EUROPEAN LITHIUM LTD

Annual Report 2019

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

COMPANY SECRETARY
Melissa Chapman

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Atkinson Corporate Lawyers
Level 8, 99 St Georges Terrace
Perth WA 6000

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STOCK EXCHANGES
Australian Securities Exchange
ASX Code: EUR

Frankfurt Stock Exchange
FRA Code: PF8

Vienna Stock Exchange
VSE Code: ELI

London Stock Exchange
NEX Code: EUR

SHARE REGISTRY
Computershare Investor Services Pty Limited
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Your directors present their report on European Lithium Limited (**Company** or **EUR**) for the financial year ended 30 June 2019.

1. DIRECTORS

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

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

2. COMPANY SECRETARY

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

Melissa Chapman	Company Secretary

3. PRINCIPAL ACTIVITY

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

4. OPERATING RESULTS

The Company reported a net loss of $2,802,667 for the financial year (2018: $749,798 net loss).

5. DIVIDENDS PAID OR RECOMMENDED

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

6. SIGNIFICANT CHANGES IN STATE OF AFFAIRS

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

7. EVENTS SINCE THE END OF THE FINANCIAL YEAR

In July 2019, the Company awarded to DRA the contract for the optimisation of the underground crushing and sorting facilities. The contract with DRA was executed on 25 July 2019 for a combined value of ZAR 1,325,574.

On 11 July 2019, the Company issued 2,000,000 shares at $0.09 per shares pursuant to a placement. On the same day, the Company issued 983,548 shares to Magna upon the conversion of 50,000 notes.

On 31 July 2019, the Company announced that it has executed binding documentation for a A$10m finance facility with Winance Investment LLC (**Winance**). The Winance Finance Facility replaces the Company's existing A$10m facility with MEF I, L.P (**Magna**). Any funds advanced under the Winance Finance Facility will be used to repay the residual amount owing to Magna, to fast-track the completion of a DFS at the Company's Wolfsberg Lithium Project in Austria and for general working capital purposes. On 20 September 2019, the Company issued 1,200 notes being the initial A$2.0 million drawdown under the facility.

On 31 July 2019, the Company issued 995,223 shares to Magna upon the conversion of 50,000 notes.

On 16 August 2019, the Company issued 1,016,411 shares to Magna upon the conversion of 50,000 notes.

On 13 September 2019, the Company issued 1,000,000 shares to Magna as consideration for extension of repayment date of convertible notes.

On 25 September 2019, the Company made a payment of US$550,000 to Magna as partial repayment of convertible notes.

On 25 September 2019, the Company issued 285,714 shares to Winance upon the conversion of 20 notes.

Subsequent to the year-end, the Company has completed the shallow drilling and is currently awaiting assay results.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in financial years subsequent to 30 June 2019.

8. ENVIRONMENTAL REGULATIONS

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

9. LIKELY DEVELOPMENTS AND EXPECTED RESULTS

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

10. REVIEW OF OPERATIONS

Wolfsberg Lithium Project

Drilling

GEO Unterweissacher and Mine-IT completed the lithological models for Zones 1 and 2 in September 2018. SRK Consulting (UK) (SRK) and its consultants assisted the Company to develop a drilling program intended to convert 4.68 million tonnes of Inferred resource in Zone 1 into Measured and Indicated category with adherence to the JORC Code (2012). Completion of this drilling program will allow the larger resource to be used for the definitive feasibility study (DFS) and support a higher production rate than that used for the PFS which was restricted to the current Measured and Indicated Resource of 6.3 million tonne at 1.17% Li_2O.

The drilling program was prioritised into two-stages, with stage 1 shallow drilling (<300m) and stage 2 deep holes (>300m). The first stage drilling is ongoing and anticipated to be completed by mid 3Q. Applications for additional deep holes (>300m depth, stage 2) were lodged with the relevant authorities. Approval is expected to be received in Q3 2019 after completion of the stage 1 shallow drilling program.

In addition, the Company has initiated preparation work together with SRK, the drilling contractor Geops and geological consultant, GEO Unterweissacher, to ensure in-hole hydrogeological test work can commence in the near future.

Proposed deep drilling program

A deep drilling program was proposed to convert inferred resources into indicated as well as adding additional inferred - indicated resources toward the east where drilling completed last year confirmed the extension of mica schist (MHP) in that area.

The deep drilling program (>300m) enveloped 20 drill holes totalling 7740m (Table 1). The drill holes are divided into two groups:

- Proposed drill holes along forestry roads ("Abschnitt Forstwegnutzung NEU – keine Waldeigenschaft") enveloping 11 drill holes totalling 4720m and,
- Proposed drill holes along the road in forestry property (Abschnitt Forstwegnutzung NEU – Waldeigenschaft) enveloping nine drill holes totalling 3020m.

All drilling pad positions 10x20m (200m2) have been premeasured and labelled by the surveyor and plotted on the drill holes planning maps (Figures 1 and 2).

Drill hole ID	Planned Coordinated			Azimuth	Dip	Target Depth
	Easting	Northing	Elevation			
P18-01	126972	189846.174	1688.245	198	50	340
P18-02	126972	189846.174	1688.245	198	30	340
P18-04*	126798.93	190085.69	1645.1	194	38	450
P18-05*	126798.93	190085.69	1645.1	193	50	470
P18-06	126710.899	190052.084	1636.097	198	55	420
P18-09	126540.676	190052.163	1625.018	198	70	440
P18-10	126473.646	190036.051	1630.252	198	67	360
P18-11*	126435.44	190333.42	1563.35	195	33	510
P18-12	126357.65	190333.62	1559.718	197	33	470
P18-14	126255.74	190361.744	1555.178	195	33	460
P18-15*(**)	126198.11	190029.08	1631.09	215	68	280
P18-16	126255.74	190361.744	1555.178	208	39	460
P18-17*	126096.04	190126.26	1606.67	190	66	320
P18-18	126009.203	190194.6	1590.93	174	75	380
P18-19	126009.203	190194.6	1590.93	190	63	320
P18-20	125956.295	190241.701	1582.332	210	63	350
P18-21	125840.235	190254.049	1569.281	210	83	360
P18-23	125793.157	190323.27	1553.594	236	76	350
P18-24	125793.281	190323.279	1553.59	271	63	360
P18-25	125793.281	190323.279	1553.59	252	49	300

(blue)	Drill holes along forestry roads
(yellow)	Drill holes along the road in „forestry property "
*	Drill holes with adjusted collar positions
**	Shallow drill hole (<300m)

Table 1. Planned drill hole collar positions with drilling azimuth, drilling angle and proposed depth

Required drilling equipment

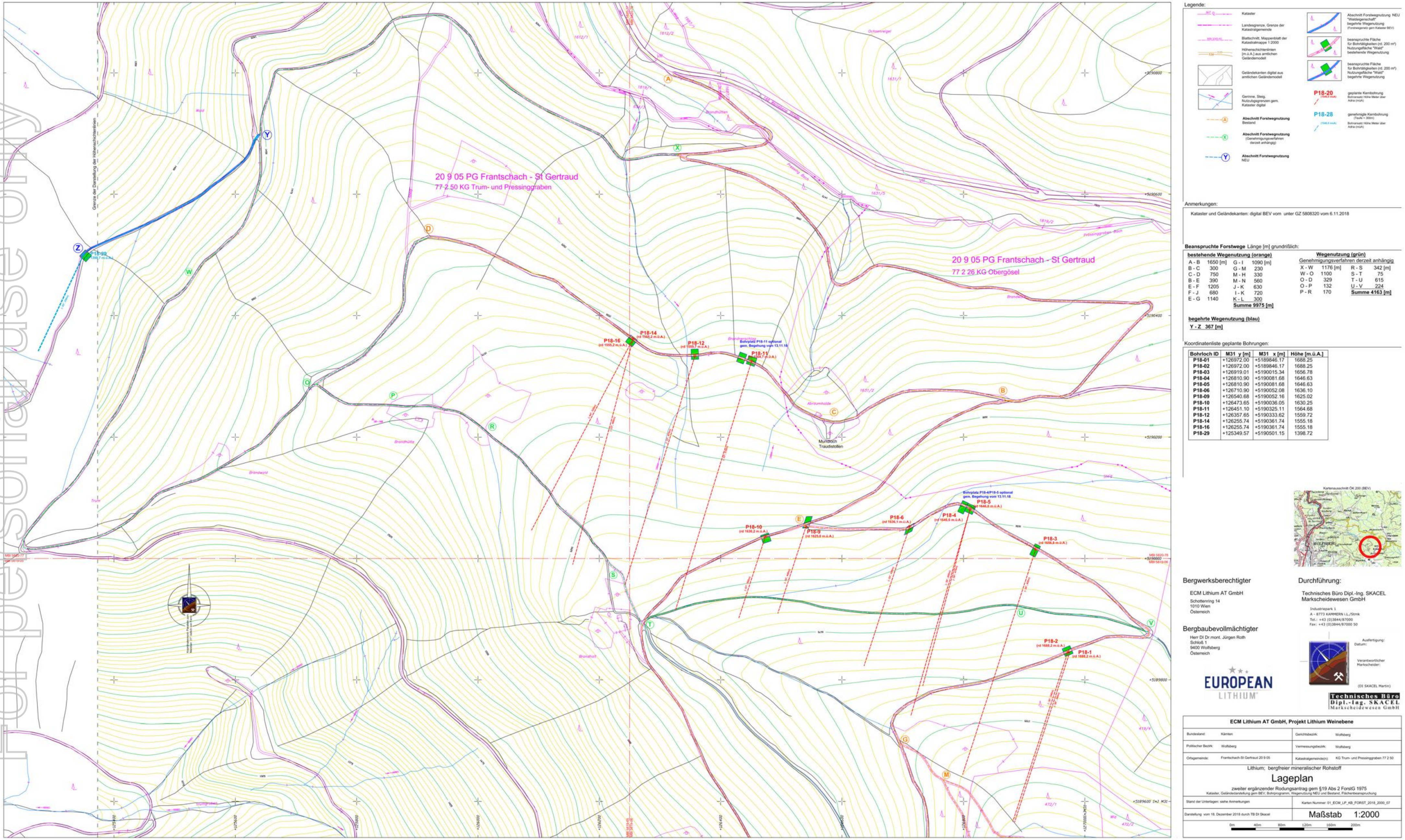
The proposed drilling has been planned from existing roads and as such some of the planned drill holes have lower drilling angle (<45°) therefore drilling these holes will require a drill rig that can drill such a shallow angles.

Hydrogeology

The Company continues with hydrogeology monitoring programs on a weekly, monthly and quarterly time frame:

- Weekly monitoring includes measuring the water level at the surface and underground sites,
- The monthly monitoring program includes sampling and analysing defined chemical and physical parameters (e.g., temperature, pH-value, conductivity, redox potential)
- The quarterly monitoring program includes water sampling and analysing water from previously defined field sites and analyses at certified Austrian lab. The water samples are analysed according to the Austrian state requirements for drinking water.

All hydrogeological data is stored and secured into the Company database.



