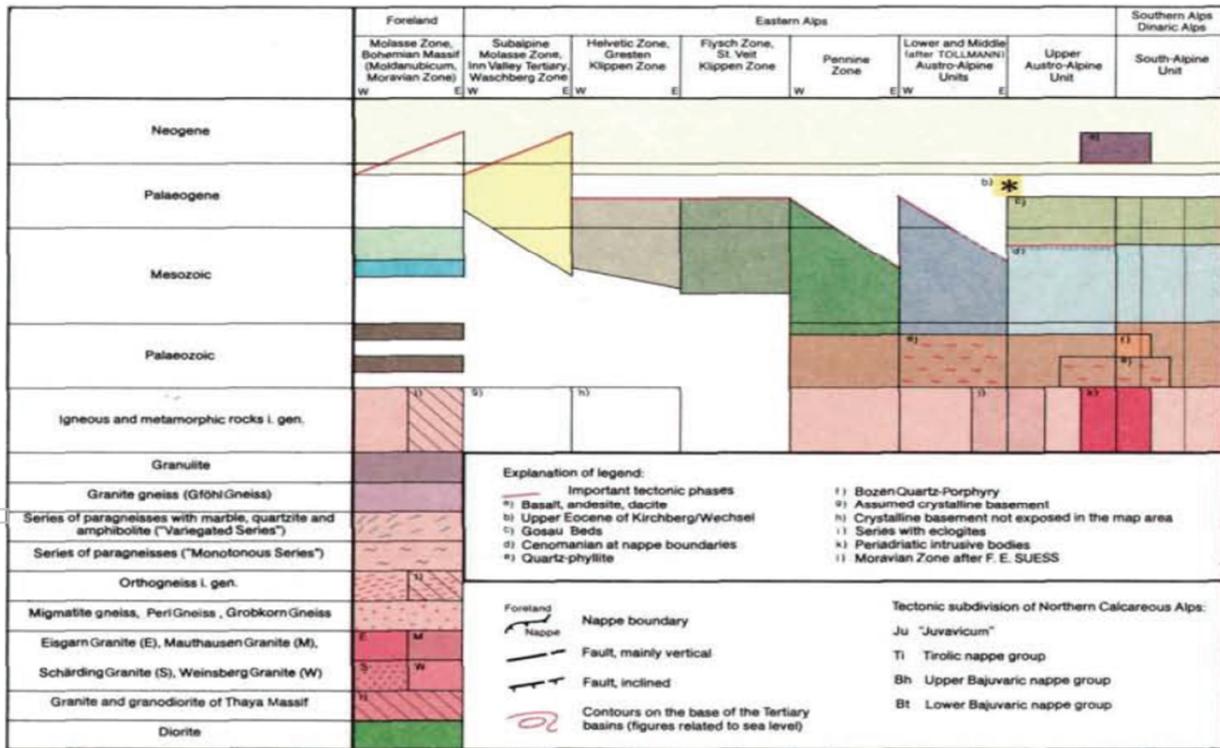
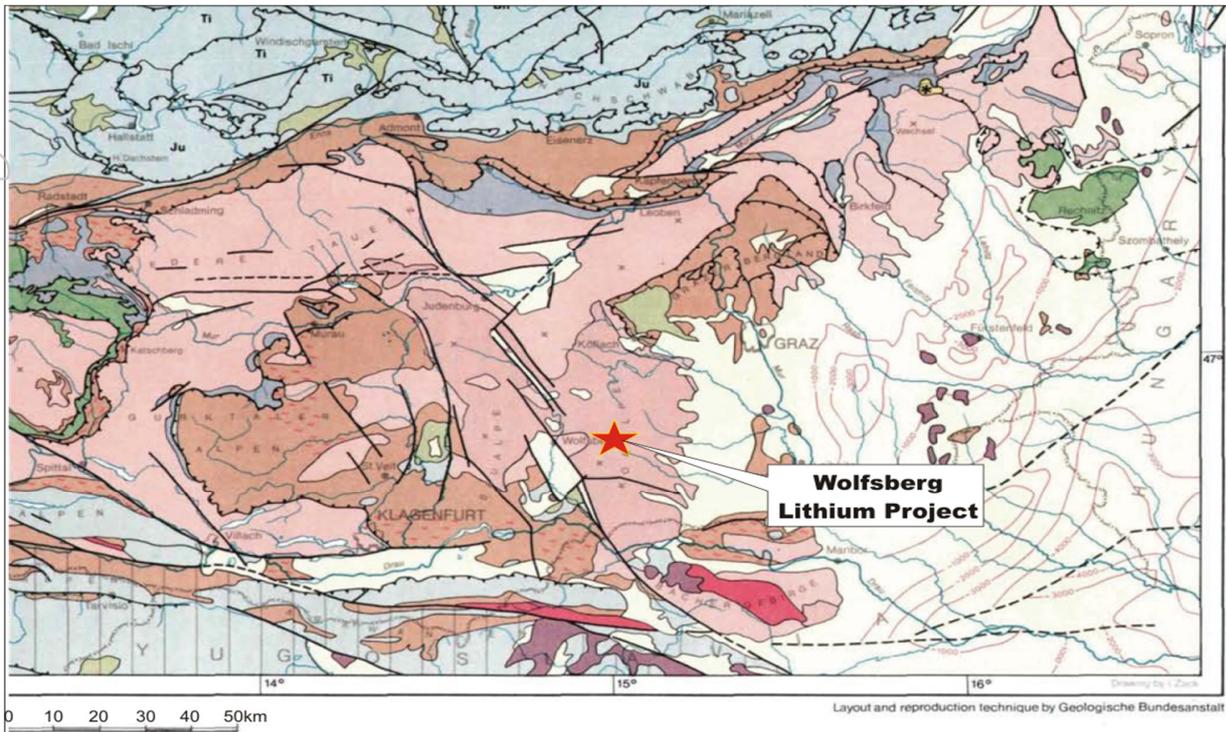


Figure 9: Geology of Wolfsberg Region (Janoschek and Matura 1980).

The Koralmpe is predominantly composed of metamorphic rocks within the Variscan nappe including paragneisses and mica schists along with eclogites, amphibolites and marbles. A regional outline of the

geology of the Koralpe and its geotectonic framework has been given by Tollmann (1977) and Beck-Mannagetta (1980a) and a geological map of the Koralpe has been published by Beck-Mannagetta (1980b). The only rock of granitic composition, a granitic gneiss, is situated about 20 km west of the area (Figure 8). Being part of a window this gneiss therefore does not belong to the Koralpe crystalline complex in a strict sense. A stratigraphic column of the Koralpe region is shown in Figure 11.

A younger, probably early Alpine metamorphic overprint is well documented (Wimmer-Frey 1984) and is indicated by mica ages of about 80 Ma (Morauf 1980, 1981). This younger metamorphic event gave rise to the regional, EW striking, gently undulating, syncline-anticline structure of the Koralpe crystalline complex. One of these regional anticlines passes close to the southern margin of the deposit.

Local Geology

The Project area is characterized by a sequence of generally quartzitic, locally kyanite-bearing mica schists and eclogitic amphibolites. Due to its position at the northern slope of the anticline, the strata uniformly strike WNW- ESE (average 120 °) and dipping to the NNE at an average of 60° (Figure 10).

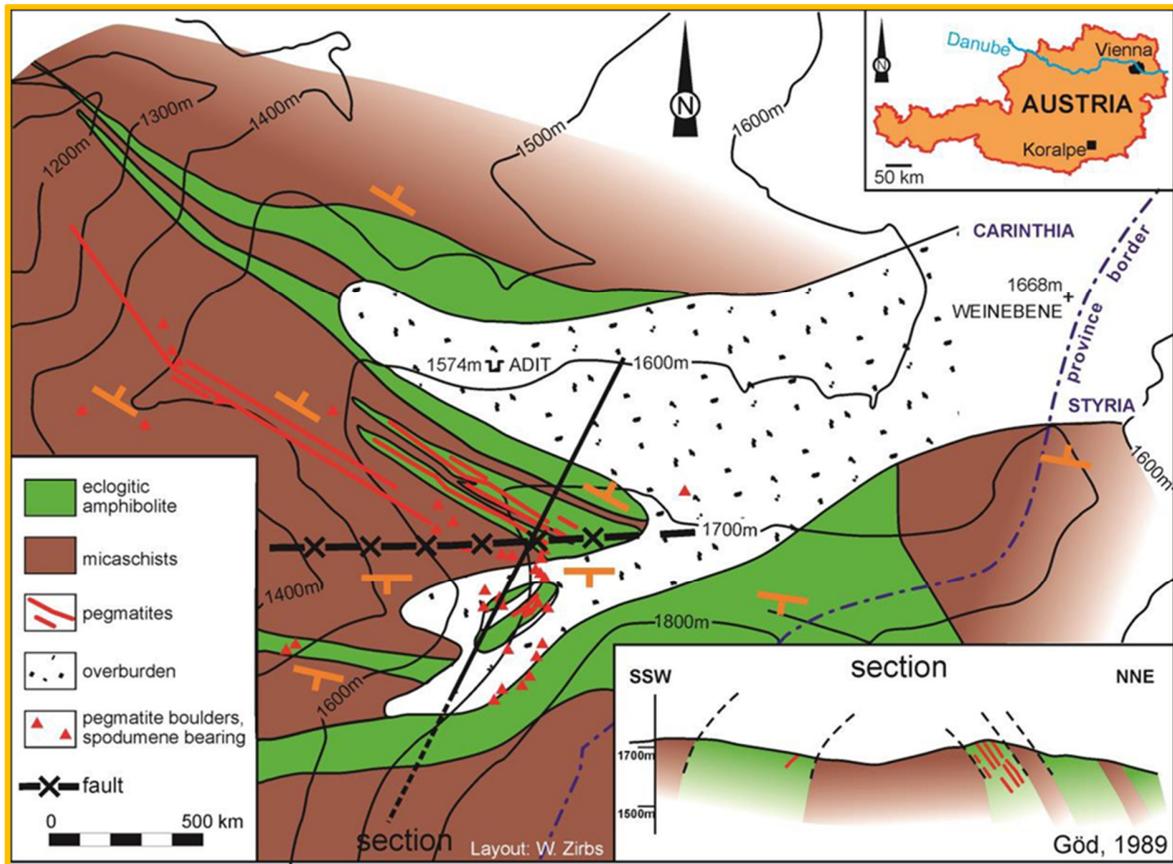


Figure 10: Geology of Wolfsberg Project (after Göd, 1989).

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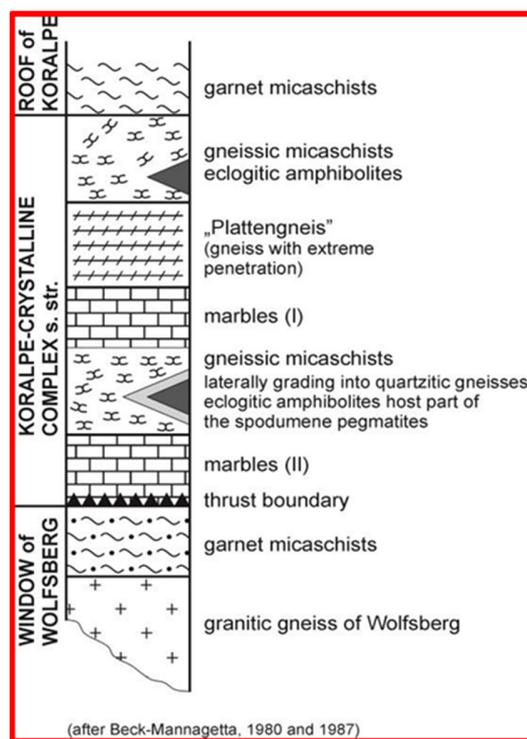


Figure 11: Stratigraphy of the Koralpe area.

The amphibolites are finely laminated, greenish rocks, composed mainly of amphibole, plagioclase, +/- garnet, and minor quartz with locally abundant primary calcite. The eclogitic sections, occurring as one up to a few metres thick layers, are characterized by symplectitic pyroxenes (Jawetzki, pers comm).

The mica schists are mainly composed of muscovite, quartz, garnet, and biotite along with kyanite paramorphs up to a few centimetres after andalusite. Both the eclogitic amphibolites as well as the mica schists occasionally contain graphite-rich layers, ranging from several centimetres to a few tens of centimetres thickness.

The spodumene-bearing pegmatites occur as unzoned, dyke-like bodies in the eclogitic amphibolites and kyanite-bearing mica schists, strictly concordant with their foliation. They have been traced in mapping over a distance of approximately 1.5 km and to a depth of about 450 m by drilling. The amphibolite hosted pegmatites (AHP) lie stratigraphically in the hanging wall position relative to the mica schist hosted pegmatites (MHP) although they overlap (Figure 10). The AHP pegmatites are cut in the east by a NE-SW-trending fault and thin out in the west. The MHP pegmatites continue to the west and are cut to the east by the NE-SW trending fault as for the AHP. As plotted in Figure 10, mineralised boulders equivalent to the AHP pegmatites also occur at the southern slope of the anticline. Limited drilling in Zone 2 on the southern limb of the anticline has also confirmed the existence of AHP and MHP.

The potential for resource extensions of the whole geological environment appears to be good.

The largest MHP dyke, dyke 7, has been mapped along strike continuously for approximately 1,250 metres and to a depth of about 200 m. The thickness of the AHP and MHP pegmatites differ significantly ranging from a few tens of centimetres up to a maximum of 5.5 m averaging around 2 m. The variation in thickness of the AHP appears to depend on the host rock while the MHP is remarkably consistent.

According to underground mapping the continuity of the pegmatites seems to be rather uniform being only displaced locally by NNW- SSE-trending faults from a few tens of centimetres up to a maximum of 3 m. Down-dip extension of the AHP dykes to at least 450 m has been established by drilling. The general geometry of the dykes is shown in Figure 12 and Figure 14.

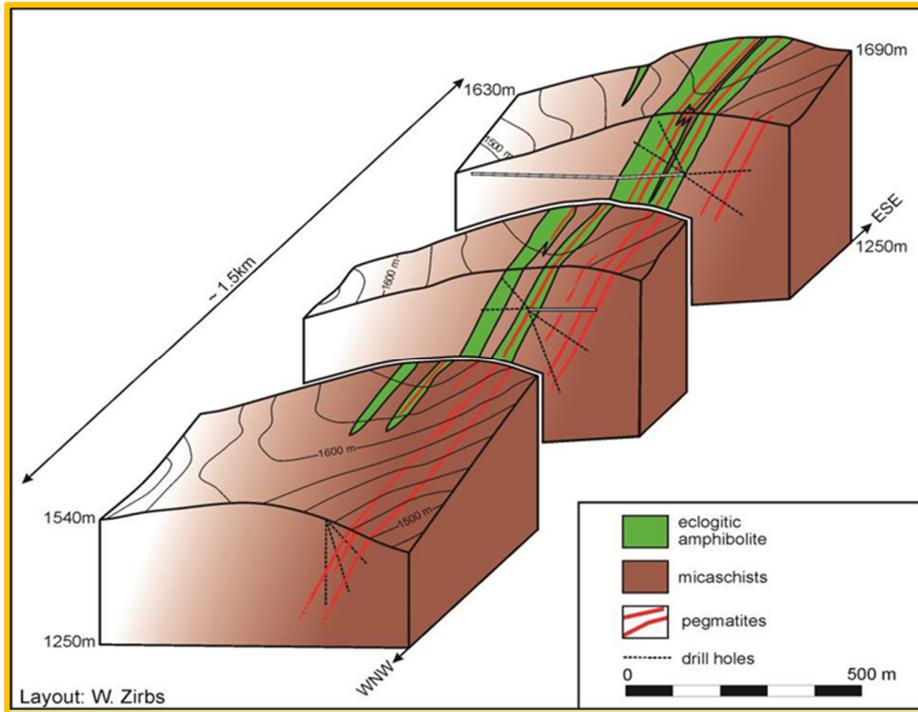


Figure 12: Three Dimensional Representations of the Wolfsberg Pegmatites.

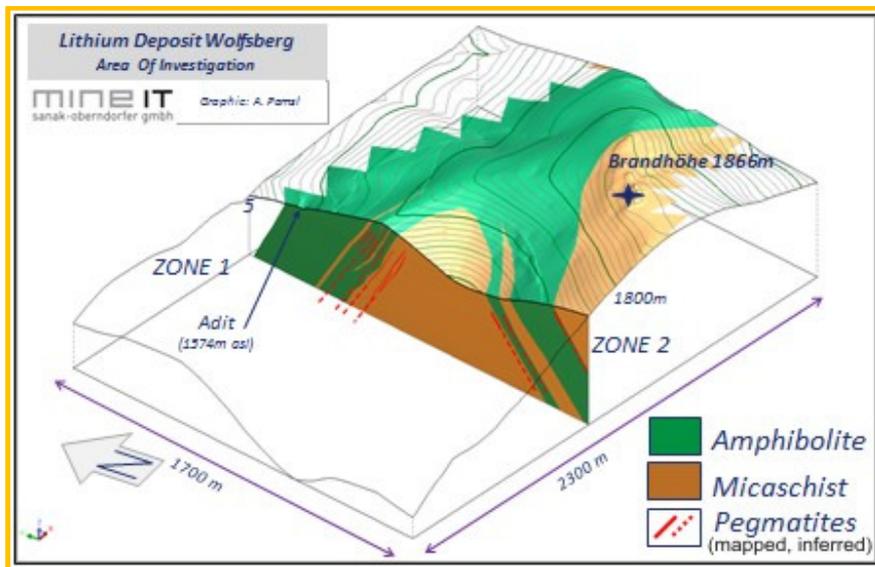


Figure 13: Three Dimensional Representations of Anticline.

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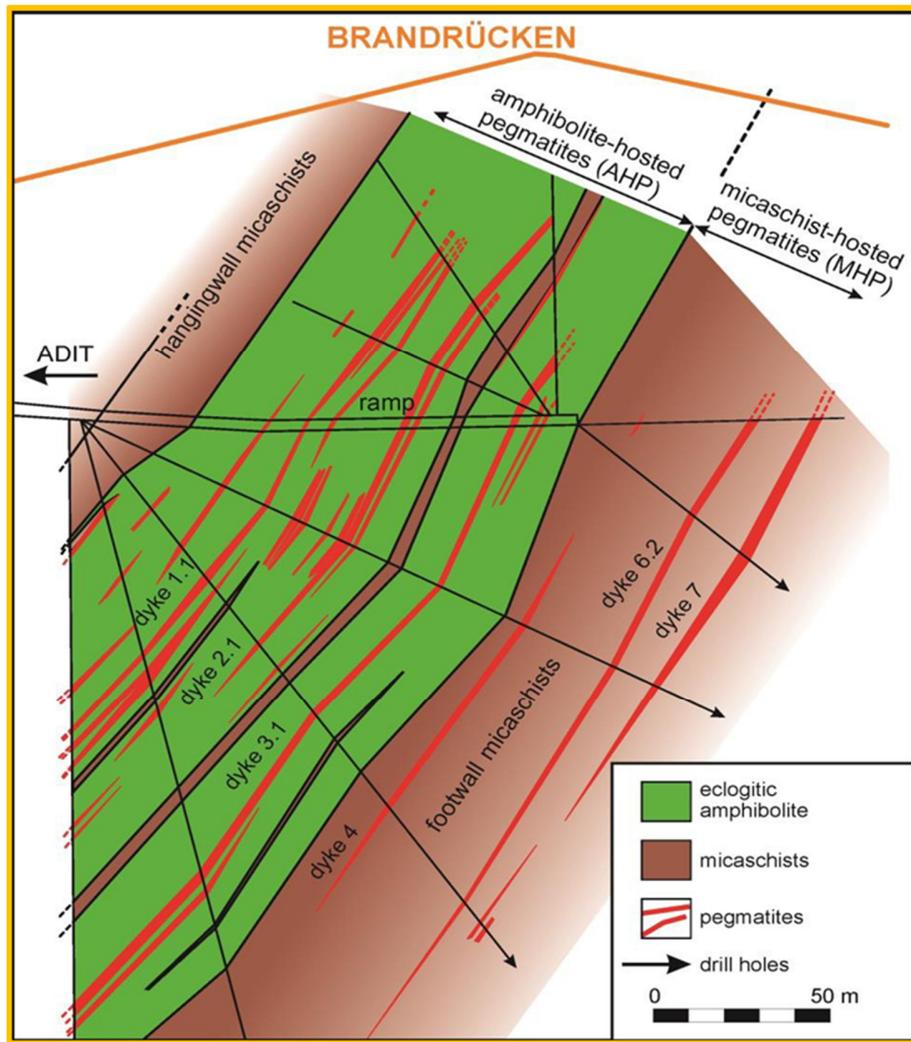


Figure 14: Typical Cross Section Showing AH and MH Pegmatites.

Petrography and Mineralogy of the Pegmatites

Amphibolite Hosted Pegmatites (AHP)

The AHP pegmatites are generally uniform in shape and internal structure. The contact zones are characterized by biotitization of the amphibolites for up to 0.5 metre and the formation of holmquistite, a Li-amphibole common in exocontacts of Li-rich pegmatites hosted by metabasics (Heinrich, 1965).

An aplitic zone, some 10 cm thick, symmetrically borders both contacts and is virtually free of spodumene. Beryl and Tourmaline tend to occur close to the pegmatite/amphibolite contact.

These pegmatites show a preferred orientation of their constituent minerals parallel to the contacts (Figure 14). The centre of the pegmatites is more or less homogeneous, locally preserving primary pegmatitic structure with a slight metamorphic overprint. The greyish to locally greenish crystals of spodumene are aligned sub-parallel to the pegmatite contacts and average about 2-3 cm in length, reaching a maximum of 15 cm. They are more or less homogeneously distributed in a fine-grained matrix of feldspars and quartz which are not discernible with the naked eye. Flakes of muscovite can be easily identified but their content does not exceed 3 % volume

of the pegmatites. The pegmatites are locally penetrated by an aplitic phase in an irregular and random manner which belongs to a distinctly later stage of pegmatite evolution.

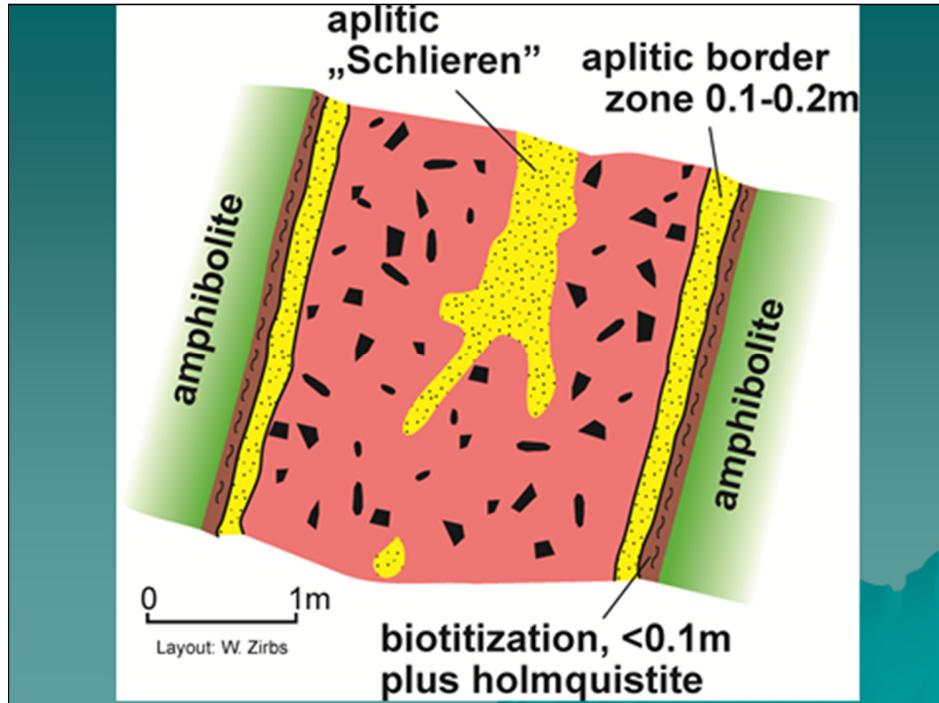


Figure 15: Schematic cross section of an AH Pegmatite.

Mica Schist Hosted Pegmatites (MHP)

The MHP pegmatites lack the typical features and textures of pegmatites having undergone a penetrative metamorphic overprint generating a fine-grained gneissic texture almost completely recrystallising all the original pegmatite minerals. Though petrographically better termed aplitic gneiss, there cannot be any doubt about the original pegmatitic origins.

In contrast to the AHP pegmatites, no aplitic border zone or any kind of contact phenomena is observable so the pegmatite dykes are truly homogeneous over their entire thickness and extension. The only minerals recognizable by the naked eye are rare spodumene grains up to several millimetres in length giving the rock an augen gneissic texture. Under the microscope, the relatively coarse-grained cataclastic spodumene is aligned parallel to the almost completely recrystallised matrix, emphasizing the metamorphic texture. The larger spodumene fragments show the same symplectic rims and sub-hedral quartz inclusions with the same uniform extinction, as described for the AHP pegmatites. These crystals are therefore interpreted as relicts from the pre-metamorphic igneous constitution of the pegmatites.

The spodumene content of the MHP pegmatites is considerably lower than that of the AHP pegmatites, averaging about 15 wt% by volume. The bulk mineralogy is otherwise the same. Fissures in the MHP pegmatites are locally coated by secondary phosphates. (Niedermayer et al. 1988).

Chemistry of the Pegmatites

Bulk composition - major elements

With the exception of the Li content, the bulk chemistry of both AHP and MHP dykes fits the typical composition of sodic leucogranites.

The AHP and MHP pegmatites differ only in their alkali content, Na being higher and Li lower in the latter. The average Li_2O content of all the samples taken during the underground exploration is 1.6% Li_2O in AHP pegmatites vs 1.2% Li_2O in MHP pegmatites. The variability in the major-element concentrations is higher in AHP pegmatites compared with their MHP counterparts, Table 7: .