Bohrloch ID	M31 y [m]	M31 x [m]	Höhe [m.ü.A.]
P18-01	+126972.00	+5189846.17	1688.25
P18-02	+126972.00	+5189846.17	1688.25
P18-03	+126919.01	+5190015.34	1656.78
P18-04	+126810.90	+5190081.68	1646.63
P18-05	+126810.90	+5190081.68	1646.63
P18-06	+126710.90	+5190052.08	1636.10
P18-09	+126540.68	+5190052.16	1625.02
P18-10	+126473.65	+5190036.05	1630.25
P18-11	+126451.10	+5190325.11	1564.68
P18-12	+126357.65	+5190333.62	1559.72
P18-14	+126255.74	+5190361.74	1555.18
P18-16	+126255.74	+5190361.74	1555.18
P18-29	+125349.57	+5190501.15	1398.72

Figure 1: Map 1

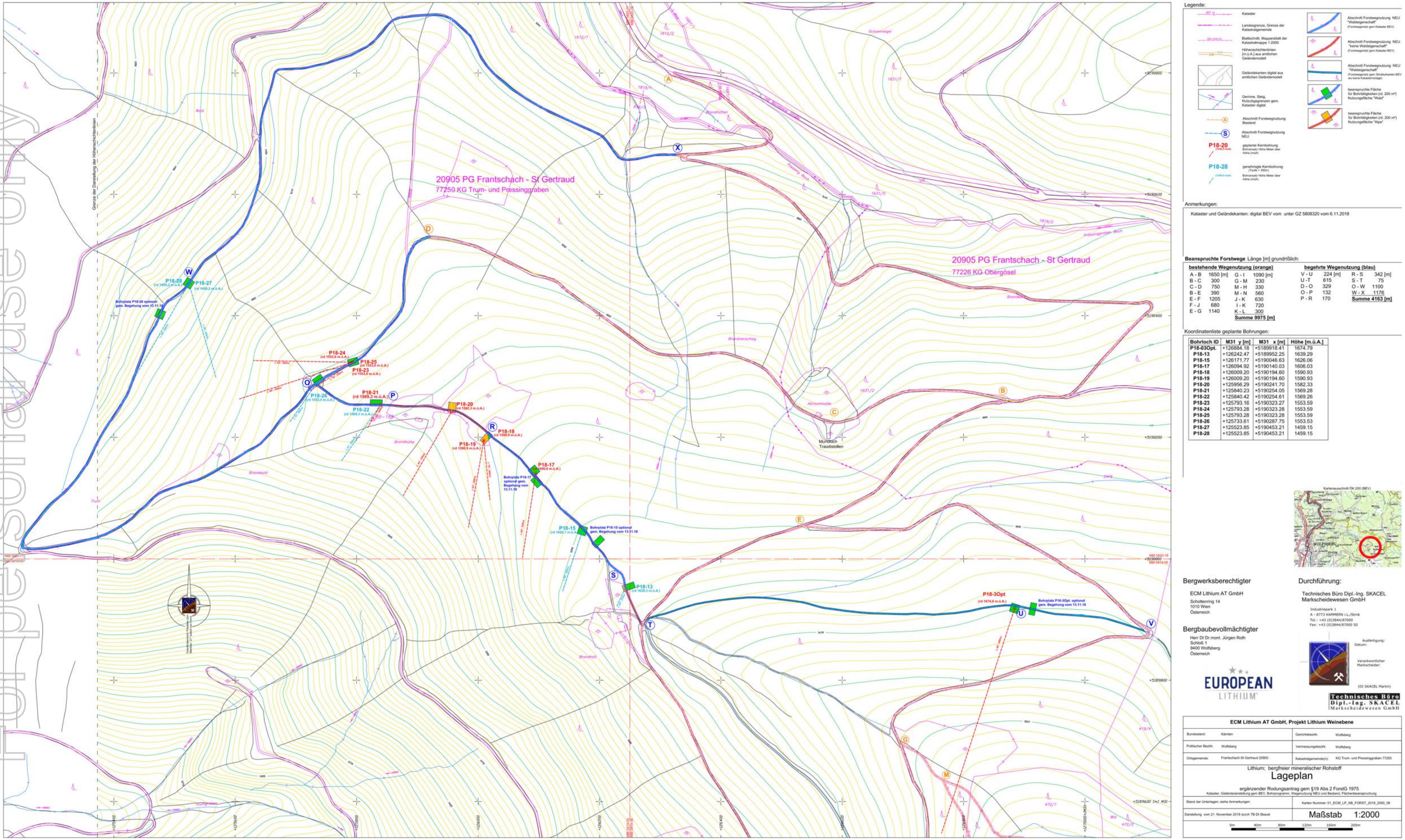


Figure 2: Map 2

Land Access

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

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

Metallurgy

Dorfner Anzaplan, a leading independent consultant in lithium and industrial minerals, was engaged to carry out the metallurgical optimisation test work. The initial program investigated the applicability of sensor-based sorting to reject waste dilution from the ore feed to the concentrator.

Sensor based sorting test work was conducted to reduce the host rock dilution and pre-concentrate the spodumene ore by rejecting host rock. It was applied to the fractions +8 -25 mm and +25 -70mm. Tests were carried out separately for the AHP and MHP type materials in both size fractions. The following sorting tests were carried out:

- Laser sorting tests on bulk samples (approx. 50 tons feed) including scavenger sorting
- XRT sorting tests as an alternative to laser sorting including scavenger sorting
- Laser sorting on recombined 80% (host rock) / 20 (ore) mix

Bulk Laser Sorting:

The objective of the bulk laser sorting test work was to confirm the results of the previous test work and produce sorted product for the subsequent lab and pilot test work. In all tests a scavenger sorting was conducted, to recover any spodumene misplaced to the sorter rejects from the rougher stage.

Figure 3: Laser sorter: 3D model of Laser sorter (top) and Laser sorter test rig in Tomra's technical center used for fraction +25 mm

Based on the results of initial screening and laser sorting tests an overall mass balance for both the mica schist (MHP) ore and the amphibolite (AHP) ore sample was estimated. In case of AHP ore a lithium recovery of 93.1 wt.-% in sorted AHP ore was calculated. The sorted ore is the combined product after sorting of fraction +25 mm and fraction +8 -25 mm as well as fines -8 mm from the initial screening step. In addition spodumene is pre-concentrated and lithium content increased from 1.0 wt.-% to 1.3 wt.-% Li_2O after sorting. In the case of MHP ore the Lithium content increased from 0.9 wt.-% to 1.1 wt.-% Li_2O after sorting. The results are comparable to the previous sorting results, where 92.0 wt.-% overall lithium recovery for MHP and 93.0 wt.-% for AHP were achieved.

When adding the scavenger sorting stage in the calculation, the overall lithium recovery in the sorted ore improves to 95.5 wt.-% for AHP ore and as well to 95.5 wt.-% for MHP ore.

XRT Sorting:

The use of XRT sorting as an alternative to laser sorting has been carried out. Although laser-based sorting provided excellent recovery and waste rock-rejection in the test work, it requires the ore to be pre-rinsed.

Figure 4: XRT sorter: 3D model of XRT sorter (top) and XRT sorter test rig in Tomra's technical center

Compared to the laser sorting the XRT sorting was significantly less selective. This is indicated by the reduced recovery in the rougher stage. Therefore the laser sorting technology appears to be the preferred solution for sorting of the ore from the Wolfsberg project.

Laser Sorting High Dilution

High dilution with host rock is expected with up to 80% (host rock content in sorter feed) when mining narrow veins during the life of mine. Therefore laser sorting tests were conducted with a recombined sample with approx. 80% host rock dilution. A flow sheet with rougher, scavenger and cleaner sorting was tested.

The product quality of the final product after sorting (cleaner product) is similar in quality to the products yielded after sorting of the samples as received (scavenger product). The lithium recovery in the cleaner product was in the range of 53.2 to 67.6 wt.-%. A significant amount of lithium is also in the cleaner tailings and scavenger product (6.3 to 19.6 wt.-%). These two products are recirculated in the commercial process. Therefore most of the lithium in these products should be recoverable.

Lithium was analysed in the host rock, which is not connected to spodumene but rather to lithium bearing minerals in the host rock (holmquistite), influencing the lithium recovery calculation for the 80/20 case. The source of lithium in the host rock is recommended to be investigated further and has to be taken into account when using the sorting results for further recovery estimations during engineering studies.

The above metallurgic test work results were reported to the ASX on 23 March 2019.

Marketing Activities

The Company strengthened community and stakeholder relationships with mine visit days held to provide institutional and retail investors, potential partners, representatives from various economic institutions as well as representatives from politics and media with the opportunity to see the potential value creation of the Wolfsberg Lithium Project first hand.

After the hosted mine visits the Company and project was covered in several news articles in both local newspapers as well as nationally within Germany. This increased awareness cements regional importance for the Company as the first potential lithium producer in Europe to supply the growing demand for battery-grade lithium.

Paynes Find Gold Project

During the previous financial year, the Company entered into a binding terms sheet with Cervantes Gold Pty Ltd, a wholly owned subsidiary of Cervantes Corporation Limited (ASX: CVS) (**CVS**) for the sale of its 100% owned Paynes Find Gold Project located in Western Australia (the **Transaction**).

Consideration for the Transaction consisted of $500,000 cash (of which $420,000 had been received as at 30 June 2018) and $500,000 share capital in CVS.

On 5 July 2018, the Company announced that it had agreed to settle the remaining cash consideration of $80,000 through the issue of 7,000,000 shares in CVS shares as well as the issue of one free attaching unquoted option for every two shares issued which are exercisable at 1.5 cents each on or before 30 June 2020.

As at 30 June 2019 the Company holds 32,000,000 shares in CVS which represents a 5.97% shareholding in CVS.

Corporate

Project Director Appointment

On 6 August 2018, the Company announced the appointment of Christian Heili as Project Director of the Company. Mr Heili is a highly experienced mining engineer with more than 30 years' experience in business, project management and wide-ranging operations including underground and beneficiation processes within the mining industry. Mr Heili has an M.Sc. (Eng) from Montan-University of Leoben, Austria, and an MBA from Henley Management College, UK. Mr Heili commenced his position as Project Director in November 2018.

Financing Facility

On 7 September 2018, the Company announced that it has secured a A$10m finance facility with MEF I, L.P. (**Magna** or **Investor**) to fast-track the completion of a DFS at the Wolfsberg Lithium Project in Austria. An initial amount of A$2.5m was drawn down on 14 September 2018 and a further A$7.5m is available in tranches upon the Company meeting key milestones relating to the DFS process and standard conditions precedent.

The finance facility is by the issue of convertible securities in the Company. The convertible notes are convertible at any time by the Investor at the lower of A$0.30 or a 15% discount from the lowest VWAP over ten (10) days prior to the conversion date, provided that the conversion price shall not in any case be lower than A$0.08 (**Floor Price**).

During the year Magna converted 1,152,458 notes. As at 30 June 2019, Magna had 688,042 convertible notes remaining.

Placement

During the year the Company undertook a placement mainly to European based sophisticated investors of 18,200,000 fully paid ordinary shares at $0.09 per share to raise cash funds of $1,638,000 (before costs) (**Placement**).

Capital Raisings and Movements

On 7 September 2018, the Company issued 600,672 fully paid ordinary shares to Magna representing the Tranche A commitment fee of 4% of the investment amount payable in shares.

On 20 September 2018, the Company released 101,978,820 fully paid ordinary shares and 200,000,000 options with an exercise price of $0.10 exercisable on or before 30 June 2020 from ASX imposed escrow.

On 1 November 2018 the Company issued 1,550,824 shares to Magna upon conversion of 100,000 notes.

On 6 December 2018, the Company issued 350,000 fully paid ordinary shares to the Company's Project Director Mr Christian Heili as a sign-on bonus pursuant to a contracting agreement.

On 11 December 2018, the Company issued 11,250,000 unlisted options to Directors as approved at the Company's 2018 AGM. The options are exercisable at $0.15 each on or before 31 May 2019 and were issued in consideration for the Company completing its Pre-Feasibility Study (**PFS**).

On 11 December 2018, the Company issued 2,500,000 unlisted options to Empire Capital as approved at the Company's 2018 AGM. The options are exercisable at $0.20 each on or before 11 December 2021 and were issued for services provided in establishing the Magna financing facility.

On 14 December 2018 the Company issued 1,695,515 shares to Magna upon conversion of 100,000 notes.

On 6 March 2019 the Company issued 1,938,531 shares to Magna upon conversion of 100,000 notes.

On 13 March 2019 the Company issued 2,000,000 shares to Magna upon conversion of 102,458 notes.

On 20 March 2019 the Company issued 4,854,540 shares to Magna upon conversion of 250,000 notes.

On 29 March 2019 the Company issued 3,872,694 shares to Magna upon conversion of 200,000 notes.

On 29 March 2019 the Company issued 1,000,000 shares following the conversion of options (with an exercise price of $0.10 each expiring on 30 June 2020) into shares.

On 23 April 2019 the Company issued 3,378,545 shares to Magna upon conversion of 200,000 notes.

On 10 May 2019 the Company issued 3,500,000 shares pursuant to the Placement.

On 16 May 2019 the Company issued 2,500,000 shares pursuant to the Placement.

On 22 May 2019 the Company issued 2,000,000 shares pursuant to the Placement.

On 30 May 2019 the Company issued 2,000,000 shares pursuant to the Placement.

On 31 May 2019 the Company cancelled 8,705,556 unlisted options (with an exercise price of $0.25 each) and 11,250,000 unlisted options (with an exercise price of $0.15 each) which had expired.

On 5 June 2019 the Company issued 992,064 shares to Magna upon conversion of 50,000 notes.

On 5 June 2019 the Company issued 4,500,000 shares pursuant to the Placement.

On 11 June 2019 the Company issued 1,200,000 shares pursuant to the Placement.

On 21 June 2019 the Company issued 1,005,117 shares to Magna upon conversion of 50,000 notes.

On 25 June 2019 the Company issued 2,500,000 shares pursuant to the Placement.

Vienna Listing

On 10 September 2018, the Company announced that it is investigating listing on the Prime Market of the Vienna Stock Exchange (**VSE**). The Company has elected to defer the VSE listing process until completion of the DFS and as such the Company will remain listed on the ASX for the foreseeable future. Any changes that the Board approves will be subject to all the required regulatory approvals in both countries, including shareholder approval.

NEX Listing

On 26 November 2018, the Company announced that it had been admitted to the NEX Exchange Growth Market (**NEX**). Trading on the NEX commenced on 26 November 2018.

Competent Persons Statement

The information in this report pertaining to the Wolfsberg Lithium Project, and to which this statement is attached, relates to Project Development and Metallurgical Studies and is based on and fairly represents information and supporting documentation provided by the Company and its Consultants and summarised by Dietrich Wanke who is a Qualified Person and is a Member of the Australian Institution of Mining and Metallurgy (AusIMM) since 2006 with about 30 years' experience in the mining and resource development industry. Dietrich Wanke has sufficient experience, as to qualify as a Competent Person as defined in the 2012 edition of the "Australian Code for Reporting of Mineral Resources and Ore reserves". Dietrich Wanke consents to the inclusion in the report of the matters based on information in the form and context in which it appears. The company is reporting progress on project development and metallurgical results under the 2012 edition of the Australasian Code for the Reporting of Results, Minerals Resources and Ore reserves (JORC code 2012).

11. INFORMATION ON DIRECTORS AND COMPANY SECRETARY

Mr Antony Sage	Non-Executive Chairman	
Qualifications	Bachelor of Business. Mr Sage is a Chartered Accountant with over 30 years commercial experience.	
Experience	Mr Sage has in excess of 30 years' experience in the fields of corporate advisory services, funds management and capital raising. Mr Sage is based in Western Australia and has been involved in the management and financing of listed mining and exploration companies for the last 20 years.	
Interest in shares and options in the Company	11,154,379 shares (6,245,379 shares are owned by Okewood Pty Ltd and 4,909,000 shares are owned by EGAS Superannuation Fund, in both of which Mr Sage has a relevant interest).	
Directorships of listed companies held within the last 3 years	Cape Lambert Resources Ltd	December 2000 to Present
	Caeneus Minerals Limited	December 2010 to 18 January 2016
	Cauldron Energy Limited	June 2009 to 22 November 2018

	Fe Limited International Petroleum Limited[1] [1] Listed on the National Stock Exchange of Australia	August 2009 to Present January 2006 to Present

Mr Malcolm Day	Non-Executive Director
Qualifications	Bachelor of Applied Science in Surveying and Mapping
Experience	Mr Day was the founder and inaugural Managing Director of Adultshop.com which listed on ASX in June 1999. In October 2010 Adultshop.com was privatised. Prior to founding Adultshop.com in 1996, Mr Day worked in the civil construction industry for 10 years, six of which were spent in senior management as a Licensed Surveyor and then later as a Civil Engineer. Whilst working as a Surveyor, Mr Day spent three years conducting mining and exploration surveys in remote Western Australia. Mr Day is a Member of the Australian Institute of Company Directors.
Interest in shares and options in the Company	14,496,951 shares (2,008,062 shares are owned by Goldshore Investments Pty Ltd, ATF The Goldshore Trust and the M R Day Superfund, Hollywood Marketing Pty Ltd, companies of which Mr Day is a director, 1,488,889 shares are owned by Hollywood Marketing (WA) Pty Ltd of which Mr Day is a director and 11,000,000 shares are owned by Delecta Limited, a company of which Mr Day is a director). 2,000,000 unlisted options exercisable at 12.5 cents on or before 27 February 2020 (held by Goldshore Investments Pty Ltd of which Mr Day is a director). 244,444 unlisted options exercisable at 5 cents on or before 31 March 2020 (held by Hollywood Marketing Pty Ltd of which Mr Day is a director). 20,000,000 unlisted options exercisable at 10 cents on or before 30 June 2020 (held by Yallingup Invest Pty Ltd of which Mr Day is a director).
Directorships of listed companies held within the last 3 years	Delecta Limited — 1999 to Present
Mr Stefan Müller	Non-Executive Director
Qualifications	Executive Program, INSEAD
Experience	Mr. Müller has extensive financial markets and investment banking knowledge and experience built over his 25-year career. Mr. Müller is CEO and founder of DGWA Deutsche Gesellschaft für Wertpapieranalyse GmbH, a boutique European investment and financial markets consulting firm for national and international SMEs based in Frankfurt, Germany. Mr. Müller began his career at Dresdner Bank AG as senior vice president of global equity trading. He held senior positions with Equinet AG, Bankhaus Sal Oppenheim (largest European private bank at that time) as Head of global proprietary trading and managing partner at Proprietary Partners AG, a Swiss based hedge fund advisory company.
Interest in shares and options in the Company	1,250,000 shares
Directorships of listed companies held within the last 3 years	Cape Lambert Resources Limited — January 2018 to Present Jadar Lithium Limited — July 2018 to Present
Ms Melissa Chapman	Company Secretary
Qualifications	Bachelor of Commerce (Accounting & Finance). Ms Chapman is a member of CPA Australia, has completed a Graduate Diploma of Corporate Governance with the Governance Institute of Australia and has completed the company directors course with the Australian Institute of Company Directors.
Experience	Ms Chapman has over 15 years of experience in the accounting profession. She has worked in Australia and the United Kingdom for both listed and private companies.

12. REMUNERATION REPORT (Audited)

This report details the nature and amount of remuneration for each key management person of European Lithium Limited in accordance with the requirements of the *Corporations Act 2001* and its regulations. The information provided in this remuneration report has been audited as required by Section 308(3c) of the *Corporations Act 2001*.

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

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

A Remuneration Policy

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

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

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

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

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

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

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

Remuneration Governance

During the year ended 30 June 2019, the Company did not have a separately established nomination or remuneration committee. Considering the size of the Company, the number of directors and the Company's early stages of its development, the Board is of the view that these functions could be efficiently performed with full Board participation.

Voting and comments made at the Company's 2018 Annual General Meeting

The Company's remuneration report for the 2018 financial year was approved at the Annual General Meeting (**AGM**) of Shareholders. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

Remuneration Structure

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

Key Management Personnel Remuneration Policy

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

B Details of Remuneration

Non-Executive Director Remuneration

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

Structure
The Board's policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The remuneration of non-executive directors is reviewed annually, based on market practice, duties and accountability. Independent external advice is sought when required. Fees for non-executive directors are not linked to the performance of the Company. However, to align directors' interests with shareholders' interests, the directors are encouraged to hold shares in the Company. The maximum aggregate fixed sum of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. The maximum aggregate currently stands at $300,000 per annum and was approved by shareholders at a Annual General Meeting on 29 November 2017.

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

Executive Director Remuneration

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

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

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

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

Key Management Personnel Remuneration

The key management personnel (**KMP**) of the Company are the directors being:

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

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

		Short-term Benefits – Salary & Fees ($)	Long-term Benefits –Options ($)	Post Employment Benefits – Superannuation ($)	Total ($)	% of Remuneration Linked to Performance (%)
Antony Sage	2019	120,000	53,708[1]	-	173,708	31%
Malcolm Day	2019	48,000	53,708[2]	-	101,708	53%
Stefan Müller	2019	86,100[4]	134,271[3]	-	220,371	61%
Total	**2019**	**254,100**	**241,688**	**-**	**495,788**	**49%**

[1] On 11 December 2018 Mr Sage was issued 2,500,000 unlisted options, as approved at the 2018 AGM. These options expired on 31 May 2019. See C and D(a) below.
[2] On 11 December 2018 Mr Day issued 2,500,000 unlisted options, as approved at the 2018 AGM. These options expired on 31 May 2019. See C and D(a) below.
[3] On 11 December 2018 Mr Müller was issued 6,250,000 unlisted option, as approved at the 2018 AGM. These options expired on 31 May 2019. See C and D(a) below.
[4] Includes finders fees and commission of $62,100 in respect to the May Placements.

C Equity-Based Compensation

Options Granted as Part of Remuneration

Options are issued to directors and executives as part of their remuneration. The options are not issued based on performance criteria, but are issued to increase goal congruence between directors and shareholders.

On 11 December 2018, the Company issued 11,250,000 options (which are exercisable at $0.15 each on or before 31 May 2019) to Directors Tony Sage (2,500,000), Stefan Müller (6,250,000) and Malcolm Day (2,500,000) following receipt of shareholder approval on 28 November 2018 in consideration for the Company completing its pre-feasibility study (PFS). These options lapsed on 31 May 2019.

D Equity Instrument Disclosures Relating to Key Management Personnel

Shareholdings

30 June 2019

Name	Balance at 1-Jul-18	Rights Issue / Options Exercise	Shares Issued to Settle Director Fees	Purchase / (Sale)	Balance at Appointment / (Resignation)	Balance at 30-Jun-19
Antony Sage	7,154,379	-	-	4,000,000	-	11,154,379
Malcolm Day	14,496,951	-	-	-	-	14,496,951
Stefan Müller	650,000	-	-	600,000	-	1,250,000
Total	**22,301,330**	**-**	**-**	**4,600,000**	**-**	**26,901,330**

Options

30 June 2019

Name	Balance at 1-Jul-18	Options Issued as remuneration	Expired Options	Purchase / (Sale)	Balance at Appointment / (Resignation)	Balance at 30-Jun-19
Antony Sage	-	2,500,000[1]	(2,500,000)[1]	-	-	-
Malcolm Day	2,244,444	2,500,000[2]	(2,500,000)[2]	20,000,000	-	22,244,444
Stefan Müller	-	6,250,000[3]	(6,250,000)[3]	-	-	-
Total	**2,244,444**	**11,250,000**	**(11,250,000)**	**20,000,000**	**-**	**22,244,444**

[1] On 11 December 2018 Mr Sage was issued 2,500,000 unlisted options, as approved at the 2018 AGM. These options expired on 31 May 2019. See D(a) below.
[2] On 11 December 2018 Mr Day issued 2,500,000 unlisted options, as approved at the 2018 AGM. These options expired on 31 May 2019. See D(a) below.
[3] On 11 December 2018 Mr Müller was issued 6,250,000 unlisted option, as approved at the 2018 AGM. These options expired on 31 May 2019. See D(a) below.