Mineral	Amphibolite-hosted		Mica schist-hosted	
Li_2O %	med.: 1,79	max.: 3,15	med.: 1,19	max.: 1,95
Be ppm	med.: 103	max.: 1690	med.: 110	max.: 200
Sn ppm	med.: 154	max.: 550	med.: 67	max.:1500
W	av.: 14	max.: 110	<2	
Mo	<1		<1	
F	av.: 258	max.: 530	av.: 440	max.: 555
U	av.: 6	max.: 12	av.: 9	max.: 12
Nb	av.: 55	max.: 150	av.: 85	max.: 98
Ta	av.: 19	max.: 108	av.: 24	max.: 35
Rb	av.: 1110	max.: 2150	av.: 880	max.: 980
Cs	av.: 62	max. 160	N/A	
K/Rb	21		23	

Table 7: Bulk Chemistry of Selected Amphibolite and Mica Schist Hosted Pegmatites.

Trace Elements

Of the trace elements examined, the only significant ones are Rb, Sn and F whose average contents reach hundreds of ppm. The MHP pegmatites are slightly enriched in F relative to the AHP dykes (440 vs 250 ppm), as well as in Nb (85 vs 55 ppm) and possibly Ta (24 vs 19 ppm). However, the MHP pegmatites contain significantly lower Rb (880 vs 1,100 ppm), Cs (25 vs 62 ppm), Sn (85 vs 138 ppm) and W (2 vs 14 ppm). The K/Rb ratio close to 20 attests to the high level of fractionation in both AHP and MHP pegmatites.

Mineral Chemistry: Selected Element Concentrations in Spodumene and Feldspars

Economically relevant elements in spodumene and feldspars have been analysed: Li by atomic absorption, all other elements by microprobe (by G. Kurat, Naturhistorisches Museum, Vienna). The spodumene contains 7.4% Li_2O and approximately 0.45% FeO, ranging 0.4% and 0.6%. The Fe distribution is somewhat zonal, slightly increasing toward the rims. The Mn content ranges between 0.08 % and 0.15% MnO. The spodumene compositions were found to be identical in both AHP and MHP dykes. The Na content ranges between 0.26% and 0.45% Na_2O . The feldspars show chemical compositions very close to pure albite matching the Ca-poor bulk composition of the pegmatites and K-feldspar indicating advanced exsolution; no zonal element distributions have been observed. An aplitic zone, some 10 cm thick, symmetrically borders both contacts and is virtually free of spodumene.

Discussion

The AHP and MHP pegmatites can be differentiated based on their internal structure, their degree of metamorphic overprint and the distribution of their major and trace elements. However, there is no evidence suggesting separate origins or intrusive stages and what class of granitic pegmatite these might belong to. It seems that the different competence of the amphibolites and mica schists and their different reactivities during pegmatite emplacement and subsequent regional metamorphic overprinting accounts for the mineralogical and textural differences observed in the pegmatites.

Drilling and Resource Modelling Data

Diamond drilling was carried out at the Project from both the surface and from underground. The surface holes are identified by the prefix “KOK”, while underground holes are prefixed by “KUK”. A total of 84 surface holes

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are shown on the Minerex maps while 34 underground drill holes are shown on cross sections. Six of the surface holes do not appear in the Zier database and according to Dr God were only drilled to acquire rock mechanics information. The diamond drilling has tested an area approximately 1,600 m x 400 m.

The spacing of the drilling, on a semi-regular grid on regularly spaced cross sections, would not have introduced any bias in the sampling within the area drilled.

Since the drilling was carried out at various dips and the pegmatite veins are steeply dipping, the drill intercepts of the pegmatites will all be longer than the true widths of the veins however the horizontal vein widths were calculated using trigonometry for the resource modelling.

All the data acquisition, compilation and resource estimation was carried out by MINE-IT from available Minerex data. Since at the time Mine-It was acquiring the drilling data and estimating the resources the Minerex drilling reports with drill hole collar locations were not available, Mine-It digitised the drill collar locations off the scanned plans and obtained the dip of the drill holes from the scanned cross sections. The hole azimuths were assumed to be parallel to the cross sections.

All the drilling data used was sourced from “Kärntner Montanindustrie GmbH” as scanned images of all the available maps and cross sections. The most important sources of data were:

- regional geological mapping by Minerex at 1:10,000 scale
- site plan of the exploration area and the exploration works, including underground drifts by Minerex, at 1: 2,000 scale
- twenty two geological cross sections over a strike length of about 1500 m by Minerex at 1:500 scale
- the most recent surface topography survey by Austrian Surveying Service “BEV” as gridded data covering the exploration area and an orthographic image of this area

Surface Topography Data

The most recent survey data available was acquired from the surveying service of the Austrian Government BEV (“Bundesamt für Eich- und Vermessungswesen”). The area selected covers a range of 2,300 m (easting) x 1,700 m (northing). The grid spacing of the data elevation points is 10 m. Cultural and topographical features including roads, rivers, ditches, etc. were included as shown in Figure 16.

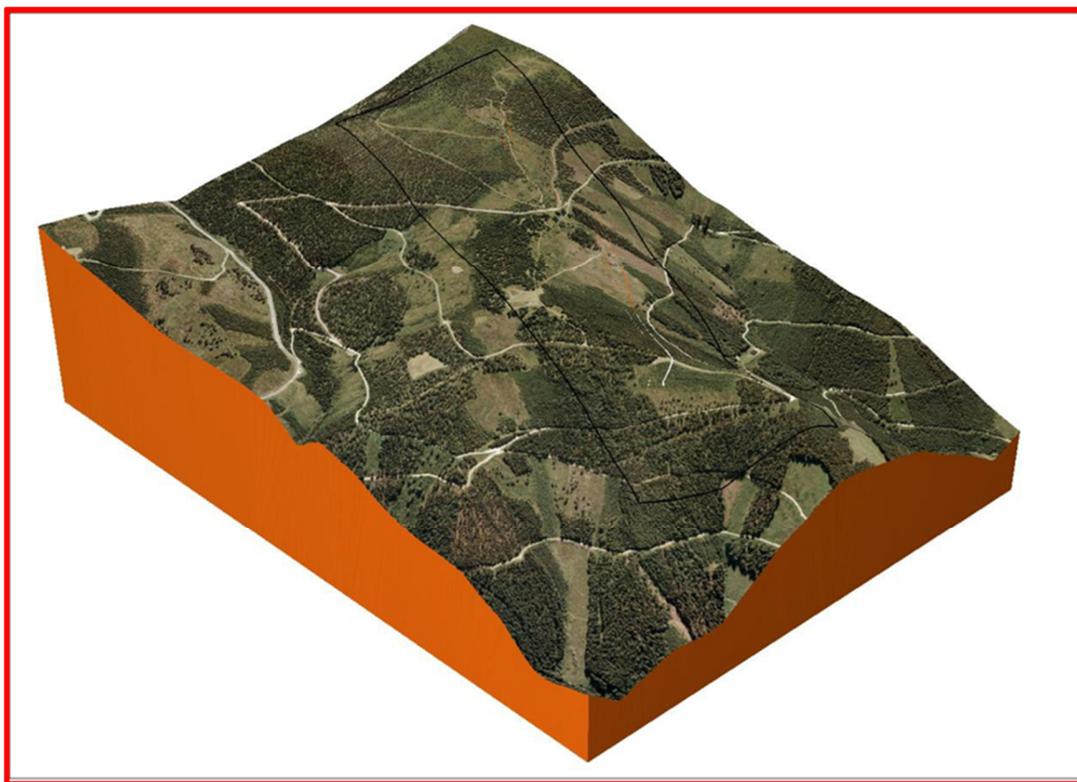


Figure 16: Oblique View showing Topography Overlay with Orthographic Image.

Cross Sections

The main source of information for the resource modelling were scanned cross sections prepared by Minerex (Figure 17) based on the diamond drilling results as well as mapping and sampling of the underground mine workings (Figure 18).

The regularly spaced cross sections are generally oriented perpendicular to the general strike direction of the deposit and spaced 90 – 130 m apart (Figure 17). The original cross section spacing was halved in the eastern sector of the drilled area where closer spaced underground drilling in-filled the original cross sections.

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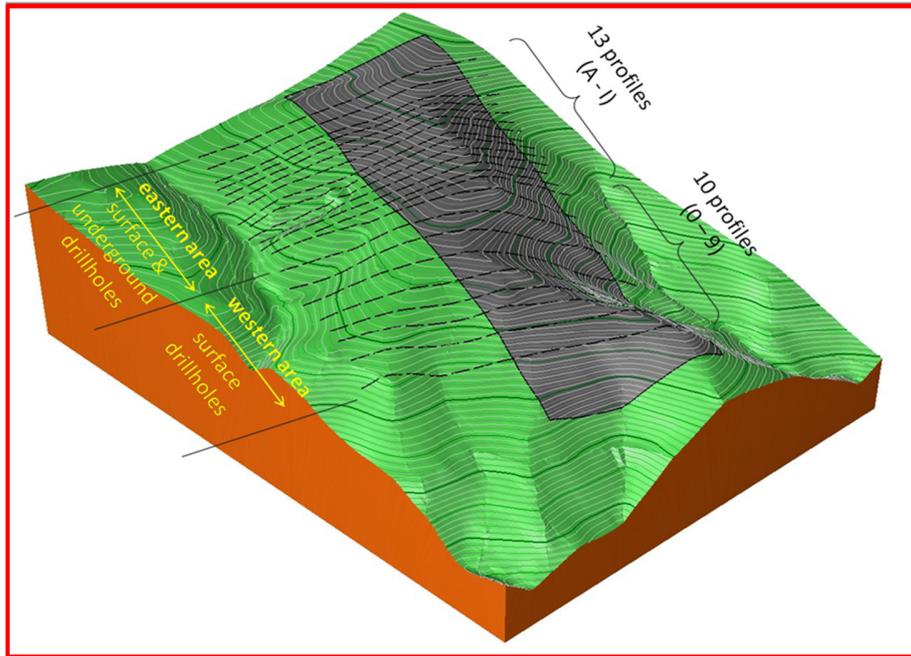


Figure 17: Location and Nomenclature of Drilled Cross Sections.

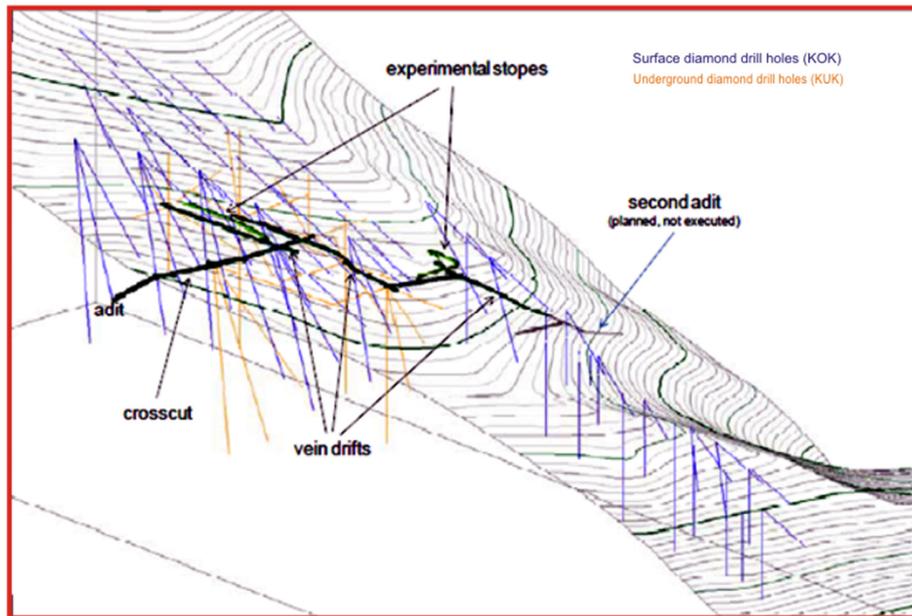


Figure 18: Oblique View showing Diamond drilling and Underground Development.
Source: Mine-it Technical Report on the Resource Estimation of the Koralpe Lithium Deposit July 2010.

The general layout of the cross sections is shown in Figure 17. The eastern cross sections are identified by capital letters (A to I). The in-fill cross sections including the underground drillings are labelled with a combination denoting the neighbouring cross sections e.g. cross section C-D is located in between the main

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cross sections C and D. The cross sections of the western area are labelled by numbers (0 to 9). A summary of the cross sections is provided in Table 8:

Profile	Area	Bearing	Boreholes			
			count	surface borehole IDs	count	underground borehole IDs
0	I (E)	27				
1	I (E)	27	3	46, 46A, 57		
2	I (E)	27	3	38, 38A, 47		
3	I (E)	27	3	39, 39A, 48		
4	I (E)	27	3	42, 42A, 49		
5	I (E)	27	3	44, 44A, 50		
6	I (E)	27	4	41, 41A, 51, 58		
7	I (E)	27	3	40, 40A, 52		
8	I (E)	27	2	53, 53A		
9	I (E)	18	2	54, 54A		
A	II (W)	18	1	23		
B	II (W)	18	6	24, 35, 35A, 35B, 43, 55	5	25, 28, 30, 33, 35
C	II (W)	18	5	21, 22, 33, 33A, 33B		
C-D	II (W)	18			7	26, 27, 29, 31, 36, 37, 38
D	II (W)	18	6	11, 13, 19, 19A, 19B, 32		
D-E	II (W)	18			9	12, 14, 15, 2, 32, 34, 4, 5, 6
E	II (W)	18	7	10, 12, 18, 18A, 26, 31, 31A		
E-F	II (W)	18			7	10, 11, 13, 16, 19, 23, 9
F	II (W)	18	8	1, 16, 17, 2, 3, 30, 30A, 30B		
F-G	II (W)	18			6	17, 18, 20, 21, 22, 24
G	II (W)	18	9	14, 14A, 15, 27, 29, 29A, 29B, 4, 7		
H	II (W)	18	4	28, 28A, 5, 8		
I	II (W)	18	2	6, 9		

Table 8: Summary of Drilled Cross-sections.

Verification of Geological Logging and Drill Core Sampling

All the core, after logging and sampling, had been stored adequately by Minerex but on transfer of the project to BBU the cores were not properly maintained and were therefore not available for checking the logging or re-sampling. The author has therefore not been able to independently check the geological logging and sampling of the drill core.

Sampling Method and Approach

At the time Mine-It were acquiring the drilling data for the resource estimation no Minerex reports were available describing the drilling and sampling methods. Scanned copies of a large number of Minerex reports have since been located including copies of geologist logs of the drill holes, hole collar coordinates and assay certificates from the laboratory. A small selection of these hole collar surveys, drill logs and assay certificates have been checked by the author against the same drill holes and drill intervals in the electronic database derived from the scanned drill maps and cross sections and no significant errors were identified.

No original Minerex report has been located to date describing fully the drilling methods and core sampling protocols followed or drill core recoveries.

Most drill core was standard diameter with the core split for chemical analysis. Core from a limited number of the drill holes was described in an early report as being 2.5 cm in diameter and the whole core was submitted to the laboratory for chemical analysis. All the drill core was sampled and analysed for $L_{12}O$, Be and Sn.

Due to the nature of the rocks drilled, i.e. massive amphibolites, mica schists and pegmatites with little fracturing and shearing it can reasonably assumed that drill core recoveries, especially in the competent pegmatite veins, would normally be at least in the high 90% with no bias introduced by selective recoveries of

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minerals over the interval recovered. It is reasonable therefore to assume that the drill core samples are acceptable for resource modelling and estimation.

Table 9: Summarises the data contained in the Minerex database (Zier).

	surface boreholes			underground borehole			total		
	num.	ratio	length	num.	ratio	length	num.	ratio	length
	-	%	m	-	%	m	-	%	m
datasets									
total	353		537,1	185		69,6	538		606,7
valid	353		537,1	183		66,6	536		603,7
assignment									
vein	216	61%	423				216	40%	423
grades									
Li2O	353	100%	537,1	183	100%	66,6	536	100%	603,7
Be	281	80%	442,8	179	98%	58,8	460	86%	501,6
Sn	278	79%	314,2	178	97%	58,3	456	85%	372,5
MgO	240	68%	438,3		0%		240	45%	438,3
Fe2O3	240	68%	314,2		0%		240	45%	314,2
Boreholes									
total	84		11825	36		4526	120		16351
effected	78		11825	36		4526	114		16351
valid	78		11825	34		4526	112		16351

Table 9: Data Summary - Mine-It 2012 (after Zier).

The sample intervals in the drill core were selected based on logged pegmatite contacts. The veins were sampled from contact to contact as a single sample with the sampled intervals varying from 0.3 metres to 14.1 metres, averaging 1.4 metres.

Item	Sample Length	Li ₂ O%	Be ppm	Sn ppm
Count	530	530	454	454
Minimum	0.3	0.01	10.0	5.00
Maximum	14.1	3.5	390.0	2522.8
Average	1.4	1.1	105.4	141.7
Median	1.0	1.1	100.5	99.5
Standard Deviation	1.3	0.7	49.2	187.5

Table 10: Summary Statistics for Diamond Drilling Core Samples (data received from Mine-It).

Figure 19 shows that there is no significant statistical relationship between the drill intersection vein thickness and the vein grade.

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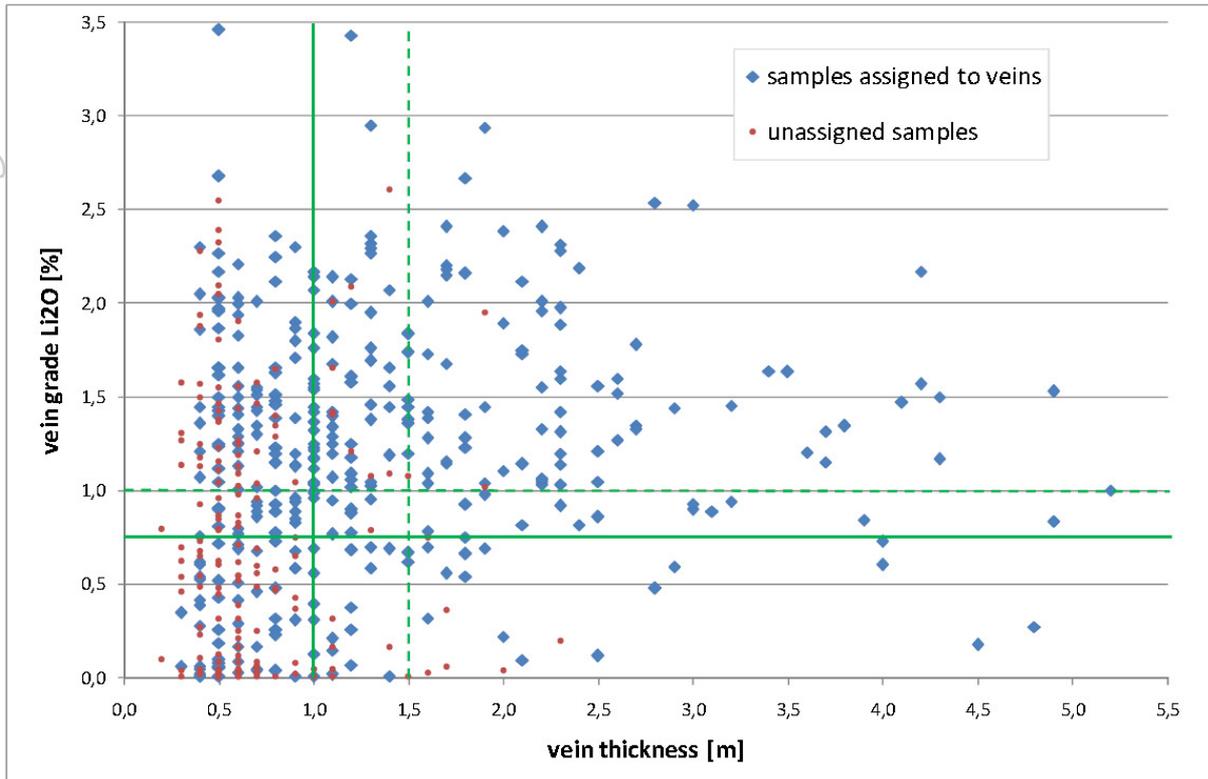


Figure 19: Vein Thickness Vs Vein Grade. Source: Mine-it Technical Report on the Resource Estimation of the Koralpe Lithium Deposit Rev2.0 June 2012.

Sample Preparation, Analyses and Security

No documentation has been provided to the author by the Company describing the sampling procedures and QA/QC procedures followed by Minerex when they sampled the diamond drill core for chemical analysis.

Adequacy of the Sampling and Assays

Although there is no documentation available confirming the quality of the drill core sampling, the sampling of the core for chemical analysis and the analytical results, the author believes that given the company involved (Minerex) and the analytical laboratory (BVFA-Arsenal with check assays at North Carolina State University), the assay results are suitable for resource modelling under the JORC Code with the appropriate resource category as discussed in this report (i.e. inferred).

Bulk Density

A bulk density of 2.8 tonnes per cubic metre was used to convert volumes of pegmatite to tonnes. This value is an assumed value based on typical pegmatite mineralogies of feldspars, quartz and muscovite mica. AM&A strongly recommend that a suite of representative samples of pegmatite as well as both the amphibolites and mica schists are collected and their bulk densities measured using an appropriate water displacement method. These measured densities should then be used in all future resource estimates.

Data Verification

Since the drill core has been destroyed, the author has not been able to verify the accuracy of the analytical results by independently taking duplicate samples of the core.

Mineral Processing and Metallurgical Testing

Minerex undertook mineral processing studies between 1982 and 1987 on selected samples from the Wolfsberg pegmatites at the Minerals Research Laboratory of the North Carolina State University College of Engineering (NCSU). This laboratory was chosen because the main focus of its research is the beneficiation of industrial minerals.

NCSU's experience in industrial minerals was considered unmatched by any other university laboratory in the United States as it provides support to the large North Carolina industrial minerals sector, including the Kings Mountain spodumene mine.

As a result of the NCSU flotation and magnetic separation test work, spodumene concentrates with Li_2O grades >6% with spodumene recoveries of over 85% could be produced from both high grade and low grade ores contaminated with 10% amphibolite or 10% mica schist.

Furthermore, ceramic grade feldspar could also be produced with feldspar recoveries of >90% at concentrate grades of >86% feldspar from both ore types. The recovered feldspar amounted to 28-32% of the head feed. Glass quality quartz concentrate was also produced from both ore types with recoveries ranging from 15-17% of the head feed achieved. A mica concentrate was also considered a possible by-product using screening after milling.

Spodumene concentrates were then tested at the Versuchsanstalt für Chemie der Hoheren Bundeslehr und Versuchsanstalt für Chemische Industrie laboratory in Vienna for conversion to lithium carbonate. A 96% Li_2CO_3 product was produced at a 93% recovery from a 6% Li_2O spodumene concentrate.

In 1987 a pilot plant test was set up at North Carolina State University to produce Mica, Feldspar, Quartz and Spodumene saleable products. From this work at an estimated mining and processing rate of 150,000 tonnes per annum (TPA) 25,000 TPA Spodumene Concentrate (6% Li_2O), 49,500 TPA Feldspar, 24,500 TPA Quartz (as Silica Sand) and 3,375 TPA Mica could be produced. In all 74% of the mined pegmatite produced a saleable product leaving only 26% of the material as waste – which could be sold as road base.

In 1987 Austroplan completed laboratory scale tests producing Lithium Carbonate from a Spodumene Concentrate returning recoveries of 93%.

Two 500 tonne bulk samples were collected by the Company in late 2013 from AHP and MHP veins and it was estimated that dilution during mining with host rock was about 15%. These bulk samples were crushed at the KMI plant facility and regular samples of crushed product were taken. In all 15 x 15kg samples of crushed ore from each of the AHP and MHP samples were taken and sent to the Institute of Mineral Processing at Montanuniversitaet Leoben for sample preparation prior to chemical analysis.

In addition, channel samples were taken at the mining face after every blast. A total of 20 samples from AHP and 26 samples from MHP were taken and prepared for analysis at Montanuniversitaet Leoben. This sample preparation work has just been completed and the samples are ready for chemical analysis.

Duplicate samples and remaining samples are retained at Montanuniversitaet Leoben. The bulk mine samples are safely stored by KMI at their facilities. This material will be utilised for metallurgical testing to improve earlier recovery rates, product specifications and design parameters using more modern technologies.

Review of Historical Resource Estimates

Resource Modelling Method (Mine-It)

A 3D model was generated by Mine-It by linking each of the cross section interpretations of each of the pegmatite veins by wireframes. The 15 pegmatite veins identified by Minerex were all wireframed. The veins were generally continuous along strike and down dip. Table 11 summarises modelled veins.

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This resource estimate at a lower cut off of 0.75% Li₂O, in the area covered by the drilling and wire-framed **Figure 20**, was classified by Mine-It as being Measured according to the JORC Code (2004) that was current at the time.