(a) Details relating to the issue of options to directors

On 11 December 2018, the Company issued 11,250,000 unlisted options to Directors as approved at the Company's 2018 AGM. The options are exercisable at $0.15 each on or before 31 May 2019 and were issued in consideration for the Company completing its Pre-Feasibility Study (**PFS**). As at the date of the 2018 AGM (28 November 2018), the value of these shares and options were as follows:

	Number of Options	Grant date	Expiry Date	Exercise Price	Value per option at grant date	Total fair value	Vesting date
A Sage	2,500,000	28 Nov 2018	31 May 2019	$0.15	$0.0215	$53,708	28 Nov 2018
M Day	2,500,000	28 Nov 2018	31 May 2019	$0.15	$0.0215	$53,708	28 Nov 2018
S Muller	6,250,000	28 Nov 2018	31 May 2019	$0.15	$0.0215	$134,271	28 Nov 2018

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

	Assumption
Dividend yield	0.00%
Expected volatility	114%
Risk-free interest rate	2.04%
Expected life of options	0.50 years
Exercise price	$0.15
Grant date share price (date of AGM)	$0.105

E Other Related Party Transactions

Sales and Purchases between Related Parties

Balances between the Company and its subsidiaries which are related parties of the Company have been eliminated on consolidation and are not disclosed in this note. Details of percentage of ordinary shares held in subsidiaries are disclosed in Note 22 to the financial statements.

Note 22 provides information about the group's structure including the details of the subsidiaries and the holding company. The following table provides the total amount of transactions and outstanding balances that have been entered into with related parties for the current year.

		Sales to Related Parties $	Purchases from related parties $	Amounts owed by related parties $	Amounts owed to related Parties $
Director related entities					
Cape Lambert Resources Limited	2019	33,366	66,085	21,015	-
FE Limited	2019	34,488	-	5,907	-
International Petroleum Limited	2019	2,525	-	2,525	-
Karratha Metals Group Limited	2019	19,353	-	5,909	-
Deutsche Gesellschaft Für Wertpapieranalyse GmbH	2019	-	129,040	-	32,832
Frankfurt Capital Market Consulting (FCM)	2019	-	73,302	-	-

Mr Antony Sage is a director of Cape Lambert Resources Limited, FE Limited, International Petroleum Ltd and Karratha Metals Group Ltd. Sales to and purchases from director related entities are for the reimbursement of employee, consultancy, occupancy, travel and other costs.

During the year ended 30 June 2019, Deutsche Gesellschaft Für Wertpapieranalyse GmbH (**DGWA**) provided investor relation consulting services to the Company. Mr Stefan Müller is a director of DGWA.

During the year ended 30 June 2019, Frankfurt Capital Market Consulting received fees for the reimbursement of expenses. Frankfurt Capital Market Consulting is a subsidiary of DGWA.

F Employment Contracts of Directors and Senior Executives

Remuneration and other terms of employment for Executive Directors are formalised in executive service agreements and Non-Executive Directors are formalised in consultancy agreements with the Company. Major provisions of the agreements relating to remuneration are set out below.

Non-Executive Chairman – Mr Antony Sage

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

Non-Executive Director – Mr Malcolm Day

- Term of Agreement – The agreement commenced on 2 July 2012 for a term of twelve months, renewable annually, or until either party gives 3 months written notice of termination or is otherwise terminated in accordance with the consultancy agreement.
- Remuneration of $40,000 per annum (until 30 September 2017) and $48,000 per annum (from 1 October 2017), payable monthly to Mr Malcolm Day or his nominee.

Non-Executive Director – Mr Stefan Müller

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

---------------- End of audited remuneration report ----------------

13. OPTIONS

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

Date of Expiry	Status	Exercise Price	Number of Options
27/02/2020	Unlisted	12.5 cents	2,000,000
30/06/2020	Unlisted	10.0 cents	199,000,000
31/03/2020	Unlisted	5.0 cents	2,394,444
11/12/2021	Unlisted	20.0 cents	2,500,000

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

Shares issued on exercise of options

Options exercised during the year ended 30 June 2019 are as follows:
- On 29 March 2019 1,000,000 unlisted options were exercised by shareholders at $0.10 per share.

Options exercised during the year ended 30 June 2018 are as follows:
- On 29 November 2017 6,554,888 unlisted options were exercised by shareholders at $0.05 per share.
- On 1 December 2017 941,667 unlisted options were exercised by shareholders at $0.05 per share.
- On 4 December 2017 462,963 unlisted options were exercised by shareholders at $0.05 per share.
- On 1 December 2017 1,000,000 unlisted options were exercised by shareholders at $0.125 per share.
- On 4 December 2017 2,000,000 unlisted options were exercised by shareholders at $0.125 per share.
- On 11 December 2017 4,416,666 unlisted options were exercised by shareholders at $0.05 per share.
- On 15 December 2017 2,000,000 unlisted options were exercised by shareholders at $0.125 per share.
- On 21 March 2018 1,000,000 unlisted options were exercised by shareholders at $0.125 per share.

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

During the year, 8,705,556 unlisted options (with an exercise price of $0.25 each) and 11,250,000 unlisted options (with an exercise price of $0.15 each) expired.

14. MEETINGS OF DIRECTORS

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

	Directors' Meetings	
	Number eligible to attend	Number attended
Antony Sage	6	6
Malcolm Day	6	6
Stefan Müller	6	5

15. INDEMNIFICATION OF AUDITORS AND OFFICERS

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

16. NON-AUDIT SERVICES

During the year ended 30 June 2019, no fees were paid or payable for non-audit services provided by the entity's auditors, HLB Mann Judd (30 June 2018: nil).

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

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

17. AUDITOR INDEPENDENCE

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the Directors of the Company with an Independence Declaration in relation to the audit of the financial report. This Independence Declaration is set out on page xx and forms part of this Directors' report for the year ended 30 June 2019.

18. PROCEEDINGS ON BEHALF OF COMPANY

No persons have applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a part for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

Signed in accordance with a resolution of the directors:

Tony Sage
Chairman
27 September 2019

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of European Lithium Limited for the year ended 30 June 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

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

Perth, Western Australia
27 September 2019

L Di Giallonardo
Partner

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The Company's Corporate Governance Statement for the year ended 30 June 2019 which reports against ASX Corporate Governance Council's Principles and Recommendations may be accessed from the Company's website at www.europeanlithium.com.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 $	2018 $
Continuing operations			
Revenue and other income	4	134,692	691,713
Employee benefits expense	5	(192,000)	(213,548)
Depreciation and amortisation expense	10	(3,565)	(2,508)
Finance costs	5	(34,808)	(8,285)
Transaction costs relating to the issue of convertible note facility	15	(100,000)	-
Difference between transaction price of convertible note and fair value at initial recognition	15	(318,115)	-
Fair value loss on remeasurement of convertible note	15	(46,028)	-
Impairment of deferred exploration and evaluation expenditure	11	(330)	(33,672)
Consulting fees		(478,827)	(481,272)
Travel expenses		(442,793)	(268,015)
Regulatory and compliance costs	5	(450,245)	(178,464)
Loss on fair value of financial assets through profit or loss	13	(177,000)	-
Share based payment expense	16e	(435,258)	-
Other expenses	5	(258,390)	(255,747)
Loss before income tax		**(2,802,667)**	**(749,798)**
Income tax expense	7	-	-
Loss after tax from continuing operations		**(2,802,667)**	**(749,798)**
Other comprehensive income, net of income tax			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		483,133	1,060,734
Other comprehensive income for the period, net of income tax		**483,133**	**1,060,734**
Total comprehensive income (loss) for the year		**(2,319,534)**	**310,936**
Loss per share for the year			
Basic loss per share (cents per share)	18	(0.51)	(0.15)
Diluted loss per share (cents per share)	18	(0.51)	(0.15)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	Note	2019 $	2018 $
ASSETS			
Current Assets			
Cash and cash equivalents	8	1,199,738	3,258,892
Trade and other receivables	9	309,918	599,840
Total Current Assets		**1,509,656**	**3,858,732**
Non-Current Assets			
Property, plant and equipment	10	7,030	4,880
Deferred exploration and evaluation expenditure	11	33,004,593	27,465,305
Restricted cash and other deposits	12	31,517	30,935
Financial assets	13	128,000	225,000
Total Non-Current Assets		**33,171,140**	**27,726,120**
TOTAL ASSETS		**34,680,796**	**31,584,852**
LIABILITIES			
Current Liabilities			
Trade and other payables	14	1,028,183	656,789
Convertible note	15	1,078,136	-
Total Current Liabilities		**2,106,319**	**656,789**
TOTAL LIABILITIES		**2,106,319**	**656,789**
NET ASSETS		**32,574,477**	**30,928,063**
EQUITY			
Issued capital	16a	20,283,788	16,711,098
Reserves	17	6,901,436	6,025,045
Retained earnings		5,389,253	8,191,920
TOTAL EQUITY		**32,574,477**	**30,928,063**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2019

	Attributable to equity holders				
	Issued Capital $	**Retained Earnings $**	**Share Based Payments Reserve $**	**Foreign Currency Translation Reserve $**	**Total Equity $**
At 1 July 2017	**8,771,321**	**8,941,718**	**4,210,106**	**424,547**	**22,347,692**
Loss for the year	-	(749,798)	-	-	(749,798)
Foreign currency exchange differences arising on translation from functional currency to presentation currency	-	-	-	1,060,734	1,060,734
Total comprehensive income/(loss) for the year	**-**	**(749,798)**	**-**	**1,060,734**	**310,936**
Issue of shares - Placement - Cash	7,132,500	-	-	-	7,132,500
Issue of shares - Placement - Creditor Settlements	166,500	-	-	-	166,500
Issue of shares - Cleansing Prospectus	1,000	-	-	-	1,000
Issue of shares - Directors in lieu of fees	77,000	-	-	-	77,000
Issue of shares - Conversion of Options	1,368,809	-	-	-	1,368,809
Share issue costs - Cash	(476,374)	-	-	-	(476,374)
Share issue costs – options issued to corporate advisor	(329,658)	-	-	-	(329,658)
Options issued to corporate advisor as share issue costs	-	-	329,658	-	329,658
At 30 June 2018	**16,711,098**	**8,191,920**	**4,539,764**	**1,485,281**	**30,928,063**
Loss for the year	-	(2,802,667)	-	-	(2,802,667)
Foreign currency exchange differences arising on translation from functional currency to presentation currency	-	-	-	483,133	483,133
Total comprehensive income/(loss) for the year	**-**	**(2,802,667)**	**-**	**483,133**	**(2,319,534)**
Issue of shares - Placement - Cash	1,638,000	-	-	-	1,638,000
Issue of shares – Project Director	42,000	-	-	-	42,000
Issue of shares - Magna (conversion)	1,786,007	-	-	-	1,786,007
Issue of shares – Magna (commitment shares)	100,000	-	-	-	100,000
Issue of shares - Conversion of Options	100,000	-	-	-	100,000
Share issue costs - Cash	(93,317)	-	-	-	(93,317)
Options issued to corporate advisor	-	-	151,570	-	151,570
Options issued to directors	-	-	241,688	-	241,688
At 30 June 2019	**20,283,788**	**5,389,253**	**4,933,022**	**1,968,414**	**32,574,477**

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 $	2018 $
Cash flows from operating activities			
Payments to suppliers and employees		(1,913,566)	(1,557,730)
Payments for exploration and evaluation		(4,599,012)	(4,279,180)
Finance costs		(34,808)	(8,285)
Decrease/(Increase) in restricted cash balances		-	221,362
Interest received		34,246	32,275
VAT refund		(32,004)	140,234
Refund of legal costs		281,017	-
Grants received		64,260	-
Net cash (used in) operating activities	20	**(6,199,867)**	**(5,451,324)**
Cash flows from investing activities			
Proceeds from the sale of exploration tenements		-	430,000
Payment for property, plant and equipment		(5,637)	-
Net cash provided by investing activities		**(5,637)**	**430,000**
Cash flows from financing activities			
Proceeds from capital raisings		1,638,000	8,502,309
Proceeds from the exercise of options		100,000	-
Proceeds from convertible note facility		2,500,000	-
Transaction costs related to convertible note facility		(75,000)	-
Payment for share issue costs		(17,717)	(781,033)
Net cash provided by financing activities		**4,145,283**	**7,721,276**
Net increase/(decrease) in cash and cash equivalents		(2,060,221)	2,699,952
Cash and cash equivalents at beginning of year		3,258,892	549,855
Effects on exchange rate fluctuations on cash held		1,067	9,085
Cash and cash equivalents at end of year	8	**1,199,738**	**3,258,892**

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

1. CORPORATE INFORMATION

The financial report of European Lithium Limited (the **Company**) and its controlled entities (the **Group**) for the year ended 30 June 2019 was authorised for issue in accordance with a resolution of the directors on 27 September 2019.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

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

The financial report has also been prepared on the accruals basis and historical cost basis with the exception of the Group's listed investment and convertible note liabilities which are both stated at fair value.

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

b) Going concern

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

The Company incurred an operating loss for the period ended 30 June 2019 of $2,802,667 (30 June 2018: $749,798 loss), had cash and cash equivalents of $1,199,738 at 30 June 2019 (30 June 2018: $3,258,892), had a net working capital deficit of $596,662 at 30 June 2019 (30 June 2018: $3,201,943 surplus) and a net cash outflow from operating activities amounting to $6,480,884 (30 June 2018: $5,451,324).

The Group's ability to continue as a going concern and to continue to fund its planned expanded activities is dependent on raising further capital and/or drawing down on the convertible note facility and/or generating additional revenues from its operations and/or reducing or deferring exploration expenditure or operational costs.

The Directors believe the Group will continue as a going concern, after consideration of the following factors:

- The Group has recent successful experience in raising capital having raised cash of $1.6 million through share placements in the financial year ended 30 June 2019, and has the ability through its 15% and 10% placement facility to raise the required capital;
- The Group has successfully completed its pre-feasibility study and work is underway on the Definitive-Feasibility Study (**DFS**). The Company has established the Winance convertible loan note facility of A$10 million allowing access to funds for the purposes of the DFS. The initial drawdown under the facility is A$2.0 million which the Company has drawn down subsequent to the year end. Future drawdowns of $1.0 million each are available upon full conversion of the notes from the previous drawdown, subject to a cooling off period. The Directors are confident that it can access funds under the facility as required;
- The Group is able to defer certain exploration-related expenditures in order to retain a positive cash balance, without compromising the ability of the Group to draw down on the convertible note facility;
- The Group is able to realise its financial assets if required;
- The Group is in dialogue with institutional parties and is focused on engaging a strategic investor; and
- The Group is in discussions with a number of industry players regarding future off-take contracts and is continuing efforts to secure key customers in key markets and is confident of generating additional sales revenue within the next 12 months.

c) Application of new and revised accounting standards

Changes in accounting policies on initial application of Accounting Standards
In the year ended 30 June 2019, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the *AASB* that are relevant to the Company and effective for the full year reporting periods beginning on or after 1 July 2018. As a result of this review, the Directors have applied all new and amended Standards and Interpretations that were effective as at 1 July 2018 including:

AASB 9 Financial Instruments (AASB 9)

The Group has adopted AASB 9 as issued in July 2014 with the date of initial application being 1 July 2018. In accordance with the transitional provisions in AASB 9, comparative figures have not been restated. AASB 9 replaces AASB 139 *Financial Instruments: Recognition and Measurement* (**AASB 139**), bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. The accounting policies have been updated to reflect the application of AASB 9 for the period from 1 July 2018 (see note below for details of the new accounting policy for receivables).

Measurement and classification

Under AASB 9, debt instruments are subsequently measured at fair value through profit or loss (**FVPL**), amortised cost, or fair value through other comprehensive income (**FVOCI**). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion'). The SPPI test is applied to the entire financial asset, even if it contains an embedded derivative. Consequently, a derivative embedded in a debt instrument is not accounted for separately.

At the date of initial application, existing financial assets and liabilities of the Group were assessed in terms of the requirements of AASB 9. The assessment was conducted on instruments that had not been recognised as at 1 July 2018. In this regard, the Group has determined that the adoption of AASB 9 has impacted the classification of financial instruments at 1 July 2018 as follows:

Class of financial instrument presented in the statement of financial position	Original measurement category under AASB139 (prior to 1 July 2018)	New measurement category under AASB 9 (from 1 July 2018)
Cash and cash equivalents	Loans and receivables	Financial assets at amortised cost
Trade and other receivables	Loans and receivables	Financial assets at amortised cost
Listed investments	Financial assets at Fair Value through profit or loss	Financial assets at Fair Value through profit or loss
Convertible note	Loans and payables	Financial liabilities at Fair Value through profit or loss
Trade and other payables	Financial liability at amortised cost	Financial liabilities at amortised cost

The Magna convertible note (see note 15) failed the SPPI test due to the contractual terms which give rise to equity risk. Accordingly, on adoption of AASB 9, the loan has been classified as a financial liability at FVPL.

The change in classification of financial instruments has not resulted in any re-measurement adjustments at 1 July 2018.

Impairment of financial assets

In relation to the financial assets carried at amortised cost, AASB 9 requires an expected credit loss model to be applied as opposed to an incurred credit loss model under AASB 139. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial asset. In particular, AASB 9 requires the Group to measure the loss allowance at an amount equal to lifetime expected credit loss (**ECL**) if the credit risk on the instrument has increased significantly since initial recognition. On the other hand, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group is required to measure the loss allowance for that financial instrument at an amount equal to the ECL within the next 12 months.

As at 1 July 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information. In accordance with AASB 9, where the directors concluded that it would require undue cost and effort to determine the credit risk of a financial asset on initial recognition, the Group recognises lifetime ECL. The result of the assessment is as follows:

Items existing as at 1 July 2018 that are subject to the impairment provisions of AASB 9	Credit risk attributes	Cumulative additional loss allowance recognised on 1 July 2018 ($)
Cash and cash equivalents and deposits	All bank balances are assessed to have low credit risk as they are held with a reputable financial institution with a Moody's Credit Rating of AA3 (stable).	-
Security Bond	The security is assessed to have low credit risk as it is held with a reputable institution.	-
Receivables at amortised cost	The Group applied the simplified approach and concluded that the lifetime ECL for these assets would be negligible and therefore no loss allowance was required at 1 July 2018.	-

Hedge accounting
The Group has not applied hedge accounting.

AASB 15 Revenue from Contracts with Customers (AASB 15)

The Group has adopted AASB 15 as issued in May 2014 with the date of initial application being 1 July 2018. In accordance with the transitional provisions in AASB 15 the standard has been applied using the full retrospective approach.

AASB 15 supersedes AASB 18 Revenue, AASB 111 Construction Contracts and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under AASB 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

It was determined that the adoption of AASB 15 had no impact on the Group.

AASB 2016-5 - Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions
This Standard amends AASB 2 *Share-based Payment*, clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for:
- The effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments
- Share-based payment transactions with a net settlement feature for withholding tax obligations
- A modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

It was determined that the adoption of AASB 2016-5 had no impact on the Group.

New accounting standards and interpretations not yet adopted
Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2019 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

Title of Standard	Nature of Change	Impact	Mandatory Application Date / Date of Adoption by the Group
Interpretation 23 Uncertainty over Income Tax Treatments	The Interpretation clarifies the application of the recognition and measurement criteria in AASB 12 *Income Taxes* when there is uncertainty over income tax treatments. The Interpretation specifically addresses the following: - Whether an entity considers uncertain tax treatments separately - The assumptions an entity makes about the examination of tax treatments by taxation authorities - How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates - How an entity considers changes in facts and circumstances.	This standard is not expected to have a material impact on the Group's financial statements and disclosures.	1 July 2019
AASB 2018-1 Australian Amendments to Australian Accounting Standards – Annual Improvements 2015-2017 Cycle	The amendments clarify certain requirements in: - AASB 3 Business Combinations and AASB 11 Joint Arrangements - previously held interest in a joint operation - AASB 112 Income Taxes - income tax consequences of payments on financial instruments classified as equity AASB 123 Borrowing Costs - borrowing costs eligible for capitalisation. The new standard will not have a material impact on the financial statements.	This standard is not expected to have a material impact on the Group's financial statements and disclosures.	Mandatory for financial years commencing on or after 1 January 2019
AASB 16 (issued February 2016) *Leases*	AASB 16 eliminates the operating and finance lease classifications for lessees currently accounted for under AASB 117 Leases. It instead requires an entity to bring most leases into its statement of financial position in a similar way to how existing finance leases are treated under AASB117. An entity will be required to recognise a lease liability and a right of use asset in its statement of financial position for most leases.	This standard is not expected to have a material impact on the Group's financial statements and disclosures.	Mandatory for financial years commencing on or after 1 January 2019, but available for early adoption

	There are some optional exemptions for leases with a period of 12 months or less and for low value leases. Lessor accounting remains largely unchanged from AASB 117. Based on the Company's initial assessment, there will be no significant change from the current measurement of the Company's leases.		Expected date of adoption by the Group: 1 January 2019.

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

d) Principles of consolidation

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. A list of controlled entities is contained in Note 22 to the financial statements.

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

e) Significant accounting estimates and assumptions

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

Fair value of convertible note
Management has used valuation techniques to determine the fair value of the convertible notes liability, which have involved developing estimates and assumptions consistent with how these instruments are normally valued.

Share based payment transactions
The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black-Scholes option pricing model. The Company measures the cost of cash-settled share based payments at fair value at the grant date using the Black-Scholes formula taking into account the terms and conditions upon which the instruments were granted.

Deferred taxation
Potential future income tax benefits have not been brought to account at 30 June 2019 because the Directors do not believe that it is appropriate to regard realisations of future income tax benefits as probable.

Deferred exploration and evaluation expenditure
The application of the Group's accounting policy for exploration and evaluation expenditure requires judgement in determining whether it is likely that future economic benefits are likely from future exploitation or sale or where activities have not reached a stage which permits a reasonable assumption of the existence of reserves.

f) Borrowing costs

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

g) Cash and cash equivalents

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

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

h) Trade and other receivables

Trade receivables are initially recognised at their transaction price and other receivables at fair value. Receivables that are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest are classified and subsequently measured at amortised cost. Receivables that do not meet the criteria for amortised cost are measured at fair value through profit or loss.

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Group always recognises the lifetime expected credit loss for trade receivables carried at amortised cost. The expected credit losses on these financial assets are estimated based on the Group's historic credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as forecast conditions at the reporting date.

For all other receivables measured at amortised cost, the Group recognises lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition. If the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to expected credit losses within the next 12 months.

The Group considers an event of default has occurred when a financial asset is more than 120 days past due or external sources indicate that the debtor is unlikely to pay its creditors, including the Group. A financial asset is credit impaired when there is evidence that the counterparty is in significant financial difficulty or a breach of contract, such as a default or past due event has occurred. The Group writes off a financial asset when there is information indicating the counterparty is in severe financial difficulty and there is no realistic prospect of recovery.

i) Investments

Application to 30 June 2019

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities classified as fair value through other comprehensive income) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price, the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as discounted cash flows, are used to determine fair value for the remaining financial instruments.

Application to 30 June 2018

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

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

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

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

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

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

j) Financial instruments

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

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

k) Impairment of assets

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

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

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

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

l) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.
Deferred tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

- When the deferred tax liability arises from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither the accounting profit nor taxable profit or loss; or
- When the taxable temporary difference arises from the initial recognition of goodwill; or
- When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

- When the deductible temporary difference giving rise to the asset arises from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither accounting profit nor taxable income; or
- When the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

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

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

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

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

m) Goods and services tax

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

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

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

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

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

n) Leases

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

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

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

o) Provisions and employee leave benefits

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

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

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

p) Revenue recognition

Revenue is recognised to the extent that control of the good or service provided has passed and it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

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

q) Trades and other payables

Trade payables and other accounts payable are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of those goods and services.

r) Convertible notes

Convertible notes that do not contain an equity component are accounted for as a financial liability through profit or loss with a value equating to the total proceed/face value with no day one gain or loss and subsequently value will change depending on the changes in the share price/ redemption event and or accretion of the value of the discount on the note. If the convertible note is converted, the carrying amounts of the derivative and liability components are transferred to share capital as consideration for the shares issued. If the note is redeemed, any difference between the amount paid and the carrying amounts of both components is recognised in the statement of comprehensive income.

s) Exploration and evaluation expenditure

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

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

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

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

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

t) Borrowings

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

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

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

u) Issued capital

Ordinary shares are classified as equity.