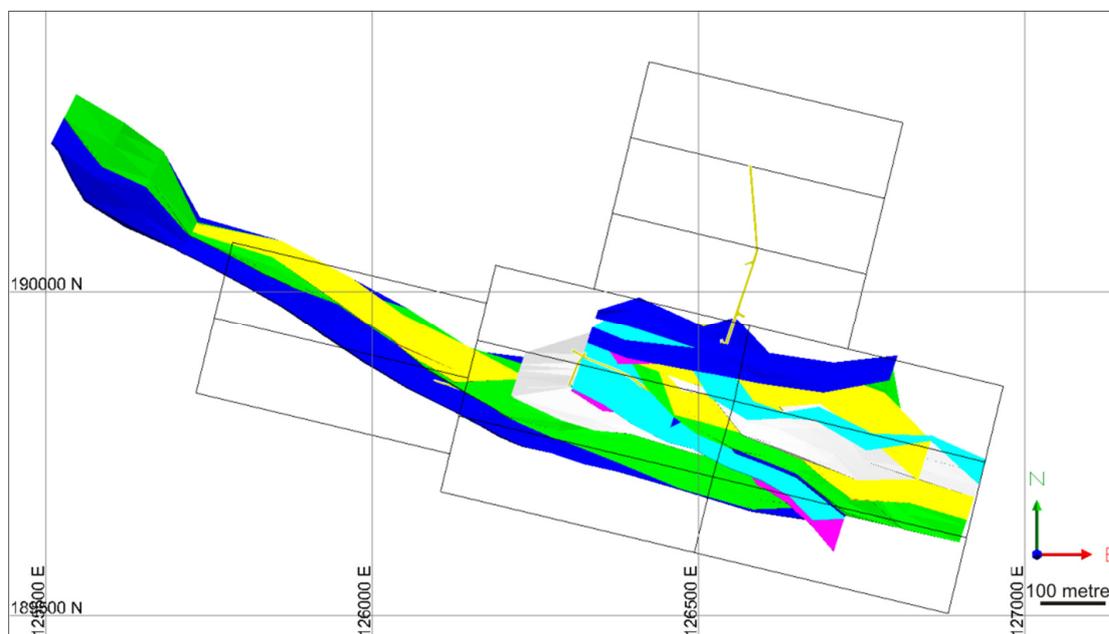


Figure 20: Plan view showing Mine-It resources with mining licences (Mine-It 2012).

Of the total resources 93% lies within the Mining Licences and 7% outside the Mining Licences but still within the Exploration Licences.

Due to the lack of original source documentation on the drilling methods and core recoveries, procedures followed when sampling the diamond core and QA/QC procedures followed during the core sampling and chemical analyses, AM&A reclassified these resources to “Inferred” to comply with the JORC Code (2012) for Reporting of Exploration Results, Mineral Resources and Ore Reserves.

The AM&A resource estimate classified as Inferred according the JORC Code (2012) guidelines for reporting Exploration Results, Mineral Resources and Ore Reserves is approximately 3.7 million tonnes at 1.5% Li₂O.

It is strongly recommended, as detailed in the Recommendations section of this report, that all the historic data generated by Minerex is properly compiled and where applicable the data collected from secondary sources replaced. This primary data should then be used in all future resource modelling. It is also strongly recommended that independent duplicate check samples from the underground workings are collected to verify the earlier mapping and sampling results, twin diamond drill holes of the earlier Minerex drill holes drilled to verify the earlier drill sampling results, several additional diamond drill holes are drilled below the current wireframed veins to intersect the main pegmatite veins at about 1100mRL to verify the Mine-It “Indicated” and “Inferred” resources.

Once the deposit has been re-modelled with the new data, new resource estimates can be made, and depending on the success of the data compilation, twinned drilling and duplicate sampling, will reasonably allow a JORC Code (2012) compliant resource to be estimated. If the earlier drilling and sampling results are confirmed by the newer drilling and, after economic and mining parameters have been applied, the resources in the veins immediately above and below the underground workings to the extent of the underground drilling could probably be expected to be in the Measured category, the veins intersected by at least three drill holes

no further than 50m apart on the main cross sections to be Indicated and to the extent of the remainder of the drilling along strike and at depth not included in the Measured and Indicated resource estimates to be Inferred.

Further resources are likely if further diamond drilling is initiated at Zone 2, where boulder mapping and limited drilling has identified AH and MH pegmatites in Zone 2 verifying the geological interpretation that Zone 2 is the southern limb of an anticline with the potential to repeat the main deposit in the north.

Other Relevant Data and Information

The author is unaware of any further data and information that should be included in this report that would make this report more understandable.

Interpretation and Conclusions

Consumption and the market price of lithium has been steadily rising over the past decade and with the increased use of lithium in rechargeable batteries for most common electronic devices, laptop computers and more recently electric cars, the future for lithium's price and consumption looks optimistic.

The Wolfsberg Lithium Project is located near Wolfsberg in southern Austria, approximately 270 kilometres by road south of the country's capital Vienna. European Lithium Ltd has 11 Mining Licences and 54 Exploration Licences that cover the Wolfsberg lithium deposit.

The Wolfsberg lithium deposit is composed of a number of concordant pegmatite dykes or "veins" which are hosted by a sequence of amphibolites and mica schists folded to form a large anticline. These pegmatites contain spodumene, a lithium bearing mineral, which is the main economic mineral. Other minerals contained in the pegmatites that have economic potential are feldspar for ceramics, muscovite mica for filler and quartz for glass manufacture.

The original owners and discoverers of the deposit, Minerex, carried out extensive exploration over the deposit and identified two significant areas named Zone 1 and Zone 2, located on opposite limbs of the large anticline. They focussed most of their work on Zone 1, on the northern limb of the anticline. Initially Minerex carried out extensive surface geology mapping and sampling followed up with 12,012 metres of diamond drilling collared from the surface. A decline and underground development was subsequently developed to allow detailed mapping and sampling of several of the main pegmatite veins underground and to provide access to further in-fill diamond drilling. Two trial mining stopes were also developed to provide geotechnical data, samples for metallurgical tests and to test the mining characteristics of the ore.

Minerex undertook mineral processing studies between 1982 and 1987 on selected samples from the Wolfsberg pegmatites at the Minerals Research Laboratory of the North Carolina State University College of Engineering (NCSU). As a result of the NCSU flotation and magnetic separation test work, spodumene concentrates with Li_2O grades >6% with spodumene recoveries of over 85% could be produced from both high grade and low grade ores contaminated with 10% amphibolite or 10% mica schist. Furthermore, ceramic grade feldspar could also be produced with feldspar recoveries of >90% at concentrate grades of >86% feldspar from both ore types. The recovered feldspar amounted to 28-32% of the head feed. Glass quality quartz concentrate was also produced from both ore types with recoveries ranging from 15-17% of the head feed achieved. A mica concentrate was also considered a possible by-product using screening after milling. Spodumene concentrates were then tested for conversion to lithium carbonate. A 96% Li_2CO_3 product was produced at a 93% recovery from a 6% Li_2O spodumene concentrate.

In 2011 Mine-It, Austrian mining consultants, compiled all the available Minerex data. No copies of primary Minerex reports had been located at the time detailing drilling and sampling methods and QA/QC procedures followed, or even surveyed drill hole collar locations and geologist logs of the core. The only drilling data available was from secondary sources that included scanned plots of maps and cross sections that were digitised by Mine-It to create a digital data base prior to creating a preliminary geological and resource model.

Due to the lack of original source documentation on the drilling methods and core recoveries, procedures followed when sampling the diamond core and QA/QC procedures followed during the core sampling and

chemical analyses, AM&A reclassified the Mine-It Measured resources to Inferred to comply with the JORC Code (2012) for Reporting of Exploration Results, Mineral Resources and Ore Reserves.

The AM&A resource estimate classified as Inferred according the JORC Code (2012) guidelines for reporting Exploration Results, Mineral Resources and Ore Reserves is approximately 3.7 million tonnes at 1.5% Li₂O.

European Lithium AT (Investments) Limited, through its wholly owned subsidiary ECM Lithium AT GmbH, can and will apply for additional mining licences to fully cover the resource when necessary.

Since the previous Competent Person Report (CPR) in May 2015 the PNE has been able to recover and evaluate a large amount of data from the previous explorers, mainly Minerex, that includes a significant amount of data from primary sources. Mine-It evaluated the new data and reported that the data was generally of high quality and professionally recorded.

This new data included:

- Details of three underground drill holes that were not previously recorded in the 2015 database as they were collared and their path lay between the main cross sections. The recovered data included collar coordinates, down-hole surveys, geology logs and assays. These extra holes will improve the pegmatite vein modelling, however Mine-It noted in their summary report that these extra holes did not significantly modify the original interpretation/model.
- Down the hole surveys were carried out on a few long holes that demonstrated that deviations were acceptable and drill hole dips and azimuths could be used for modelling as declared. This information will improve the accuracy of the drill hole traces used for the resource modelling.
- Geological logs of the core. This logging added a number of extra thin pegmatites to the drill intersections copied off the plan and section plots as well as their orientations relative to the core axis. This extra information should assist significantly with the next round of pegmatite resource modelling.
- Assay printouts from the laboratory. These data sheets can be used to check the integrity of the database used for the Mine-It resource modelling as the assays were transcribed from secondary sources, i.e. drill hole plots on cross sections. The laboratory sheets also show that the plotted data used for the resource modelling was often composited from shorter samples where the pegmatite veins sampled in the core were wide. These composites can now be replaced with the original assays and intervals.
- General details of drill core sampling protocols and procedures. The descriptions are only general but indicate that the protocols and procedures followed were likely to have been of a high standard.
- Assays of duplicate samples submitted for chemical analysis. Plots generated from these duplicate assays show generally good correlation, indicating that the sampling and assays were generally good, however a few samples returned “out of normal range”. These anomalous pairs of assays that should have been followed up to determine why the duplicate assay did not match the original, i.e. problems sampling or assaying or if the sample IDs have been mixed up. There is no record of any follow-up on these samples.
- Mine face mapping sheets showing the attitude and widths of pegmatites with assays from three samples that were collected per face map as they were mined. This data will, once it is properly collated and digitised, will help improve the modelling of the pegmatite veins and provide information on the spatial grade distribution.
- A limited number of surveyors’ work sheets found. These sheets indicate that the drill collar coordinates and surveys of underground workings used for resource estimation, previously digitised off paper plans and cross sections, are accurate within acceptable limits.

- Test mining results. Mine-It had not evaluated this data prior to their report and therefore had not commented on what data had been found or its quality.

The data collected since the 2015 CPR indicates that the professionals who carried out all the geological and mining work followed protocols and procedures that meet current standards and their data is generally suitable for resource modelling that meets the minimum standards required by the JORC (2004) Code and more than likely the JORC (2012) Code. Unfortunately the data collected since the 2015 CPR is still incomplete and still requires independent verification as recommended by AM&A in the 2015 CPR.

Most importantly, the new data has generally confirmed rather than contradicted the geological interpretations of the pegmatites modelled for the resource estimates meaning that the AM&A resource statement in the 2015 CPR of an Inferred resource of 3.7 million tonnes at 1.5% Li₂O in the 2014 CPR of remains valid.

European Lithium AT (Investments) Limited, through its wholly owned subsidiary ECM Lithium AT GmbH, has commenced the process of independently verifying the drilling and underground and surface trench channel sampling data. A drilling company has been contracted to twin seven of the previously drilled underground diamond drill holes. A firm of established Austrian consulting geologists has also been contracted to supervise this drilling and core sampling as well as map and sample pegmatites in the underground workings. This work is scheduled to be completed by October 2016.

Once all the historic data generated by Minerex has been properly compiled and the previous drilling and underground mapping has been verified as being accurate, a JORC Code (2012) resource can be modelled and estimated. This modelling should be done using appropriate methods and software by a qualified geologist that has sufficient experience in modelling the type and style of mineralisation, i.e. multiple pegmatite dykes, found at Wolfsberg to comply with the JORC (2012) Code for reporting Mineral Resources.

Additional resources are likely if additional diamond drilling is initiated at Zone 2, where boulder mapping and scout drilling have identified pegmatites.

Recommendations

This report does not discuss the costs of Metallurgical Testwork or the Pre-Feasibility Study.

The 18 month work program set out below is proposed by European Lithium AT (Investments) Limited for the Wolfsberg Project area to allow the resources to be re-modelled using data sourced from primary sources and to comply with the current JORC Code (2012). The program content and priorities may change subject to results generated by ongoing exploration with possible new targets being generated as a clearer understanding of the local geology and the controls to mineralisation become evident.

It is recommended that the initial program will include the following components:

- Compile all the available historical Minerex data and records from archives stored at the Ministry in Vienna and the KMI and GSM databases, and determine which can be considered primary data and utilised for resource modelling
- Compile a centralised GIS database.
- After all the underground mapping and sampling data has been properly compiled, collect independent duplicate check samples from the underground workings to verify the earlier mapping and sampling results,
- Drill seven diamond drill holes to twin earlier Minerex drill holes to verify the earlier drill sampling results,
- Drill an additional three diamond drill holes to intersect the main pegmatite veins at about 1100m RL to verify the geological interpretation and vein continuity with depth as proposed in the Mine-It “Indicated” and “Inferred” resources model,

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- Drill three additional diamond drill holes to the west of the main resource to verify whether there is vein continuity as proposed in the Mine-It “Inferred” resources.
- Carry out a structural analysis of the Wolfsberg project area including aerial photograph and satellite imagery interpretation to assist in the understanding of the structure of the anticline, its hinge and the previously identified major fault between Zones 1 and 2.
- Continue pegmatite boulder mapping and trenching in the poorly mapped areas of the anticline hinge and Zone 2 in the southern limb of the interpreted anticline
- Drill Zone 2 with the aim to establish a resource.

A budget of €1,087,000 is estimated for the recommended 18 month exploration program as summarised in

Table 14.

Description	Quantity	Unit Cost €	Budget €
Historic data compilation and establish database			€25,000
Map and re-sample underground workings to check previous results for Measured resources			€17,000
Drill diamond drill holes below current resource to 1100m RL for verification of geological model	3x600m	€200/m	€360,000
Drill 6 diamond drill holes as twins of Minerex holes and to west of current resource for Inferred resources	6 x 250m	€200/m	€300,000
Structural analysis, mapping and sampling of the anticline including Zone 2			€20,000
Drilling Zone 2	8 x 215m	€200/m	€344,000
JORC Code (2012) resource estimation			€21,000
TOTAL			€1,087,000

Table 14: Budget for Recommended Exploration Program.

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Glossary

NOTE: Oxford Dictionary of Current English; for any terms not covered in the Glossary: Oxford University Press.

Amphibolite	One of the major metamorphic rock types.
Anomaly	Value higher or lower than the expected or norm.
Augen	(from German "eyes") are large, lenticular eye-shaped mineral grains or mineral aggregates visible in some foliated metamorphic rocks.
Base metal	Generally a metal inferior in value to the precious metals, eg. copper, lead, zinc, nickel.
Biotite	Common phyllosilicate mineral within the mica group, with the approximate chemical formula $K(Mg,Fe)3AlSi_3O_{10}(F,OH)_2$.
Biotitization	Replacement of pyroxene, amphibole or garnet by biotite.
Complex	An assemblage of rocks or minerals intricately mixed or folded together.
Diamond drill	Rotary drilling using diamond impregnated bits, to produce a solid continuous core sample of the rock.

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Dip	The angle at which a rock layer, fault or any other planar structure is inclined from the horizontal.
Dyke	A tabular intrusive body of igneous rock that cuts across bedding at a high angle.
Fairfieldite	Named for the type locality in the Fillow quarry in Fairfield County, Connecticut, USA. See below for the chemical formula.
Fault	A fracture in rocks on which there has been movement on one of the sides relative to the other, parallel to the fracture.
Feldspars	($\text{KAlSi}_3\text{O}_8 - \text{NaAlSi}_3\text{O}_8 - \text{CaAl}_2\text{Si}_2\text{O}_8$) are a group of rock-forming tectosilicate minerals that make up as much as 60% of the Earth's crust.
Föhn	Type of dry, warm, down-slope wind that occurs in the lee (downwind side) of a mountain range.
Footwall	Rocks underlying mineralisation .
Geochemical	The systematic study of the variation of chemical elements in rocks survey and soil.
Granite	A coarse grained igneous rock consisting essentially of quartz and more alkali feldspar than plagioclase.
Inosilicate	Class of polymeric silicates in which the silicon-oxygen tetrahedral groups share half of their oxygen atoms so as to form straight chains of indefinite length.
Intercept	The length of rock or mineralisation traversed by a drillhole.
JORC	Joint Ore Reserves Committee- Australasian Code for Reporting of Identified Resources and Ore Reserves.
Magnetic Survey	Systematic collection of readings of the earth's magnetic field.
Metabasics	Metamorphosed basic/mafic rock types.
Mineralisation	In economic geology, the introduction of valuable elements into a rock body.
Ore	A mixture of minerals, host rock and waste material which is expected to be mineable at a profit.
Organolithium	Compounds, strong bases and nucleophiles, gained outstanding importance as key intermediates and powerful reagents in organic synthesis
Outcrop	The surface expression of a rock layer (verb: to crop out).
Palaeozoic	A time period from approximately 590 to 225 million years ago.
Pegmatite	An intrusive igneous rock with very large crystals that forms in the later stages of a magma chamber's crystallization.
Pyroxene	Any of a group of important rock-forming silicate minerals of variable composition, among which calcium-, magnesium-, and iron-rich varieties predominate.
Precious Metals	Gold and the platinum group elements.

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Primary	Mineralisation which has not been affected by near surface mineralisation oxidising process.
Proterozoic	The geological age after Archaean, approximately 570 to 2400 million years ago.
Quartz	A very common mineral composed of silicon dioxide-SiO ₂ .
RAB	Rotary Air Blast (as related to drilling)—A drilling technique in which the sample is returned to the surface outside the rod string by compressed air.
RC	Reverse Circulation (as relating to drilling)—A drilling technique in which the cuttings are recovered through the drill rods thus minimising sample losses and contamination.
Recent	Geological age from about 20,000 years ago to present (synonym: Holocene).
Reconnaissance	A general examination or survey of a region with reference to its main features, usually as a preliminary to a more detailed survey.
Remote Sensing	Geophysical data obtained by satellites processed and presented Imagery as photographic images in real or false colour combinations.
Reserve	In-situ mineral occurrence which has had mining parameters applied to it, from which valuable or useful minerals may be recovered.
Resource	In-situ mineral occurrence from which valuable or useful minerals may be recovered, but from which only a broad knowledge of the geological character of the deposit is based on relatively few samples or measurements.
Schlieren	From German; singular "Schliere", meaning "streak".
Shear (zone)	A zone in which shearing has occurred on a large scale so that the rock is crushed and brecciated.
Spodumene	A pyroxene mineral consisting of lithium aluminium inosilicate, Li Al(SiO ₃) ₂ , and is a source of lithium.
Stratigraphy	The succession of superimposition of rock strata. Composition, sequence and correlation of stratified rock in the earth's crust.
Strike	The direction or bearing of the outcrop of an inclined bed or structure on a level surface.
Syncline	A fold where the rock strata dip inwards towards the axis (antonym: anticline).
Ultramafic rocks	Containing less than 45% silicon dioxide.
Tectosilicate,	Formerly called Polysilicate, any member of a group of compounds with structures that have silicate tetrahedrons.
Unconformable	Descriptive of rocks on either side of an unconformity.
Unconformity	Lack of parallelism between rock strata in sequential contact, caused by a time break in sedimentation.
Vein	A narrow intrusive mineral body.

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Volcanic Relating to the eruption of a volcano.

CHEMICAL SYMBOLS

Ag	Silver
Au	Gold
Cu	Copper
Fe	Iron
Li	Lithium
Mn	Manganese
Na	Sodium
O	Oxygen
Pb	Lead
Sn	Tin
Zn	Zinc

ABBREVIATIONS

cm	centimetre
g	gram
g/t	gram per tonne
ha	hectare
kg	kilogram
km	kilometre
km ²	square kilometre
m	metre
m ²	square metre
m ³	cubic metre
M	million
t	tonne
oz	troy ounce, equivalent to 31.1035g.

UNITS OF CONCENTRATION

ppb	parts per billion
ppm	parts per million

Selected Minerals from the Koralpe Spodumene Deposit

β – Uranophan	$\text{Ca}(\text{UO}_2)\text{Si}_2\text{O}_7 \cdot 5\text{H}_2\text{O}$
Fairfieldite	$\text{Ca}_2(\text{Mn,Fe})(\text{PO}_4)_2 \cdot 2\text{H}_2\text{O}$
Ferriscklerit	$(\text{Li, Fe}^{3+}, \text{Mn}^{2+})\text{PO}_4$
Ferrocolumbit	FeNb_2O_6
Heterosit	$(\text{Fe, Mn})(\text{PO}_4)$
Holmquistite	$\text{Li}_2(\text{Mg,Fe}_{2+})_3\text{Al}_2\text{Si}_8\text{O}_{22}(\text{OH})_2$
Hydrxyl-Herderit	$\text{CaBe}(\text{PO}_4)(\text{OH})$

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Ixiolith	$(\text{Ta,Nb,Sn,Fe,Mn})_4\text{O}_8$
Kassiterit	SnO_2
Ludlamite	$(\text{Fe,Mn,Mg})_3(\text{PO}_4)_2 \cdot 4\text{H}_2\text{O}$.
Messelit-Fairfieldit	$\text{Ca}(\text{Fe}^{2+},\text{Mn})(\text{PO}_4)_2 \cdot 2\text{H}_2\text{O}$
Pyrochlor	$(\text{Na,Ca})_2\text{Nb}_2\text{O}_6(\text{OH},\text{F})$
Roscherite	$\text{Ca}_2\text{Be}_4\text{Me}_5(\text{PO}_4)_6(\text{OH})_4 \bullet 6 \text{H}_2\text{O}$,
Triphylin	$\text{LiFe}^{2+}(\text{PO}_4)$
Uralolite	$\text{Ca}_2\text{Be}_4(\text{PO}_4)_3(\text{OH})_3 \cdot 5\text{H}_2\text{O}$
Vivianite	$(\text{Fe}^{2+}, \text{Fe}^{2+} 2(\text{PO}_4) 2 \cdot 8\text{H}_2\text{O})$
Weinebeneit	$\text{CaBe}_3(\text{OH})_2(\text{PO}_4)_2 \cdot 4\text{H}_2\text{O}$

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Date and Signature Page

I, Allen J Maynard confirm that I am the Competent Person for the Report and: I have read and understood the requirements of the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code, 2012 Edition).

I am a Competent Person as defined by the JORC Code 2012 Edition, having more than five years' experience that is relevant to the style of mineralisation and type of deposit described in the Report, and to the activity for which I am accepting responsibility.

I am a Member of both The Australasian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists.

I have reviewed the Report to which this Consent Statement applies.

I am the Principal Geologist of Al Maynard & Associates and have been engaged by Paynes Find Gold Limited to prepare the documentation for Wolfsberg Lithium Project on which the Report is based, for the period ended 7th January, 2015.

I have disclosed to the reporting company the full nature of the relationship between myself and the company, including any issue that could be perceived by investors as a conflict of interest.

I verify that the Report is based on and fairly and accurately reflects in the form and context in which it appears, the information in my supporting documentation relating to Mineral Resources.

I consent to the release of the Report and this Consent Statement by the directors of: Paynes Find Gold Limited.

<p>Signature of Competent Person</p>  <p><u>Allen J Maynard</u></p> <p>Professional Membership: MAusIMM, MAIG Membership Numbers: # 104986, # 2062 Date: 16th June, 2016</p>	<p>Signature of Witness:</p>  <p>Date: 16th June, 2016</p> <p><u>Philip Alan Jones</u> 4 Buchan Place Hillarys, Western Australia 6025</p>
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JORC Code, 2012 Edition – Table 1

Section 1 Sampling Techniques and Data

(Criteria in this section apply to all succeeding sections.)

Criteria	JORC Code explanation	Commentary
Sampling techniques	<ul style="list-style-type: none"> Nature and quality of sampling (eg cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc). These examples should not be taken as limiting the broad meaning of sampling. Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used. Aspects of the determination of mineralisation that are Material to the Public Report. In cases where 'industry standard' work has been done this would be relatively simple (eg 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (eg submarine nodules) may warrant disclosure of detailed information. 	<ul style="list-style-type: none"> Only diamond drilling core sample assays used. Sampling procedures not available but believed to be whole core submitted for chemical analysis. Sample intervals determined by logged geology contacts. The drilling was centred on a regular grid over the length of the deposit to avoid location bias.
Drilling techniques	<ul style="list-style-type: none"> Drill type (eg core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc) and details (eg core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc). 	<ul style="list-style-type: none"> Diamond drilling only used. Details on core recovery systems, core diameter etc not available.
Drill sample recovery	<ul style="list-style-type: none"> Method of recording and assessing core and chip sample recoveries and results assessed. Measures taken to maximise sample recovery and ensure representative nature of the samples. Whether a relationship exists between sample recovery and 	<ul style="list-style-type: none"> No records available on sample recoveries. Due to the rock types drilled, i.e. massive amphibolites, mica schist and pegmatites, it is very unlikely that sample and assay bias would be introduced by selective sample

Criteria	JORC Code explanation	Commentary
	<p><i>grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.</i></p> <ul style="list-style-type: none"> <i>Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies.</i> <i>Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography.</i> <i>The total length and percentage of the relevant intersections logged.</i> 	<p>recovery.</p> <ul style="list-style-type: none"> All the drilled core was qualitatively and quantitatively logged by Minerex geologists sufficient to accurately determine mineralised pegmatite contacts.
<p>Logging</p>	<ul style="list-style-type: none"> <i>If core, whether cut or sawn and whether quarter, half or all core taken.</i> <i>If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry.</i> <i>For all sample types, the nature, quality and appropriateness of the sample preparation technique.</i> <i>Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.</i> <i>Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling.</i> <i>Whether sample sizes are appropriate to the grain size of the material being sampled.</i> 	<ul style="list-style-type: none"> No definitive reports available on sampling methods used however it appears that the whole of the core in pegmatite was submitted for chemical analysis. Sample intervals were determined by the logged pegmatite contacts with a single sample for each pegmatite interval. There are no records available describing the quality control procedures followed. Since all the core in the pegmatite veins was submitted for chemical analysis the samples are considered by the author to be appropriate for the grain size of the material being sampled. It is presumed that the samples were crushed and pulverised at the laboratory before the samples were further split.
<p>Quality of assay data and laboratory tests</p>	<ul style="list-style-type: none"> <i>The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.</i> <i>For geophysical tools, spectrometers, handheld XRF instruments, etc, the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc.</i> <i>Nature of quality control procedures adopted (eg standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (ie lack of bias) and precision have been established.</i> 	<ul style="list-style-type: none"> There are no definitive reports available on the assaying methods and laboratory procedures used however it is likely that the samples were analysed at the Naturhistorisches Museum, in Vienna with Li analysed by atomic absorption spectroscopy and all other elements by microprobe which are appropriate analytical methods for the elements being tested. All the chemical analyses are total assays. No details are available of any quality control procedures followed to ensure the accuracy of the analyses.
<p>Verification of sampling and</p>	<ul style="list-style-type: none"> <i>The verification of significant intersections by either independent or alternative company personnel.</i> <i>The use of twinned holes.</i> 	<ul style="list-style-type: none"> No independent verification of the data was made by AM&A. No twinned holes have been drilled to check quality of original drilling.

Criteria	JORC Code explanation	Commentary
assaying	<ul style="list-style-type: none"> Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols. Discuss any adjustment to assay data. 	<ul style="list-style-type: none"> Since there were no copies of primary data sources available such as drill logging sheets, drill hole collar surveys etc, all the data compiled for this report and resource estimate is from secondary sources such as digitised plots of maps and cross sections. No adjustment of assay data was necessary.
Location of data points	<ul style="list-style-type: none"> Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation. Specification of the grid system used. Quality and adequacy of topographic control. 	<ul style="list-style-type: none"> No records available describing the method(s) used to survey drill hole collars. The accuracy of drill hole collar surveys cannot be verified.
Data spacing and distribution	<ul style="list-style-type: none"> Data spacing for reporting of Exploration Results. Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied. Whether sample compositing has been applied. 	<ul style="list-style-type: none"> The drilling was centred on a regular grid over the length of the deposit to avoid location bias and at a density to ensure that the resource estimate meets the reliability criteria for the JORC Code (2012) resource categories quoted in this report.
Orientation of data in relation to geological structure	<ul style="list-style-type: none"> Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type. If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material. 	<ul style="list-style-type: none"> The intersection angle of the drilling with respect to the mineralisation was variable, but generally at approximately 50-70 degrees, making most drill intersections longer than the true width of the mineralisation. The resource modelling software uses the data in 3D and so compensates for the wider apparent thicknesses and so no material sample bias exists.
Sample security	<ul style="list-style-type: none"> The measures taken to ensure sample security. 	<ul style="list-style-type: none"> No records are available adequately describing the procedures followed to ensure sample security.
Audits or reviews	<ul style="list-style-type: none"> The results of any audits or reviews of sampling techniques and data. 	<ul style="list-style-type: none"> There have been no audits or reviews of the sampling techniques or data.

Section 2 Reporting of Exploration Results

(Criteria listed in the preceding section also apply to this section.)

Criteria	JORC Code explanation	Commentary
Mineral	<ul style="list-style-type: none"> Type, reference name/number, location and 	<ul style="list-style-type: none"> Full details of the 22 Exploration Licences and 11 Mining Licences are included in

Criteria	JORC Code explanation	Commentary																																					
<p>tenement and land tenure status</p>	<p>ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings.</p> <ul style="list-style-type: none"> • The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area. 	<p>the Tenure section of this report.</p> <ul style="list-style-type: none"> • There are no native title interests, historical sites, wilderness or national park and environmental settings that could potentially affect any future mining operations. • All the licences are wholly owned by European Lithium Ltd. • There are no royalties due to the Austrian government. • A royalty of €1.50/tonne for minerals sold is payable to Exchange Minerals. 																																					
<p>Exploration done by other parties</p>	<ul style="list-style-type: none"> • Acknowledgment and appraisal of exploration by other parties. 	<p>Almost all the exploration work described in this report at the Wolfsberg Lithium Project was carried out by Minerex.</p>																																					
<p>Geology</p>	<ul style="list-style-type: none"> • Deposit type, geological setting and style of mineralisation. 	<p>The lithium at Wolfsberg is in the form of spodumene contained within a series of sub-parallel pegmatite dykes or “veins”, following late stage regional scale shearing, that are hosted by a sequence of amphibolites and mica schists folded to form a large anticline. These pegmatites contain fine grained spodumene which is the main economic mineral. Other minerals contained in the pegmatites that have economic potential are feldspar for ceramics and quartz for glass manufacture.</p>																																					
<p>Drill hole Information</p>	<ul style="list-style-type: none"> • A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes: <ul style="list-style-type: none"> ○ easting and northing of the drill hole collar ○ elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar ○ dip and azimuth of the hole ○ down hole length and interception depth ○ hole length. • If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case. 	<p>A summary of the drill holes and other exploration work completed is as follows:</p> <table border="1" style="width: 100%; border-collapse: collapse; margin-bottom: 10px;"> <thead> <tr> <th style="text-align: left; padding: 2px;">Exploration Work</th> <th style="text-align: left; padding: 2px;">Parameters</th> <th style="text-align: left; padding: 2px;">Quantity</th> </tr> </thead> <tbody> <tr> <td style="padding: 2px;">Exploration trenches (surface)</td> <td style="padding: 2px;">number / volume</td> <td style="padding: 2px;">35 / 9,940 m³</td> </tr> <tr> <td style="padding: 2px;">Diamond core drilling (surface)</td> <td style="padding: 2px;">number / length</td> <td style="padding: 2px;">64 / 12,012 m</td> </tr> <tr> <td style="padding: 2px;">Decline drift from surface</td> <td style="padding: 2px;">length</td> <td style="padding: 2px;">417.6 m</td> </tr> <tr> <td style="padding: 2px;">Underground development between veins</td> <td style="padding: 2px;">length</td> <td style="padding: 2px;">119.2 m</td> </tr> <tr> <td style="padding: 2px;">Drifts following veins (along strike)</td> <td style="padding: 2px;">length</td> <td style="padding: 2px;">853.7 m</td> </tr> <tr> <td style="padding: 2px;">Diamond core drilling (underground)</td> <td style="padding: 2px;">number / length</td> <td style="padding: 2px;">37 / 4,715 m</td> </tr> </tbody> </table> <p>A summary of the drilling results is as follows:</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 30%;"></th> <th style="text-align: center; width: 10%;">U₂O (%)</th> <th style="text-align: center; width: 10%;">Be (ppm)</th> <th style="text-align: center; width: 10%;">Sn (ppm)</th> </tr> </thead> <tbody> <tr> <td style="padding: 2px;">Count</td> <td style="text-align: center; padding: 2px;">531</td> <td style="text-align: center; padding: 2px;">530</td> <td style="text-align: center; padding: 2px;">458</td> </tr> <tr> <td style="padding: 2px;">Minimum</td> <td style="text-align: center; padding: 2px;">0.3</td> <td style="text-align: center; padding: 2px;">0.0</td> <td style="text-align: center; padding: 2px;">0.0</td> </tr> <tr> <td style="padding: 2px;">Maximum</td> <td style="text-align: center; padding: 2px;">14.1</td> <td style="text-align: center; padding: 2px;">3.5</td> <td style="text-align: center; padding: 2px;">390.0</td> </tr> </tbody> </table>	Exploration Work	Parameters	Quantity	Exploration trenches (surface)	number / volume	35 / 9,940 m ³	Diamond core drilling (surface)	number / length	64 / 12,012 m	Decline drift from surface	length	417.6 m	Underground development between veins	length	119.2 m	Drifts following veins (along strike)	length	853.7 m	Diamond core drilling (underground)	number / length	37 / 4,715 m		U ₂ O (%)	Be (ppm)	Sn (ppm)	Count	531	530	458	Minimum	0.3	0.0	0.0	Maximum	14.1	3.5	390.0
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Criteria	JORC Code explanation	Commentary
	Average 1.4 1.1 104.5 Mode 0.5 0.0 90.0 Standard Deviation 1.2 0.7 49.9	
Data aggregation methods	<ul style="list-style-type: none"> In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (eg cutting of high grades) and cut-off grades are usually Material and should be stated. Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail. The assumptions used for any reporting of metal equivalent values should be clearly stated. 	<ul style="list-style-type: none"> All intersections quoted in text are length weighted averages and all resource estimates are tonnage weighted averages None of the assay data was adjusted by applying upper cuts or by compositing. No metal equivalents were quoted in the report.
Relationship between mineralisation widths and intercept lengths	<ul style="list-style-type: none"> These relationships are particularly important in the reporting of Exploration Results. If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported. If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (eg 'down hole length, true width not known'). 	<ul style="list-style-type: none"> The intersection angle of the drilling with the mineralised pegmatites varied and so was consistently longer than the true width of the veins. The resource modelling was carried out in 3D so all apparent widths were accounted for in the estimation method.
Diagrams	<ul style="list-style-type: none"> Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported. These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views. 	<ul style="list-style-type: none"> All the necessary maps and cross sections have been included in the report.
Balanced reporting	<ul style="list-style-type: none"> Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high 	<ul style="list-style-type: none"> A resource estimate based on all the drilling is reported.

Criteria	JORC Code explanation	Commentary
Other substantive exploration data	<p>grades and/or widths should be practiced to avoid misleading reporting of Exploration Results.</p> <p>Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances.</p>	<ul style="list-style-type: none"> No other exploration data other than local geology maps were considered in the resource estimate.
Further work	<ul style="list-style-type: none"> The nature and scale of planned further work (eg tests for lateral extensions or depth extensions or large-scale step-out drilling). Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive. 	<ul style="list-style-type: none"> It is recommended that once all the historic data generated by Minerex and other earlier owners has been properly compiled and independent duplicate check samples are taken from the underground workings, four twin diamond drill holes of the earlier Minerex drill holes and several additional diamond drill holes are targeted below the current wire-framed veins and to the west of the main resource are drilled to verify the earlier sampling results and geological interpretations, a JORC Code (2012) resource can be modelled and estimated. Additional resources are likely if diamond drilling is initiated at Zone 2, where outcrop and boulder mapping have previously identified pegmatites.

Section 3 Estimation and Reporting of Mineral Resources

(Criteria listed in section 1, and where relevant in section 2, also apply to this section.)

Criteria	JORC Code explanation	Commentary
Database integrity	<ul style="list-style-type: none"> Measures taken to ensure that data has not been corrupted by, for example, transcription or keying errors, between its initial collection and its use for Mineral Resource estimation purposes. Data validation procedures used. 	<ul style="list-style-type: none"> Data used as received but checked for Hole ID and sample interval errors by the resource modelling software.
Site visits	<ul style="list-style-type: none"> Comment on any site visits undertaken by the Competent Person and the outcome of those visits. If no site visits have been undertaken indicate why this is the case. 	<ul style="list-style-type: none"> AM&A geologist Allen Maynard undertook site visits to the project between 11th and 19th November 2011 and again between 15th to 17th April 2014, visiting and examining the mine workings as well as the potentially significant

Criteria	JORC Code explanation	Commentary
		<p>anomalous zones nearby in order to properly understand the local geology, operating conditions and to inspect, review and collate all the data including original geological reports and sample data, maps, drill core and any other documentation that may be relevant to the quality assurance of this report.</p>
Geological interpretation	<ul style="list-style-type: none"> Confidence in (or conversely, the uncertainty of) the geological interpretation of the mineral deposit. Nature of the data used and of any assumptions made. The effect, if any, of alternative interpretations on Mineral Resource estimation. The use of geology in guiding and controlling Mineral Resource estimation. The factors affecting continuity both of grade and geology. 	<ul style="list-style-type: none"> The basic geology is relatively simple and well understood. There is sufficient data available for a JORC Code (2012) resource estimate of the reliability category stated in this report. The geology was used in the resource modelling. The continuity of the pegmatite veins in the resource modelling was determined by the diamond drilling logs and underground and surface mapping.
Dimensions	<ul style="list-style-type: none"> The extent and variability of the Mineral Resource expressed as length (along strike or otherwise), plan width, and depth below surface to the upper and lower limits of the Mineral Resource. 	<ul style="list-style-type: none"> The mineralisation is not properly closed off along strike to the west or down dip.
Estimation and modelling techniques	<ul style="list-style-type: none"> The nature and appropriateness of the estimation technique(s) applied and key assumptions, including treatment of extreme grade values, domaining, interpolation parameters and maximum distance of extrapolation from data points. If a computer assisted estimation method was chosen include a description of computer software and parameters used. The availability of check estimates, previous estimates and/or mine production records and whether the Mineral Resource estimate takes appropriate account of such data. The assumptions made regarding recovery of by-products. Estimation of deleterious elements or other non-grade variables of economic significance (eg sulphur for acid mine drainage characterisation). In the case of block model interpolation, the block size in relation to the average sample spacing and the search employed. Any assumptions behind modelling of selective mining units. 	<ul style="list-style-type: none"> AM&A considers that these modelling parameters are appropriate for an Inferred resource estimate of the type and style of mineralisation being modelled. No adjustments or domaining was applied to the data. By-products were not considered in the resource modelling although it is noted that feldspar for ceramics, quartz for glass manufacture and mica are potential by-products. The reported Mine-It resource was checked by AM&A using wireframes and drilling data as supplied and the results were comparable. No independent modelling nor auditing has been carried out. Full independent checking and auditing will be carried out once the primary data sources have been compiled and resource modelling repeated. All the modelled pegmatite veins were wireframed and checked against Minerex maps and cross sections to confirm they matched. The $L_{12}O$ assays followed a normal distribution for a

Criteria	JORC Code explanation	Commentary
	<ul style="list-style-type: none"> Any assumptions about correlation between variables. Description of how the geological interpretation was used to control the resource estimates. Discussion of basis for using or not using grade cutting or capping. The process of validation, the checking process used, the comparison of model data to drill hole data, and use of reconciliation data if available. 	<p>spodumene deposit and there were no exceptional assays that required cutting.</p>
Moisture	<ul style="list-style-type: none"> Whether the tonnages are estimated on a dry basis or with natural moisture, and the method of determination of the moisture content. 	<ul style="list-style-type: none"> All tonnes and grades are on a dry basis. All samples received at the laboratory for chemical analysis are routinely oven dried before assaying. The assumed bulk density used is based on dried rock.
Cut-off parameters	<ul style="list-style-type: none"> The basis of the adopted cut-off grade(s) or quality parameters applied. 	<p>The resource modelling was confined by wire framing of the individual pegmatite veins. No cut-off grades or minimum vein thicknesses were used to report the resources.</p>
Mining factors or assumptions	<ul style="list-style-type: none"> Assumptions made regarding possible mining methods, minimum mining dimensions and internal (or, if applicable, external) mining dilution. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider potential mining methods, but the assumptions made regarding mining methods and parameters when estimating Mineral Resources may not always be rigorous. Where this is the case, this should be reported with an explanation of the basis of the mining assumptions made. 	<ul style="list-style-type: none"> It has been assumed that all the veins included in the resource estimates will be selectively mined underground using either long hole or cut and fill methods as reported in the Austroplan pre-feasibility study. Since the resources are only classified as Inferred with no reserves reported, no rigorous mining factors were applied to the resource estimates.
Metallurgical factors or assumptions	<ul style="list-style-type: none"> The basis for assumptions or predictions regarding metallurgical amenability. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider potential metallurgical methods, but the assumptions regarding metallurgical treatment processes and parameters made when reporting Mineral Resources may not always be rigorous. Where this is the case, this should be reported with an explanation of the basis of the metallurgical assumptions made. 	<p>Metallurgical tests carried out on samples collected from the Wolfsberg deposit by the University of North Carolina, USA, showed that recoveries of spodumene concentrates of better than 93% at grades of 94.5% spodumene were produced from ore free of amphibolite, while recoveries of better than 91% at grades of better than 80% spodumene were obtained from ore containing 10-15% amphibolite and mica schist. In addition to the recovery of high grade spodumene concentrates, ceramic grade feldspar and quartz suitable for glass manufacture was extracted from the rougher tails produced by the spodumene float. Spodumene concentrates were then tested for conversion to lithium carbonate. A 96% $L_{12}CO_3$ product was produced at a</p>

Criteria	JORC Code explanation	Commentary
<i>Environmental factors or assumptions</i>	<ul style="list-style-type: none"> Assumptions made regarding possible waste and process residue disposal options. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider the potential environmental impacts of the mining and processing operation. While at this stage the determination of potential environmental impacts, particularly for a greenfields project, may not always be well advanced, the status of early consideration of these potential environmental impacts should be reported. Where these aspects have not been considered this should be reported with an explanation of the environmental assumptions made. 	<p>9% recovery from a 6% $L_{12}O$ spodumene concentrate.</p> <ul style="list-style-type: none"> No environmental factors were considered however the mining licences have sufficient suitable area to accommodate a mining and processing operation including provision for waste disposal. Additional mining licences can be applied for within the area covered by the exploration licences if required to provide for any further mining or infrastructure requirements. There are no obvious especially environmentally sensitive areas in the vicinity of the deposit although the usual impact studies and government environmental laws and regulations will need to be complied with.
<i>Bulk density</i>	<ul style="list-style-type: none"> Whether assumed or determined. If assumed, the basis for the assumptions. If determined, the method used, whether wet or dry, the frequency of the measurements, the nature, size and representativeness of the samples. The bulk density for bulk material must have been measured by methods that adequately account for void spaces (vugs, porosity, etc), moisture and differences between rock and alteration zones within the deposit. Discuss assumptions for bulk density estimates used in the evaluation process of the different materials. 	<ul style="list-style-type: none"> A bulk density of 2.8 tonnes per cubic metre was used to convert volumes of pegmatite to tonnes. This value is an assumed value based on typical pegmatite mineralogies of feldspars, quartz and muscovite mica. AM&A strongly recommend that a suite of representative samples of pegmatite as well as both the amphibolites and mica schists are collected and their bulk densities measured using an appropriate water displacement method.
<i>Classification</i>	<ul style="list-style-type: none"> The basis for the classification of the Mineral Resources into varying confidence categories. Whether appropriate account has been taken of all relevant factors (ie relative confidence in tonnage/grade estimations, reliability of input data, confidence in continuity of geology and metal values, quality, quantity and distribution of the data). Whether the result appropriately reflects the Competent Person's view of the deposit. 	<ul style="list-style-type: none"> The resource was classified by AM&A as Inferred based on the spacing of the drilling and quality of the data used in the estimation. AM&A believes that this classification to be appropriate and complies with JORC Code (2012).
<i>Audits or reviews</i>	<ul style="list-style-type: none"> The results of any audits or reviews of Mineral Resource estimates. 	<ul style="list-style-type: none"> No audits or reviews of the Mineral Resource Estimates have been made.
<i>Discussion of relative accuracy/</i>	<ul style="list-style-type: none"> Where appropriate a statement of the relative accuracy and confidence level in the Mineral Resource estimate using an 	<ul style="list-style-type: none"> Since the resource estimate is based on secondary data sources and they were not checked against primary data

Criteria	JORC Code explanation	Commentary
confidence	<p><i>approach or procedure deemed appropriate by the Competent Person. For example, the application of statistical or geostatistical procedures to quantify the relative accuracy of the resource within stated confidence limits, or, if such an approach is not deemed appropriate, a qualitative discussion of the factors that could affect the relative accuracy and confidence of the estimate.</i></p> <ul style="list-style-type: none"> • <i>The statement should specify whether it relates to global or local estimates, and, if local, state the relevant tonnages, which should be relevant to technical and economic evaluation. Documentation should include assumptions made and the procedures used.</i> • <i>These statements of relative accuracy and confidence of the estimate should be compared with production data, where available.</i> 	<p>sources such as surveyed drill collar coordinates, geologist core logs etc and no reports are available that describe the drilling techniques used, sampling and analytical techniques and the QA/QC procedures followed, AM&A have classified the resources within the wireframes determined by drilling as Inferred and the remaining estimates based on extrapolation as Exploration Targets.</p> <ul style="list-style-type: none"> • All quoted estimates are global for the deposit. • The resource categories used accurately reflect the reliability of the resource estimates.

Appendix 1: Summary Table of Assets

Tenement Number	Exploration Licence Centroid ID	Holder	Interest (%)	Status	Licence Expiry Date	Licence Area (Hectares)
1	104/96	ECM Lithium AT GmbH	100	Exploration	31/12/2019	56.7*
2	105/96	ECM Lithium AT GmbH	100	Exploration	31/12/2019	56.7*
3	106/96	ECM Lithium AT GmbH	100	Exploration	31/12/2019	56.7*
4	107/96	ECM Lithium AT GmbH	100	Exploration	31/12/2019	56.7*
5	108/96	ECM Lithium AT GmbH	100	Exploration	31/12/2019	56.7*
6	109/96	ECM Lithium AT GmbH	100	Exploration	31/12/2019	56.7*
7	110/96	ECM Lithium AT GmbH	100	Exploration	31/12/2019	56.7*
8	111/96	ECM Lithium AT GmbH	100	Exploration	31/12/2019	56.7*
9	112/96	ECM Lithium AT GmbH	100	Exploration	31/12/2019	56.7*
10	113/96	ECM Lithium AT GmbH	100	Exploration	31/12/2019	56.7*
11	114/96	ECM Lithium AT GmbH	100	Exploration	31/12/2019	56.7*
12	115/96	ECM Lithium AT GmbH	100	Exploration	31/12/2019	56.7*
13	116/96	ECM Lithium AT GmbH	100	Exploration	31/12/2019	56.7*
14	117/96	ECM Lithium AT GmbH	100	Exploration	31/12/2019	56.7*
15	118/96	ECM Lithium AT GmbH	100	Exploration	31/12/2019	56.7*
16	119/96	ECM Lithium AT GmbH	100	Exploration	31/12/2019	56.7*
17	120/96	ECM Lithium AT GmbH	100	Exploration	31/12/2019	56.7*
18	121/96	ECM Lithium AT GmbH	100	Exploration	31/12/2019	56.7*
19	122/96	ECM Lithium AT GmbH	100	Exploration	31/12/2019	56.7*
20	123/96	ECM Lithium AT GmbH	100	Exploration	31/12/2019	56.7*
21	124/96	ECM Lithium AT GmbH	100	Exploration	31/12/2019	56.7*
22	125/96	ECM Lithium AT GmbH	100	Exploration	31/12/2019	56.7*
23	370/11(611/11)	ECM Lithium AT GmbH	100	Exploration	31/12/2019	56.7*
24	371/11(612/11)	ECM Lithium AT GmbH	100	Exploration	31/12/2019	56.7*
25	372/11(613/11)	ECM Lithium AT GmbH	100	Exploration	31/12/2019	56.7*
26	373/11(614/11)	ECM Lithium AT GmbH	100	Exploration	31/12/2019	56.7*
27	374/11(615/11)	ECM Lithium AT GmbH	100	Exploration	31/12/2019	56.7*
28	375/11(616/11)	ECM Lithium AT GmbH	100	Exploration	31/12/2019	56.7*
29	378/11(619/11)	ECM Lithium AT GmbH	100	Exploration	31/12/2019	56.7*
30	379/11(620/11)	ECM Lithium AT GmbH	100	Exploration	31/12/2019	56.7*
31	380/11(621/11)	ECM Lithium AT GmbH	100	Exploration	31/12/2019	56.7*
32	381/11(622/11)	ECM Lithium AT GmbH	100	Exploration	31/12/2019	56.7*
33	382/11(623/11)	ECM Lithium AT GmbH	100	Exploration	31/12/2019	56.7*
34	383/11(624/11)	ECM Lithium AT GmbH	100	Exploration	31/12/2019	56.7*
35	384/11(625/11)	ECM lithium AT GmbH	100	Exploration	31/12/2019	56.7*
36	386/11(627/11)	ECM Lithium AT GmbH	100	Exploration	31/12/2019	56.7*
37	387/11(628/11)	ECM Lithium AT GmbH	100	Exploration	31/12/2019	56.7*

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Paynes Find Gold Ltd – Wolfsberg Lithium Project

38	388/11(629/11)	ECM Lithium AT GmbH	100	Exploration	31/12/2019	56.7*
39	389/11(630/11)	ECM Lithium AT GmbH	100	Exploration	31/12/2019	56.7*
40	390/11(631/11)	ECM Lithium AT GmbH	100	Exploration	31/12/2019	56.7*
41	391/11(632/11)	ECM Lithium AT GmbH	100	Exploration	31/12/2019	56.7*
42	392/11(633/11)	ECM Lithium AT GmbH	100	Exploration	31/12/2019	56.7*
43	394/11(636/11)	ECM Lithium AT GmbH	100	Exploration	31/12/2019	56.7*
44	395/11(637/11)	ECM Lithium AT GmbH	100	Exploration	31/12/2019	56.7*
45	396/11(638/11)	ECM Lithium AT GmbH	100	Exploration	31/12/2019	56.7*
46	397/11(639/11)	ECM Lithium AT GmbH	100	Exploration	31/12/2019	56.7*
47	398/11(640/11)	ECM Lithium AT GmbH	100	Exploration	31/12/2019	56.7*
48	400/11(645/11)	ECM Lithium AT GmbH	100	Exploration	31/12/2019	56.7*
49	401/11(646/11)	ECM Lithium AT GmbH	100	Exploration	31/12/2019	56.7*
50	402/11(647/11)	ECM Lithium AT GmbH	100	Exploration	31/12/2019	56.7*
51	403/11(648/11)	ECM Lithium AT GmbH	100	Exploration	31/12/2019	56.7*
52	408/11(648/11)	ECM Lithium AT GmbH	100	Exploration	31/12/2019	56.7*
53	409/11(641/11)	ECM Lithium AT GmbH	100	Exploration	31/12/2019	56.7*
54	412/11(649/11)	ECM Lithium AT GmbH	100	Exploration	31/12/2019	56.7*
55	Andreas 1	ECM Lithium AT GmbH	100	Mining	Indefinite**	4.8***
56	Andreas 2	ECM Lithium AT GmbH	100	Mining	Indefinite**	4.8***
57	Andreas 3	ECM Lithium AT GmbH	100	Mining	Indefinite**	4.8***
58	Andreas 4	ECM Lithium AT GmbH	100	Mining	Indefinite**	4.8***
59	Andreas 5	ECM Lithium AT GmbH	100	Mining	Indefinite**	4.8***
60	Andreas 6	ECM Lithium AT GmbH	100	Mining	Indefinite**	4.8***
61	Andreas 7	ECM Lithium AT GmbH	100	Mining	Indefinite**	4.8***
62	Andreas 8	ECM Lithium AT GmbH	100	Mining	Indefinite**	4.8***
63	Andreas 9	ECM Lithium AT GmbH	100	Mining	Indefinite**	4.8***
64	Andreas 10	ECM Lithium AT GmbH	100	Mining	Indefinite**	4.8***
65	Andreas 11	ECM Lithium AT GmbH	100	Mining	Indefinite**	4.8***

COMMENTS: All tenements are in Austria as described above and at the Advanced Exploration stage; Wolfsberg Lithium Project.