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

v) Segment reporting

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

3. SEGMENT INFORMATION

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

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

a) Information by geographical region

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

	2019 $	2018 $
Australia	128,000	225,000
Austria	33,043,140	27,501,120
	33,171,140	27,726,120

b) Revenue by geographical region

	2019 $	2018 $
Australia	34,246	687,749
Austria	100,446	3,964
	134,692	691,713

4. REVENUE AND OTHER INCOME

	2019 $	2018 $
Interest revenue	34,246	32,275
Realised foreign exchange	36,186	4,438
Grants received	64,260	-
Proceeds from the sale of Paynes Find Gold Project	-	655,000
	134,692	691,713

5. EXPENSES FROM CONTINUING OPERATIONS

	2019 $	2018 $
Employee benefits expenses		
Directors' remuneration & consulting	(192,000)	(199,366)
Employee costs	-	(14,182)
	(192,000)	(213,548)
Finance expenses		
Bank fees	(23,008)	(8,285)
Financing legal expenses	(11,800)	-
	(34,808)	(8,285)
Regulatory and compliance costs		
ASX listing fees	(110,679)	(102,133)
NEX listing expenses	(152,529)	-
Vienna listing expenses	(44,107)	-
Legal expenses	(36,294)	-
Other regulatory and compliance expenses	(106,636)	(76,331)
	(450,245)	(178,464)
Other expenses		
Other administrative expenses	(258,390)	(255,747)
	(258,390)	(255,747)

6. AUDITORS' REMUNERATION

	2019 $	2018 $
Amounts paid or payable to:		
HLB Mann Judd		
Auditing services	30,600	24,000
Other services	-	-
	30,600	24,000

7. INCOME TAX

	2019 $	2018 $
Major components of income tax expense for the year are:		
Income statement		
Current income tax charge/(benefit)	-	-
Statement of changes in equity		
Income tax expense reported in equity	-	-

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

	2019 $	2018 $
Loss from ordinary activities before income tax expense	(2,802,667)	(749,798)
Prima facie tax benefit on loss from ordinary activities at 27.5% (2018: 27.5%)	(770,733)	(206,195)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-deductible expenses	658,644	334,272
Tax rate differential	(81,316)	(1,979)
Other	(8,840)	10,394
Current year DTA's (non-tax losses) not recognised	202,245	(136,492)
	-	-

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

	2019 $	2018 $
Unrecognised temporary differences		
Deferred tax assets (at 27.5%) (2018: 27.5%)		
Accrued expenses	715	783
Capital raising costs	57,973	41,504
Financial assets	48,675	-
Carry forward tax losses – revenue	3,411,102	3,268,757
Carry forward tax losses – capital	1,270,065	1,270,065
Other	847	-
	4,789,377	4,581,109
Deferred tax liabilities (at 27.5%) (2018: 27.5%)		
Prepayments	(568)	-
Net unrecognised deferred tax asset/(liability)	4,788,809	4,581,109

Potential future income tax benefits arising from tax losses have not been brought to account at 30 June 2019 because the directors do not believe it is appropriate to regard realisation of the future income tax benefits as probable. These benefits will only be obtained if:

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

8. CASH AND CASH EQUIVALENTS

	2019 $	2018 $
Cash at bank and in hand	1,199,738	3,258,892
	1,199,738	3,258,892

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

9. TRADE AND OTHER RECEIVABLES

	2019 $	2018 $
Trade and other receivables	39,247	254,233
Amounts due on sale of Paynes Find project	-	80,000
Security deposit	6,409	6,242
GST / VAT receivable	187,154	155,148
Prepayments	77,108	104,217
	309,918	599,840

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

10. PROPERTY, PLANT AND EQUIPMENT

	2019 $	2018 $
Cost	14,054	8,198
Accumulated depreciation	(7,024)	(3,318)
	7,030	4,880

	2019 $	2018 $
Carrying value at beginning of period	4,880	6,150
Additions	5,637	925
Depreciation charge for the period	(3,565)	(2,508)
Foreign exchange	78	313
Carrying value at end of period	7,030	4,880

11. DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

Exploration and evaluation phases:	2019 $	2018 $
Balance at beginning of period	27,465,305	21,532,875
Expenditure incurred	4,755,718	4,557,838
Foreign exchange movement	783,900	1,408,264
Impairment	(330)	(33,672)
Balance at end of period	33,004,593	27,465,305

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

12. RESTRICTED CASH AND OTHER DEPOSITS

	2019 $	2018 $
Term deposits	31,517	30,935

13. FINANCIAL ASSETS

	2019 $	2018 $
Balance at beginning of period	225,000	-
Acquisition of equity securities (listed) (i)	80,000	225,000
Gain/(loss) in fair value from revaluation	(177,000)	-
Financial assets at fair value through profit or loss at end of period	128,000	225,000

(i) The Company previously entered into a binding terms sheet with Cervantes Gold Pty Ltd, a wholly owned subsidiary of Cervantes Corporation Limited (ASX: CVS) (**CVS**) for the sale of its 100% owned Paynes Find Gold Project located in Western Australia. On 5 July 2018, the Company announced that it had agreed to settle the remaining cash consideration of $80,000 through the issue of 7,000,000 shares in CVS shares as well as the issue of one free attaching unquoted option for every two shares issued which are exercisable at 1.5 cents each on or before 30 June 2020. No value was attributed to the free attaching options.

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

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

14. TRADE AND OTHER PAYABLES

	2019 $	2018 $
Trade payables	781,164	491,941
Sundry payables and accruals	247,019	164,848
	1,028,183	656,789

15. CONVERTIBLE NOTE

	2019 $	2018 $
Balance at beginning of period	-	-
Funds borrowed under convertible loan agreement	2,500,000	-
Difference between transaction price of convertible note and fair value at initial recognition	318,115	-
Fair value loss on remeasurement of convertible note	46,028	-
Amounts repaid through issue of shares	(1,786,007)	-
Balance at end of period	1,078,136	-

On 7 September 2018, the Company entered into a Convertible Note Agreement with MEF I, L.P. (**Magna**) through the issue of 1,840,500 convertible notes. As at 30 June 2019, the Company has drawn down A$2.5 million (Tranche A) from the A$10 million facility and a further A$7.5 million is available in 3 tranches upon the Company meeting key milestones relating to the DFS process and standard conditions precedent. Magna will receive a commitment fee of 4% of the investment amount at the funding of each tranche payable in shares, and in relation to the A$2.5 million drawn down during the period, 600,672 ordinary shares were issued valued at A$100,000.

The face value of each convertible note is US$1.10 and are non-interest bearing. The notes are convertible to a variable number of ordinary shares at the option of the holder of the notes any time after issue. If not converted the notes mature and are repayable twelve (12) months after the issue date. The conversion price for each convertible note is the lower of $0.30 or a 15% discount from the lowest VWAP over ten (10) days prior to the conversion date, provided that the conversion price shall not in any case be lower than $0.08 (floor price).

At the time of issuance, the difference between the fair value of the convertible notes of $2,818,115 and the proceeds received of A$2,500,000 being $318,115 was recorded in the statement of comprehensive income.

During the year, Magna exercised its option to convert 1,152,458 notes borrowed under the convertible loan agreement into 21,287,830 fully paid ordinary shares of the Company.

At reporting date, the fair value of the convertible notes (following conversion of 1,152,458 notes during the year) was $1,078,136 with the difference of $46,028 recorded in the statement of comprehensive income.

As at 30 June 2019, Magna had 688,042 convertible notes remaining.

16. ISSUED CAPITAL

a) Ordinary shares

	2019 $	2018 $
Opening balance	16,711,098	8,771,321
Issue of shares - Placement - Cash	1,638,000	7,132,500
Issue of shares - Placement - Settlement of Creditors	-	166,500
Issue of shares - Cleansing Prospectus	-	1,000
Issue of shares - Directors in lieu of fees (as resolved at 2017 AGM)[3]	-	77,000
Issue of shares - Conversion of Options	100,000	1,368,809
Issue of shares – Magna commitment shares	100,000	-
Issue of shares – Magna conversion	1,786,007	-
Issue of shares – Project Director	42,000	-
Capital raising costs – shares and options issued to corporate advisor	-	(329,658)
Capital raising costs – cash	(93,317)	(476,374)
Total issued capital	20,283,788	16,711,098

	2019 No of shares	2018 No of shares
Issued shares:		
Balance at beginning of period	545,724,526	457,415,010
Issue of shares - Placement - Cash	18,200,000	64,872,221
Issue of shares - Placement - Settlement of Creditors	-	3,330,000
Issue of shares - Cleansing Prospectus	-	20,000
Issue of shares - Directors in lieu of fees (as resolved at 2017 AGM)'	-	1,711,111
Issue of shares - Conversion of Options	1,000,000	18,376,184
Issue of shares – Magna commitment shares	600,672	-
Issue of shares – Magna conversion	21,287,830	-
Issue of shares – Project Director	350,000	-
Balance at end of period	587,163,028	545,724,526

' See Note 16 d) for details of these shares issued.

Terms and conditions of contributed equity

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

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

b) Options

At 30 June 2019, the unissued ordinary shares of the Company under option are as follows:

Date of Expiry	Status	Exercise Price	Number of Options
27/02/2020	Unlisted	12.5 cents	2,000,000
30/06/2020	Unlisted	10.0 cents	199,000,000
31/03/2020	Unlisted	5.0 cents	2,394,444
11/12/2021	Unlisted	20.0 cents	2,500,000
			205,894,444

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

Shares issued on exercise of options

Options exercised during the year ended 30 June 2019 are as follows:
- On 29 March 2019 1,000,000 unlisted options were exercised by shareholders at $0.10 per shares

Options exercised during the year ended 30 June 2018 are as follows:
- On 29 November 2017 6,554,888 unlisted options were exercised by shareholders at $0.05 per share
- On 1 December 2017 941,667 unlisted options were exercised by shareholders at $0.05 per share
- On 1 December 2017 1,000,000 unlisted options were exercised by shareholders at $0.125 per share
- On 4 December 2017 462,963 unlisted options were exercised by shareholders at $0.05 per share
- On 4 December 2017 2,000,000 unlisted options were exercised by shareholders at $0.125 per share
- On 11 December 2017 4,416,666 unlisted options were exercised by shareholders at $0.05 per share
- On 15 December 2017 2,000,000 unlisted options were exercised by shareholders at $0.125 per share
- On 21 March 2018 1,000,000 unlisted options were exercised by shareholders at $0.125 per share

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

c) Capital management

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

d) Share based payments

The following options were issued as share-based payments arrangements during the year:

	Number of Options	Grant date	Expiry Date	Exercise Price	Fair value at grant date	Vesting date
Options issued to Directors[1]	11,250,000	28 November 2018	31 May 2019	$0.15	$0.0215	28 November 2018
Options issued to corporate advisor	2,500,000	28 November 2018	11 December 2021	$0.20	$0.0606	28 November 2018

[1] 11,250,000 facilitator options pursuant to the December 2017 placement were issued to Directors Tony Sage (2,500,000), Stefan Muller (6,250,000) and Malcolm Day (2,500,000) upon receipt of shareholder approval at the 2018 AGM.

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

	Assumption	
Number options issued	11,250,000	2,500,000
Dividend yield	0.00%	0.00%
Expected volatility	114%	114%
Risk-free interest rate	2.04%	2.04%
Expected life of options	0.50 years	3.0 years
Exercise price	$0.15	$0.20
Grant date share price	$0.105	$0.105

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

The following options were issued as share-based payments arrangements during the year ended 30 June 2018 to corporate advisors:

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

[1] These options related to the December 2017 placement.

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

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

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

The Company also issued shares and options during the year ended 30 June 2018 to directors to extinguish a liability owing to those directors for unpaid directors' fees. The issue of these shares and options was approved at the Company's 2017 AGM. Full details of the shares and options were contained in the Notice of AGM dated 19 October 2017. As at the date of the 2017 AGM (29 November 2017), the value of these shares and options were as follows:

Shares

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

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

Options

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

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

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

e) Share based payments expense

	2019 $	2018 $
Shares issued to Project Director	42,000	-
Options issued to Directors	241,688	-
Options issued to corporate advisor	151,570	-
Balance at end of period	435,258	-

17. RESERVES

	2019 $	2018 $
Share based payments reserve	4,933,022	4,539,764
Foreign currency translation reserve	1,968,414	1,485,281
	6,901,436	6,025,045
Share based payments reserve		
Balance at beginning of year	4,539,764	4,210,106
Issue of unlisted options	393,258	329,658
Balance at end of year	4,933,022	4,539,764
Foreign currency translation reserve		
Balance at beginning of year	1,485,281	424,547
Foreign currency exchange differences arising on translation of foreign operations	483,133	1,060,734
Balance at end of year	1,968,414	1,485,281

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

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

18. LOSS PER SHARE

	2019 $	2018 $
Loss used in the calculation of basic and dilutive loss per share	(2,802,667)	(749,798)

	2019 Cents per share	2018 Cents per share
Loss per share:		
Basic loss per share (cents per share)	(0.51)	(0.15)
Diluted loss per share (cents per share)	(0.51)	(0.15)

There are dilutive potential ordinary share on issue at balance date. However given the Company has made a loss, there is no dilution of earnings hence the diluted loss per share is the same as for basic loss per share.

	2019 Number	2018 Number
Weighted average number of shares	554,595,408	513,458,750

19. COMMITMENTS AND CONTINGENCIES

a) Exploration commitments

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

In December 2018, the Company awarded to Dorfner/Anzaplan the contract for complex metallurgical test work and pilot processing with work commenced immediately. The contract with Dorfner was executed on 8 January 2019 for a combined value of €1.498m. At 30 June 2019, €400,030 was remaining to be spent.

b) Contingencies

The Company has provided bank guarantees to the value of €20,000 in respect of any unrepaired damage to property at the Wolfsberg project.

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

20. CASH FLOW INFORMATION

	2019 $	2018 $
Reconciliation from net loss after tax to net cash used in operations		
Net loss	(2,802,667)	(749,798)
Non cash flows included in operating loss:		
Depreciation	3,565	2,508
Impairment	330	33,672
Transaction costs relating to the issue of convertible note facility	100,000	-
Shares issued Project Director	42,000	-
Options issued to corporate advisor and directors	393,258	-
Loss on fair value of financial assets through profit and loss	177,000	-
Difference between transaction price of convertible note and fair value at initial recognition	318,115	-
Fair value loss on remeasurement of convertible note	46,028	-
Forgiveness of related party loans	12,403	-
Exploration expenditure classified as operating	(4,599,012)	(4,279,180)
Expenditure classified as operating	(75,000)	-
Other expenses	(281,081)	(317,672)
Provision for annual leave	-	14,182
Shares issued in settlement of creditors	-	(218,500)
Changes in assets and liabilities:		
Decrease / (increase) in trade and other receivables	326,107	(70,196)
(Decrease) / increase in trade and other payables	139,087	133,660
Net cash (used in) operating activities	(6,199,867)	(5,451,324)

21. FINANCIAL INSTRUMENTS

a) Significant accounting policies

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

b) Financial risk exposures and management

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

c) Credit risk exposures

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

d) Interest rate risk

The Group is exposed to movements in market interest rates on cash. The policy is to monitor the interest rate yield curve out to 120 days to ensure a balance is maintained between the liquidity of cash assets and the interest rate of return. The entire balance of cash for the Group of $1,199,738 (30 June 2018: $3,258,892) is subject to interest rate risk.

e) Liquidity risk

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

Contractual maturities of financial liabilities

		Less than 6 months $	6 – 12 months $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Total contractual cashflows $	Carrying amount of liabilities $
Financial Liabilities								
Trade & other payables	2019	1,028,183	-	-	-	-	1,028,183	1,028,183
	2018	656,790	-	-	-	-	656,790	656,790
Convertible note	2019	1,078,136	-	-	-	-	1,078,136	1,078,136
	2018	-	-	-	-	-	-	-
Total	**2019**	**2,106,319**	**-**	**-**	**-**	**-**	**2,106,319**	**2,106,319**
	2018	**656,790**	**-**	**-**	**-**	**-**	**656,790**	**656,790**

f) Net fair value

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

g) Foreign currency risk

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

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

h) Fair value measurement

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

In calculating the fair value of the convertible note, the Group engaged an independent valuer who has applied a Monte Carlo valuation methodology based on a variety of significant variable inputs. As a result, the valuation of the derivative liability represents a level 2 measurement within the fair value hierarchy. The key inputs to the valuation model were as follows:

	Assumption
Underlying share price	$0.086
Expiry date	14 September 2019
Expected volatility	95%
Risk-free interest rate	0.98%
Spot exchange rate (AUD: USD)	0.702

Set out below is an overview of financial instruments, other than cash and short-term deposits, held by the Group as at 30 June 2019:

	At amortised cost	Fair value Through profit or loss	Fair value Through other comprehensive income
	$	$	$
Financial assets			
Trade and other receivables	309,918	-	-
Total current	309,918	-	-
Financial assets	-	128,000	-
Total non-current	-	128,000	-
Total assets	309,918	128,000	-
Financial liabilities			
Trade and other payables	1,028,183	-	-
Convertible note	-	1,078,136	-
Total current	1,028,183	1,078,136	-
Total liabilities	1,028,183	1,078,136	-

Set out below is an overview of financial instruments, other than cash and short-term deposits, held by the Group as at 30 June 2018:

	At amortised cost	Fair value Through profit or loss	Fair value Through other comprehensive income
	$	$	$
Financial assets			
Trade and other receivables	599,840	-	-
Total current	599,840	-	-
Financial assets	-	225,000	-
Total non-current	-	225,000	-
Total assets	599,840	225,000	-
Financial liabilities			
Trade and other payables	656,789	-	-
Convertible note	-	-	-
Total current	656,789	-	-
Total liabilities	656,789	-	-

22. SUBSIDIARIES

	Country of Incorporation	Ownership Interest 2019 %	Ownership Interest 2018 %
European Lithium Limited	Australia	100	100
Subsidiaries			
ECM Lithium AT GmbH	Austria	100	100
ECM Lithium AT Operating GmbH	Austria	100	100
European Lithium AT (Investments) Ltd	British Virgin Islands	100	100

23. RELATED PARTY DISCLOSURE

a) Sales and Purchases between Related Parties

Balances between the Company and its subsidiaries which are related parties of the Company have been eliminated on consolidation and are not disclosed in this note. Details of percentage of ordinary shares held in subsidiaries are disclosed in Note 22 to the financial statements.

Note 22 provides information about the group's structure including the details of the subsidiaries and the holding company. The following table provides the total amount of transactions and outstanding balances that have been entered into with related parties for the relevant year.

		Sales to Related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
Director related entities					
Cape Lambert Resources Limited	2019	33,366	66,085	21,015	-
Cape Lambert Resources Limited	2018	161	201,824	161	30,030
FE Limited	2019	34,488	-	5,907	-
FE Limited	2018	-	-	-	-
International Petroleum Ltd	2019	2,525	-	2,525	-
International Petroleum Ltd	2018	-	-	-	-
Karratha Metals Group Ltd	2019	19,353	-	5,909	-
Karratha Metals Group Ltd	2018	-	-	-	-
Okewood Pty Ltd	2019	1,516	-	-	-
Okewood Pty Ltd	2018	-	60,000	-	-
Deutsche Gesellschaft für Wertpapieranalyse GmbH	2019	-	129,040	-	32,832
Deutsche Gesellschaft für Wertpapieranalyse GmbH	2018	-	132,351	-	-
Frankfurt Capital Market Consulting	2019	-	73,302	-	-
Frankfurt Capital Market Consulting	2018	-	267,554	-	-

Mr Antony Sage is a director of Cape Lambert Resources Limited, FE Limited, International Petroleum Ltd and Karratha Metals Group Ltd. Sales to and purchases from director related entities are for the reimbursement of employee, consultancy, occupancy, travel and other costs.

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

During the year ended 30 June 2019 and 30 June 2018, Deutsche Gesellschaft Für Wertpapieranalyse GmbH (**DGWA**) provided investor relation consulting services to the Company. During the year ended 30 June 2019, DGWA received fees in relation to the May placement. Mr Stefan Muller is a director of DGWA.

During the year ended 30 June 2019, Frankfurt Capital Market Consulting (FCM) received expense reimbursements in relation to investor relation activities undertaken during the year. During the year ended 30 June 2018, FCM received fees in relation to the Vienna stock exchange listing and finder fees and commission in respect to the October and December placements. Frankfurt Capital Market Consulting is a subsidiary of DGWA which is controlled by Stefan Muller.

24. KEY MANAGEMENT PERSONNEL DISCLOSURES

a) Key management personnel compensation

	2019 $	2018
Short-term employee benefits	254,100	304,318
Post-employment benefits	-	1,230
Share based payments	241,688	-
	495,788	305,548

Detailed remuneration disclosures are provided in the Remuneration Report which forms part of the Directors' Report.

b) Equity instrument disclosures relating to key management personnel

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

25. PARENT ENTITY FINANCIAL INFORMATION

a) Summary financial information

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

	2019 $	2018 $
Statement of financial position		
Current assets	1,165,640	3,354,392
Total assets	14,154,259	12,023,947
Current liabilities	1,397,566	102,699
Total liabilities	1,397,566	102,699
Net assets	12,756,693	11,921,250
Shareholders Equity		
Issued capital	31,786,257	28,213,567
Reserves	7,213,976	6,820,718
Accumulated losses	(26,243,540)	(23,113,035)
Total equity	**12,756,693**	**11,921,250**
Net loss for the year	(3,130,504)	(694,519)
Comprehensive loss	(3,130,504)	(694,519)

26. EVENTS AFTER THE REPORTING PERIOD

In July 2019, the Company awarded to DRA the contract for the optimisation of the underground crushing and sorting facilities. The contract with DRA was executed on 25 July 2019 for a combined value of ZAR 1,325,574.

On 11 July 2019, the Company issued 2,000,000 shares at $0.09 per shares pursuant to a placement. On the same day, the Company issued 983,548 shares to Magna upon the conversion of 50,000 notes.

On 31 July 2019, the Company announced that it has executed binding documentation for a A$10m finance facility with Winance Investment LLC (**Winance**). The Winance Finance Facility replaces the Company's existing A$10m facility with MEF I, L.P (**Magna**). Any funds advanced under the Winance Finance Facility will be used to repay the residual amount owing to Magna, to fast-track the completion of a DFS at the Company's Wolfsberg Lithium Project in Austria and for general working capital purposes. On 20 September 2019, the Company issued 1,200 notes being the initial A$2.0 million drawdown under the facility.

On 31 July 2019, the Company issued 995,223 shares to Magna upon the conversion of 50,000 notes.

On 16 August 2019, the Company issued 1,016,411 shares to Magna upon the conversion of 50,000 notes.

On 13 September 2019, the Company issued 1,000,000 shares to Magna as consideration for extension of repayment date of convertible notes.

On 25 September 2019, the Company made a payment of US$550,000 to Magna as partial repayment of convertible notes.

On 25 September 2019, the Company issued 285,714 shares to Winance upon the conversion of 20 notes.