*Exploration Licences overlap each other, **Mining licences are granted indefinitely providing annual work commitments are met ***Mining Licences overlap Exploration Licences (see description in Tenure section of this report)

The project is close to supporting infrastructure, roads, rail and cities. Other mining activities are already established in the area. This project has a strategic location for mining and supply of lithium to European markets.

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Appendix 2: Resources by Status.

Category	Gross			Net attributable			Operator
	Tonnes (millions)	Grade Li ₂ O%	Contained Li ₂ O ('000 tonnes)	Tonnes (millions)	Grade Li ₂ O %	Contained Li ₂ O ('000 tonnes)	
Ore/Mineral reserves per asset	0			0			
Proved	0			0			
Probable	0			0			
Sub-total	0			0			
Mineral resources per asset							
Measured	0			0			
Indicated	0			0			
Inferred	3.7	1.5	55.5	3.7	1.5	55.5	ECM Lithium AT GmbH
Sub-total	3.7	1.5	55.5	3.7	1.5	55.5	ECM Lithium AT GmbH
Total	3.7	1.5	55.5	3.7	1.5	55.5	ECM Lithium AT GmbH

Source: A. Maynard, 2014

Note: "Operator" is name of the company that operates the asset

"Gross" are 100% of the **reserves** and/or **resources** attributable to the licence whilst "Net attributable" are those attributable to the **AIM company**

NOTES: Of the total resources 93% lies within the Mining Licences and 7% outside the Mining Licences but still within the Exploration Licences.

Resource Classification

Although the Mine-It/Miller resource classification of Measured was considered valid under JORC Code (2004) guidelines they are not valid under JORC Code (2012) guidelines due to the lack of original source documentation on the drilling methods and core recoveries, procedures followed when sampling the diamond core, QA/QC procedures followed during the core sampling and chemical analyses.

AM&A have therefore revised the Mine-It/Miller and JORC Code (2004) resource classification "Measured" to Inferred to comply with the current JORC Code (2012) guidelines for reporting Exploration Results, Mineral Resources and Ore Reserves.

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**ACQUISITION OF EUROPEAN LITHIUM
AT (INVESTMENTS) LIMITED**

SOLICITOR'S REPORT ON TITLE

Dated 16 June 2016

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INTRODUCTION

I. BACKGROUND AND PURPOSE

Our firm has been engaged by Paynes Find Gold Limited (ACN 141 450 624), an Australian company listed on the Australian Securities Exchange ("**Paynes Find**") to carry out a solicitor's report on title in relation to the proposed acquisition by Paynes Find of 100% ownership of European Lithium AT (Investments) Limited (Company Number 162395) ("**EL AT**"). This solicitor's report ("the "**Solicitor's Report**") covers the two subsidiaries, the ECM Lithium AT GmbH (the "**Company**" or "**ECM AT**") and the ECM Lithium AT Operating GmbH ("**ECM Operating**"; EL AT, ECM AT and ECM Operating together the "**Group**").

EL AT's 100% owned subsidiary, ECM AT, a limited liability company established according to Austrian law (ECM AT), holds 54 exploration licences and 11 mining licences located in Austria ("**Licences**"). Furthermore, ECM AT owns 100% of ECM Operating, a limited liability company established according to Austrian law. To this effect, we have been requested to provide a legal title report with a focus on the following areas:

- the legal status of ECM AT, ECM Operating and validity of the Licences;
- confirmation that there is no pending, threatened or actual litigation against or involving, EL AT, ECM AT and ECM Operating in the Austrian courts;
- a review of the material agreements affecting the Licences and ECM AT's interests in the Licences;
- a review of the relevant laws of Austria affecting the Licences and any material agreements to which EL AT and its subsidiaries are a party; and
- any other issues that may be relevant or appropriate to confirm title and legal status.

In accordance with the instructions given in the requirements for solicitor's report on title by Steinepreis Paganin Laywers & Consultants on 07 June 2016 (CET), the Solicitor's Report does not aim to summarize all legal and/or commercial risks which may emanate from the documents or information and/or to provide a description of the documents which were reviewed.

This Solicitor's Report is addressed to Paynes Find and has been prepared for inclusion in a prospectus to be lodged by the Company with the Australian Securities and Investments Commission and announced on the Australian Securities Exchange (Prospectus) on or about 1 July 2016.

DLA Piper Weiss-Tessbach Rechtsanwälte GmbH ("DLA Piper") consents to the inclusion of this Report in the Prospectus to be lodged by Paynes Find with the Australian Securities and Investments Commission and consents to any reference given in the Prospectus to fees paid by Paynes Find to DLA Piper Weiss-Tessbach Rechtsanwälte GmbH for legal services rendered. DLA Piper Weiss-Tessbach Rechtsanwälte GmbH has not withdrawn their consent prior to the date of the Prospectus.

II. ASSUMPTIONS

The authenticity and the accuracy of the information provided to us by the Company has not been verified. We have relied on the Company's veracity for the purposes of preparing this Solicitor's Report. We further assumed the authenticity, completeness and due execution of the documents submitted to us. It has not been possible, for the main part, to determine the full adequacy of the documents provided. We have no means to verify whether the information provided to us establishes a complete documentation of all material legal aspects concerning the questions raised with reference to EL AT, ECM AT and ECM Operating.

In examining the documents discussed herein, we have assumed that all signatures on such documents are genuine, that copies of the documents are true and complete copies of the originals and that no other documents exist with respect to the matters which we have examined. We have not made any investigation into any matters other than those specifically described herein. For the purposes of this Solicitor's Report we have also assumed (without making any independent investigation) that:

- in respect of all parties to the documents:
 - each such party is and will be, as may be applicable validly incorporated, established and existing and in good standing under the laws of its respective and applicable jurisdictions of incorporation and/or effective place of management;
 - each such party has capacity, power, legal right and authority to enter into and perform its respective obligations under the documents;
 - the documents have been duly executed and delivered in compliance with all requisite corporate authorisations by each such party; and
 - to the extent foreign law (i.e., non-Austrian law) is applicable, the obligations of all such parties thereunder are legal, valid, binding and enforceable under any applicable laws;
- the parties entered into the Documents in good faith and bona fide commercial reasons and on arm's length commercial terms;
- the absence of any other arrangements between the parties to the Documents which modify or supersede any of the terms thereof.

III. LIMITS OF THE SOLICITOR'S REPORT

We are Austrian lawyers and do not purport to advise on any other system of law. We are not opining in the laws of any other jurisdiction.

This report has only been prepared in relation to the specific matters set out herein. We are not opining on any matters not set out in this report and expressly exclude all liability in relation to any matters not set out within this report. Specifically, we have not reviewed the Prospectus prepared by Paynes Find Gold Limited and we do not accept any liability for the Prospectus (other than in relation to the inclusion of this report). We also note that any commercial, financial and tax nature and business analysis and technical aspects have not been considered by DLA Piper.

IV. EFFECTIVENESS OF THE REPORT

This Solicitor's Report reflects our knowledge as of 14 June 2016, unless another date is indicated herein. Consequently, the Solicitor's Report does not relate to any matters or information which might be revealed or brought to our attention after this date. We do not assume any responsibility under the Solicitor's Report with respect to events occurring after the above date or to investigate further the matters set out herein, unless explicitly having accepted to do so.

Yours faithfully

DLA Piper Weiss-Tessbach Rechtsanwälte GmbH

REPORT

1. LEGAL STATUS

1.1 Corporate Matters

1.1.1 ECM Lithium AT GmbH

1.1.1.1 Establishment

ECM Lithium AT GmbH (“**ECM AT**”) is a limited liability company (*Gesellschaft mit beschränkter Haftung – GmbH*) established according to Austrian law. It has been founded on 9 December 2010 and was registered with the commercial register of the Commercial Court Vienna on 12 January 2011. It is incorporated in the commercial register under company number FN 356306 f.

1.1.1.2 Share Capital

An Austrian GmbH does not issue share certificates or other negotiable securities representing its share capital, but every shareholder gets one and only one quota the nominal value of which is variable and changes according to the participation in the capital of the company. Each quotaholder’s holding in the company represents one quota in the relevant amount in the company’s capital. Every quotaholder in an Austrian GmbH therefore owns always one quota in the company.

ECM AT has issued one quota with a nominal value of EUR 35,000.00. The sole quotaholder is European Lithium AT (Investments) Limited with its office at c/o Maples Corporate Services (BVI) Limited, Kingston Chambers, P.O. Box 173, Road Town, Tortola VG1110, British Virgin Islands (please see Annex 1.1.1.2). The registered capital (*Stammkapital*) of the Company amounts to EUR 35,000.00 and is fully paid up.

According to the information provided and to our knowledge no shares are held in trust and there exist no documents relating to any share buy backs, share consolidations, share cancellations or redemptions of shares.

According to the information provided and to our knowledge there are no agreements or arrangements creating or which may give rise to a right to require the issue of any shares.

1.1.2 ECM Lithium AT Operating GmbH

1.1.2.1 Establishment

ECM Lithium AT Operating GmbH (“**ECM Operating**”) is a limited liability company (*Gesellschaft mit beschränkter Haftung – GmbH*) established according to Austrian law. It has been founded on 18 January 2011 and was registered with the commercial register of the Commercial Court Vienna on 5 March 2011. It is incorporated in the commercial under company number FN 359847 m.

1.1.2.2 Share Capital

ECM Operating has issued one quota with a nominal value of EUR 35,000.00 The sole quotaholder is ECM Lithium AT GmbH with its office at the premises of DLA Piper Weiss-Tessbach Rechtsanwälte GmbH, Schottenring 14, A-1010 Vienna, Austria (please see Annex 1.1.2.2). The registered capital (*Stammkapital*) of ECM Operating amounts to EUR 35,000.00 and is fully paid up.

According to the information provided and to our knowledge no shares are held in trust and there exist no documents relating to any share buy backs, share consolidations, share cancellations or redemptions of shares.

According to the information provided and to our knowledge there are no agreements or arrangements creating or which may give rise to a right to require the issue of any shares.

1.2 Third Party Rights

There are no agreements or other arrangements creating or which may give rise to any Encumbrance, option, right of pre-emption, right of first or last refusal or other third party right over any of the shares of a ECM AT or ECM Operating.

A participation rights agreement (the "**Participation Rights Agreement**") was concluded between Exchange Minerals Limited (BVI company number: 1648281), ECM AT and Exchange Minerals (Holdings) Limited (BVI company number: 255805) on 30 June 2011 and mutually terminated on 9 September 2014. As the deed of termination is governed by Australian law we cannot directly comment on it.

In consideration of the termination of the Participation Rights Agreement a royalty deed (the "**Royalty Deed**") was concluded between Exchange Minerals Limited (BVI company number: 1648281), ECM AT and ECM Lithium AT (Holdings) Limited (BVI company number: 1629378) (now: European Lithium Limited) on 9 September 2014. In this Royalty Deed ECM AT grants Exchange Minerals Limited a royalty in the amount of EUR 1.50 per dry tonne of all Mineral Product (meaning all minerals which are mined or extracted from the tenement area, *Grubenfeld Andreas*) sold. ECM Lithium AT (Holdings) Limited (now: European Lithium Limited) as guarantor guarantees to Exchange Minerals Limited the prompt performance of all obligations of ECM AT contained or implied in the Royalty Deed. The obligation to pay the royalty continues for the full term of the tenement (licence for *Grubenfeld Andreas*) whilst it is owned by ECM AT and continues until ECM AT has satisfied all of its obligations to pay the royalty whether during or after the end of the period during which any Mineral Product can lawfully be extracted and recovered from the tenement area. As the Royalty Deed is governed by English law, we cannot directly comment on the validity of the content of the agreement.

1.3 Licences

1.3.1 Exploration Licences

ECM AT currently owns 54 exploration licences (*Schurfberechtigungen*) and 11 mining licences (*Bergwerksberechtigungen*) according to the Austrian Mineral Raw Materials Act (*Mineralrohstoffgesetz*, "**MinRoG**"). For further information relating to the exploration licences and mining licences according to the MinRoG, please see section 4. of the Solicitor's report.

The exploration of *bergfreie* mineral raw materials requires an exploration licence (*Schurfberechtigung*). Exploration licences are granted by a decision of the mining authority for a term of 5 years.

With Sale and Purchase Agreement ("**SPA**") dated September 2011 ECM AT acquired – *inter alia* – 22 exploration licences from Kärntner Montanindustrie Gesellschaft m.b.H. ("**KMI**").

These licences have been granted in 1996 to KMI as a package of in total 122 exploration licences. By decree of the mining authority (BMWFJ-67.050/0097-IV/10/2009, 8 February 2010) these exploration licences have been prolonged until 31 December 2014.

In the course of the SPA the following 22 of the entire 122 exploration licences with the numbers 104/96 to 125/96 have been transferred to ECM AT.

Following the signing of the SPA, ECM AT and KMI jointly filed a notification to the mining authority regarding the transfer of these 22 licences. As per a letter dated 12 October 2011 (BMWFJ-67.050/0123-IV/10/2011) the mining authority confirmed the receipt of the notification and the transfer of the exploration licences to ECM AT.

As ECM AT applied for an extension of the 22 exploration licences on 15 September 2014, **the mining authority has granted prolongation until 31 December 2019** by decree dated 22 September 2014 (BMWFW-67.050/0097-III/10/2014).

To fully safeguard the area of the exploration licences against the – minor – risk that a third party may apply for mining licences in the area of the above-mentioned 22 exploration licences of ECM AT, it was necessary to obtain a second layer (“**security layer**”) of exploration licences on top of the primary layer of exploration licences. The center points of the mining licences of the security layer are exactly in the middle between the center points of the mining licences of the primary layer. Thus the security layer will cover a bigger area than the primary layer. The mining authority granted ECM AT 32 exploration licences.

Due to different dates of the application for the first group (22 licences) and the second group (security layer) of exploration licences, the two groups of exploration licences consequently had different expiry dates. In order to have the same expiry date for all of the above-mentioned 32 exploration licences, on 19 November 2015 ECM AT returned the 32 exploration licences and applied for the (re-)granting of the same exploration licences immediately after. The mining authority confirmed the deletion of these 32 exploration licences by e-mail dated 18 December 2015 and it has granted the same exploration licences to ECM AT by decree dated 10 December 2015 (BMWFW-67.050/0133-III/10/2015) with **a duration until 31 December 2019**. These exploration licences are of first rank.

ECM AT applied for the approval of a work program (*Arbeitsprogramm*) regarding underground exploration works (*untertägige Schurfarbeiten*) on 16 December 2014 (and amendments on 17 February 2015 and 13 April 2015). The work program has been approved by the mining authority as per 11 May 2015 (BMWFW-67.050/0056-III/10/2019). It is mentioned in this approval that the exploration works have to be notified to the Workers’ Health and Safety Executive *Klagenfurt* (*Arbeitsinspektion Klagenfurt*) at least two weeks before the works start, and that at the end of the calendar year an exploration report on the performed works (*Schürfbericht*) must be submitted to the mining authority. This work program relates to further explorations of the lithium deposit *Weinebene* (*Lithiumlagerstätte Winebene*) and the exploration works shall verify the information already gained in the 1980s.

1.3.2 Mining Licences

1.3.2.1 Acquisition of Mining Licences

Mining licences (Sec 22 MinroG) entitle to exclusively exploit and mine *bergfreie* mineral raw materials in a certain area.

Upon application dated 14 January 2011 the Federal Ministry for Economic Affairs, Family and Youth granted KMI mining licences for the mining area *Andreas* consisting of the mining licences “*Andreas 1 to 11*” on the basis of a developed deposit of the mineral raw material Lithium on the plots of land nos. 1631/2, KG (cadastral area) *Obergösel*, 419/1 and 472/1, KG *Trum- und Pressinggraben*, OG *Frantschach St. Gertraud*, political regional district *Wolfsberg* (BMWFJ-67.050/0047-

IV/10/2011, 22 March 2011). In the course of the SPA, ECM AT acquired from KMI – inter alia – these 11 mining licences referred to as *Grubenfeld Andreas* in the area *Weinebene*.

On 31 May 2011 (once all preconditions were met) ECM AT and KMI jointly filed an application with the mining authority regarding the approval of the transfer of these mining licences to ECM AT. By decree of the mining authority (BMWFJ-67.050/0112-IV/10/2011, 5 September 2011, the transfer of these mining licences to ECM AT was approved.

1.3.2.2 Suspension of the Mining Licence

The MinroG stipulates the obligation of the holder of a mining licence to effectively mine the mineral raw materials in the area for which the mining licence was granted. If the holder of a mining licence does not mine, the mining licences may be revoked by the mining authority. The obligation to mine is mitigated by the fact that this obligation does not refer to all *Grubenmaße* (mining areas) at the same time.

Sec 44 para 1 MinroG provides that the mining of *bergfreie* mineral raw materials has to start within two years after the mining licences have been granted and no appeal against the granting may be filed any more. In case mining licences have been granted for a *Grubenfeld*, the obligation refers to at least one *Grubenmaß*. Mining has to be performed during at least four months per year. This rather short period takes into account the difficult climate situation in some parts of Austria, but is applicable for the whole of Austria.

The mining authority has to be informed of the beginning and the termination / interruption of the mining activities.

The mining obligation may be suspended for two years in case of (i) accidents and dangerous situations, (ii) insufficient workability or (iii) laws, guidelines, judgements, resolutions or decrees which require the suspension. The owner of the mining licences may apply for such suspension (*Fristung*) and has to describe the measures taken to assure the security and the use of the surface while mining activities are suspended (Sec 47 MinroG).

As per 15 October 2012 ECM AT applied for the approval of a mining program (*Gewinnungsbetriebsplan*) including the application for an exemption of the requirement to provide for a second exit of the mine (*2. Tagausgang*). The mining program has been approved by the mining authority as per 25 January 2013 (BMWFJ-67.150/0121-IV/10/2012) and the exemption has been granted as per 28 January 2013 (BMWFJ-67.050/0094-IV/10/2012).

Following the applications for the mining program, ECM AT applied for a suspension of the obligation to operate the mine (*Betriebspflicht*) as per 20 January 2014 due to the insufficient workability in order to undertake technical studies to verify the workability. By decree of the mining authority dated 29 January 2014 (BMWFJ-67.050/0012-IV/10/2014) the exemption from the obligation to operate the mine was granted until 31 December 2015. A further extension was requested on 3 September 2015 for further two years, this is until 31 December 2017, to complete a DFS (Definitive Feasibility Study), obtain environmental permits and to set up the project. In a supplement letter to the request dated 30 October 2015 the PFS (preliminary Feasibility Study) working program was described in detail. The authority has again granted the suspension on 2 November 2015 (BMWFJ-67.050/0111-III/10/2015). The authority may be reluctant to grant yet another suspension.

2. LITIGATIONS

To our knowledge and the information provided, we can confirm that there is no pending, threatened or actual litigation against or involving EL AT, ECM AT and ECM Operating in the Austrian courts.

3. REVIEW OF MATERIAL AGREEMENTS

There are material agreements affecting the Licences and ECM AT's interest in the Licenses as follows:

3.1 Agreement between Glock Gut- und Forstverwaltung GmbH and KMI, Notification of assignment of agreement

Glock Gut- und Forstverwaltung GmbH is the owner of the property where the exploration and mining licences are situated. As KMI was the owner of the licences before transferring them to ECM AT, KMI and Glock Gut- und Forstverwaltung GmbH concluded an agreement on 15 April 2011 regulating the use of the land and the landlord thereby stipulated a waiver of all rights to raise objections in civil and administrative procedure against mining activities. In the course of transferring its mining licences to ECM AT, KMI assigned the agreement with Glock Gut- und Forstverwaltung GmbH to ECM AT.

As compensation for the waiver, the parties agreed a participation of the Landlord in the mining project, which can either be a share in production or a lump sum payment of EUR 350,000.00. In case KMI transfers the mining project to a third party, the Landlord obtains a lump sum payment of EUR 350,000.00. The amount was paid when the project was sold to ECM AT. The Landlord has no further claims regarding the waiver and there is no obligation on ECM AT to make any further payments in respect to the waiver.

According to section III.1) of the Agreement, Glock is entitled and remains to be entitled to an appropriate compensation ("*Abgeltung*") (i) for the direct and indirect nuisance by emission from the intended mining operations ("*geplanter Bergbau*") and (ii) for the use of the forest roads ("*Forststraße*").

Furthermore, it was agreed (section III.3) of the Agreement) that Glock and KMI (now ECM AT) shall strive for a mutual agreement ("*einvernehmliche Regelung*") on the compensation for (i) the direct and indirect nuisance by emission from the intended mining operations and (ii) the use of the forest roads. The compensation shall be in line with what is usual in this sector (*branchenüblich*).

There is an e-mail correspondence of 15/16 January 2015 regarding an agreement on the payment of an amount of monthly EUR 2,000. This e-mail correspondence is such a mutual agreement (*einvernehmliche Regelung*) between ECM AT and Glock. This agreement is not time limited.

Note that ECM AT received a letter of a lawyer of Glock Gut- und Forstverwaltung GmbH on 07 June 2016 regarding the use of the property and the access to the mine. It is mentioned in the letter that there is no valid agreement regarding the use of the property for the year 2016 and no agreement regarding the respective compensations. Furthermore they mention in the letter, that unless there is an agreement about the use of the property and the compensation payments, the use of the real property as well as the access are prohibited. It is also mentioned that Glock Gut- und Forstverwaltung GmbH awaits an offer.

We (on behalf of ECM AT) sent an answer to the lawyer describing the actual situation (including the agreement of 15 April 2011) and we also forwarded copies of the agreement of 15 April 2011 and of the e-mail correspondence of January 2015.

The lawyer replied to our answer and mentioned that there is no agreement in force on the use of the property and they are awaiting precise written information before responding.

3.2 Support Services Agreement between KMI and ECM AT

With this support services agreement of 08 September 2014, concluded between KMI and ECM AT, KMI provides ECM AT with a consultancy and support package in connection with developing the Wolfsberg Lithium Project in Austria, including for example services as providing management support for the Project, taking on the position of Mine Manager for the Project, representing ECM AT before the relevant mining and environmental agencies, ect. ECM AT shall pay KMI a fee of EUR 9,000.00 per month plus VAT and reimbursement of any directly attributable costs borne by KMI.

This agreement was concluded for an indefinite period and shall be effective from 1 September 2014. Either party may terminate this agreement by three months' written notice. Moreover, this agreement (i) may be terminated automatically if an order is made or an effective resolution is passed for winding up with either of the parties other than for the purpose of amalgamation or reconstruction, or (ii) may be terminated during the first six months of the insolvency procedure in accordance with Sec 25a IO (Austrian Insolvency Act) if otherwise the continuity of the company is endangered and there is good cause for termination, or (iii) may be terminated by either party by notice in writing with immediate effect if the other is guilty of wilful misconduct, bad faith or reckless disregard of its duties under this agreement.

Furthermore, it is agreed that KMI shall not be liable for any loss, costs or damages resulting from the performance of its duties and obligations hereunder unless resulting from the negligence wilful default or breach of trust of itself or any of its personnel.

The rights or obligations of any party of the agreement may not be assigned or delegated without the consent of the other party.

According to Sec 5 para 6 of the articles of association of ECM AT certain management measures require the prior approval by all shareholders. This provision applies to transactions of the company, whereby the company shall be obliged to a consideration in excess of the amount of EUR 100,000.00 in a single transaction or within one financial year. The provided draft of the Support Services Agreement is concluded for an indefinite period of time and the monthly remuneration (reimbursement costs excluded) amounts to EUR 9,000.00. Based on the assumption that the contractual relationship lasts for example one year, the payments to KMI would exceed the maximum amount of EUR 100,000.00 (EUR 108,000.00). Therefore a shareholders' resolution approving the agreement has been signed on 08 September 2014.

3.3 Guarantee Credit Facility and Bank Guarantee

ECM AT as borrower and UniCredit Bank Austria AG, Schottengasse 6-8, 1010 Vienna ("**Bank Austria**") concluded a Guarantee Credit Facility on 08 April 2013 (the "**Credit Facility**"). Bank Austria grants a guarantee credit up to the amount of EUR 20,000.00. Bank Austria shall issue formally abstract guarantees on the instruction of ECM AT. The Credit Facility is at ECM AT's disposal until 1 May 2017. The Credit Facility can be terminated by either party by registered letter, namely with reference to the utilised facility amount, subject to three months' notice, and with reference to the unutilised facility amount with immediate effect.

The commission is calculated in advance from the date of issue of the guarantee for every period of three months in advance and amounts to 0.45% per calendar quarter.

As the "General Terms and Conditions of Business of UniCredit Bank Austria AG" also applies to the Credit Facility, Bank Austria may terminate the Credit Facility with immediate effect subject to the conditions of the "General Terms and Conditions of Business of UniCredit Bank Austria AG".