Subsequent to the year-end, the Company has completed the shallow drilling and is currently awaiting assay results.

No other matters or circumstances have arisen since the end of the financial year which significantly altered or may significantly alter the operations of the Company, the results of those operations or the state of affairs of the Company in financial years subsequent to 30 June 2019.

DIRECTORS' DECLARATION

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

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

      i. giving a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the year then ended; and

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

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

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

2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2019.

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

Dated 27 September 2019

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Tony Sage
Chairman
Perth, Western Australia

INDEPENDENT AUDITOR'S REPORT

To the members of European Lithium Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of European Lithium Limited ("the Group") and its controlled entities ("the Group"), which comprises the statement of financial position as at 30 June 2019, the consolidated statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

a) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2019 and of their financial performance for the year then ended; and

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

Basis for opinion

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

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

Key audit matters

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

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HLB MANN JUDD
ADVISORY AND ACCOUNTING

Key Audit Matter	How our audit addressed the key audit matter
Carrying amount of deferred exploration and evaluation expenditure Refer to Notes 2(s) and 11	
In accordance with AASB 6 *Exploration for and Evaluation of Mineral Resources*, the Group capitalises all exploration and evaluation expenditure, including acquisition costs and subsequently applies the cost model after recognition. Our audit focussed on the Group's assessment of the carrying amount of the capitalised deferred exploration and evaluation asset, as this is the most significant asset of the Group. We planned our work to address the audit risk that the capitalised expenditure might no longer meet the recognition criteria of the standard. In addition, we considered it necessary to assess whether facts and circumstances existed to suggest that the carrying amount of the deferred exploration and evaluation asset may exceed its recoverable amount.	Our procedures included but were not limited to the following: • We obtained an understanding of the key processes associated with management's review of the carrying values of each area of interest; • We considered the Directors' assessment of potential indicators of impairment; • We obtained evidence that the Group has current rights to tenure of its areas of interest; • We examined the exploration budget for the year ending 30 June 2020 and discussed with management the nature of planned ongoing activities; • We enquired with management, reviewed ASX announcements and reviewed minutes of Directors' meetings to ensure that the Group had not resolved to discontinue exploration and evaluation at any of its areas of interest; and • We examined the disclosures made in the financial report.

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

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial report

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

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

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

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

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

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

HLB MANN JUDD
ADVISORY AND ACCOUNTING

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included within the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of European Lithium Limited for the year ended 30 June 2019 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

L Di Giallonardo
Partner

Perth, Western Australia
27 September 2019

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

Ordinary Share Capital
591,141,799 issued ordinary shares held by 1,361 shareholders carry one vote per share.

Options
199,000,000 unlisted options on issue, exercisable at $0.10 on or before 30 June 2020
2,000,000 unlisted Director options on issue, exercisable at $0.125 on or before 27 February 2020
2,394,444 unlisted options on issue, exercisable at $0.05 on or before 31 March 2020
2,500,000 unlisted operation on issue, exercisable at $0.20 on or before 11 December 2021

Options have no voting entitlements.

Distribution of shareholders as at 31 July 2019

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

Range of Units	Total Number of Shareholders	No. of ordinary shares held
1 - 1,000	397	130,431
1,001 - 5,000	281	826,540
5,001 - 10,000	177	1,362,219
10,001 - 100,000	381	13,994,542
100,001 and over	126	574,828,067

(b) There were 686 holders holding less than a marketable parcel of ordinary shares 5,377.

Twenty largest shareholders as at 31 July 2019

		No. of ordinary shares held	% Held
1.	J P MORGAN NOMINEES AUSTRALIA LIMITED	315,813,276	53.42
2.	DEMPSEY RESOURCES PTY LTD	64,300,000	10.88
3.	EXCHANGE MINERALS LIMITED	41,138,140	6.96
4.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	25,275,415	4.25
5.	CITICORP NOMINEES PTY LIMITED	21,728,295	3.68
6.	VENI VIDI VICI LTD	20,249,354	3.43
7.	DELECTA LIMITED	11,000,000	1.86
8.	CAULDRON ENERGY LTD	7,944,910	1.34
9.	MR ANTONY WILLIAM PAUL SAGE <OKEWOOD PTY LTD>	6,245,379	1.06
10.	KARNTNER MONTANINDUSTRIE	5,411,499	0.92
11.	MR ANDREW WILLIAM SPENCER <SPENCER SUPER FUND A/C>	4,115,294	0.70
12.	MR ANTONY WILLIAM PAUL SAGE + MRS LUCY FERNANDES SAGE <EGAS SUPERANNUATION FUND>	4,000,000	0.68
13.	H R MOSER AND ASSOCIATES	2,222,222	0.38
14.	MR OLIVER KASTALIO	2,000,000	0.34
15.	MR GERARD MCGROARTY	1,638,095	0.28
16.	GOLDSHORE INVESTMENTS PTY LTD <M R DAY SUPERFUND A/C>	1,580,000	0.27
17.	CL VERMOEGENSVERWALTUNGS GMBH	1,500,000	0.25
18.	HOLLYWOOD MARKETING (WA) PTY LTD	1,488,889	0.25
19.	ANDREW WILLIAM SPENCER <ESTELLE FAMILY A/C>	1,250,000	0.21
20.	AUSTRALIAN SHARE NOMINEES PTY LIMITED <AUSTRALASIAN HOLDING AC>	1,179,009	0.20
		540,079,777	**91.36**

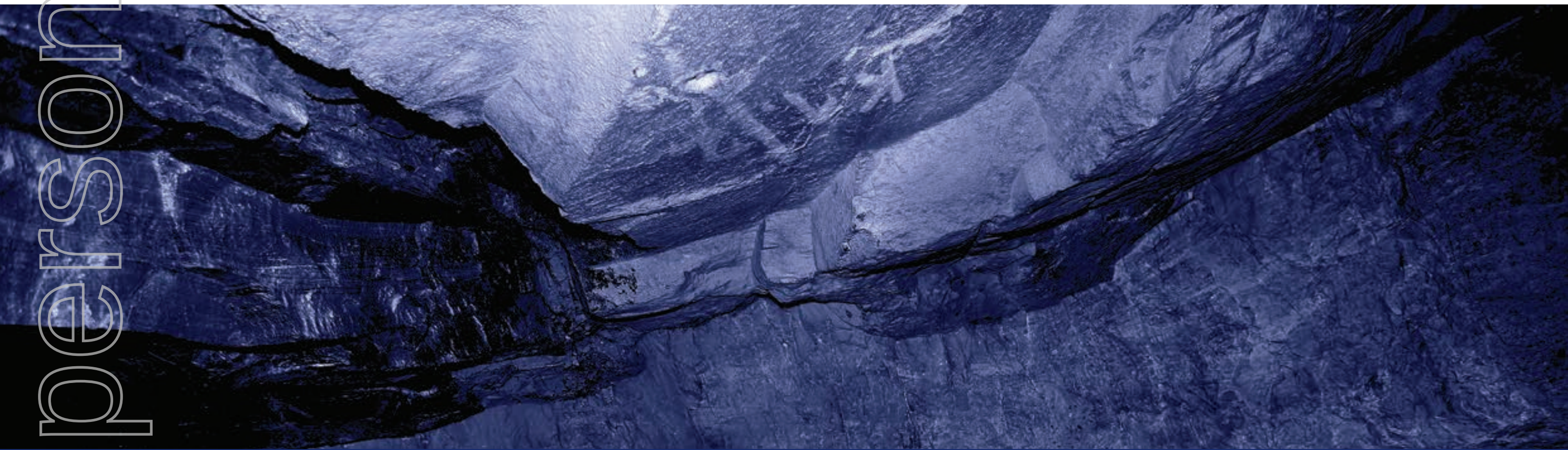
Substantial shareholders as at 31 July 2019

	No. of ordinary shares held	% Held
J P MORGAN NOMINEES AUSTRALIA LIMITED	315,813,276	53.42
DEMPSEY RESOURCES PTY LTD	64,300,000	10.88
EXCHANGE MINERALS LIMITED	41,138,140	6.96

Tenement Reference	Location	Ownership Interest
104/96	Wolfsberg Project, Austria	100%
105/96	Wolfsberg Project, Austria	100%
106/96	Wolfsberg Project, Austria	100%
107/96	Wolfsberg Project, Austria	100%
108/96	Wolfsberg Project, Austria	100%
109/96	Wolfsberg Project, Austria	100%
110/96	Wolfsberg Project, Austria	100%
111/96	Wolfsberg Project, Austria	100%
112/96	Wolfsberg Project, Austria	100%
113/96	Wolfsberg Project, Austria	100%
114/96	Wolfsberg Project, Austria	100%
115/96	Wolfsberg Project, Austria	100%
116/96	Wolfsberg Project, Austria	100%
117/96	Wolfsberg Project, Austria	100%
118/96	Wolfsberg Project, Austria	100%
119/96	Wolfsberg Project, Austria	100%
120/96	Wolfsberg Project, Austria	100%
121/96	Wolfsberg Project, Austria	100%
122/96	Wolfsberg Project, Austria	100%
123/96	Wolfsberg Project, Austria	100%
124/96	Wolfsberg Project, Austria	100%
125/96	Wolfsberg Project, Austria	100%
370/11(611/11)	Wolfsberg Project, Austria	100%
371/11(612/11)	Wolfsberg Project, Austria	100%
372/11(613/11)	Wolfsberg Project, Austria	100%
373/11(614/11)	Wolfsberg Project, Austria	100%
374/11(615/11)	Wolfsberg Project, Austria	100%
375/11(616/11)	Wolfsberg Project, Austria	100%
378/11(619/11)	Wolfsberg Project, Austria	100%
379/11(620/11)	Wolfsberg Project, Austria	100%
380/11(621/11)	Wolfsberg Project, Austria	100%
381/11(622/11)	Wolfsberg Project, Austria	100%
382/11(623/11)	Wolfsberg Project, Austria	100%
383/11(624/11)	Wolfsberg Project, Austria	100%
384/11(625/11)	Wolfsberg Project, Austria	100%
386/11(627/11)	Wolfsberg Project, Austria	100%
387/11(628/11)	Wolfsberg Project, Austria	100%
388/11(629/11)	Wolfsberg Project, Austria	100%
389/11(630/11)	Wolfsberg Project, Austria	100%
390/11(631/11)	Wolfsberg Project, Austria	100%
391/11(632/11)	Wolfsberg Project, Austria	100%
392/11(633/11)	Wolfsberg Project, Austria	100%
394/11(636/11)	Wolfsberg Project, Austria	100%
395/11(637/11)	Wolfsberg Project, Austria	100%
396/11(638/11)	Wolfsberg Project, Austria	100%
397/11(639/11)	Wolfsberg Project, Austria	100%
398/11(640/11)	Wolfsberg Project, Austria	100%
400/11(645/11)	Wolfsberg Project, Austria	100%
401/11(646/11)	Wolfsberg Project, Austria	100%
402/11(647/11)	Wolfsberg Project, Austria	100%
403/11(648/11)	Wolfsberg Project, Austria	100%
408/11(648/11)	Wolfsberg Project, Austria	100%
409/11(641/11)	Wolfsberg Project, Austria	100%
412/11(649/11)	Wolfsberg Project, Austria	100%
Andreas 1	Wolfsberg Project, Austria	100%
Andreas 2	Wolfsberg Project, Austria	100%
Andreas 3	Wolfsberg Project, Austria	100%
Andreas 4	Wolfsberg Project, Austria	100%
Andreas 5	Wolfsberg Project, Austria	100%
Andreas 6	Wolfsberg Project, Austria	100%

Andreas 7	Wolfsberg Project, Austria	100%
Andreas 8	Wolfsberg Project, Austria	100%
Andreas 9	Wolfsberg Project, Austria	100%
Andreas 10	Wolfsberg Project, Austria	100%
Andreas 11	Wolfsberg Project, Austria	100%

EUROPEAN
LITHIUM LTD



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