In case of risk relevant changes in the economic situation of ECM AT respectively in the assessment of securities as well as in case of changes of the economic framework conditions, the agreed credit conditions can be adequately adjusted taking into account the actual solvability- and refinancing conditions. If prior to the utilisation of the facility any circumstances come to the attention of bank Austria which in its opinion increase the risks of its claims under the Credit Facility, the credit commitment will be regarded as withdrawn. In this case any and all fees and costs accrued shall be reimbursed by ECM AT.

ECM AT shall notify Bank Austria of the acquisition of any equity interest of 50% or more in other companies. Any actions that may effect changes in the ownership of assets or a decrease in the value of assets designated as a credit security, as well as contractual change of ownership in the borrowing company (ECM AT) as well as any changes in the capital stock shall be subject to the approval of Bank Austria. The Guarantee Credit Facility contains a change-of-control clause concerning ECM AT which is linked to the change of majority ownership in the borrowing company (ECM AT) as well as to any changes in the capital stock.

Furthermore ECM AT undertakes not to sell, encumber, assign or otherwise dispose of its major assets, whether for or without consideration, in manner which reduces the value of the major assets without the consent of Bank Austria.

The Credit Facility is governed by Austrian law, place of jurisdiction is Austria.

The Credit Facility is secured by a pledge in relation to the bank account with the number 10002 139 243, account name ECM Lithium AT GmbH.

By signing the Credit Facility, ECM AT instructed Bank Austria to issue an abstract bank guarantee to the Ministry of Economy, Family and Youth in the amount of EUR 20,000 (the “**Contract Guarantee**”).

On 15 October 2012 ECM AT applied for the approval of a Mining Program (*Gewinnungsbetriebsplan*). The Mining Program had been approved by the mining authority as per 25 January 2013 (BMWFJ-67.150/0121-IV/10/2012). The Mining Program had been approved under the condition of ECM AT providing a bank guarantee for an amount of EUR 20,000.00 to the Ministry of Economy, Family and Youth in order to ensure the costs of the measures for securing the usage of the surface area which might have to be taken after the mining activities have been terminated. According to the decree of the mining authority the bank guarantee shall be valid until the approval of the next Mining Program and the amount of the guarantee and its term will then be reassessed.

As per 20 January 2014 ECM AT applied for an exemption of the obligation to operate the mine (*Betriebspflicht*). By decree of the mining authority (BMWFJ-67.050/0012-IV/10/2014) the exemption from the obligation to operate the mine - because of lack of viability - was granted until 31 December 2015.

The Contract Guarantee is valid until the approval of the next Mining Program, at the latest until 05 April 2017.

3.4 Framework Consultancy Agreements

Between March 2015 and May 2016 three (nearly identical) framework consultancy agreements were concluded between ECM AT and Mine It Sanak-Oberndorfer GmbH, Hon.-Prof. Mag. Dr. Richard Göd and Technisches Büro Geologie (DI Dr.mont. Thomas Unterweissacher). All three agreements are on a pay as used basis and may be terminated immediately at any time by giving (written) notice.

3.4.1 Framework Consultancy Agreement with Hon.-Prof. Mag. Dr. Richard Göd

Hon.-Prof. Mag. Dr. Richard Göd shall provide his services to ECM AT in respect of its Pre-Feasibility Study. This is planned to be completed by 31 December 2016 and services required until that date (unless this agreement is terminated). During this period ECM AT is entitled to request services defined on a case by case basis.

The scope of the services include e.g. (i) to assist ECM AT in reviewing past exploration work by previous owners and identifying primary data that can be utilized for JORC compliant resource modeling, (ii) assist ECM AT in developing an exploration program for the 2015 campaign that increases both the resources and the resource quality, (iii) review the results of the exploration program.

3.4.2 Framework Consultancy Agreement with Mine It Sanak-Oberndorfer GmbH

Mine It Sanak-Oberndorfer GmbH shall provide its services to ECM AT in respect of its Pre-Feasibility Study which will be conducted in 2016 (unless this agreement is terminated). During this period ECM AT is entitled to request services defined on a case by case basis.

The scope of the services include e.g. (i) to assist ECM AT in reviewing past exploration work by previous owners and identifying primary data that can be utilized for JORC compliant resource modeling, (ii) assist ECM AT in developing an exploration program for the 2016 campaign that increases both the resources and the resource quality, (iii) maintain all topographical, survey and exploration data in a GIS and ensure that secure back-ups are maintained, (iv) develop a resource model based on primary data obtained from verified Minerex data and exploration results.

3.4.3 Framework Consultancy Agreement with Technisches Büro Geologie

The framework agreement with Technisches Büro Geologie shall be effective until 31 December 2016 (unless this agreement is terminated).

The scope of the services include e.g. (i) provision of an exploration manager to manage all aspects of the ECM AT exploration program including direct supervision of drilling and other contractors engaged by ECM AT for the exploration program, (ii) provision of field geologists and assistants to support the exploration manager, (iii) preparation of tender documents for all drilling and other exploration contracts.

3.5 Short-Term Lease Agreement

On 13 May 2016 project premises in Wolfsberg has been leased by ECM AT for an initial three month period. The monthly gross rent including operating costs is EUR 1,377.00.

3.6 Agreements regarding Exploration Program

On 13 May 2016 Swietelsky Tunnelbau GmbH & Co KG and ECM AT concluded a contract regarding an underground drilling program in the lithium mine in 2016. For the same purpose another agreement was concluded with Technisches Büro Geologie (DI Dr.mont. Thomas Unterweissacher) dated 12 May 2016.

The total fees for the agreement with Swietelsky Tunnelbau GmbH & Co KG amounts to EUR 238,699.80 and the fees for the agreement with Technisches Büro Geologie (DI Dr.mont. Thomas Unterweissacher) amount to EUR 90,424.19. Advance payments have been made on the fees of both agreements.

4. REVIEW OF RELEVANT LAWS

As this is a very broad topic, we only give a general overview of relevant laws that may affect the Licences. Note that it would have to be assessed in every individual case, if the Licences are actually affected. So it is possible, that on the one hand administrative laws (such as forestry law, water rights law) may have an impact. On the other hand, it is possible that rights of neighbours (landlord) have an impact. Please find the relevant laws of Austria affecting the Licences as follows:

4.1 Austrian Mineral Raw Materials Act

4.1.1 Legal Basis

The legal basis for mining in Austria is the Austrian Mineral Raw Materials Act (*Mineralrohstoffgesetz*, “**MinroG**”) of 1999 (BGBl. I Nr. 38/1999 as amended by BGBl. I Nr. 184/1999, BGBl. I Nr. 197/1999, BGBl. I Nr. 98/2001, BGBl. I Nr. 21/2002, BGBl. I Nr. 83/2003, BGBl. I Nr. 112/2003, BGBl. I Nr. 85/2005, BGBl. I Nr. 84/2006, BGBl. I Nr. 115/2009, BGBl. I Nr. 65/2010, BGBl. I Nr. 111/2010, BGBl. I Nr. 144/2011, BGBl. I Nr. 129/2013, BGBl. I Nr. 40/2014, BGBl. Nr. 80/2015).

This law regulates the prospecting, exploring and mining of all mineral raw materials and contains detailed regulations concerning prospecting, exploration licences, mining licences, operating plans, mining installations, supervision etc.

The mineral ores are categorised in three groups: *bergfreie* (i.e. free for exploitation by persons who are not necessarily owner of the land on which it is found) mineral resources (Sec 3 MinroG, e.g. iron, lead, zinc, gold, copper, silver, tungsten, gypsum, anhydrite, graphite, talcum, kaolin, limestone, magnesite, dolerite, oil shale, etc.); *bundeseigene* or state-owned mineral resources (Sec 4 MinroG, rock salt, hydrocarbon, uranium, thorium) and *grundeigene* or mineral resources owned by the land owner (all mineral raw materials not listed in Sec 3 and 4 MinroG, e.g. quartz, brick clays, dolomite, marl, feldspar, basaltic rock, etc.).

The search for *bergfreie* and *grundeigene* mineral raw materials has to be notified to the mining authority. At the end of each calendar year a report on the search and its results has to be submitted to the mining authority (Sec 6, 7 MinroG). According to Sec 147 MinroG the right to access and use the surface of the land on which prospecting works are to be carried-out have to be obtained from the respective property owners. Such access and usage agreements do not concern either rights in rem or registered rights, these are merely agreements under civil law in a two-party relationship.

4.1.2 Exploration Licences

The exploration of *bergfreie* mineral raw materials requires an exploration licence (*Schurfberechtigung*). Exploration licences are granted by a decision of the mining authority for a term of 5 years.

An exploration licence gives the holder the exclusive right to explore natural resources of *bergfreie* mineral raw materials for the purpose of determining the mineability within a space forming a circle with a radius of 425m (Sec 9 para 1 MinroG). For the avoidance of doubt, the term "exploration licence" means (and is used hereinafter exclusively within this meaning) a licence for the search for *bergfreie* mineral ore deposits up to discovery including delineation of the deposits by means of drilling and sampling. An exploration licence also gives the holder the right to exclude the granting of a mining licence to others within a rectangle of 48.000 sqm, the central point of which is identical with the central point of the exploration licence circle (*Vorbehaltfeld*, i.e. reservation field). The right to a reservation field (one per exploration licence) has to be claimed vis-à-vis the mining authority at

the latest on the occasion of the in situ hearing for the granting of a mining licence to another party (Sec 9 para 2 MinroG).

According to Sec 21 MinroG the holder of an exploration licence acquires ownership to the *bergfreie* mineral raw materials excavated during exploration (with the exception of magnesite, limestone, basaltic minerals, quartz sand and clay). However, this does not include the right to conduct mining operations.

An exploration licence does not entitle the holder to mining, exploiting, extracting or processing activities. For these activities a mining licence has to be obtained (*Bergwerksberechtigung*). The granting of a mining licence is a separate legal proceeding which is legally independent from an exploration licence.

A precondition for undertaking exploration works is the submission of a work program (*Arbeitsprogramm*) to the mining authority. The exploration works to be undertaken have to be described in detail and a responsible person who supervises the works with a permanent residence close to or on the site who must be in permanent contact with the authorities has to be nominated. The work program has to be approved by the mining authority by way of issuing a formal written decision. At the end of every calendar year an exploration report on the performed works must be submitted to the mining authority.

4.1.3 Mining Licences

Mining licences (Sec 22 MinroG) entitle to exclusively exploit and mine *bergfreie* mineral raw materials in a certain area. Mining licences entitle the holder of such licence to exclusively acquire title to the ore which is mined. Additionally, the holder of a mining licence is entitled to acquire title to *grundeigene* mineral raw materials if they result from the mining activities for *bergfreie* mineral raw materials and a separate mining of the *grundeigene* mineral raw materials is not economically justified. This applies only to deposits of *grundeigene* mineral raw materials which accrue in such quantity that mining would be workable (Sec 102 MinroG). If the *grundeigene* mineral raw materials accrue in an area for which the mining licence was not granted, acquiring title to such mineral raw materials is subject to special conditions.

4.1.4 Specific Rights of the Holder of a Mining Licence

Sec 106 MinroG grants the holder of a mining licence ("*Bergbauberechtigter*") the right to appropriate and use the waters which accrue under the surface of the ground ("*Grubenwässer*"). This applies also to waterstreams which come to the surface before they get confused with surface water. Surface water is subject to the Water Right Act (*Wasserrechtsgesetz*). The waters underground may be used for any purpose, also other purposes than mining. It is admissible to use the geothermal energy for e.g. heating. The water may also be used for cooling devices used in mining. Once the waters appear on the surface the holder of the mining licences may use these waterstreams only if they are required for mining. Furthermore there are rules for compensation if the waterstreams coming out of the mine flow over the ground of third parties.

4.1.5 Specific Obligations

Sec 109 MinroG obliges the holder of a mining licence to take all measures to assure the safety of people and of goods, of the environment, of the deposit and of the surface as well as assuring the use of the surface after termination of the mining activities. This applies also to an interruption of the mining activities. The holder of the mining licences (*Bergbauberechtigter*) has to submit an emergency plan covering accidents, dangerous occurrences and natural disasters respectively foreseeable disasters of the plant. The level of such emergency plan and of all measures to protect people, equipment and environment has to be state-of-the-art (*Einhaltung des besten Standes der*

Technik). The holder of the mining licences must not transfer this obligation to any other person. This is an obligation which remains under all circumstances with the holder of the mining licences.

4.1.6 Use of Land Owned by Other Persons

Sec 147 MinroG establishes that the holder of a mining licence has to seek approval of the land owner for the use of the surface of such land. This refers also to parts of the land which are close to the surface. The law provides for an obligation of the holder of the mining licences to seek consent with the owner of the land. In case no agreement can be reached, the interest of the holder of the mining licences shall prevail (Sec 147 MinroG).

The law distinguishes between land owners granting the use of the land, but not agreeing on the compensation for such use, and land owners not granting the use of the land. In case the land owner consents to the use of the land, but no agreement can be found on the amount of compensation, both parties may request the mining authority to decide on the compensation amount (Sec 148 para 1 MinroG). The same applies if a third party disposes of rights in rem on the ground which is requested for mining purposes: If such third party consents (i.e. waives its rights in rem), but both parties cannot agree on the amount of compensation, both parties may request the mining authority to decide on the compensation amount (Sec 148 para 2 MinroG).

If the land owner does not consent to the use of the land, the holder of the mining licence may apply to the mining authority to grant a compulsory right of use. This applies also in case of rights in rem to the benefit of third parties obstruct the use, if such third parties do not consent to waive their rights against adequate compensation. In case a right of use of the land on which there are buildings or gardens is not sufficient to achieve the goal, the holder of the mining licence may apply for a transfer of ownership to the land. The holder of the mining licences may also apply for transfer of ownership in the land if the measures when terminating the mining activities will increase the value of the land and the land owner is not willing to undertake to compensate the holder of the mining licence for the increase in value (Sec 149 para 1 MinroG).

"Necessary for mining" are plots of land owned by third parties if the use of such plots of land is necessary for the technical, economic and secure implementation of the activities covered by Sec 2 para 1 MinroG and the purpose cannot be achieved by using own plots of land or other plots of land owned by third parties which are less valuable than the ones requested. The opening of such procedure is registered in the land register with the consequence that the decision of the mining authority will be valid also against any person who has acquired a later right in such plot of land (Sec 149 para 3 MinroG).

The decision is taken by the mining authority in a formal procedure in which all other authorities on which the decision has an impact are entitled to participate. Upon application of the land owner, the holder of the mining licences has to purchase the plots of land if the duration of the use will be longer than three years (Sec 149 para 5 MinroG).

4.1.7 Use of Privately Owned Surface Waters

The owner of the land has to grant the holder of the mining licences the rights the use the privately owned surface waters against adequate compensation in case such use is necessary for the mining activities and the public interest in their use for mining purposes is prevailing. Such decision is taken by the Mining Authority upon application of the holder of the mining licences (Sec 152 MinroG).

4.2 Forestry Law

The Austrian Forestry Law (*Forstgesetz*) may have an impact on the Licences. The objectives of the Austrian Forestry Law are particularly the conservation of forest and forest soil and a sustainable

forest management. The Austrian Forestry Law contains a legal definition of a "forest" (sec. 1a Austrian Forestry Law). A forest within the meaning of the Austrian Forestry Law is e.g. an area, timbered with woody plant (*Holzgewächs*), provided that the tillering (*Bestockung*) has a surface of 1,000 sqm and an average wide of 10 m.

The Austrian Forestry Law contains inter alia provisions regarding the conservation of the forest, forest protection (*Forstschutz*), use of forest, protection against torrents and avalanches and forestry research. Most of the provisions of the Austrian Forestry Law apply to the owner of the respective real property (e.g. reforestation, omission to fell trees). Furthermore, the Austrian Forest Law contains prohibition of forest destruction (*Waldverwüstung*) which applies to everybody (sec 16 Austrian Forest Act).

Furthermore, the Austrian Forestry Law provides that only plant protection products which are registered in the plant protection product register according to the plant protection product act may be used (sec 46 of the Austrian Forest Act).

4.3 Water Rights Act

As mentioned above (under section 4.1.4), surface water is subject to the Austrian Water Right Act (*Wasserrechtsgesetz*). The Water Rights Act contains inter alia provisions regarding the use of waters, the sustainable management (particularly protection and pollution control (*Reinhaltung*) of waters), general obligations, water cooperatives (*Wassergenossenschaften*) and water associations (*Wasserverbände*).

The common use (e.g. swimming, drinking) (*gewöhnliche Benutzung*) of public waters is generally permitted (i.e. without a specific permit) (so-called "common use", sec 5 and 8 Water Rights Act). If the use of public waters exceeds the "common use" of public waters, a permit of the authority is needed.

Generally, the owner of a real property is entitled to use its private surface water (*private Tagwässer*) (sec 9 Water Rights Act). But, he has to tolerate the use of private rivers, brooks (*Bäche*) or lakes relating to drinking and ladling with a pot (*Schöpfen mit einem Handgefäß*), provided that this use is carried out without infringing any rights and interests and it is allowed to access these waters. Thus, relating to this kind of use neither a consent of the owner nor a permit of the authority is necessary. But, a permit of the authority is needed if the use inter alia may have an impact on third-party rights or may have an impact on the water level (sec 8 and 9 Water Rights Act).

But, according to sec 106 MinroG, the provisions of the Water Rights Act regarding permits do not apply to the use of waters which accrue under the surface of the ground (*Grubenwässer*). Thus, a permit under the Water Rights Act (*wasserrechtliche Bewilligung*) is not required for the use of waters which accrue under the surface of the ground.

Furthermore, an important objective of the Water Rights Act is the protection and the pollution control (*Reinhaltung*) of water (sec 30 Water Rights Act). Relating to this objective, the Water Rights Act provides for a general obligation of pollution control. Everybody whose plants (*Anlagen*), actions or omissions may have an impact on waters, has to avoid a pollution of the waters (sec 31 Water Rights Act). Furthermore, there are clean up obligations.

4.4 Hunting Law

The Licences may also be affected by the Carinthian Hunting Law (*Kärntner Jagdgesetz*). But, in our opinion, the hunting law may only have little impact.

The right to hunt is related to the real property (sec 1 Carinthian Hunting Law). The hunting right may be carried out on own real property (Eigenjagd) or on the hunting ground of municipalities (*Gemeindejagdgebiet*) property (sec 2 Carinthian Hunting Law). Unauthorized persons must not touch young game animals or track or disturb game animals (sec 69 Carinthian Hunting Law).

As Glock Gut- und Forstverwaltung GmbH is the owner of the property where the exploration and mining licences are situated it may be that Glock Gut- und Forstverwaltung GmbH has a hunting right on its own real property. It is also possible to lease the hunting right to third parties provided that the respective requirements of the Carinthian Hunting Law are fulfilled (such as a valid hunting licence) (sec 2 and sec 16 ff Carinthian Hunting Law).

4.5 Employment Law

The Employment Law, particularly the Austrian Employee Protection Act (*ArbeitnehmerInnenschutzgesetz*) and the respective regulation regarding workplaces (*Arbeitsstättenverordnung*) has to be taken in to account relating to mining activities. The Austrian Employee Protection Act and the respective regulation contain various duties of the employer. For example, workplaces have to be established according to the mentioned law, the safety and the health of the employees must not be endangered, there has to be adequate illumination, etc.

4.6 Nature Protection

The Carinthian Nature Protection Law (*Kärntner Naturschutzgesetz*) may also have an impact on the Licences. The objective of this law is to protect the nature in order that particularly the diversity of the nature and the biodiversity of animals and plant are secured (sec 1 Carinthian Nature Protection Law).

Everybody is obliged to protect the nature (sec 2 Carinthian Nature Protection Law). The province of Carinthia and the municipalities may conclude agreements with the owners of real property or other persons who have the right to use the real property regarding the maintenance (*Pflege*) of the nature or regarding a waiver of the previous use (sec 2a Carinthian Nature Protection Law).

Furthermore, certain actions in a so-called open landscape (*freie Landschaft*) require a permit (sec 5 of the Carinthian Nature Protection Law). Such actions are inter alia, storage areas or storage areas for materials (*Anlage von Ablagerungsplätzen, Materiallagerplätzen*), excavation (*Abgrabungen*) and mounds (*Aufschüttungen*) regarding an area of more than 2,000 sqm, provided that this causes changes of the compound (*Gelände*). According to the Carinthian Nature Protection Law, an open landscape is an area outside of a so-called urban area (*geschlossene Siedlung*) and their corresponding gardens.

Moreover, according to the Carinthian Nature Protection Law, there are regulations regarding the protection of plant species and regarding protected mushrooms (*Pflanzenartenschutzverordnung, Pilzverordnung*). Such mentioned plant species or mentioned mushrooms in the regulations, may not, inter alia, be removed or damaged.

4.7 Rights of Neighbours

The Austrian General Civil Code contains some provisions regarding neighbour rights. The major issue of neighbour rights are so-called immissions (*Immissionen*) such as sewage, smoke, heat, noise, etc. If such immissions exceed the customary amount and have a material impact on the use of the real property and are caused by a mine or another approved plant, the affected owner may claim for damages but may not prohibit the mine or plant (sec 364 a Austrian Civil Code). This liability is regardless of negligence or fault.

Furthermore, a direct supply (*unmittelbare Zuleitung*) of immissions is not allowed (unless there is a particular legal title) (sec 364 Austrian Civil Code). In this case, the affected neighbour may file for injunctive relief (*auf Unterlassung klagen*).

Irrespective of the mentioned neighbour rights, there is a possibility to claim for damages according to the Austrian General Civil Code. Someone may claim for compensation if he suffers damage as a result of the mining activities. But in order to be successful with such a claim, the cumulative requirements have to be fulfilled (i.e. a damage, caused by the injuring party, unlawfulness (*Rechtswidrigkeit*) and fault).

5. SCHEDULE OF THE LICENCES

Please find the schedule of the Licences as Annex 5 of the Solicitor's Report.

LIST OF ANNEXES

Annex 1.1.1.2	Excerpt of the commercial register of ECM AT
Annex 1.1.2.2	Excerpt of the commercial register of ECM Operating
Annex 5	Schedule of exploration and mining licences

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Stichtag 13.6.2016

Auszug mit aktuellen Daten

FN 356306 f

Grundlage dieses Auszuges ist das Hauptbuch ergänzt um Daten aus der Urkundensammlung.

Letzte Eintragung am 07.10.2015 mit der Eintragungsnummer 16
 zuständiges Gericht Handelsgericht Wien

FIRMA
 1 ECM Lithium AT GmbH

RECHTSFORM
 1 Gesellschaft mit beschränkter Haftung

SITZ in
 1 politischer Gemeinde Wien

GESCHÄFTSANSCHRIFT
 1 Schottenring 14
 1010 Wien

GESCHÄFTSZWEIG
 1 Aufsuchen, Ausbeuten, Gewinnen, Aufbereiten und
 Speichern von mineralischen Rohstoffen

KAPITAL
 1 EUR 35.000

STICHTAG für JAHRESABSCHLUSS
 1 30. Juni

JAHRESABSCHLUSS (zuletzt eingetragen; weitere siehe Historie)
 16 zum 30.06.2015 eingereicht am 30.09.2015

VERTRETUNGSBEFUGNIS
 1 Die Gesellschaft wird, wenn mehrere Geschäftsführer
 bestellt sind, durch zwei Geschäftsführer gemeinsam oder
 durch einen von ihnen gemeinsam mit einem Gesamtprokuristen
 vertreten.

1 Erklärung über die Errichtung der Gesellschaft 001
 vom 09.12.2010

5 Generalversammlungsbeschluss vom 17.11.2011 002
 Änderung des Gesellschaftsvertrages in den Punkten 3.
 und 6.

GESCHÄFTSFÜHRER/IN (handelsrechtlich)
 H Antony William Paul Sage, geb. 26.06.1960
 15 vertritt seit 03.09.2014 selbständig
 I Steve Kesler, geb. 08.04.1951
 15 vertritt seit 03.09.2014 selbständig

GESELLSCHAFTER/IN STAMMEINLAGE HIERAUF GELEISTET
 D European Lithium AT (Investments)

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Stichtag 13.6.2016

Auszug mit aktuellen Daten

FN 359847 m

Grundlage dieses Auszuges ist das Hauptbuch ergänzt um Daten aus der Urkundensammlung.

Letzte Eintragung am 07.10.2015 mit der Eintragsnummer 13
 zuständiges Gericht Handelsgericht Wien

FIRMA
 1 ECM Lithium AT Operating GmbH

RECHTSFORM
 1 Gesellschaft mit beschränkter Haftung

SITZ in
 1 politischer Gemeinde Wien

GESCHÄFTSANSCHRIFT
 1 Schottenring 14
 1010 Wien

GESCHÄFTSZWEIG
 1 Aufsuchen, Ausbeuten, Gewinnen, Aufbereiten und
 Speichern von mineralischen Rohstoffen

KAPITAL
 1 EUR 35.000

STICHTAG für JAHRESABSCHLUSS
 1 30. Juni

JAHRESABSCHLUSS (zuletzt eingetragen; weitere siehe Historie)
 13 zum 30.06.2015 eingereicht am 30.09.2015

VERTRETUNGSBEFUGNIS
 1 Die Gesellschaft wird, wenn mehrere Geschäftsführer
 bestellt sind, durch zwei Geschäftsführer gemeinsam oder
 durch einen von ihnen gemeinsam mit einem Gesamtprokuristen
 vertreten.
 Mit Gesellschafterbeschluss kann, auch wenn mehrere
 Geschäftsführer bestellt sind, einzelnen von ihnen
 selbständige Vertretungsbefugnis erteilt werden.

1 Erklärung über die Errichtung der Gesellschaft 001
 vom 18.01.2011

GESCHÄFTSFÜHRER/IN (handelsrechtlich)
 G Antony William Paul Sage, geb. 26.06.1960
 10 vertritt seit 14.04.2014 selbständig
 H Steve Kesler, geb. 08.04.1951
 12 vertritt seit 03.09.2014 selbständig

GESELLSCHAFTER/IN STAMMEINLAGE HIERAUF GELEISTET
 D ECM Lithium AT GmbH
 3 EUR 35.000

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Mining Licences

Grubenmaß Andreas 1

Meridian	Corner Point No.	Coordinates y [metres]	Coordinates x [metres]
M31	1	+ 126424,34	5190354,04
M31	2	+ 126813,21	5190260,30
M31	3	+ 126785,09	5190143,65
M31	4	+ 126396,22	5190237,38

Grubenmaß Andreas 2

Meridian	Corner Point No.	Coordinates y [metres]	Coordinates x [metres]
M31	4	+ 126396,22	5190237,38
M31	3	+ 126785,09	5190143,65
M31	6	+ 126756,97	5190026,99
M31	5	+ 126368,10	5190120,72

Grubenmaß Andreas 3

Meridian	Corner Point No.	Coordinates y [metres]	Coordinates x [metres]
M31	5	+ 126368,10	5190120,72
M31	6	+ 126756,97	5190026,99
M31	7	+ 126728,85	5189910,33
M31	8	+ 126339,99	5190004,06

Grubenmaß Andreas 4

Meridian	Corner Point No.	Coordinates y [metres]	Coordinates x [metres]
M31	14	+ 125786,33	5190075,79
M31	13	+ 126175,20	5189982,06
M31	16	+ 126147,08	5189865,40
M31	15	+ 125758,21	5189959,13

Grubenmaß Andreas 5

Meridian	Corner Point No.	Coordinates y [metres]	Coordinates x [metres]
M31	15	+ 125758,21	5189959,13
M31	16	+ 126147,08	5189865,40
M31	18	+ 126118,96	5189748,74
M31	19	+ 125730,09	5189842,47

Grubenmaß Andreas 6

Meridian	Corner Point No.	Coordinates y [metres]	Coordinates x [metres]
M31	9	+ 126189,26	5190040,39
M31	10	+ 126578,12	5189946,66
M31	11	+ 126550,00	5189830,00
M31	12	+ 126161,14	5189923,73

Grubenmaß Andreas 7

Meridian	Corner Point No.	Coordinates y [metres]	Coordinates x [metres]
M31	12	+ 126161,14	5189923,73
M31	11	+ 126550,00	5189830,00
M31	22	+ 126521,88	5189713,34
M31	17	+ 126133,02	5189807,07

Grubenmaß Andreas 8

Meridian	Corner Point No.	Coordinates y [metres]	Coordinates x [metres]
M31	17	+ 126133,02	5189807,07
M31	22	+ 126521,88	5189713,34
M31	21	+ 126493,76	5189596,68
M31	20	+ 126104,90	5189690,41

Grubenmaß Andreas 9

Meridian	Corner Point No.	Coordinates y [metres]	Coordinates x [metres]
M31	10	+ 126578,12	5189946,66
M31	23	+ 126966,98	5189852,93
M31	24	+ 126938,86	5189736,27
M31	11	+ 126550,00	5189830,00

Grubenmaß Andreas 10

Meridian	Corner Point No.	Coordinates y [metres]	Coordinates x [metres]
M31	11	+ 126550,00	5189830,00
M31	24	+ 126938,86	5189736,27
M31	25	+ 126910,74	5189619,61
M31	22	+ 126521,88	5189713,34

Grubenmaß Andreas 11

Meridian	Corner Point No.	Coordinates y [metres]	Coordinates x [metres]
M31	22	+ 126521,88	5189713,34
M31	25	+ 126910,74	5189619,61
M31	26	+ 126882,62	5189502,95
M31	21	+ 126493,76	5189596,68

Exploration Licences

No.	Licence No.	Meridian	Coordinates y [metres]	Coordinates x [metres]	Cadastral Municipality	Valid until	Last prolongation	Comment
1	104 /96 (1/92)	M31	+ 124.300,00	+ 5.190.600,00	Obergösel, Trum und Pressinggraben	31.12.2019	67.050/0097-III/10/2014	Owned by ECM Lithium AT GmbH
2	105 /96 (2/92)	M31	+ 125.000,00	+ 5.190.600,00	Obergösel, Trum und Pressinggraben	31.12.2019	67.050/0097-III/10/2014	Owned by ECM Lithium AT GmbH
3	106 /96 (3/92)	M31	+ 125.700,00	+ 5.190.600,00	Obergösel, Trum und Pressinggraben	31.12.2019	67.050/0097-III/10/2014	Owned by ECM Lithium AT GmbH
4	107 /96 (4/92)	M31	+ 126.400,00	+ 5.190.600,00	Obergösel, Trum und Pressinggraben	31.12.2019	67.050/0097-III/10/2014	Owned by ECM Lithium AT GmbH
5	108 /96 (5/92)	M31	+ 123.950,00	+ 5.190.000,00	Obergösel, Trum und Pressinggraben	31.12.2019	67.050/0097-III/10/2014	Owned by ECM Lithium AT GmbH
6	109 /96 (6/92)	M31	+ 124.650,00	+ 5.190.000,00	Obergösel, Trum und Pressinggraben	31.12.2019	67.050/0097-III/10/2014	Owned by ECM Lithium AT GmbH
7	110 /96 (7/92)	M31	+ 125.350,00	+ 5.190.000,00	Obergösel, Trum und Pressinggraben	31.12.2019	67.050/0097-III/10/2014	Owned by ECM Lithium AT GmbH
8	111 /96 (8/92)	M31	+ 126.050,00	+ 5.190.000,00	Obergösel, Trum und Pressinggraben	31.12.2019	67.050/0097-III/10/2014	Owned by ECM Lithium AT GmbH
9	112 /96 (9/92)	M31	+ 126.750,00	+ 5.190.000,00	Obergösel, Trum und Pressinggraben	31.12.2019	67.050/0097-III/10/2014	Owned by ECM Lithium AT GmbH
10	113 /96 (10/92)	M31	+ 124.300,00	+ 5.189.400,00	Obergösel, Trum und Pressinggraben	31.12.2019	67.050/0097-III/10/2014	Owned by ECM Lithium AT GmbH
11	114 /96 (11/92)	M31	+ 125.000,00	+ 5.189.400,00	Obergösel, Trum und Pressinggraben	31.12.2019	67.050/0097-III/10/2014	Owned by ECM Lithium AT GmbH
12	115 /96 (12/92)	M31	+ 125.700,00	+ 5.189.400,00	Obergösel, Trum und Pressinggraben	31.12.2019	67.050/0097-III/10/2014	Owned by ECM Lithium AT GmbH
13	116 /96 (13/92)	M31	+ 126.400,00	+ 5.189.400,00	Obergösel, Trum und Pressinggraben	31.12.2019	67.050/0097-III/10/2014	Owned by ECM Lithium AT GmbH
14	117 /96 (14/92)	M31	+ 127.100,00	+ 5.189.400,00	Obergösel, Trum und Pressinggraben	31.12.2019	67.050/0097-III/10/2014	Owned by ECM Lithium AT GmbH
15	118 /96 (15/92)	M31	+ 124.650,00	+ 5.188.800,00	Obergösel, Trum und Pressinggraben	31.12.2019	67.050/0097-III/10/2014	Owned by ECM Lithium AT GmbH
16	119 /96 (16/92)	M31	+ 125.350,00	+ 5.188.800,00	Obergösel, Trum und Pressinggraben	31.12.2019	67.050/0097-III/10/2014	Owned by ECM Lithium AT GmbH
17	120 /96 (17/92)	M31	+ 126.050,00	+ 5.188.800,00	Obergösel, Trum und Pressinggraben	31.12.2019	67.050/0097-III/10/2014	Owned by ECM Lithium AT GmbH
18	121 /96 (18/92)	M31	+ 126.750,00	+ 5.188.800,00	Obergösel, Trum und Pressinggraben	31.12.2019	67.050/0097-III/10/2014	Owned by ECM Lithium AT GmbH
19	122 /96 (19/92)	M31	+ 127.450,00	+ 5.190.600,00	Obergösel, Trum und Pressinggraben	31.12.2019	67.050/0097-III/10/2014	Owned by ECM Lithium AT GmbH
20	123 /96 (20/92)	M31	+ 127.800,00	+ 5.190.600,00	Obergösel, Trum und Pressinggraben	31.12.2019	67.050/0097-III/10/2014	Owned by ECM Lithium AT GmbH
21	124 /96 (21/92)	M31	+ 127.450,00	+ 5.190.000,00	Obergösel, Trum und Pressinggraben	31.12.2019	67.050/0097-III/10/2014	Owned by ECM Lithium AT GmbH
22	125 /96 (22/92)	M31	+ 128.150,00	+ 5.190.000,00	Obergösel, Trum und Pressinggraben	31.12.2019	67.050/0097-III/10/2014	Owned by ECM Lithium AT GmbH
23	100 /15 (611/11)	M31	+ 124.300,00	+ 5.191.000,00	Obergösel, Trum und Pressinggraben	31.12.2019	67.050/0133-III/10/2015	Owned by ECM Lithium AT GmbH
24	101 /15 (612/11)	M31	+ 125.000,00	+ 5.191.000,00	Obergösel, Trum und Pressinggraben	31.12.2019	67.050/0133-III/10/2015	Owned by ECM Lithium AT GmbH
25	102 /15 (613/11)	M31	+ 125.700,00	+ 5.191.000,00	Trum- und Pressinggraben, Obergösel	31.12.2019	67.050/0133-III/10/2015	Owned by ECM Lithium AT GmbH
26	103 /15 (614/11)	M31	+ 126.400,00	+ 5.191.000,00	Obergösel, Trum und Pressinggraben	31.12.2019	67.050/0133-III/10/2015	Owned by ECM Lithium AT GmbH
27	104 /11 (615/11)	M31	+ 127.100,00	+ 5.191.000,00	Obergösel	31.12.2019	67.050/0133-III/10/2015	Owned by ECM Lithium AT GmbH
28	105 /11 (616/11)	M31	+ 127.800,00	+ 5.191.000,00	Obergösel	31.12.2019	67.050/0133-III/10/2015	Owned by ECM Lithium AT GmbH
29	106 /15 (619/11)	M31	+ 123.950,00	+ 5.190.400,00	Trum- und Pressinggraben, Obergösel	31.12.2019	67.050/0133-III/10/2015	Owned by ECM Lithium AT GmbH
30	107 /15 (620/11)	M31	+ 124.650,00	+ 5.190.400,00	Trum- und Pressinggraben, Obergösel	31.12.2019	67.050/0133-III/10/2015	Owned by ECM Lithium AT GmbH
31	108 /15 (621/11)	M31	+ 125.350,00	+ 5.190.400,00	Trum- und Pressinggraben	31.12.2019	67.050/0133-III/10/2015	Owned by ECM Lithium AT GmbH
32	109 /15 (622/11)	M31	+ 126.050,00	+ 5.190.400,00	Trum- und Pressinggraben, Obergösel	31.12.2019	67.050/0133-III/10/2015	Owned by ECM Lithium AT GmbH
33	110 /15 (623/11)	M31	+ 126.750,00	+ 5.190.400,00	Obergösel, Trum und Pressinggraben	31.12.2019	67.050/0133-III/10/2015	Owned by ECM Lithium AT GmbH
34	111 /15 (624/11)	M31	+ 127.450,00	+ 5.190.400,00	Obergösel, Trum und Pressinggraben	31.12.2019	67.050/0133-III/10/2015	Owned by ECM Lithium AT GmbH
35	112 /15 (625/11)	M31	+ 128.150,00	+ 5.190.400,00	Obergösel, Gressenberg	31.12.2019	67.050/0133-III/10/2015	Owned by ECM Lithium AT GmbH
36	113 /15 (627/11)	M31	+ 123.600,00	+ 5.189.800,00	Trum- und Pressinggraben	31.12.2019	67.050/0133-III/10/2015	Owned by ECM Lithium AT GmbH
37	114 /15 (628/11)	M31	+ 124.300,00	+ 5.189.800,00	Trum- und Pressinggraben	31.12.2019	67.050/0133-III/10/2015	Owned by ECM Lithium AT GmbH
38	115 /15 (629/11)	M31	+ 125.000,00	+ 5.189.800,00	Trum- und Pressinggraben	31.12.2019	67.050/0133-III/10/2015	Owned by ECM Lithium AT GmbH
39	116 /15 (630/11)	M31	+ 125.700,00	+ 5.189.800,00	Trum- und Pressinggraben	31.12.2019	67.050/0133-III/10/2015	Owned by ECM Lithium AT GmbH
40	117 /15 (631/11)	M31	+ 126.400,00	+ 5.189.800,00	Trum- und Pressinggraben, Obergösel	31.12.2019	67.050/0133-III/10/2015	Owned by ECM Lithium AT GmbH
41	118 /15 (632/11)	M31	+ 127.100,00	+ 5.189.800,00	Trum- und Pressinggraben, Obergösel	31.12.2019	67.050/0133-III/10/2015	Owned by ECM Lithium AT GmbH
42	119 /15 (633/11)	M31	+ 127.800,00	+ 5.189.800,00	Obergösel, Trum und Pressinggraben, Gressenberg	31.12.2019	67.050/0133-III/10/2015	Owned by ECM Lithium AT GmbH
43	120 /15 (634/11)	M34	+ 128.500,00	+ 5.189.800,00	Gressenberg, Obergösel	31.12.2019	67.050/0133-III/10/2015	Owned by ECM Lithium AT GmbH
44	121 /15 (636/11)	M31	+ 123.950,00	+ 5.189.200,00	Trum- und Pressinggraben	31.12.2019	67.050/0133-III/10/2015	Owned by ECM Lithium AT GmbH

Exploration Licences

No.	Licence No.	Meridian	Coordinates y [metres]	Coordinates x [metres]	Cadastral Municipality	Valid until	Last prolongation	Comment
45	122 /15 (637/11)	M31	+ 124.650,00	+ 5.189.200,00	Trum- und Pressinggraben	31.12.2019	67.050/0133-III/10/2015	Owned by ECM Lithium AT GmbH
46	123 /15 (638/11)	M31	+ 125.350,00	+ 5.189.200,00	Trum- und Pressinggraben	31.12.2019	67.050/0133-III/10/2015	Owned by ECM Lithium AT GmbH
47	124 /15 (639/11)	M31	+ 126.050,00	+ 5.189.200,00	Trum- und Pressinggraben	31.12.2019	67.050/0133-III/10/2015	Owned by ECM Lithium AT GmbH
48	125 /15 (640/11)	M31	+ 126.750,00	+ 5.189.200,00	Trum- und Pressinggraben, Gressenberg	31.12.2019	67.050/0133-III/10/2015	Owned by ECM Lithium AT GmbH
49	126 /15 (641/11)	M34	+ 123.600,00	+ 5.189.200,00	Gressenberg, Obergösel, Trum- und Pressinggraben	31.12.2019	67.050/0133-III/10/2015	Owned by ECM Lithium AT GmbH
50	127 /15 (645/11)	M31	+ 124.300,00	+ 5.188.600,00	Trum- und Pressinggraben	31.12.2019	67.050/0133-III/10/2015	Owned by ECM Lithium AT GmbH
51	128 /15 (646/11)	M31	+ 125.000,00	+ 5.188.600,00	Trum- und Pressinggraben	31.12.2019	67.050/0133-III/10/2015	Owned by ECM Lithium AT GmbH
52	129 /15 (647/11)	M31	+ 125.700,00	+ 5.188.600,00	Trum- und Pressinggraben	31.12.2019	67.050/0133-III/10/2015	Owned by ECM Lithium AT GmbH
53	130 /15 (648/11)	M31	+ 126.400,00	+ 5.188.600,00	Trum- und Pressinggraben, Gressenberg	31.12.2019	67.050/0133-III/10/2015	Owned by ECM Lithium AT GmbH
54	131 /15 (649/11)	M34	- 101.782,93	+ 5.188.116,53	Gressenberg, Trum- und Pressinggraben	31.12.2019	67.050/0133-III/10/2015	Owned by ECM Lithium AT GmbH

14. CORPORATE GOVERNANCE

14.1 ASX Corporate Governance Council Principles and Recommendations

PNE has adopted comprehensive systems of control and accountability as the basis of administration of corporate governance. The board is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with PNE's needs. To the extent applicable, commensurate with the Companies' size and nature, PNE has adopted the Corporate Governance Principles and Recommendations (3rd Edition) as published by ASX Corporate Governance Council (Recommendations).

The Board seeks where appropriate to provide accountability levels that meet or exceed the recommendations.

The Company's main corporate governance policies and practices as at the date of this Prospectus are outlined below and further details on PNE's corporate procedures, policies and practices can be obtained from the Company website at <http://www.paynesfindgold.com>.

14.2 Board of Directors

The Board is responsible for corporate governance of the Company. The Board develops strategies for the Company, reviews strategic objectives and monitors performance against those objectives. The goals of the corporate governance processes are to:

- (a) maintain and increase shareholder value;
- (b) ensure a prudential and ethical basis for the Company's conduct and activities; and
- (c) ensure compliance with the Company's legal and regulatory objectives.

Consistent with these goals, the Board, among other things, assumes the following responsibilities.

- (a) developing initiatives for profit and asset growth;
- (b) reviewing the corporate commercial and financial performance of the Company on a regular basis;
- (c) acting on behalf of and being accountable to the Shareholders; and
- (d) identifying business risks and implementing actions to manage those risks and corporate systems to assure quality.

The Company is committed to the circulation of relevant materials to Directors in a timely manner to facilitate Directors participation in the Board discussions on a fully-informed basis.

In light of the Company's size and nature, the Board considers that the proposed board is a cost effective and practical method of directing and managing the Company'. If the Company's activities develop in size, nature and scope, the size of the Board and the implementation of additional corporate governance policies and structures will be reviewed.

14.3 Composition of the Board

Election of Board Members is substantially the province of the Shareholders in a general meeting. However, subject thereto the Company is committed to the following principles.

- (a) The Board is to comprise Directors with a blend of skills, experience and attributes appropriate for the Company and its business, and
- (b) The principal criterion for the appointment of new Directors is their ability to add value to the Company and its business.

Following Settlement the Board is proposed to consist of 3 members. The Directors consider that the Company is currently not of a size nor are its affairs of such complexity to justify the formation of a Nomination and Remuneration Committee. The responsibilities of a Nomination and Remuneration Committee are currently carried out by the Board.

Where a casual vacancy arises during the year, the board has procedures to select the most suitable candidate with the appropriate experience and expertise to ensure a balanced and effective board. Any director appointed during the year to fill a casual vacancy or as an addition to the current Board holds office until the next General Meeting and is then eligible for re-election by the Shareholders.

14.4 Identification and Management of Risk

The Board has not established a risk management committee which is responsible for overseeing the risk management function. Accordingly, the Board performs the role of Risk Committee. Items that are usually required to be discussed by a Risk Committee are discussed at a separate meeting when required.

14.5 Ethical Standards

The Board is committed to the establishment and maintenance of appropriate ethical standards.

14.6 Independent Professional Advice

Subject to the Chairman's approval (not to be unreasonably withheld), the Director's at the Company's expense may obtain independent professional advice on issues arising in the course of their duties.

14.7 Remuneration Arrangements

The total maximum remuneration of Non-Executive Directors is initially set by the Constitution and subsequent variation is by ordinary resolution of Shareholders in general meeting in accordance with the Constitution, the Corporations Act and the ASX Listing Rules, as applicable. The determination of Non-Executive Directors Remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each Non-Executive Director. The current amount has been set at an amount not to exceed \$300,000 per annum.

Directors are also entitled to be paid reasonable travelling, hotel and other expenses incurred by them respectively in or about the performance of their duties as directors.

The Board renews and approves the remuneration policy to enable the Company to attract and retain directors who will create value for Shareholders having consideration to the amount considered to be commensurate for a company of its size and level of activity as well as the relevant Directors time, commitment and responsibility.

14.8 Trading Policy

The Board as adopted a policy that sets out the guidelines on the sale and purchase of securities in the Company by its key management personnel (i.e. Directors and, if applicable, any employees reporting directly to the Managing Director). The policy generally provides that written notification to the Chairman (or in the case of the Chairman, the Board) must be satisfied prior to trading.

14.9 External Audit

The Company in general meeting is responsible for the appointment of the external auditors of the Company and the Board from time to time will review the scope, performance and fees of those external auditors.

14.10 Audit Committee

The Board perform the role of an audit committee which fulfils the Company's corporate governance and monitoring responsibilities in relation to the Company's risks associated with the integrity of the financial reporting international control systems and the independence of the external audit function.

14.11 Diversity Policy

The Board has adopted a diversity policy which provides a framework for the Company to achieve amongst other things a diverse and skilled workforce, a workforce culture characterized by inclusive practices and behaviours for the benefit of all staff, improved employment and career development opportunities for women and a work environment that values and utilises the contributions of employees with diverse backgrounds experiences and perspectives.

14.12 Departures from Recommendations

Following the re-admission to the Official List of ASX, PNE will be required to report any departures from the Recommendations in its annual financial report.

The Recommendations are not mandatory, however the Recommendations that will not be followed will be identified and reasons will be provided for not following them.

The Company's proposed compliance and departures from the Recommendations as at the date of reinstatement to Official Quotation will be provided prior to the Shares re-commencing trading on ASX.

15. MATERIAL CONTRACTS

15.1 Term Sheet

Under the Term Sheet, the Company agrees to acquire 100% ownership of ELA in consideration for the issue of the Consideration Shares to the EL Shareholders.

The key terms of the Term Sheet are as follows:

- (a) **(Cash Consideration)** Within 5 business days of execution of the Term Sheet, the Company advanced EL a first advance of \$200,000 (**First Advance**).

Within 5 business days of satisfactory completion of due diligence by the Company on ELA, the Company paid ELA a second advance of \$550,000 for immediate drilling requirements on the Project (**Second Advance**).

- (b) **(Share Consideration)** At Settlement, the consideration to be issued to the EL Shareholders (or their nominees) will be:

- (i) 187,500,000 Shares (**Share Consideration Tranche 1**); and
- (ii) 62,500,000 Shares upon ELA (which, for the purpose of the following provisions means any company in the new ELA group post-Acquisition) upgrading the JORC resource for the Project to a minimum of 4,500,000 tonnes inferred resource at 1.3% Li2O (**Share Consideration Tranche 2**).

- (c) **(Reimbursement of Expenditure Costs)** At Settlement, PNE will also pay ELA a third advance of \$1,500,000 as a payment for reimbursement of expenditure in developing the Project.

- (d) **(Right to Accept Alternative Offer)** EL retains the right to accept an offer for 100% of the issued share capital of ELA from one of two named parties in the Agreement for a period of 45 days from signing of the Term Sheet (**Alternative Offer**). The Alternative Offer must be for a total consideration of at least \$20 million and PNE has the right to offer the equivalent consideration.

If EL accepts an Alternative Offer that PNE decided not to match, EL will refund the First Advance and Second Advance, plus interest of 5% per annum and pay a break fee of \$500,000 and repay any costs incurred by PNE up to the date of termination of the Term Sheet.

- (e) **(Conditions Precedent)** Completion of the Acquisition is subject to satisfaction or waiver of the following outstanding conditions:

- (i) PNE obtaining all necessary regulatory and shareholder approvals required by the Corporations Act 2001 (Cth) and the ASX Listing Rules in relation to the Acquisition;
- (ii) EL providing all statutory and regulatory approvals and any other third party consents or waivers necessary or desirable, to complete the Acquisition;
- (iii) PNE not incurring expenses in excess of \$25,000 between the date of the Term Sheet being executed and completion of the Acquisition other than expenses in the normal course of business,

related to the acquisition of ELA or expenses incurred with the prior written consent of EL;

- (iv) PNE preparing a full form prospectus, lodging the prospectus with ASIC and the ASX and raising the minimum subscription under the prospectus;
- (v) PNE having a minimum of \$5,000,000 in the bank at the time of completion of the Acquisition and obtaining conditional approval to be requoted on ASX and for the Share Consideration to be admitted to ASX (subject to ASX imposed escrow restrictions) subject to standard conditions, acceptable to PNE; and
- (vi) All loans payable, including any interest and associated fees owing, by ELA and debts owed to major shareholders and directors by ELA will be converted to shares in ELA prior to the Acquisition completing.

If the conditions set out above are not satisfied (or waived by the parties) on or before 5.00pm (WST) on 31 August 2016, or such other date as agreed in writing between the parties, the agreement constituted by the Term Sheet will be at an end and the parties will be released from their obligations under the Term Sheet.

- (f) **(Name Change)** As part of the acquisition, the Company will seek the approval of shareholders to change its name to "European Lithium Limited" to more accurately reflect the proposed future operations of the Company.
- (g) **(Change of Board and New CEO)** At completion of the Acquisition, two existing directors of PNE, shall resign and EL shall nominate two new directors to the board, being Mr Antony Sage and a second director to be advised by EL prior to Settlement, to take effect Settlement.

Dr Steve Kesler will also be appointed as Chief Executive Office of PNE following completion of the Acquisition, on terms and conditions to be agreed with PNE.

15.2 Lead Manager Mandate

On 16 June 2016, the Company and EverBlu Capital Pty Ltd entered into a mandate (**Mandate**) pursuant to which EverBlu Capital has agreed to act as lead manager to the Public Offer for:

- (a) a fee of 1% of the gross amount raised under the Public Offer (excluding GST) as a management fee; and 5% of the funds raised by EverBlu Capital under the Public Offer (excluding GST). EverBlu Capital has acknowledged that some or all of this fee may need to be passed onto other brokers and advisers that assist with the Public Offer; and
- (b) subject to the successful completion of the Public Offer and the acquisition of ELA, the issue to EverBlu Capital (or its nominees) of a total of 31,250,000 Shares and 200,000,000 Adviser Options. EverBlu Capital acknowledges that these shares and options will be escrowed for a period to be determined by the ASX.

The Company has also agreed to pay EverBlu Capital a monthly retainer \$10,000 per month for a minimum of 12 month period commencing from 15 June 2016.

In addition to the above fees, the Company will reimburse EverBlu Capital's out-of-pocket expenses (together with any applicable GST) directly related to the Transaction (whether or not the Public Offer proceeds).

In the event that the Company terminates the Mandate, or EverBlu Capital terminates the Mandate for cause, EverBlu Capital will be entitled to all retainer fees payable until the date of termination and the reimbursement of any incurred or accrued expenses up to the date of termination.

In the event that the Company terminates the Mandate on a no-fault basis and it completes the same or substantial similar transaction in relation to the Wolfsberg Lithium Project within three months of termination, the EverBlu Capital will be entitled to all fees on that transaction as if it were covered by the Mandate.

15.3 Royalty Deed

A participation rights agreement between Exchange Minerals Limited, ECM Lithium AT GmbH and ECM Lithium AT (Holdings) Limited (now European Lithium Limited) (**Participation Rights Agreement**) was mutually terminated on 9 September 2014.

In consideration of the termination of the Participation Rights Agreement a royalty deed (the **Royalty Deed**) was entered into between the same parties on 9 September 2014.

Pursuant to the Royalty Deed ECM AT grants Exchange Minerals Limited a royalty in the amount of EUR 1.50 per dry tonne of all Mineral Product (defined as all minerals which are mined or extracted from the tenement area, *Grubenfeld Andreas*) sold. ECM Lithium AT (Investments) Limited (now: European Lithium Limited), as guarantor, guarantees to Exchange Minerals Limited the prompt performance of all obligations of ECM AT contained or implied in the Royalty Deed. The obligation to pay the royalty continues for the full term of the tenement (licence for *Grubenfeld Andreas*) whilst it is owned by ECM AT and continues until ECM AT has satisfied all of its obligations to pay the royalty whether during or after the end of the period during which any Mineral Product can lawfully be extracted and recovered from the tenement area.

15.4 Support Services Agreement

ECM AT is party to a support services agreement with Kärntner Montanindustrie Gesellschaft m.b.H. (**KMI**) pursuant to which KMI provides ECM AT with a consultancy and support package in connection with developing the Wolfsberg Lithium Project (**Support Services Agreement**).

Services provided include KMI providing management support for the Project, taking on the position of Mine Manager for the Project and representing ECM AT before the relevant mining and environmental agencies.

ECM pays KMI a fee of EUR 9,000.00 per month plus VAT and reimbursement of any directly attributable costs borne by KMI.

Support Services Agreement was effective from 1 September 2014. Either party may terminate the Support Services Agreement by three months' written notice.

15.5 Framework Consultancy Agreements

Between March 2015 and May 2016 four framework consultancy agreements were entered into between ECM AT and each of Mine It Sanak-Oberndorfer GmbH, Hon.-Prof. Mag. Dr. Richard Göd, Hains Engineering Company Limited and Technisches Büro Geologie (DI Dr.mont. Thomas Unterweissacher).

The services to be provided by the following parties and fees payable by ECM AT are as follows:

- (a) Mine It Sanak-Oberndorfer GmbH
- (i) Services include: assisting ECM AT with reviewing past exploration work, assisting ECM AT in developing an exploration programme for 2016, including preparation of material required for inclusion in applications for permits and media releases. Maintain all topographical, survey and exploration data, liaising with other consultants engaged by ECM AT to develop a mine design for the extraction of pegmatite ore.
 - (ii) Fees: EUR80 per hour up to a maximum of EUR640 per day.
- (b) Hon.-Prof. Mag. Dr. Richard Göd
- (i) Services include: assisting ECM AT with reviewing past exploration work, review of results of exploration programmes, liaising with other consultants engaged by ECM AT and assisting in technical presentations to third parties and mine visits as required.
 - (ii) Fees: EUR750 per day.
- (c) Hains Engineering Company Limited
- (i) Services include: assisting with setting up a QA/QC protocol for an exploration programme, assistance in developing a verification programme for original exploration data, reviewing the results of an exploration programme as a competent person, liaising with other consultants engaged by ECM AT, assisting ECM AT in market analysis for the spodumene, feldspar quartz and mica products from the processing of the pegmatite ore.
 - (ii) Fees: C\$125 per hour up to a maximum of C\$1,000 per day.
- (d) Technisches Büro Geologie (DI Dr.mont. Thomas Unterweissacher)
- (i) Services include: provision of an exploration manager to manage all aspects of the ECM AT exploration programme, provision of field geologists, preparation of tender documents for all drilling and other exploration contracts and analysis of tenders received, assisting ECM AT in the formulation of contracts for drilling and other exploration activities and administering such contracts, liaising with other consultants in relation to interpretation and analysis of exploration programmes.
 - (ii) Fees: EUR95 per hour plus VAT (for up to 10 hours per day irrespective of actual hours worked).

All four agreements are on a pay as used basis and may be terminated immediately at any time by giving (written) notice.

15.6 Services Agreement

The Company has entered into a services agreement with Steve Kesler and Cedarland Consulting Limited (**Cedarland**) which sets out the terms upon which Dr Kesler will act as Chief Executive Officer of the Company. The key terms and conditions of the services agreement are as follows:

- (a) **Term:** Dr Kesler's engagement will commence on the date that the Company's Shares are re-instated to the Official List of the ASX (**Commencement Date**) and shall continue until terminated by either party.
- (b) **Remuneration:** Cedarland will be paid a rate of \$200,000 per annum for Dr Kesler's services. The services agreement also provides that upon:
 - (i) the JORC resource being upgraded to a minimum of 4,500,000 tonnes at 1.3%, the rate will be increased to A\$250,000 per annum; and
 - (ii) the JORC resource being upgraded to a minimum of 10,000,000 tonnes at 1.3% the rate will be increased to A\$300,000 per annum.

The Company will also reimburse the Dr Kesler all reasonable expenses incurred in the performance of his services.

- (c) **Termination:** either party may terminate the services agreement without cause during the first 3 months from the Commencement Date by giving seven days' written notice. Either party may terminate the services agreement by giving the other party four weeks written notice at any time after the first 3 months from the Commencement Date.

15.7 Agreements regarding Exploration Program

On 13 May 2016 Swietelsky Tunnelbau GmbH & Co KG and ECM AT entered into a contract regarding an underground drilling program in the lithium mine in 2016. For the same purpose another agreement was entered into with Technisches Büro Geologie (DI Dr.mont. Thomas Unterweissacher) dated 12 May 2016.

The total fees for the agreement with Swietelsky Tunnelbau GmbH & Co KG amounts to EUR\$238,699.80 and the fees for the agreement with Technisches Büro Geologie (DI Dr.mont. Thomas Unterweissacher) amount to EUR\$90,424.19. Advance payments have been made on the fees of both agreements.

15.8 Non-executive Director Letter of Appointment

On 15 June 2016, Paul Lloyd executed a letter of appointment to continue as a Non-Executive Director of the Company effective from Settlement.

- (a) **Term**

Mr Lloyd's service as a non-executive Director will commence on the date of Settlement and will cease when he resigns, retires or is removed from office in accordance with the Company's constitution or the Corporations Act.

(b) **Fee**

Mr Lloyd will be paid a fee of \$48,000 per annum for his role as a non-executive Director of the Company. Any fees paid to Mr Lloyd will in any event be subject to annual review by the Board of the Company and approval by Shareholders (if required). The Company will reimburse Mr Lloyd for all reasonable expenses incurred in performing his duties.

15.9 **Consultancy Agreement for Non-Executive Director**

On 17 June 2016, the Company entered into a consultancy agreement with Okewood Pty Ltd (**Consultant**) and Antony Sage pursuant to which the Company engaged the Consultant for the purpose of Mr Sage acting as a Non-Executive Director and Chairman of the Company effective from Settlement (**Consultancy Agreement**).

(a) **Term**

Mr Sage's service will commence on the date of Settlement and will cease when terminated in accordance with the terms of the Consultancy Agreement.

(b) **Rate**

The Consultant will be paid a fee of \$120,000 per annum plus GST (if applicable). The rate shall be reviewed every 6 months from the commencement date. The Company will reimburse Mr Sage for all reasonable expenses incurred in performing his duties.

(c) **Termination**

The Consultancy Agreement may be terminated by the Company or the Consultant by giving 12 months written notice at any time. The Company may immediately terminate the Consultancy Agreement in certain circumstances.

(d) **Payment upon termination**

The Company may terminate the Consultancy Agreement without cause at any time by paying the Consultant the aggregate of amounts (disregarding future reviews and adjustments) which but for such termination would otherwise be payable under the Consultancy Agreement to (or, in the case of superannuation, on behalf of) the Consultant by excluding all amounts that are reimbursement of expenses except to the extent they are incurred prior to the date of termination. Such payment is payable in one lump sum within 14 days of termination.

The amount payable under this provision is subject to all limits imposed by the Corporations Act and the ASX Listing Rules and if any such limit applies without there being an applicable exception permitting then the maximum amount permitted by law will be payable.

15.10 **Deeds of indemnity, insurance and access**

The Company proposes entering into deeds of indemnity, insurance and access with each of its proposed directors following their appointments. Under these deeds, the Company agrees to indemnify each officer to the extent permitted by the Corporations Act against any liability arising as a result of the officer acting as

an officer of the Company or a related body corporate (subject to customary exceptions). The Company is also required to maintain insurance policies for the benefit of the relevant officer and must also allow the officers to inspect board papers and other documents provided to the Board in certain circumstances.

16. ADDITIONAL MATERIAL INFORMATION

16.1 Litigation

As at the date of this Prospectus, the Company is not involved in any material legal proceedings and the Directors are not aware of any legal proceedings pending or threatened against our Company.

16.2 Rights attaching to Shares

The following is a summary of the more significant rights attaching to Shares. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice.

Full details of the rights attaching to Shares are set out in the Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours.

(a) General meetings

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company.

Shareholders may requisition meetings in accordance with section 249D of the Corporations Act and the Constitution.

(b) Voting rights

Subject to any rights or restrictions for the time being attached to any class or classes of Shares, at general meetings of Shareholders or classes of Shareholders:

- (i) each Shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- (ii) on a show of hands, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder has one vote; and
- (iii) on a poll, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder shall, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for the Share, but in respect of partly paid Shares shall have such number of votes as bears the same proportion to the total of such Shares registered in the Shareholder's name as the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited).

(c) Dividend rights

Subject to the rights of any preference Shareholders and to the rights of the holders of any shares created or raised under any special arrangement as to dividend, the Directors may from time to time declare a dividend to be paid to the Shareholders entitled to the dividend which shall be payable on all Shares according to the proportion that the

amount paid (not credited) is of the total amounts paid and payable (excluding amounts credited) in respect of such Shares.

The Directors may from time to time pay to the Shareholders any interim dividends as they may determine. No dividend shall carry interest as against the Company. The Directors may set aside out of the profits of the Company any amounts that they may determine as reserves, to be applied at the discretion of the Directors, for any purpose for which the profits of the Company may be properly applied.

Subject to the ASX Listing Rules and the Corporations Act, the Company may, by resolution of the Directors, implement a dividend reinvestment plan on such terms and conditions as the Directors think fit and which provides for any dividend which the Directors may declare from time to time payable on Shares which are participating Shares in the dividend reinvestment plan, less any amount which the Company shall either pursuant to the Constitution or any law be entitled or obliged to retain, be applied by the Company to the payment of the subscription price of Shares.

(d) **Winding-up**

If the Company is wound up, the liquidator may, with the authority of a special resolution of the Company, divide among the shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the Shareholders or different classes of Shareholders.

The liquidator may, with the authority of a special resolution of the Company, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no Shareholder is compelled to accept any Shares or other securities in respect of which there is any liability.

(e) **Shareholder liability**

As the Shares under the Prospectus are fully paid shares, they are not subject to any calls for money by the Directors and will therefore not become liable for forfeiture.

(f) **Transfer of Shares**

Generally, Shares are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act or the ASX Listing Rules.

(g) **Variation of rights**

Pursuant to section 246B of the Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of Shareholders vary or abrogate the rights attaching to Shares.

If at any time the share capital is divided into different classes of Shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class), whether or not the Company is being wound up, may be varied or abrogated with the consent in writing of the

holders of three-quarters of the issued shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of that class.

(h) **Alteration of Constitution**

The Constitution can only be amended by a special resolution passed by at least three quarters of Shareholders present and voting at the general meeting. In addition, at least 28 days written notice specifying the intention to propose the resolution as a special resolution must be given.

16.3 Adviser Options

The Adviser Options to be issued pursuant to the EverBlu Offer will be issued on the terms and conditions below.

(a) **Entitlement**

Each Option entitles the holder to subscribe for one Share upon exercise of the Option.

(b) **Exercise Price**

Subject to paragraph (j), the amount payable upon exercise of each Option will be \$0.10 (**Exercise Price**).

(c) **Expiry Date**

Each Option will expire at 5:00pm (WST) on 30 June 2020 (**Expiry Date**). An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(d) **Exercise Period**

The Options are exercisable at any time on or prior to the Expiry Date (**Exercise Period**).

(e) **Notice of Exercise**

The Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Option certificate (**Notice of Exercise**) and payment of the Exercise Price for each Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.

(f) **Exercise Date**

A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Option being exercised in cleared funds (**Exercise Date**).

(g) **Timing of issue of Shares on exercise**

Within 15 Business Days after the Exercise Date, the Company will:

- (i) allot and issue the number of Shares required under these terms and conditions in respect of the number of Options specified in

the Notice of Exercise and for which cleared funds have been received by the Company;

- (ii) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and
- (iii) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the Options.

If a notice delivered under (g)(ii) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must, no later than 20 Business Days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.

(h) **Shares issued on exercise**

Shares issued on exercise of the Options rank equally with the then issued shares of the Company.

(i) **Quotation of Shares issued on exercise**

If admitted to the official list of ASX at the time, application will be made by the Company to ASX for quotation of the Shares issued upon the exercise of the Options.

(j) **Reconstruction of capital**

If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

(k) **Participation in new issues**

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options without exercising the Options.

(l) **Change in exercise price**

An Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the Option can be exercised.

(m) **Transferability**

The Options are transferable subject to any restriction or escrow arrangements imposed by ASX or under applicable Australian securities laws.

16.4 Interests of Directors

Other than as set out in this Prospectus, no Director or proposed Director holds, or has held within the 2 years preceding lodgment of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) any property acquired or proposed to be acquired by the Company in connection with:
 - (i) its formation or promotion; or
 - (ii) the Offers; or
- (c) the Offers, and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to a Director or proposed Director:
 - (i) as an inducement to become, or to qualify as, a Director; or
 - (ii) for services provided in connection with:
 - (A) the formation or promotion of the Company; or
 - (B) the Offers.

16.5 Interests of Experts and Advisers

Other than as set out below or elsewhere in this Prospectus, no:

- (a) person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus; or
- (b) promoter of the Company;

holds, or has held within the 2 years preceding lodgment of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) any property acquired or proposed to be acquired by the Company in connection with:
 - (i) its formation or promotion; or
 - (ii) the Offers,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of these persons for services provided in connection with:

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- (a) the formation or promotion of the Company; or
- (b) the Offers.

HLB Mann Judd has acted as Investigating Accountant and has prepared the Investigating Accountant's Report which is included in Section 11 of this Prospectus. The Company estimates it will pay HLB Mann Judd a total of \$20,000 (excluding GST) for these services. During the 24 months preceding lodgment of this Prospectus with the ASIC, HLB Mann Judd has received \$35,500 (excluding GST & disbursements) from the Company for services.

AI Maynard and Associates Pty Ltd has acted as Independent Geologist and has prepared the Independent Geologist's Report which is included in Section 12 of this Prospectus. The Company estimates it will pay AI Maynard and Associates Pty Ltd a total of \$4,950 (excluding GST) for these services. During the 24 months preceding lodgment of this Prospectus with the ASIC, AI Maynard and Associates Pty Ltd has not received any further payments from the Company.

DLA Piper Weiss-Tessbach Rechtsanwälte GmbH has prepared the Solicitor's Report on Title which is included in Section 13 of this Prospectus. The Company estimates it will pay DLA Piper Weiss-Tessbach Rechtsanwälte GmbH a total of \$12,500 (excluding GST) for these services. During the 24 months preceding lodgment of this Prospectus with the ASIC, DLA Piper Weiss-Tessbach Rechtsanwälte GmbH has received \$18,000 (excluding GST & disbursements) from the Company for services.

EverBlu Capital Pty Ltd will act as Corporate Adviser to the Transaction. Details of the payments EverBlu Capital Pty Ltd is entitled to are contained in Section 15.2. During the 24 months preceding lodgment of this Prospectus with the ASIC, EverBlu Capital Pty Ltd has not received any fees from the Company.

Steinepreis Paganin has acted as the Australian solicitors to the Company in relation to the Offers and the Acquisition. The Company estimates it will pay Steinepreis Paganin \$65,000 (excluding GST) for these services. Subsequently, fees will be charged in accordance with normal charge out rates. During the 24 months preceding lodgment of this Prospectus with the ASIC, Steinepreis Paganin has received \$230,000 (excluding GST & disbursements) from the Company for other legal services.

16.6 Consents

Chapter 6D of the Corporations Act imposes a liability regime on the Company (as the offeror of the Securities), the Directors, the persons named in the Prospectus with their consent as Proposed Directors, any underwriters, persons named in the Prospectus with their consent having made a statement in the Prospectus and persons involved in a contravention in relation to the Prospectus, with regard to misleading and deceptive statements made in the Prospectus, Although the Company bears primary responsibility for the Prospectus, the other parties involved in the preparation of the Prospectus can also be responsible for certain statements made in it.

Each of the parties referred to in this Section:

- (a) does not make, or purport to make, any statement in this Prospectus other than those referred to in this Section; and
- (b) in light of the above, only to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus

other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section.

Steinepreis Paganin has given its written consent to being named as the solicitors to the Company in this Prospectus. Steinepreis Paganin has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

Al Maynard and Associates Pty Ltd has given its written consent to being named as the Independent Geologist in this Prospectus and inclusion of the Independent Geologists Report in Section 12 in the form and context in which the information and report are included. Al Maynard and Associates Pty Ltd has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

EverBlu Capital Pty Ltd has given its written consent to being named as the Company's corporate adviser in this Prospectus. EverBlu Capital Pty Ltd has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

DLA Piper Weiss-Tessbach Rechtsanwälte GmbH has given its written consent to being named as the Company's Austrian solicitors in this Prospectus and to the inclusion of the Solicitor's Report on Title in Section 13 in the form and context in which the information and report are included. DLA Piper Weiss-Tessbach Rechtsanwälte GmbH has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

HLB Mann Judd has given its written consent to being named as the Company's auditor in this Prospectus and to the inclusion of the Investigating Accountant's Report in Section 11 in the form and context in which the information and report are included. HLB Mann Judd has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

16.7 Expenses of the Offers

The total expenses of the Offers (excluding GST) are estimated to be approximately \$555,000 for minimum subscription or \$740,000 for maximum subscription and are expected to be applied towards the items set out in the table below:

Estimated Costs of Acquisition	Minimum Subscription (\$6,000,000)	Maximum Subscription (\$9,000,000)
ASIC	\$2,320	\$2,320
Printing	\$6,000	\$6,000
Legal Fees	\$70,000	\$70,000
ASX Listing	\$89,000	\$91,000
Lead Manager fee	\$60,000	\$90,000
Broker fee 5%	\$300,000	\$450,000
Investigating Accountants fee	\$20,000	\$20,000
Miscellaneous	\$7,680	\$10,680
TOTAL	\$555,000	\$740,000

16.8 Continuous disclosure obligations

The Company is a “disclosing entity” (as defined in section 111AC of the Corporations Act) and, as such, will be subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company is required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company’s securities.

Price sensitive information is publicly released through ASX before it is disclosed to shareholders and market participants. Distribution of other information to shareholders and market participants is also managed through disclosure to the ASX. In addition, the Company will post this information on its website after the ASX confirms an announcement has been made, with the aim of making the information readily accessible to the widest audience.

16.9 Governing Law

The Offers and the contracts formed on return on an Application Form are governed by the laws applicable to Western Australia, Australia. Each person who applies for Shares pursuant to this Prospectus submits to the nonexclusive jurisdiction of the courts of Western Australia, Australia, and the relevant appellate courts.

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17. DIRECTORS' AUTHORISATION

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with section 720 of the Corporations Act, each Director and the Proposed Director has consented to the lodgment of this Prospectus with the ASIC.

**PAUL LLOYD
CHAIRMAN**

For and on behalf of Paynes Find Gold Limited (to be renamed "European Lithium Limited")

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18. GLOSSARY

Unless the context requires otherwise, where the following terms are used in the Prospectus, they have the following meanings:

\$ or AUD means an Australian dollar.

Adviser Options means up to 200,000,000 Options exercisable at \$0.10 each on or before 30 June 2020.

Adviser Securities means up to 31,250,000 Shares (consisting of 23,437,500 Shares and 7,812,500 Shares to be issued on the same terms as the Tranche 2 Consideration Shares) and the Adviser Options.

Applicant means a person who has submitted an Application Form pursuant to one of the Offers.

Application Form means the Public Offer Application Form, the EL Offer Application Form, or the EverBlu Offer Application Form as the context requires attached to or accompanying this Prospectus relating to the relevant Offer.

ASIC means Australian Securities & Investments Commission.

ASX means ASX Limited (ACN 008 624 691) or the financial market operated by it as the context requires.

ASX Listing Rules means the official listing rules of ASX.

ASX Settlement Operating Rules means the operating rules of the ASX Settlement Facility (as defined in Rule 11.1 and 11.2 of the ASX Settlement Operating Rules) in accordance with Rule 1.2 which govern, *inter alia*, the administration of the CHESS subregisters.

Board means the board of Directors as constituted from time to time.

Capital Raising means the funds being raised under the Public Offer.

CHESS has the meaning given in Section 7.8.

Closing Dates means the Public Offer Closing Date, the EL Offer Closing Date and the EverBlu Offer Closing Date.

Company or **PNE** means Paynes Find Gold Limited (to be renamed "European Lithium Limited") (ACN 141 450 624).

Conditions means the conditions of the Offers set out in Section 2.4.

Consideration Shares means the Share Consideration Tranche 1 and Share Consideration Tranche 2.

Constitution means the constitution of the Company.

Corporations Act means the Corporations Act 2001 (Cth).

Directors mean the directors of the Company at the date of this Prospectus.

ECM AT means ECM Lithium AT GmbH, the wholly owned subsidiary of ELA.

EL means European Lithium Limited (Company Number 1629378).

ELA means European Lithium AT (Investments) Limited (Company Number 1629395), a wholly owned subsidiary of EL.

EL Offer Application Form means the application form attached to or accompanying this Prospectus relating to the EL Offer.

EL Offer means the offer of Securities to the EL Shareholders pursuant to this Prospectus.

EL Offer Closing Date has the same meaning as the Public Offer Closing Date.

EL Shareholders means the holders of shares in EL, which may include EL depending on how the distribution of the Consideration Shares occurs.

Essential Resolutions means Resolutions 1 to 7 in the Notice of Meeting.

EverBlu Capital means EverBlu Capital Pty Ltd (ACN 612 793 683).

EverBlu Capital Offer means the offer of Securities to EverBlu Capital pursuant to this Prospectus.

EverBlu Offer Application Form means the application form attached to or accompanying this Prospectus relating to the EverBlu Capital Offer.

EverBlu Offer Closing Date has the same meaning as the Public Offer Closing Date.

General Meeting means the general meeting of Shareholders to be held on or about 25 July 2016 which will seek Shareholder approval for the matters set out in the Notice of Meeting.

Lead Manager Mandate means the mandate entered into between EverBlu Capital and the Company.

Minimum Subscription means \$6,000,000.

Notice of Meeting means the notice of meeting and explanatory statement of the Company to be announced to ASX and dispatched to Shareholders in relation to the General Meeting.

Offers means the Public Offer, EL Offer and EverBlu Capital Offer.

Official List means the official list of ASX.

Official Quotation means official quotation by ASX in accordance with the ASX Listing Rules.

Option means an option to acquire a Share.

Optionholder means a holder of an Option.

Project means the Wolfsberg Lithium Project in Austria.

Proposed Director means Antony Sage.

Public Authority means any government or governmental, semi-governmental administrative, statutory, fiscal or judicial body, entity authority agency, tribunal, department, commission, office, instrumentality, agency or organisation

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(including any minister or delegate of any of the foregoing) any self-regulatory organisation established under statute and recognised securities exchange (including without limitation ASX) in each case whether in Australia or elsewhere.

Public Offer means the offer of up to 112,500,000 Shares at an issue price of \$0.08 per Share pursuant to this Prospectus.

Public Offer Application Form means the application form attached to or accompanying this Prospectus relating to the Public Offer.

Public Offer Closing Date means the closing date of the Public Offer as set out in the indicative timetable in Section 3 (subject to the Company reserving the right to extend it or close the Public Offer early).

Prospectus means this replacement prospectus.

Section means a section of this Prospectus.

Securities mean Shares and Options.

Settlement means settlement of the Transaction in accordance with the terms of the Term Sheet.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of Shares.

Share Consideration Tranche 1 means 187,500,000 Shares to be issued amongst the EL Shareholders.

Share Consideration Tranche 2 means 62,500,000 Shares to be issued amongst the EL Shareholders upon ELA (which, for the purpose of the following provisions means any company in the new ELA group post-Acquisition) upgrading the JORC resource for the Project to a minimum of 4,500,000 tonnes inferred resource at 1.3% Li₂O.

Share Registry means Advanced Share Registry Ltd (ACN 127 175 946).

Term Sheet means the binding Term Sheet between the Company and EL dated 5 May 2016 and any amendments thereto.

Transaction or **Acquisition** means Company's acquisition of 100% of the ownership of ELA on the terms and condition set out in the Term Sheet.

WST means Western Standard Time as observed in Perth, Western Australia.